

United Nations Principles for Responsible Banking self-assessment 2023

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. We have been listed on the Helsinki Stock Exchange (now the Nasdaq Helsinki Oy) since 1942.

Our Head Office is located in Mariehamn, Åland. The Bank has a total of two offices in Åland and six on the Finnish mainland: Helsinki, Tampere, Vaasa, Oulu, Turku and Parainen. In Sweden, the Bank has offices in Stockholm, Gothenburg and Malmö.

The Group includes two subsidiaries: the fund management company Ålandsbanken Funds Ltd and the information technology (IT) company Crosskey Banking Solutions Ab Ltd.

In Åland, we are a bank for all residents: 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. We offer 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. We also supply services to companies in the financial services sector. The Bank is a shareholder in several of our partner companies.

The Bank of Åland offers its customers financial products that benefit them economically, but at the same time contribute to sustainable development. To illustrate that we offer the Baltic Sea Account to our customers. Including the 2023 total, the Baltic Sea Account has contributed about EUR 4.4 million over the years to projects that improve and protect the environment.

Links and references

See the Annual report 2023, pages 2-3 for information on the legal structure and activities across geographical locations.

See the Annual report 2023, Note G1 for Corporate information, Note G4 for Segment report, Note G5 for Product areas and Note G6 for Geographic distribution.



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<p>Strategy alignment</p> <p>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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.</p> <p>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</p> <p><input checked="" type="checkbox"/> UN Guiding Principles on Business and Human Rights <input checked="" type="checkbox"/> International Labour Organization fundamental conventions <input checked="" type="checkbox"/> UN Global Compact <input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples <input type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: ----- <input type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ----- <input type="checkbox"/> None of the above</p>	
<p><i>Response</i></p> <p>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. Together with our customers, we have created products and services that both increases awareness and support concrete sustainability projects. 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.</p> <p>In 2019 the Bank of Åland signed the United Nations Principles for Responsible Banking (PRB). Our sustainability work is based on our materiality analysis, which as of this year takes into account a double materiality perspective, in accordance with the requirements of CSRD. We analyze our operations and identify the areas where we have positive and negative impacts, as well as the risks and opportunities we face. Then we set clear sustainable development targets and regularly follow up our work.</p> <p>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 SDG 6 of the Bärkraft initiative for a sustainable Åland: Greatly reduced climate impact.</p> <p>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.</p>	<p><i>Links and references</i></p> <p>See the Annual report 2023, pages 9-11 and 23-28, as well as Note G3: The Group's risk management.</p> <p>See the web site: https://www.alandsbanken.com/sustainability</p>

<p>With the guidance of the Greenhouse Gas Protocol (GHG Protocol), and when applicable, the Partnership for Carbon Accounting Financials (PCAF), 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 funds and customers' financial investment portfolios.</p> <p>In 2023, The Bank of Åland committed to set targets through the Science Based Targets initiative (SBTi). We have developed science-based emission targets in accordance with the Science Based Target initiative, which offers a method for the development and validation of science-based climate targets for companies. These SBTi targets cover our own operations, our customers' investment portfolios and portions of our loan portfolio.</p> <p>Our second target area is circular economy. The work and progress with this second target area is fairly new, thus working with circular economy can also further contribute to a reduction in climate impact.</p> <p>We reference to UN Global Compact, ILO Core Labour Standards and UN Guiding Principles on Business and Human Rights in our policy for the integration of sustainability risks within investment decisions & investment and insurance advisory services. These international principles and guidelines define the minimum level of commitment with which all our portfolio companies must comply. In asset management we do not invest in companies in violation of these principles, and we screen our funds quarterly to check if any current holdings have received notice of violations.</p>	<p>The policy can be found on our website: https://www.alandsbanken.com/uploads/pdf/MiFID/Koncern_Hallbarhetsriskpolicy_uppdatering_5607_ENG.pdf</p>
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Principle 2: Impact and Target Setting

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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.

<i>Response</i>	<i>Links and references</i>
<p>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.</p> <p>In the Consumer Banking module, consumer loans as well as current accounts and savings have been analysed for all three regions: Åland, Finland and Sweden. The loan portfolio has been analysed with regards to the outstanding loan amounts on December 31st, 2022, matching them to the loan products featured in the template. The current accounts and savings have been analysed with regards to the outstanding amounts in the accounts on December 31st, 2022.</p> <p>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, on December 31st, 2022.</p> <p>During 2023, a first preliminary analysis of our customers’ investments via Ålandsbanken Funds Ltd as well as the bank’s treasury portfolio was performed. However, due to lack of available data, results from the analysis are at this stage only indicative. At the moment, it is not possible for Ålandsbanken to use the information from the analysis on the investment portfolio in decision making. Therefore, this analysis will not be included in this report for the year 2023.</p>	<p>See the Annual report 2023, pages 29-31.</p>

b) Portfolio composition: 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.

<i>Response</i>	<i>Links and references</i>
<p>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 2023, meaning that the suitable lending products have been divided into the categories seen in the analysis template (see Appendix 1). 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 2023, based on outstanding amounts on December 31st, 2022.</p> <p>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.</p> <p>In Åland and Sweden, the largest single portion of business loans can be found in the sector real estate, with 33 per cent and 65 per cent respectively. In Finland, real estate is also a major area with 23 per cent, which is only surpassed by financial and insurance activities, which make up roughly 40 per cent of the business loans.</p> <p>ii) In the Consumer Banking module, consumer loans have been analysed for all three regions: Åland (18 per cent), Finland (60 per cent) and Sweden (22 per cent). The loan portfolio has been analysed with regards to the outstanding loan amounts on December 31st, 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 56 per cent in Åland and 51 per cent in Finland. In Sweden, the majority of consumer loans were spread over unlabelled consumer credit (31 per cent) and mortgages (50 per cent). The remaining percentages include other types of loans such as student loans, overdrafts etc. The analysis also took gender and age of the customers into account.</p> <p>In the Consumer Banking Module, current accounts and savings have also been analysed for all three regions: Åland (26 per cent), Finland (49 per cent) and Sweden (25 per cent). The content of the analysis is based on amounts on December 31st, 2022. These have been analysed based on current accounts and savings respectively, as well as taking gender and age of the customers into account.</p>	<p>See the Annual report 2023, pages 29-31.</p> <p>See Appendix 1 for data.</p>

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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>In Sweden, the government prioritize climate change and the production of clean energy and increased electrification in order to meet the goal of net zero emissions in 2045. Climate adaptation is another important area, as well as developing a more circular economy, and availability and accessibility, food, housing and to further develop qualitative services and a high safety for the population.</p>	
<p>Response</p> <p>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. The challenges are aligned with the identified priorities.</p> <p>Åland has the following priority areas: Availability, accessibility, affordability, quality of resources & services: Food, energy, housing Climate stability Biodiversity & healthy ecosystems: Habitat Circularity: resource intensity and waste</p> <p>Finland has the following priority areas: Availability, accessibility, affordability, quality of resources & services: Food, energy, housing Climate stability Biodiversity & healthy ecosystems: Habitat Circularity: resource intensity and waste</p> <p>Sweden has the following priority areas: Integrity & security of person: Conflict Availability, accessibility, affordability, quality of resources & services: food, energy, housing Biodiversity & healthy ecosystems: waterbodies, habitat Circularity: resource intensity and waste.</p> <p>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.</p> <p>In general, the Bank of Åland takes all of the national sustainability priorities into account. The Bank of Åland is an active part in Bärkraft, which is a local sustainability network in Åland. Regarding the geographical position and socio-economic situation, climate and environmental issues are in general seen as the most prioritized ones.</p> <p>In Finland, focus is to build a solid ground on sustainable finances, where the main goal is to build a sustainable growth. Furthermore, prioritized areas are circular economy, production and access to clean energy and increased electrification, housing, affordability and also to end the loss of biodiversity.</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>Links and references</p> <p>See the Annual report 2023, pages 23-31</p> <p>Government of Finland Regeringsprogrammet (valtioneuvosto.fi)</p> <p>Government of Sweden Statens budget - Re-geringen.se</p>	<p>Response</p> <p>The two most significant impact areas for the Bank of Åland are climate change and circular economy. Climate change was identified as our first prioritized impact area in 2021. During 2023, our second prioritized impact area, circular economy, was identified. In general, regarding positive and negative impact for the Bank of Åland, the most significant impact areas are connected to the following UN Global Sustainable Development Goals (SDG):</p> <p>SDG 6 Clean water and sanitation, SDG 7 Affordable and clean energy, SDG 8 Decent work and economic growth, SDG 11 Sustainable cities and communities, SDG 12 Responsible consumption and production, SDG 13 Climate action, 14 Life below water, and SDG 15 Life on land.</p> <p>Positive impact areas identified:</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 due to the type of products and services we offer. It is also of high value for the business strategy to welcome customers on an equal ground which connects to SDG 10, reduced inequalities, even though this is not identified directly in the identification module.</p> <p>The analysis shows that we have a positive impact on SDG 8, Decent work and economic growth, by offering financial products and services. The analysis also shows that we contribute positively to SDG 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.</p> <p>Negative impact areas identified:</p> <p>Our negative impact is primarily linked to climate and the environment, because through its financing transactions, the Bank of Åland 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.</p> <p>Climate and environment together is the essential area in which we took a big step forward in 2022 by defining our climate strategy, after defining it as a major impact area in 2021. 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.</p>	<p>Links and references</p> <p>See the Annual report 2023, pages 23-31 as well as Note S8.</p>

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<p>The other large negative impact area, based on the Impact analysis tools and the identified impact on resources and natural environment is circular economy. The first analysis on the investment portfolio indicates that circular economy is relevant also for the investment portfolio even if it is seen as indicative at this stage.</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.</p> <p>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.</p> <p>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.</p> <p><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>Response</p> <p>As climate impact is seen as an essential area, CO₂e emissions are measured. CO₂e emissions regarding the loan, treasury and investment portfolios are measured, and specified by sector in order to see the effect each sector has on the climate. As an assessment of home loans/mortgages, the CO₂e emission per square meter of living area has been measured.</p> <p>The measurement of financed emissions is subject to significant estimates and judgements related to the data quality. The foundation for the calculation of the mortgage portfolio is based on a 100 per cent estimate of the primary residence that has been pledged as collateral, followed by 88 per cent emission calculation estimations in accordance with PCAF score 4, and 12 per cent emission calculations on PCAF score 3. Financed emissions for corporate loans are to 100 per cent calculated using sector-specific estimates based on loan volume, since actual emissions data on the Bank of Åland's corporate SME customers is not available. Emission calculations for the Treasury portfolio are based on the issuers' annual reports when available and estimations are made for the 14 per cent where no data is available. Emission calculations for the investments are based on reported emission data when available and estimated for the 8 per cent where it is not available. The estimation data used for the investment portfolio emission calculations are sourced from Bloomberg. Details on the emissions, calculations and method can be found in the Annual Report for 2023, note S1.</p> <p>Also, as a part of our actions, we have identified sectors with the highest impact:</p>	<p>Links and references</p> <p>See the Annual report 2023, pages 29-31, 32-36 as well as Notes S1, S4 and S8.</p> <p>For general information, also see S8 for an overview of the prioritised SDGs for the Bank of Åland, based on a previous analysis.</p>

<p>Responsible investment</p> <p>In line with the criteria for membership of the Net-Zero Banking Alliance (NZBA), and in support of the Bank of Åland's climate strategy, Treasury has been able to identify three emission-intensive sectors in its portfolio: the real estate sector, the energy production sector, and the transport sector.</p> <p>Ålandsbanken Funds Ltd has identified a number of emission-intensive sectors. In 2023 these sectors were manufacturing, power producers and basic industry.</p> <p>Responsible lending</p> <p>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.</p> <p>For the second prioritized impact area –circular economy, goals and measurements are yet to be established. The impact analysis shows that home/mortgage loans to private customers and loans to construction companies have the strongest impact. This analysis gives a motivation to prioritize circular economy as a second prioritized impact area.</p> <p>During 2024, the development process of establishing SMART goals will however be ongoing. A project plan is developed and approved by the Sustainability Committee at the Bank of Åland.</p>	
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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: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> 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

Our most significant impact areas that are identified as a result of the impact analysis are climate change and circular economy including resource efficiency. Further significant areas are biodiversity and financial health and inclusion.

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. Our positive impact is primarily linked to financial health and inclusion.

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)*

(optional)

The data for both the Consumer Banking analysis and the Institutional Banking analysis is dated December 31st, 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

Significant impact area 1: Climate change

The climate strategy defines how we will 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 SDG 6 of the Bärkraft initiative for a sustainable Åland: Greatly reduced climate impact.

The Bank of Åland has joined NZBA and supports all guidelines accordingly.

In 2023, the Bank of Åland connected to Science Based Targets initiative and is currently in the process of applying for approval of the formulated targets.

We believe that by joining international frameworks and coalitions aiming at reaching the target of the Paris Agreement, our climate work is based upon a solid ground, which also drives alignment to the other Sustainable Development Goals.

Significant impact area 2: Circular economy

Goals are yet to be established. During 2024, the first step will be to learn more about circular economy internally, and then move on to begin the process to set a baseline. The Bank of Åland has a working plan for establishing SMART goals. Circular economy is also highly prioritized in Finland as an important focus area, just like climate change.

Links and references

See the Annual report 2023, pages 11-12, 25-26, and Note S1, as well as <https://www.alandsbanken.ax/>

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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 analysed, 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 report 2023, Note S1.
	A.1.5	Yes, there are financial products in place regarding the investment and treasury areas. See the Annual report 2023, pages 32-35, 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.

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Impact area	Indicator code	Response
Climate change mitigation	A.2.2	Total GHG emissions in CO ₂ e can be found in the Annual report 2023, Note S1.
	A.2.3	Emission intensity per NACE sector, measured as tonnes CO ₂ e/MEUR can be found in the Annual report 2023, Note S1.
	A.2.4	Indicator is currently not calculated
	A.3.1	Financial volume of green assets: At the end of 2023, 10 per cent of the treasury portfolio consisted of green bonds. From the investment side, at the end of 2023, 9 per cent of AUM were invested in green assets/ low-carbon technologies through green bonds and the wind power fund.
	A.3.2	Financial volume lent to/invested in carbon intensive sectors and activities: At the end of 2023, 0,2 per cent of the treasury portfolio and 4 per cent of AUM for the investment area 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 report 2023, Note S1. The emissions from the loan portfolio have been reduced by 17 per cent from 2021 to 2023, while the emissions from the financial investments have been reduced by 3 per cent and the emissions from treasury with 30 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, 46 per cent of the fund holdings have signed and 15 per cent have begun the process of signing SBTi. Regarding the treasury portfolio, 15 per cent of holdings have initiated to set SBTi Near term, while 1 per cent have had their targets independently validated by the SBTi. In addition to this, 10 per cent of the holdings has begun the process of setting their SBTi Net-zero target. 10 per cent of the holdings in the treasury portfolio are members of the Business Ambition for 1.5 campaign. 10 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.

Impact area	Indicator code	Response
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

Response	Links and references
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. The Bank of Åland is also committed to Science Based Targets initiative, where the baseline regarding climate change targets is set to refer to the year 2021.	See the Annual report 2023, Note S1. See Annex A for indicator codes and questions.

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.

Response	Links and references
The climate targets of the Bank of Åland are: 1. The Bank of Åland shall reduce its CO ₂ e emissions by 50 per cent no later than 2030, compared to 2021. 2. The Bank of Åland shall be a climate-neutral organization no later than 2035. 3. The Bank of Åland shall achieve net-zero emissions by 2050. The progress is measured by calculating CO ₂ e emissions according the the Greenhouse Gas Protocol. A second target area was determined in 2023; circular economy. The process in developing SMART targets has started, thus it is a fairly long process to complete until SMART targets are fully established. The Guide provided by UNEP FI will be actively used and referred to in developing Smart targets for circular economy.	See the Annual report 2023, pages 9-11 and 25, as well as Note S1. The Bank of Åland webpage, sectoral targets: Ålandsbanken Klimatmål (Ålandsbanken.ax)

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.

<p>Sectoral targets</p> <p>Sub-goal operational emissions</p> <p>Business travel: The goal is to reduce carbon dioxide emissions from travel by 50 per cent by the year 2030 compared to the base year 2022¹</p> <p>Suppliers: Our goal is for 75 per cent of our 50 largest suppliers to have committed to climate goals with the same level of ambition as the Bank of Åland, by 2025 at the latest.</p> <p>Sub-goals for the investment portfolio</p> <p>Asset management's invested funds will follow a course in line with the Paris Agreement's goals, with a base year of 2021. We will adapt our investments with extra focus on emissions-intensive² sectors and use recognized models to perform scenario analyses.</p> <p>In order to achieve the group-wide climate goals, we will systematically develop the work we do through the following steps:</p> <p>Create a current situation analysis with base year 2021.</p> <p>Continue to analyze and monitor indicators with extra focus on emission-intensive sectors.</p> <p>Assess each investment's relationship to the Paris Agreement's 1.5-degree temperature target.</p> <p>Document and analyze the investment's climate goals, especially those with scientific goals or otherwise credible plans to calculate emissions.</p> <p>Continue to find low-emission investments and investments that offer solutions to climate change.</p> <p>Treasury</p> <p>Sector goals at intensity level, i.e. tCO₂e/MEUR revenue for holdings per sector. Base year 2021, PAB (Paris Aligned Benchmark)</p> <ul style="list-style-type: none"> • Real estate business sub-target: 43 per cent reduction in 2030 • Supply of electricity, gas, heating and cooling sub-target: 51 per cent reduction in 2030 • Transport and storage, sub-target: 31 per cent reduction in 2030 <p>Lending portfolio</p> <p>Sub-goals for the credit portfolio until 2030:</p> <p>For mortgages, the objective is to reduce the financed emission intensity (gCO₂e/m²) by 26% compared to the base year 2021.</p> <p>For financing companies and business activities, the goal is that 100 per cent of customers classified as emissions-intensive³ must have entered into an ambition agreement with the Bank of Åland to follow the same goal as the Bank of Åland, i.e. to reduce their emissions by at least 50 per cent by 2030. In total, at least 90 per cent of the company stock (lending volume) must have entered into the agreement.</p>		<p>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> <p>Response</p> <p>The climate target 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 travel by 50 per cent by 2030, compared to 2022. • CO₂e emissions from electricity usage must remain low, by remaining at the level of 100 per cent 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 it in comparable calculation models. Reliable data remains in short supply, especially data for 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. <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 to 2030. Businesses which produce non-renewable energy will also be excluded. The treasury area has set criteria, 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 target.</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.</p> <p>Links and references</p> <p>See the Annual report 2023, pages 24-26, 29-31.</p>
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¹ In general, the Bank of Åland has a base year of 2021, but in order to take into account that the pandemic years heavily affected business travel, the base year is 2022 for this operative target.

² Emissions-intensive sectors: Aluminium, aviation, automobiles, cement, steel, mining, pulp and paper as well as shipping.

³ Emissions-intensive sectors: Construction, Transportation and storage, Agriculture, forestry and fishing, Real estate activities, Wholesale and retail trade, Manufacturing, Electricity, gas, steam and air conditioning supply as well as Water supply, sewerage, waste management and remediation activities.

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.

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...		
	The first area of most significant impact: Climate Change	The second area of most significant impact: Circular economy
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input 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
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
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

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	Links and references
<p><i>Response</i></p> <p>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 is in constant focus. The emission statistics include the bank's investment and lending operations, the treasury operations and 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.</p> <p>During 2023, we worked intensively to more clearly define the steps we need to take to achieve our target of halving CO₂e emissions compared to our base year 2021. We identified and linked our targets to specific emission-intensive industries in our own operations, our customers' investment portfolios and our loan and treasury portfolios, where we see that we have a material impact.</p> <p>We have also formulated science-based emission targets in accordance with the Science Based Target initiative (SBTi), which offers a method for the development and validation of science-based climate targets for companies. These SBTi targets cover our own operations, our customers' investment portfolios and portions of our loan portfolio.</p> <p>During 2023, we continued our work on developing and refining models that will enable us to follow up on our progress in relation to the established targets. (Notes and sub-targets are presented in Note S1).</p> <p>In 2023, the total emissions were 2,178,981 tonnes of CO₂e. The Bank of Åland's climate strategy covers the portions of our operations for which we calculate CO₂e emissions. These are our own operational emissions, our financial investments, loan portfolio and treasury portfolio. These calculations are based on the GHG Protocol and are based on available data within Scope 1, 2 and parts of Scope 3.</p> <p>During 2023 reported emissions increased compared to 2022, driven by our own operational emissions and emissions from customers' investments. Compared to the base year 2021 however, CO₂e emissions have decreased by 5 per cent. We believe that year-on-year comparability for Scope 3 emissions is still difficult to achieve, since the quality of Scope 3 data is generally low. Reporting by the companies we invest in has improved to some extent, and a larger proportion of them are reporting Scope 3. This trend is positive, although the increased quantity of data is causing our emissions figures to rise.</p>	<p><i>Links and references</i></p> <p>See the Annual report 2023, pages 11, 25 and 36, as well as Note S1.</p>

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 activities). 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 understand the needs and driving forces that are important to our stakeholders, we conduct ongoing qualitative and quantitative stakeholder dialogues through various channels. These include customer and brand surveys as well as industry forums where current issues and trends are addressed. These dialogues are initiated both by the Bank of Åland and by stakeholders.

During the year, we took another step to broaden our dialogue with the Bank's main stakeholders: its customers, shareholders and employees.

Customers

Dialogue with customers takes place primarily through physical meetings at our offices, but also via our digital channels, at various customer events and through our website. We conduct annual customer surveys to gather customers' views on our operations.

From the beginning of 2024, a collection of energy classes on the loan object for private customers has begun in connection with new real estate credits. On the corporate side, continuous development is ongoing with the aim to encourage the corporate customers to further reduce climate change impacts.

Links and references

See the Annual report 2023: page 37 for the Baltic Sea Project, page 29-30 for stakeholders and pages 23-36 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

Responsible investments:

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

In the area of sustainability risks, we have identified physical risks that can be caused by extreme weather conditions, such as floods and/or extreme heat waves. In addition, we take into account transition risks, in other words the increased likelihood of risks that may occur in our operations due to changes in legislation or technology in the event of a transition to a carbon-neutral economy.

We also factor in social risks, such as risks connected to human rights violations, labor rights and non-compliance with good governance, including corruption, abuse or lack of processes within a business.

Our climate strategy also forms the basis for deciding what companies the Bank of Åland either chooses or excludes from its investments.

During 2023 we improved our processes for identifying and measuring emissions, with a special focus on emissions-intensive sectors. To achieve our established targets, we require companies to have or to develop science-based climate targets, for example in line with the Science Based Targets initiative (SBTi).

We review all products included in the Bank of Åland's offering twice a year, both our own funds and external funds. In this way, we ensure that everyone complies with international conventions and guidelines, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights or the ILO's Core Conventions on Labour Standards.

By year-end of 2023, 15 per cent of our portfolio companies in our funds had initiated the process of changing their operations to be in line with SBTi and 47 per cent had already joined.

At the end of 2023, the Bank of Åland had 189,7 MEUR in Green Bond ESG and 289,5 MEUR in wind power funds.

More information can be found in the Annual Report for 2023.

Links and references

See the Annual report 2023:

Investments: Page 32-33 and Note S3.

Treasury: Pages 34-35 and Note S4.

Loan portfolio: Pages 34-35 and Note S4.

See the annual reports for Ålandsbanken Funds 2023, and the Sustainability report for Ålandsbanken Funds 2023 for more information about our funds.

The funds' annual reports (available in Swedish and Finnish) which will be published at the end of March and in April.

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.

<p>Treasury</p> <p>The Bank of Åland’s Treasury department also contributes to the promotion of long-term sustainability development by issuing green bonds in accordance with the Bank’s green finance framework. This framework covers the financing of renewable energy, more specifically wind and solar power, as well as green buildings. The green framework has been rated Medium Green by Cicero Shades of Green. For the time being, the Bank of Åland has an outstanding green T2 (supplementary capital) instrument of SEK 150 million, for which the Treasury department maintains a green asset register. 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 Report for 2023 as well as on our website.</p> <p>Climate-smart management of the treasury portfolio will gradually reduce emissions towards our target of achieving net-zero by 2050. Investments in the treasury portfolio are evaluated from a climate perspective 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 targets, such as the SBTi, or on other initiatives such as net-zero emissions targets. Furthermore, data on the issuer’s CO₂e intensity are used to support the decision-making process. For new treasury investments, the criteria were introduced in 2022, while existing holdings have a transition period of three years before any of the criteria must be met. By applying climate criteria in investment decisions, we can ensure that the treasury portfolio’s emissions change in the desired direction.</p> <p>Responsible lending</p> <p>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 Report for 2023.</p>	<p><i>Links and references</i></p> <p>Read more about the Green Finance Framework: https://www.alandsbanken.com/about-us/debt-investors/green-finance-framework</p> <p>General information on the web site: https://www.alandsbanken.com/sustainability</p>
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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

Stakeholder dialogue

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.

A close dialogue with our stakeholders – both internal and external – is an important part of our development work, enabling us to better understand our impact from different perspectives. To understand the needs and driving forces that are important to our stakeholders, we conduct ongoing qualitative and quantitative stakeholder dialogues through various channels. These include customer and brand surveys as well as industry forums where current issues and trends are addressed. These dialogues are initiated both by the Bank of Åland and by stakeholders.

the Bank of Åland's stakeholders are:

Customers, Shareholder, Debt investors, Employees, Authorities (regulations), Rating agencies, Resellers, Suppliers, Partner organizations, Special interest organizations, Media

During the year, we took another step to broaden our dialogue with the Bank's main stakeholders.

Shareholders

Thanks to the Åland Index, knowledge about each individual's environmental impact is available. Products that contribute to a better environment, such as the Baltic Sea Account and Vindkraftsfonden (the Wind Power Fund), are examples of environmental and climate improvement measures. 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. Our shareholders emphasize that the Bank of Åland's personalized way of meeting its customers and listening to and understanding their needs is unique and must be preserved.

Links and references

www.alandsbanken.com

See the Annual report 2023, pages 29-30, 32-39

Employees

Dialogue with our employees is well-established and is conducted through employee surveys, performance reviews and professional development discussions, individual feedback discussions, group discussions via our intranet and during information meetings. The results we receive from the surveys and opinions of employees are followed up within each unit as well as at the Executive Team Level.

During 2024, the Bank of Åland will intensify the internal development work regarding internal training in sustainability; in general, as well as more directed to circular economy.

The Bank of Åland has engaged '2050' for its climate work. Also, the bank takes an active part in the local network 'Bärkraft' for sustainable businesses. More areas of responsibility 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.

Principle 5: Governance & Culture

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

5.1 Governance Structure for Implementation of the Principles

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 report 2023.

All development, management and governance of the Bank of Åland's sustainability work is based on external regulations, our materiality analysis, the priorities of our stakeholders and our own ambition to be part of the move towards a sustainable society.

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 Bank of Åland's Managing Director/Chief Executive, together with the Executive Team, is responsible for implementing the decisions on strategic direction made by the Board of Directors. The Bank of Åland's Sustainability Committee carries out the Group's overall sustainability work and serves as a forum for discussions and decisions. Based on the annual materiality analysis and the sustainability strategy, a sustainability plan is created for each sustainability area.

The ESG Committee handles monitoring of global events, initiates and oversees developments in sustainable investments and ensures that the Bank of Åland's investment operations follow our strategy and guidelines for sustainable investments. The Credit Manager is responsible for ensuring that the Bank's lending complies with the established sustainability targets and regulations.

The Risk Control department is responsible for monitoring the climate risks in the Bank of Åland's loan portfolio.

The Bank's regulatory group compiles all external monitoring results and maintains a list of the regulations that must be implemented.

Links and references

See the Annual report 2023, page 27.

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, ethical conduct and 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 works together with Swedsec to make sure that the staff is licensed and properly educated. In addition, all employees are informed on both external and internal regulations, policies, 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 report 2023.

Links and references

See the Annual report 2023, page 32-35.

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 for 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 Code of Conduct for suppliers (definite in February 2024)

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.

<p><i>Response</i></p> <p>KPMG has been engaged to provide assurance of this PRB report.</p>	<p><i>Links and references</i></p> <p>See the Independent Limited Assurance Report from KPMG at the end of this document.</p>
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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:

<p><i>Response</i></p> <p>The Bank of Åland include a sustainability report in the Annual report 2023, which among other things include CO₂e emissions reported according to the GHG protocol, as well as the EU Taxonomy reporting.</p> <p>Ålandsbanken Fund Management Company publishes an annual Sustainability report for our article 8 and 9-funds. In the report we report for example on relevant Nordic Swan Ecolabel-criteria for our Green Bond ESG that Nordic Swan requires annual reporting on.</p> <p>Ålandsbanken Fund Management Company includes, as required by the SFDR-regulation, periodic reports for our funds in the Annual report for our UCITS-funds 2023 and the Annual report for our AIF-funds.</p> <p>Ålandsbanken Fund Management Company publishes, as required by the SFDR-regulation, a PAI-statement on negative consequences for sustainability factors for 2023 in June 2024.</p>	<p><i>Links and references</i></p> <p>See the Annual report 2023, Notes S1 and S2.</p> <p>See the Sustainability report 2023 (Swedish and Finnish)</p> <p>See SFDR-annexes in Annual reports for our UCITS and AIF-funds.</p> <p>See PAI-statement (in Swedish and Finnish, Summary in English)</p>
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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.

<p><i>Response</i></p> <p>Upcoming steps in the area regarding the impact analysis is to improve the current data quality as well as improving the process to include the investment portfolio in the impact analysis.</p> <p>Also, we will continue to deepen our understanding and analysis on existing data and trends, in order to strengthen our work and development also connected to our sustainability strategy and also our climate strategy.</p> <p>Besides this, scientifically based emission targets are formulated in accordance with the Science Based Target initiative (SBTi). During this 12-month period, the Bank of Åland will send in the application to evolve from committed to approved.</p> <p>Furthermore, the Bank of Åland will also focus on working with circular economy – our second identified prioritized area. The progress to develop SMART targets is formulated in a working plan, where the first step is to develop a higher internal level of knowledge in this area.</p> <p>We will also continue to strengthen a trustworthy and sustainable governance, by developing a solid process related to CSRD.</p>	<p><i>Links and references</i></p> <p>See the Annual report 2023, pages 24-28.</p>
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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.

6.4 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:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input checked="" type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input checked="" type="checkbox"/> Other: ...combining all the work between fulfilling and aligning with regulations, principles and our ambitions. | <input type="checkbox"/> 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 decarbonization target: What proportion of your bank's financed emissions is covered by a decarbonization 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.

Business loans	Åland	Finland	Sweden
Proportion of portfolio under analysis	71 %	81 %	99 %
Agriculture, forestry and fishing	0 %	0 %	0 %
Mining	0 %	0 %	0 %
Manufacturing	4 %	0 %	0 %
Electricity, gas, steam and air conditioning supply	0 %	0 %	0 %
Water supply; sewerage, waste management and remediation activities	0 %	0 %	0 %
Construction	1 %	3 %	7 %
Wholesale and retail trade, repair of motor vehicle and motorcycles	1 %	2 %	0 %
Transportation and storage	9 %	0 %	0 %
Accommodation and food service activities	6 %	1 %	0 %
Information and communication	0 %	0 %	0 %
Financial and insurance activities	12 %	40 %	11 %
Real estate activities	33 %	23 %	65 %
Professional, scientific and technical activities	1 %	4 %	9 %
Administrative and support service activities	1 %	0 %	5 %
Public administration and defence, compulsory social security	0 %	0 %	0 %
Education	0 %	0 %	0 %
Human health and social work activities	0 %	3 %	0 %
Arts, entertainment and recreation	2 %	1 %	0 %
Other service activities	0 %	4 %	1 %
Activities of households as employers, undifferentiated goods- and services producing activities of households for own use	0 %	0 %	0 %
Activities of extraterritorial organisations and bodies	0 %	0 %	0 %

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:

Åland, % outstanding loans	Volume, %	Male, %	Female, %	Age 18-30	Age 30-60	Age 60+	Other
Consumer loans & Overdraft	5 %	3 %	2 %	0 %	3 %	2 %	0 %
Securitized backed/Lombard/Structured loans	8 %	6 %	2 %	0 %	4 %	3 %	0 %
Home loans/Mortgages	56 %	34 %	22 %	5 %	43 %	9 %	0 %
Education related loans	3 %	1 %	2 %	2 %	1 %	0 %	0 %
Other specialised credit	27 %	18 %	10 %	2 %	19 %	6 %	0 %
Finland, % outstanding loans	Volume, %	Male, %	Female, %	Age 18-30	Age 30-60	Age 60+	Other
Consumer loans & Overdraft	4 %	3 %	1 %	0 %	3 %	1 %	0 %
Securitized backed/Lombard/Structured loans	13 %	11 %	2 %	0 %	8 %	5 %	0 %
Home loans/Mortgages	51 %	33 %	18 %	3 %	39 %	9 %	0 %
Education related loans	2 %	1 %	1 %	2 %	1 %	0 %	0 %
Other specialised credit	29 %	21 %	8 %	1 %	20 %	8 %	0 %
Sweden, % outstanding loans	Volume, %	Male, %	Female, %	Age 18-30	Age 30-60	Age 60+	Other
Consumer loans & Overdraft	31 %	28 %	3 %	0 %	25 %	5 %	0 %
Securitized backed/Lombard/Structured loans	13 %	12 %	1 %	0 %	9 %	4 %	0 %
Home loans/Mortgages	50 %	38 %	12 %	3 %	35 %	12 %	0 %
Other specialised credit	6 %	5 %	1 %	0 %	5 %	1 %	0 %

In the Consumer Banking module, current accounts and savings have been analyzed for all three regions. This is the spread of the analyzed portion of the portfolio:

Åland, % Current accounts and savings	Volume, %	Male, %	Female, %	Age 18-30	Age 30-60	Age 60+	Other
Current accounts	73 %	43 %	30 %	2 %	18 %	48 %	5 %
Savings	27 %	11 %	15 %	2 %	7 %	15 %	2 %
Finland, % Current accounts and savings	Volume, %	Male, %	Female, %	Age 18-30	Age 30-60	Age 60+	Other
Current accounts	67 %	39 %	29 %	2 %	26 %	34 %	4 %
Savings	33 %	15 %	18 %	3 %	10 %	17 %	2 %
Sweden, % Current accounts and savings	Volume, %	Male, %	Female, %	Age 18-30	Age 30-60	Age 60+	Other
Current accounts	80 %	54 %	26 %	2 %	35 %	40 %	3 %
Savings	20 %	13 %	7 %	1 %	9 %	9 %	1 %



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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 2023. 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.



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.



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 2023.

Yours sincerely

KPMG Oy Ab
Helsinki, 26 April 2024

Henry Maarala
Authorized Public Accountant, KHT

Tomas Otterström
Partner, Advisory