

United Nations Principles for Responsible Banking self-assessment

ÅLANDSBANKEN



Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

The Bank of Åland (Ålandsbanken) was founded in 1919 as Ålands Aktiebank, and has been listed on the Helsinki Stock Exchange (now the Nasdaq Helsinki Oy) since 1942. It is a Finnish bank targeting high net worth and affluent individuals. The head office is located in Mariehamn, Åland, and the business operations include Finland and Sweden. The Bank of Åland Group has two subsidiaries: the fund management company Ålandsbanken Fondbolag Ab and the information technology (IT) company Crosskey Banking Solutions Ab Ltd. In the Åland islands, the Bank of Åland is a bank for all residents, and is both in a position and with a desire to help develop the Åland of the future. On the Finnish mainland and in Sweden, the Bank of Åland has a niche strategy targeted to entrepreneurs, wealthy families and individual customers with sound finances. The Bank of Åland offers two concepts: Private Banking and Premium Banking. Over the years, the Bank of Åland has established itself as an innovative pioneer in the financial services sector. Our Premium Banking concept was launched in 2004 and has developed into a model followed by our competitors in the Nordic countries. In 2016, with the Åland Index, we created an international standard for measuring the climate impact of private consumption. The Bank of Åland has business partnerships with various financial technology (fintech) companies, and also supplies services to companies in the financial services sector. The Bank of Åland is also a shareholder in several of its partner companies.

Links and references

See the Annual and Sustainability report 2022, pages 2-3 for information on the legal structure and activities across geographical locations.

See the Annual and Sustainability report 2022, Note G1 for Corporate information, Note G4 for Segment report, Note G5 for Product areas and Note G6 for Geographic distribution.

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
- No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

Response

Given our close connection to the small community of Åland, located among thousands of islands in the middle of the Baltic Sea, sustainability work has been a natural element of our core values for a long time. Sustainability issues are an integral part of our usual operational management, where the Board of Directors, the Executive Team and all our employees have their roles. In 2019 the Bank of Åland signed the United Nations Principles for Responsible Banking. The sustainability analysis begins with the materiality analysis which is based on the 17 United nations sustainable development goals. We analyse our operations and identify the areas where we have positive and negative impacts. Then we set clear sustainable development targets and regularly follow up on our work. The Bank of Åland has a climate strategy which defines how to achieve the climate targets we have established. Our ambition is in line with the Paris Agreement and the decisions made by Finland and Sweden to achieve climate neutrality by 2035 and 2045, respectively. In addition, the Bank's climate target supports Goal 6 of the Bärkraft initiative for a sustainable Åland: Greatly reduced climate impact. Our long-term target is to become a climate-neutral group and finally achieve net-zero emissions. In 2021 we joined the Net-Zero Banking Alliance, which means that by 2050 we shall report net-zero greenhouse gas emissions, in line with the Paris Agreement. With the help of the Greenhouse Gas Protocol (GHGP), Scope 1–3, we calculate greenhouse gas emissions on a quarterly basis from our own operating activities and from the loan and treasury portfolios in our balance sheet, as well as from our customers' financial investment portfolios.

Links and references

See the Annual and Sustainability report 2022, pages 8-12 and 23-28, as well as Note G3: The Group's risk management.

See the web site: <https://www.alandsbanken.com/sustainability>

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

The Bank of Åland has performed an impact analysis of its consumer banking and business loan portfolios, using the Consumer Banking and Institutional Banking modules in the Impact Analysis Tool.

In the Consumer Banking module, consumer loans have been analysed for all three regions: Åland, Finland and Sweden.

The loan portfolio has been analysed with regards to the outstanding loan amounts at the time of the analysis in mid 2022, matching them to the loan products featured in the template.

In the Institutional Banking module, business loans have been analysed for all three regions: Åland, Finland and Sweden.

The loan portfolio for business loans has been analysed with regards to the outstanding loan amounts for the 20 largest sectors for each geographical area, at the time of the analysis in August 2022.

The investment portfolio has not yet been analysed, as the focus in 2022 was to implement the analysis of the loan portfolio.

Links and references

See the Annual and Sustainability report 2022, pages 27-28.

b) Portfolio composition: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response

The portfolio composition used in the impact analysis document is the portion deemed suitable for the analysis format at the time of the analysis in mid 2022, meaning that the suitable lending products have been divided into the categories seen in the analysis template. All lending is not necessarily included. Please note that all percentages mentioned here are rounded and refers to the analysed data at the time of the analysis in mid 2022.

i) In the Institutional Banking module, business loans have been analysed for all three regions: Åland, Finland and Sweden. The 20 largest sectors for each geographical area have been chosen to be included in the analysis. In the table in Appendix 1, you can see how the analysed portion of the business loan portfolio is spread over various sectors. In Åland and Sweden, the largest single portion of business loans can be found in the sector real estate, with nearly 29 % and 61 % respectively. In Finland, real estate is also a major area with 24 %, which is only surpassed by financial and insurance activities, which make up roughly 38 % of the business loans.

ii) In the Consumer Banking module, consumer loans have been analysed for all three regions: Åland, Finland and Sweden. 18 % of the consumer loans are in Åland, 59 % of the consumer loans are in Finland and 23 % of the consumer loans are in Sweden. The loan portfolio has been analysed with regards to the outstanding loan amounts at the time of the analysis in mid 2022. All loan products in the reporting system have been included in the analysis, matched to the loan products featured in the analysis template. For consumers, the majority of loans were mortgages, with 76 % in Åland and 73 % in Finland. In Sweden, the majority of consumer loans were spread over unlabelled consumer credit (47 %) and mortgages (52 %). The remaining percentages include other types of loans such as student loans, overdrafts, vehicle loans etc. The analysis also took gender and age of the customers into account.

Links and references

See the Annual and Sustainability report 2022, pages 27-28.

See Appendix 1 for data.

Principle 2: Impact and Target Setting

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<p>c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. <i>This step aims to put your bank's portfolio impacts into the context of society's needs.</i></p>		<p>Climate and environment is the essential area in which we took a big step forward in 2022 by defining our climate strategy. This is also the area which is the focus of our main climate target to reduce CO₂e emissions, become a climate-neutral organization and eventually achieve net-zero emissions. The second most significant area and its target is yet to be decided in 2023, and it is likely to be within the natural environment area based on the impact analysis tool. We also want to have our investment portfolio analysed and evaluated in order to have a wider perspective and ensure that our second target really is within an area in which we have a significant impact.</p>	
<p>Response The main challenges and priorities for the regions in which the Bank of Åland operates are quite similar for all three analyzed regions since they are located close to one another in the Nordic region. There are only minor differences in focus areas between them. Åland has the following priority areas: Food, energy, housing, climate stability, habitat, resource intensity and waste. Finland has the following priority areas: Food, energy, housing, climate stability, habitat, resource intensity and waste. Sweden has the following priority areas: Conflict, food, energy, housing, waterbodies, habitat, resource intensity and waste. The origin of the data regarding challenges and priorities for countries which is used in the impact analysis document is the basic data included in the template. Since Åland is not included as a country in the template, the data for Finland has been copied to be used for Åland. The reason for separating two areas within the same country in the analysis, is that there is a difference in customer focus groups between the two areas. In general, the Bank of Åland takes all of the national sustainability priorities into account within the impact analysis tool. The Bank of Åland is an active part in Bärkraft, which is a local sustainability network in Åland. Regarding the geographical position and socioeconomic situation, climate and environmental issues are in general seen as the most prioritized ones. The analysis was conducted using the UNEP FI analysis tool and no stakeholders have been involved at this stage.</p>	<p>Links and references See the Annual and Sustainability report 2022, pages 23-28</p>	<p>d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context. In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex. If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this. <i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.</p>		<p>Response The impact analysis shows that home/mortgage loans to private customers and loans to construction companies have the strongest impact as this category is the largest share of the portfolio. These have both a positive and a negative impact. As climate impact is seen as an essential area, the emissions have been measured for the portfolio in general, not specifically regarding the focus areas. CO₂e emissions regarding the loan portfolio are measured, and specified by sector in order to see the effect on the climate each sector has. As an assessment of home loans/mortgages, the CO₂e emission per square metre of living area has been measured.</p>	<p>Links and references See the Annual and Sustainability report 2022, pages 27-28, as well as Note S1. For general information, also see S8 for an overview of the prioritised SDG's for the Bank of Åland, based on a previous analysis.</p>
<p>The results of the PRB impact analysis of responsible lending showed that through its lending, the Bank of Åland, has an important role in social change. The analysis shows that we have a positive impact on the UN's global sustainable development goal number 8, Decent work and economic growth, by offering financial products and services. The analysis also shows that we contribute positively to goal 11, Sustainable cities and communities, among other things by providing financing to private individuals as well as construction and real estate companies, which creates opportunities for housing. The UNEP FI Impact analysis tool shows that our negative impact is primarily linked to climate and the environment, because through our financing transactions, our operations affects areas such as climate, biodiversity, waste and resource efficiency. This mainly applies to our financing of private homes as well as construction and real estate companies since this make up a large part of the business, as seen in 2.1b) Using the impact analysis tool we are still working on a broader understanding of our impact in other areas.</p>	<p>Links and references See the Annual and Sustainability report 2022, pages 23-28 as well as Note S8.</p>		

Principle 2: Impact and Target Setting

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Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- Scope: Yes In progress No
- Portfolio composition: Yes In progress No
- Context: Yes In progress No
- Performance measurement: Yes In progress No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

The results of the PRB impact analysis of responsible lending showed that through its lending, the Bank of Åland, has an important role in social change. The analysis shows that we have a positive impact on the UN’s global sustainable development goal number 8, Decent work and economic growth, by offering financial products and services. The analysis also shows that we contribute positively to goal 11, Sustainable cities and communities, among other things by providing financing to private individuals as well as construction and real estate companies, which creates opportunities for housing.

The UNEP Fi Impact analysis tool shows that our negative impact is primarily linked to climate and the environment, because through our financing transactions, our operations affects areas such as climate, biodiversity, waste and resource efficiency. Using the impact analysis tool we are still working on a broader understanding of our impact in other areas.

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

The data for the Consumer Banking analysis was collected during the time period June to October 2022. In October, more details on the gender and age of the customers were added. The data for the Institutional/Business Banking analysis was collected in August 2022.

Principle 2: Impact and Target Setting

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

The climate strategy defines how we will achieve the climate targets we have established and supports our work with the Sustainable Development Goals. Our ambition is in line with the Paris Agreement and the decisions made by Finland and Sweden to achieve climate neutrality by 2035 and 2045, respectively. In addition, the Bank's climate target supports Goal 6 of the Bärkraft initiative for a sustainable Åland: Greatly reduced climate impact.

Links and references

See the Annual and Sustainability report 2022, pages 11-12, 25-26, and Note S1, as well as <https://www.alandsbanken.ax/>

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	A.1.1	Yes, there is a climate strategy in place.
	A.1.2	Yes, a long-term portfolio-wide Paris-alignment target has been set. The Bank of Åland has set a target to become net zero by 2050. The base year for this target is 2021. The climate scenario and actual target is: We shall reduce our CO ₂ e emissions by 50 per cent no later than 2030, compared to 2021. We shall be climate-neutral no later than 2035, in line with Finland's climate policy decision. We shall achieve net-zero emissions by 2050.
	A.1.3	This is in progress. The Bank of Åland has put in place a policy and process for client relationships, in the shape of the climate strategy which was put in force in December 2022.
	A.1.4	Yes, the CO ₂ e emissions from the lending, treasury and investment portfolios have been analyzed, to the extent where possible. The base year for the analysis and the target is 2021. Further response can be found in Annex A and in the Annual and Sustainability report 2022, Note S1.
	A.1.5	Yes, there are financial products in place regarding the investment and treasury areas. See the Annual and Sustainability report 2022, pages 29-32, as well as Notes S3 and S4.
	A.2.1	An engagement process with clients regarding their strategy towards a lower carbon business model through the climate strategy is being set up.

Principle 2: Impact and Target Setting

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<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
Climate change mitigation	A.2.2	Total GHG emissions in CO ₂ e can be found in the Annual and Sustainability report 2022, Note S1.
	A.2.3	Emission intensity per NACE sector, measured as tonnes CO ₂ e/MEUR can be found in the Annual and Sustainability report 2022, Note S1.
	A.2.4	N/A
	A.3.1	Financial volume of green assets: At the end of 2022, 6.4 per cent of the treasury portfolio consisted of green bonds.
	A.3.2	Financial volume lent to/invested in carbon intensive sectors and activities: At the end of 2022, 0,2 per cent of the treasury portfolio, and 2,39 per cent of Ålandsbanken Fondbolag AUM was invested in carbon intensive sectors according to the mapping set up by Svanen.
	A.4.1	CO ₂ e emissions can be found in the Annual and Sustainability report 2022, Note S1. The emissions from the loan portfolio have been reduced by 15 per cent from 2021 to 2022, while the emissions from the financial investments have been reduced by 8 per cent and the emissions from treasury with 23 per cent in the same time frame.
	A.4.2	To measure alignment with the Paris agreement, the Bank of Åland uses Science Based Target SBTi as a factor. For the investment area, 36 per cent of the fund holdings has signed and 23 per cent has begun the process of signing SBTi. Regarding the treasury portfolio, 9.7 per cent of holdings have initiated the process to set SBTi Near term, while 0.2 per cent have had their targets independently validated by the SBTi. In addition to this, 8 per cent of the holdings has begun the process of setting their SBTi Net-zero target. 8 per cent of the holdings in the treasury portfolio are members of the Business Ambition for 1.5 campaign. 24.4 per cent of the treasury portfolio consists of debt securities issued by sovereigns that are signatories of the Paris Climate Agreement. Alignment with the Paris Climate Agreement is not yet measured for the loan portfolio.

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
Financial health & inclusion	...	Annex B and C regarding Financial health and inclusion are out of scope for Ålandsbanken and are therefore not included.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

The Bank of Åland reports in Annex A as signatories of Net-Zero Banking Alliance. Annex B and C are out of scope. We have included the parts of the annex that are relevant to our business operations.

Links and references

See the Annual and Sustainability report 2022, Note S1.
See Annex A for indicator codes and questions.

Principle 2: Impact and Target Setting

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c) SMART targets (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

<p><i>Response</i></p> <p>The climate targets of the Bank of Åland are:</p> <ol style="list-style-type: none"> 1. The Bank of Åland shall reduce its CO₂e emissions by 50 per cent no later than 2030, compared to 2021. 2. The Bank of Åland shall be a climate-neutral organisation no later than 2035. 3. The Bank of Åland shall achieve net-zero emissions by 2050. <p>The progress is measured by calculating CO₂e emissions according the the Greenhouse Gas Protocol.</p> <p>At the moment there is only one determined target. A second one will be determined in 2023.</p>	<p><i>Links and references</i></p> <p>See the Annual and Sustainability report 2022, pages 11-12 and 26, as well as Note S1.</p>
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d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

<p><i>Response</i></p> <p>The climate target in itself, contains milestones, beginning with a reduction of CO₂e emissions, which is followed by climate-neutrality, leading up to net-zero emissions in 2050.</p> <p>Further milestone targets that have been set are:</p> <ul style="list-style-type: none"> • To reduce CO₂e emissions from business travels by 50 per cent by 2030, compared to 2022. • CO₂e emissions from electricity usage must remain low, by remaining at the level of 100 % purchased from renewable sources. • To reduce CO₂e emissions from paper usage by 10 per cent compared to 2022. <p>The climate strategy, which was put in place in December 2022, defines how we will achieve the climate targets we have established, and rests on a three-part foundation:</p> <ul style="list-style-type: none"> • Data and calculation models. Here the focus is on collecting data and applying them in comparable calculation models. Reliable data remain in short supply, especially data for the GHG Scope 3. • Application of a criteria structure. By working with different types of requirements and restrictions, we can ensure that we achieve our targets. One example is that the Bank of Åland can demand that the companies we invest in, or fund, have a well established climate target. As for setting criteria, the conditions vary for different parts of the Bank of Åland's operations. • Target setting and follow-up. To achieve the Group's targets for CO₂e emissions according to the GHG protocol, the target must be broken down into different stages and sub-targets, on a yearly basis and long-term. Follow-up takes place quarterly, and targets can be adjusted continuously. Our governance process is still a work in progress. <p>Some of the requirements that were set up in the climate strategy in December 2022 were:</p> <p>For the investment area, a requirement has been set for companies to have either set a, or be in the process of setting a Science Based Target (SBTi).</p> <p>For the loan portfolio, business customers will be asked to adhere to the ambition to reduce their CO₂e emissions by 50 % to 2030. Businesses which produce non-renewable energy will also be excluded.</p> <p>The treasury area has set criterias, which includes evaluation of new investments and existing holdings from a climate perspective. This evaluation is performed using criteria that indicate whether the securities issuer has taken, or plans to take, steps to reduce its emissions. These criteria are based on scientific objectives, such as SBTi, or on various initiatives such as net-zero emission targets.</p> <p>An important overall focus area is involving stakeholders and training staff to committing to engaging with their customers. Further actions will be worked on continuously and developed along the line. The Bank of Åland has discussed the impact of the climate targets on other significant Sustainable Development Goals, but has not yet analysed the potential significant impact.</p>	<p><i>Links and references</i></p> <p>See the Annual and Sustainability report 2022, pages 24-26, 29-32.</p>
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Principle 2: Impact and Target Setting

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Self-assessment summary:

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...			
	... first area of most significant impact: ... Climate change -mitigation, and adaptation	... second area of most significant impact: ... To be developed.	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... N/A
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

In December 2022, the climate strategy was adopted, in line with the plan for the year. Since the climate target is to reduce CO₂e emissions, getting calculations in place and improving them has been a focus during both 2021 and 2022. The emission statistics include the bank's investment and lending operations, the treasury operations and the business operations. The calculation is based on the GHG protocol and on available data within Scope 1, 2 and parts of Scope 3. Over the course of the year, the calculations on CO₂e emissions were expanded to include larger portions of Scope 3 downstream. These calculations are expected to be continuously improved over the upcoming years. In 2022, the emissions were 1,819,554 tonnes of CO₂e, which is a reduction of 9 per cent compared to the 2021 emission figures, which is a step in the right direction towards the Bank of Åland's climate targets. During 2022, the previous target to buy 100 per cent of the energy from renewable sources was reached.

Links and references

See the Annual and Sustainability report 2022, pages 12, 26 and 35, as well as Note S1.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹⁾. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

As the requirements for transparency and external communication about corporate sustainability work have increased, the Bank of Åland's stakeholders have also gained a more prominent role in our sustainability work. Demands for sustainability are increasingly regarded as normal throughout our product range. To gain a deeper understanding of the needs of the stakeholders, we have communicated with them, for instance through customer and brand surveys, as well as engaging in business forums. During 2023, we will further intensify our dialogue with stakeholders to gain better insights into what they need and what drives them to make various sustainable choices.

The business areas also have their own processes for how to work with sustainable practices.

A specific client engagement project for the Bank of Åland is The Baltic Sea Project, which works for a healthier sea by funding good ideas and raising awareness of the state of the Baltic Sea. Linked to this project, one finds the Baltic Sea Card, which is a payment card coupled to the Åland Index, which helps the customers estimate the carbon footprint of their purchases.

Links and references

See the Annual and Sustainability report 2022: page 10 for the Baltic Sea Project, page 27 for stakeholders and pages 29-38 for sustainability work in the business areas.

www.alandsbanken.ax

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

Investments:

The Bank of Åland has a wide range of products and services where the environmental, social and corporate governance (ESG) aspects are fully integrated into the investment processes. We pursue a dialogue with companies to help persuade them to contribute positively to the sustainability challenges that lie ahead.

During 2022, our focus was on identifying and measuring emissions in our portfolio companies. As part of the Bank of

Links and references

See the Annual and Sustainability report 2022:

Investments: Page 29-30 and Note S3.

Åland's climate strategy, we require companies to have or to develop scientifically based climate goals. During the year, we measured how many companies had joined or expressed their ambition to join the Science Based Targets initiative (SBTi). By year-end, 23 per cent of our portfolio companies had initiated the process of changing their operations to be in line with SBTi and 36 per cent had already joined.

The climate strategy has also influenced the investments, since among other things we prioritise renewable energy sources over fossil ones. Among our bond investments, we prioritise real estate companies that have issued green bonds to improve their energy efficiency.

At the end of 2022, the Bank of Åland had 70 MEUR in Green Bond ESG and 248 MEUR in wind power funds. These funds contribute to concrete actions such as creating more renewable energy, improve energy efficiency, prevent and limit pollution, sustainable use of water and sewage, as well as adapting to climate change.

We review all products included in the Bank of Åland's offering on a semi-annual basis, both our own funds and external funds. In this way, we ensure that everyone complies with international conventions and guidelines.

More information can be found in the Annual and Sustainability Report for 2022.

Treasury

The Bank of Åland further contribute to promoting long-term sustainability development in line with the UN SDGs by issuing green bonds in accordance with the Bank of Åland green finance framework. The Bank of Åland currently has one outstanding green T2 instrument amounting to SEK 150 M. The bond proceeds are dedicated to funding renewable energy and green buildings and contribute to SDGs 7 "Affordable and Clean Energy", 11 "Sustainable Cities and Communities" and 13 "Climate Action".

More information can be found in the Annual and Sustainability Report for 2022 as well as on our website.

Loans

The Bank of Åland seeks a closer dialogue with the customers and other stakeholders. The starting point is to provide loans to businesses that comply with international policies and guidelines for sustainable development. As part of the Bank of Åland's climate strategy, in addition to the customer's repayment capacity, our lending operations must be based on certain criteria connected to environmental impact.

More information can be found in the Annual and Sustainability Report for 2022.

Local businesses are supported through a collaboration with the European Investment Fund (EIF). The goal is to support small and medium sized businesses looking to develop and adapt their businesses to a more sustainable future. At the end of 2022, the size of this program was 20 MEUR. The EIF has granted guarantees for 50 % of these loans, which has facilitated the pricing, and security as well as the competitiveness of the businesses on Åland

Business Partners

When choosing business partners we make sure that the partner shares our values in general, and in particular with the SDG's. For instance Doconomy focusing on measuring carbon footprints and Dreams, an app that helps people with their financial health.

We offer windmill investment funds in order to increase renewable energy availability on the market.

Treasury: Pages 31-32 and Note S4.

Loan portfolio: Pages 31-32 and Note S4.

Briefly on the European Investment Fund (EIF): Page 16 and Note G3.

See the annual report for Ålandsbanken Fondbolag 2022 for more information about our funds fondernas årsrapport (available in Swedish) som kommer bli publicerad i slutet på mars.

Read more about the Green Finance Framework: <https://www.alandsbanken.com/about-us/debt-investors/green-finance-framework>

General information on the web site:

<https://www.alandsbanken.com/sustainability>

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

Stakeholders have been identified during the work with the materiality analysis. As the requirements for transparency and external communication about corporate sustainability work have increased, the stakeholders have also gained a more prominent role in the sustainability work. Demands for sustainability are increasingly regarded as normal throughout the product range. During 2023, we will further intensify the dialogue with stakeholders to gain better insights into what they need and what drives them to make various choices. The Bank of Åland's main stakeholders are

- Customers • Shareholders • Debt investors • Employees • Public authorities (regulators) • Rating agencies • Resellers • Suppliers • Partnership organisations • Special interest organisations • Media

Through the local sustainability network in Åland, Bärkraft, a dialogue is kept up with other businesses in the area.

The Bank of Åland has engaged 'Compensate' and '2050' for its climate work. Also, the bank takes an active part in the local network 'Bärkraft' for sustainable businesses. In 2022 the bank has increased the communication with its stakeholders through information and training. More areas of responsibilities have been identified and communicated. The sustainability information on the websites has been widened. The climate targets have been communicated publicly. Various customer events have also been arranged on the sustainability topic, particularly on renewable energy projects.

Links and references

www.alandsbanken.com

See the Annual and Sustainability report 2022, pages 27, 29-35

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Stakeholder identification and consultation

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

The sustainability governance of the Bank of Åland can be found in the Annual and Sustainability report 2022. The Board of Directors has the ultimate responsibility for governance of the Bank’s sustainability work and is actively engaged in sustainability issues. The Board adopts the Group’s sustainability strategy and climate strategy. The main items on the Board’s agenda during the year are updating the sustainability and climate strategies. Sustainability work is on the agenda regularly during the year.

The Bank of Åland’s Managing Director, together with the Group’s Management Team, is responsible for implementing the decisions on strategic direction made by the Board of Directors. The Bank of Åland’s Sustainability Team carries out the Group’s overall sustainability work and serves as a forum for discussions and decisions.

The PRB governance is aligned with the Bank of Åland’s governance structure.

Based on the annual materiality analysis and the sustainability strategy, a sustainability plan is created for each sustainability area.

Links and references

See the Annual and Sustainability report 2022, page 25.

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

A culture of responsible banking includes training of employees on all levels, an ethical conduct and a community involvement.

For each role, a decision is made on which requirements are needed for the employee, based on existing regulations regarding reliability and ethics in the industry. For example, the Bank of Åland work together with Swedsec to make sure that the staff is licenced and properly educated. In addition, all employees are informed on both external and internal regulations, policys, sustainability and corporate values, as well as regulations on trading and market influence, anti-money laundering and operational risks. There is also training on how to act in case any issues occur, such as errors or work environment problems, and there is a whistleblowing policy in place.

Read more about how the Bank of Åland works with this in the Annual and Sustainability report 2022.

Links and references

See the Annual and Sustainability report 2022, page 33-36.

Website:
[Ålandsbanken | Arbeta på Ålandsbanken \(alandsbanken.ax\)](https://www.alandsbanken.ax)

Swedsec:
<https://www.swedsec.se/om-swedsec/>

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

There are policies regarding the investment area:

- Policy for integrating sustainability risks in investment decisions as well as in the investment and insurance advice (publicly available in Swedish – link on the right)
- Policy for ownership (publicly available in Swedish – link on the right)

There are also policies regarding compliance and HR which are relevant for the staff and therefore the management of the portfolio:

- Policy för equality and diversity
- Guideline regarding evaluation and management of financial counterparts
- Guideline for whistleblowing
- Guideline for identifying and fighting bribes and corruption
- Policy for identifying and preventing or managing conflicts of interests
- Policy for ethical behaviour
- Policy regarding anti-money laundering and preventing finance of terrorism
- Code of Conduct

Links and references

Code of Conduct:
https://www.alandsbanken.com/uploads/pdf/Koncern_code_of_conduct_eng_4114.pdf

Read more about the investments and see the policies regarding them: [Ålandsbanken | Ansvarsfulla investeringar \(alandsbanken.ax\)](https://www.alandsbanken.ax/ansvarsfulla-investeringar) (in Swedish)

<https://www.alandsbanken.com/sustainability/sustainability-strategy/responsible-investments> (in English) .

Self-assessment summary:

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes In progress No

If applicable, please include the link or description of the assurance statement.

Response

KPMG has been engaged to provide assurance of this PRB report.

Links and references

See the [Independent Limited Assurance Report from KPMG at the end of this document.](#)

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other:

Response

The Bank of Åland include a sustainability report in the Annual and Sustainability report 2022, which among other things include CO₂e emissions reported according to the Greenhouse Gas Protocol, and exposures in the balance sheet that are covered by the EU Taxonomy for sustainable investments.

Links and references

See the Annual and Sustainability report 2022, Notes S1 and S2.

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Response

Upcoming steps in the area regarding the impact analysis is to improve the current data quality as well as starting the process to include the investment portfolio in the impact analysis. Besides this, there is a planned project to formulate scientifically based emission targets in accordance with the Science Based Target initiative (SBTi). This work can be used for establishing our second target linked to this impact analysis.

Links and references

See the Annual and Sustainability report 2022, pages 27-28.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Other: ...combining all the work between fulfilling and aligning with regulations, principles and our ambitions.
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

Annex

The Bank of Åland reports in Annex A as signatories of Net-Zero Banking Alliance. Annex B and C are out of scope. We have included the parts of the annex that are relevant to our business operations.

Impact Area	Practice (pathway to impact)									Impact		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	Financial volume of green assets/ low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used	A.4.1	Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics)
	A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No; If yes: - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?	A.2.2	Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio?	Total GHG emissions or CO ₂ e (please also disclose what is excluded for now and why)	A.3.2	Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-intensive sectors and activities? How much does your bank invest in transition finance?	bln/mn USD or local currency, and/or % of portfolio	A.4.2	Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)
	A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	A.2.3	Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (depending on the sector and/or chosen metric): kg of CO ₂ e/ kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit						
	A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; If yes: please specify which parts of the lending and investment portfolio you have analyzed	A.2.4	Proportion of financed emissions covered by a decar-bonization target: What proportion of your bank's financed emissions is covered by a decar-bonization target, i.e. stem from clients with a transition plan in place?	% (denominator: financed emissions in scope of the target set)						
	A.1.5	Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for									

Appendix 1: Portfolio composition regarding the data used in the impact analysis

In the Institutional Banking module, business loans have been analysed for all three regions: Åland, Finland and Sweden. In the table below, you can see how the analysed portion of the business loan portfolio is spread over various sectors in the impact analysis tool.

Business loans	Åland	Finland	Sweden
Proportion of portfolio under analysis	72,69 %	79,89 %	91,79 %
Agriculture, forestry and fishing	1,43 %	0,00 %	0,00 %
Mining	0,00 %	0,00 %	0,00 %
Manufacturing	1,76 %	0,00 %	0,00 %
Electricity, gas, steam and air conditioning supply	1,09 %	0,00 %	0,00 %
Water supply; sewerage, waste management and remediation activities	0,00 %	0,00 %	0,00 %
Construction	1,32 %	3,26 %	7,04 %
Wholesale and retail trade, repair of motor vehicle and motorcycles	0,00 %	1,66 %	0,28 %
Transportation and storage	14,02 %	0,00 %	0,00 %
Accommodation and food service activities	6,90 %	1,03 %	0,62 %
Information and communication	0,00 %	0,00 %	0,29 %
Financial and insurance activities	12,09 %	38,25 %	9,99 %
Real estate activities	28,86 %	24,40 %	61,13 %
Professional, scientific and technical activities	1,44 %	4,95 %	11,63 %
Administrative and support service activities	1,42 %	0,00 %	0,80 %
Public administration and defence, compulsory social security	0,00 %	0,00 %	0,00 %
Education	0,00 %	0,00 %	0,00 %
Human health and social work activities	0,00 %	2,61 %	0,00 %
Arts, entertainment and recreation	2,36 %	1,23 %	0,00 %
Other service activities	0,00 %	2,49 %	0,00 %
Activities of households as employers, undifferentiated goods- and services producing activities of households for own use	0,00 %	0,00 %	0,00 %
Activities of extraterritorial organisations and bodies	0,00 %	0,00 %	0,00 %

In the Consumer Banking module, consumer loans have been analyzed for all three regions. This is the spread of the analyzed portion of the portfolio in the impact analysis tool:

Åland, % outstanding loans	Volume, %	Male, %	Female, %	Age 18-29	Age 30-64	Age 65+	Other
Consumer loans & Overdraft	5,12 %	3,33 %	1,79 %	0,20 %	3,38 %	1,40 %	0,15 %
Securitized backed/Lombard/Structured loans	7,49 %	6,01 %	1,48 %	0,06 %	4,98 %	2,29 %	0,16 %
Home loans/Mortgages	76,23 %	45,36 %	30,87 %	5,33 %	62,03 %	8,50 %	0,36 %
Vehicle related loans	0,48 %	0,30 %	0,19 %	0,05 %	0,39 %	0,04 %	0,00 %
Education related loans	3,35 %	1,47 %	1,88 %	1,96 %	1,38 %	0,00 %	0,00 %
Other specialised credit	7,33 %	6,30 %	1,03 %	0,15 %	5,85 %	1,19 %	0,14 %
Finland, % outstanding loans	Volume, %	Male, %	Female, %	Age 18-29	Age 30-64	Age 65+	Other
Consumer loans & Overdraft	3,70 %	2,67 %	1,04 %	0,05 %	2,38 %	1,16 %	0,11 %
Securitized backed/Lombard/Structured loans	17,62 %	15,11 %	2,50 %	0,16 %	13,01 %	4,35 %	0,10 %
Home loans/Mortgages	73,12 %	47,03 %	26,09 %	3,60 %	60,97 %	8,25 %	0,30 %
Vehicle related loans	0,25 %	0,19 %	0,05 %	0,02 %	0,20 %	0,02 %	0,00 %
Education related loans	2,20 %	1,04 %	1,16 %	1,62 %	0,58 %	0,00 %	0,00 %
Other specialised credit	3,11 %	2,58 %	0,53 %	0,02 %	2,15 %	0,90 %	0,03 %
Sweden, % outstanding loans	Volume, %	Male, %	Female, %	Age 18-29	Age 30-64	Age 65+	Other
Consumer loans & Overdraft	46,58 %	42,76 %	3,82 %	0,17 %	40,72 %	5,69 %	0,00 %
Securitized backed/Lombard/Structured loans	0,01 %	0,00 %	0,01 %	0,00 %	0,01 %	0,00 %	0,00 %
Home loans/Mortgages	52,43 %	40,72 %	11,71 %	2,41 %	41,88 %	7,75 %	0,39 %
Other specialised credit	0,98 %	0,86 %	0,13 %	0,01 %	0,90 %	0,08 %	0,00 %

Identitet för dokumenthelheten: 9007832c-620b-4d47-be01-62102aecc2f2



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Independent Limited Assurance Report over selected responses within Ålandsbanken's UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking Reporting and Self-Assessment Template

We have been engaged by the Management of Ålandsbanken Abp ("Ålandsbanken") to provide limited assurance over selected responses ("Selected Responses") in Ålandsbanken's UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking Reporting and Self-Assessment Template ("Template").

The information subject to assurance comprises Selected Responses included within Ålandsbanken's Template for the year ending 31 December 2022. The Selected Responses subject to assurance are prepared by Ålandsbanken based on the Principles' Reporting and Self-Assessment Template version (V2) from September 2022. In accordance with the guidance for assurance providers, limited assurance is provided on the following items:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

Management's responsibilities

The Management of Ålandsbanken is responsible for the preparation and presentation of the Selected Responses in accordance with the reporting criteria, i.e. UNEP FI Principles for Responsible Banking Reporting and Self-Assessment Template (Reviewed version (V2) from September 2022), and the information and assertions contained within it. The Management is also responsible for determining Ålandsbanken's objectives regarding sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the work performed. We conducted our assurance engagement on the Selected Responses in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Responses are free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Management ISQM 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Summary of procedures performed

A limited assurance engagement on Selected Responses consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Responses, and applying analytical and other evidence gathering procedures, as appropriate. Based on our professional judgement and acknowledging the fact that banks are in different stages of implementation of the Principles for Responsible Banking we have performed the following procedures, among others:

- We planned our procedures informed by the Assurance Guidance to undertake limited assurance on Principles reporting Version 2 (updated October 2022), to be used with the V2 of the Reporting and Self-Assessment Template (from September 2022), issued by UNEP FI, considering Ålandsbanken's stage of implementation of the Principles for Responsible Banking.
- Interviewed members of Ålandsbanken's management and personnel responsible for providing the Selected Responses;
- Assessed the application of the Reporting and Self-Assessment Template reporting principles related to the Selected Responses;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Selected Responses;
- Reviewed the presented information and assessed its quality and reporting boundary definitions; and
- Assessed the Selected Responses' information accuracy and completeness, whereby with information is meant data disclosed related to the activities of the bank as well as the actions undertaken, through a review of the original documents.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating, and estimating such data.

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Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Responses to principles 2.1, 2.2, 2.3 and 5.1 in the Template are not prepared, in all material respects, in accordance with the UNEP FI Principles for Responsible Banking Reporting and Self-Assessment Template (Reviewed version (V2) from September 2022), for the year ended 31 December 2022.

Yours sincerely

KPMG Oy Ab
Helsinki, 26 April 2023

Henry Maarala
Authorized Public Accountant, KHT

Tomas Otterström
Partner, Advisory