



Bank of Åland

Responsible Banking Progress Statement for
PRB Signatories 2024



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Principle 1: Alignment

Content

Briefly describe your bank's sustainability strategy, and which international, regional or national frameworks and UN Sustainable Development Goals it aims to align with. Note any changes in the reporting year.

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.

Business model

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. 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 analyse 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.

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.

The Bank of Åland's vision is to deliver a large bank's range of services with a smaller bank's thoughtfulness and good sense. The Bank values personal meetings with customers and views this as one of its main competitive advantages. The focus areas for its banking operations are responsible financial investments and responsible lending. The Bank of Åland has begun the task of integrating sustainability management into its operational management, among other things by initiating the implementation of LEVA and ZOE during 2024 as key performance indicators (KPIs) at recurrent sustainability meetings with its business areas.

The business model, value chain and how business strategy aligns with sustainability targets can be found in SBM-1 on pages 56-60 in the Annual report. More on our business model and sustainability development can also be found in Ålandsbanken Abp PRB Report 2023.

Our sustainability strategy

Ålandsbanken's sustainability work is driven by three main pillars: self-ambition, engagement, and regulations. The Bank of Åland's business strategy is based on operating sustainably and with a long-term perspective – financially, environmentally and in terms of regulations. Our sustainability strategy has four focus areas: responsible investment, responsible lending and liquidity management, environmental responsibility and social responsibility.

The Bank of Åland also 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.

More on the alignment with UN SDG.s can be found in Ålandsbanken Abp PRB Report 2023.

International, regional and national frameworks

The sustainability strategy sets out both international, regional and local frameworks, such as:

- The United Nations Principles for Responsible Investment (UNPRI)
- The UN Principles for Responsible Banking (UNEP FI)
- The Net-Zero Banking Alliance (NZBA)
- The Science Based Targets initiative (SBTi)
- Climate Action+

Changes during 2024

In 2024, the sustainability strategy was updated, with the aim to furthering the PRB principles into strategic sustainability development. In the end of 2024, the proposed climate targets for Science Based Targets initiative, were validated.

Ålandsbanken Abp produced its first transition plan; a sector level transition plan focusing on the sectoral target for private housing loans. More on this can be found in E1-1 on pages 104-106 as well as 111-112 in the Annual report.

Risk management

Risk identification is a part of the double materiality analysis which is described in IRO-1. The Bank of Åland has a structured approach to risk management, with clear responsibilities and processes. Climate-related risks are integrated into the overall risk management framework. The Bank aims to maintain a low level of credit risk and has various measures in place to manage operational risks. Identified risks are climate-related risks (physical and transition), credit risks, liquidity risks and operational risks.

Links & references

Sustainability report in the Annual report 2024:

Strategy, business model and value chain in ESRS2 SBM-1: pages 56-60

Double materiality analysis in ESRS2 IRO-1: pages 65-69

Identified risks in ESRS2 SBM-3: pages 61-64, page 104 E1, page 135 S1 and S4, page 151 and 159 G1

Transition plan in E1-1: pages 104-106

Climate target related to home mortgages in E1-4: pages 111-112

Sustainability strategy in E1-2: page 106, Responsible investments in E1-2: page 107,

Responsible lending and liquidity management: page 109-110

Environmental actions in E1-3: page 108-109, E1-6: pages 115-124, E1-7: pages 124; Social responsibility: Own workforce in S1: page 135-148, customers in S4: pages 151-156, local community involvement in Åland: pages 157-158, the Baltic Sea Project: pages 132-134;

as well as Note G3: The Group's risk management.

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

Principle 2: Impact & Target Setting

Content

Briefly describe the bank's most significant impact areas and the steps taken to identify, measure and manage them—including impact analysis results, targets set (including sectors, portfolio coverage, and KPIs), actions taken, and progress against the targets. Where targets have been set, share details of the bank's transition/action plan, and progress made. Explain how the bank addressed interlinkages between impact areas where possible.

Impact analysis

To identify the sustainability impacts, risks and opportunities that are material for the Bank of Åland to focus on, we conducted a double materiality analysis (DMA). In 2023, such a double materiality analysis was carried out for the first time, and in 2024 a review was performed to verify its content. The UNEP FI Impact Analysis Tool from the previous year was an input to our DMA.

We were able to analyze the products, services and activities in the bank's retail and corporate banking portfolios. Our investments were briefly covered in the analysis.

The double materiality analysis is based on the Bank's operations and the closest steps in the value chain. The Group's operations centre on banking operations, Crosskey's IT services and Ålandsbanken Fondbolag's asset management services.

Impact results

Based on the Group's value chain, we identified the areas in which we have the greatest impact on society, people, the environment and the climate. Furthermore, we identified the risks and opportunities we see ourselves facing in these areas and how they may affect our business.

Climate change is an important impact area for the Bank of Åland and has been identified as material for a number of years. Through our own operations, we have a certain impact, but we see the major impact downstream in the value chain (Scope 3 Category 15 investments) through our lending to companies and individuals, the Treasury portfolio and customers' financial investments. Here we see a concrete indirect impact on climate change adaptation, mitigation and energy consumption.

The circular economy has been identified as a significant impact area for the Bank of Åland since 2023, when it was granted priority based on the Bank's lending for home mortgages and property construction. Since this impact is seen downstream in the value chain, its effect on the Bank's strategy and business model is mainly through investment decisions and lending criteria.

The two impact areas previously prioritised for PRB, climate change and circular economy, were also identified as material topics in the DMA as well as in the sustainability report in the Annual report 2024, alongside other topics. A more detailed list concerning each topic can be found in a table at the beginning of each respective chapter in the sustainability report.

More on impact and target setting, portfolio composition and scope can also be found in Bank of Åland PRB Report 2023.

Target setting

Significant impact area 1: Climate change

The Bank of Åland has established climate targets for the reduction of greenhouse gas emissions in line with the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius and the decisions made by Finland and Sweden. The Bank of Åland's climate targets are:

- The Bank of Åland shall reduce its CO₂e emissions by 50 per cent no later than 2030 compared to 2021.
- The Bank of Åland shall be a climate-neutral organisation no later than 2035 in line with Finland's climate policy decision.
- The Bank of Åland shall achieve net-zero emissions by 2050.

Since the greatest impacts on climate change in the form of carbon dioxide emissions occur in the value chain rather than within the Bank of Åland's own office operations, climate change mitigation actions largely concern managing its relationships with customers and other companies, and in doing so working with various types of requirements and delimitations in each relevant area.

Climate target related to home mortgage loans:

For mortgages, the target is to reduce the Bank-financed emission intensity (gCO₂e/m²) by 26 per cent no later than 2030 compared to the base year 2021.

The Bank of Åland has developed an initial climate transition plan based on the sector target for mortgages within the loan portfolio and its indirect impact downstream in the value chain. More information about the targets can be found under E1-4. The initial climate transition plan has been prepared in compliance with the Bank of Åland's commitment as a member of the Net-Zero Banking Alliance (NZBA).

Significant impact area 2: Circular economy

The circular economy has been identified as a significant impact area for the Bank of Åland since 2023, when it was granted priority based on the Bank's lending for home mortgages and property construction. In 2024, we continued to identify this area as indirect but significant, with a focus on the loan portfolio, in addition to impacts via Treasury portfolio investments on resource flows both inwards and outwards, and in the case of customers' financial investments, impacts through waste generated by the companies that are invested in.

During 2024, a work plan was developed for the circular economy related to lending. It was then adopted by the Sustainability Committee. The work plan was designed according to both what is recommended and required through the Bank's commitment and obligation to adhere to the Principles of Responsible Banking. Another concrete key action during the 2024 financial year was to organise circular economy training for the Executive Team and other key employees, mainly in the Bank's lending operations.

The next stage is to develop a baseline for the circular economy. Stage three is to identify risks and opportunities and then formulate targets for the Bank that are directly connected to the circular economy.

Links & references

Sustainability report in the Annual report 2024:
Material impacts, risks and opportunities in ESRS2 SBM-3: pages 61-65
Double materiality analysis in ESRS2 IRO-1: pages 65-69
E1 Climate change: pages 104-124
Transition plan in E1-1: pages 104-106
Climate change action in E1-3: pages 108-110
Climate change targets in E1-4: pages 110-114
E5 Resource use and circular economy: pages 129-131
RB report for 2023: Impact Analysis: pages 4-7

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

Principle 3: Clients & Customers

Content

Briefly describe how the bank works responsibly with clients and customers in relation to significant impacts, including products and services offered, internal policies and processes and engagement to implement targets/action plans/transition plans to encourage sustainable practices/economic activities. Note any changes in the reporting year.

The Bank of Åland sees as one of its most important positive impact areas the area of access to products and services, by offering its customers a wide range of financial services that enable them to manage their everyday financial lives and participate in society. There are regulatory requirements, with all private individuals who are legal residents of the European Economic Area being entitled to basic banking services such as cards, accounts and digital services, but in addition, the Bank offers a wide range of other financial services to its customers. However, the Bank of Åland is a niche bank that is selective in its choice of customers when lending to ensure the customer's repayment ability. The Bank wants to create a customer relationship that is sustainable in the long term, and there is no specific policy that regulates access to financial services. Instead, the Bank carries out individual assessments of its customers' needs and situations as part of its personalized advisory services.

Client and customer engagement

All sound banking is based on trust, and it takes time and dedication to build trust with new customers and to retain it with existing customers. The Bank of Åland strives for long-term customer relationships and for customers to always feel that they are receiving good service, regardless of the communication channel. The Bank is committed to personal contact with its customers and considers it important that customers have the opportunity to receive personalized service throughout their time as customers of the Bank. Customers are seen as a material topic for the Bank of Åland. The customer engagement process is a part of the dialog with the stakeholders. 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.

There are extensive legal requirements for information to customers regarding investments. The Bank of Åland ensures that customers can access this information on the website, both statutory documents and more marketing-oriented product descriptions. When signing an agreement, the customer receives a copy of the agreements, related terms and conditions as well as other relevant documents.

Along with that, the Bank of Åland has also established and implemented procedures to manage and, if necessary, remedy negative impacts on consumers and end-users that may arise as a result of its operations. Cases are initially handled at the operational level, but if not resolved at that stage, there is a formal escalation process, including the opportunity to submit written complaints. The Bank also has a policy for handling claims and complaints. Furthermore, the Bank of Åland has a whistleblowing system, and has appointed a Data Protection Officer.

Business Opportunities

The Bank of Åland wishes to share a documented climate ambition with its customers. For the financing of companies and business activities, this means that 100 per cent of customers classified as emission-intensive must agree to a climate ambition with the Bank, in which they undertake to establish a sustainability plan with activities that support the Bank's goal of reducing its carbon dioxide emissions by at least 50 per cent no later than 2030. In all, at least 90 per cent of corporate lending volume must have agreed to a climate ambition with the Bank.

A transition plan with a focus on home mortgages was developed during 2024, and implementation is expected to begin in the coming financial year, which means that the effect of the plan is expected to become visible further in the future.

The Bank of Åland's Treasury department further contributes to promoting long-term sustainability by issuing green bonds in compliance with the Bank's green framework. The green framework was updated in 2024, so that the qualification criteria now contribute significantly to the EU Taxonomy's environmental objectives.

At the Bank of Åland, we invest in well-managed companies that are well positioned to meet the challenges of the future. Financial investments of customer money in the Bank's asset management operations will follow a course in line with the goals of the Paris Agreement, with 2021 as a base year.

The general connection between sustainability strategy and customer is mentioned in the description of the stakeholder dialogue in Disclosure Requirement SBM-2, on pages 60-61.

Sustainability related products and services regarding our significant impact area climate change can also be found in chapter E1 Climate change, on pages 104-124, and for the second significant impact area in E5 Resource use and circular economy, on pages 129-131. In these chapters information is presented for the areas loan portfolio, the Treasury portfolio and financial investments where policies, actions, targets and metrics are presented separately for each area.

Links & references

Sustainability report in the Annual report 2024:

Significant products and services in relation to sustainability-related targets in ESRS 2 SBM-1: pages 58-59

Interests and views of stakeholders in ESRS2 SBM-2: pages 60-61

Customers as a material topic in ESRS2 SBM-3 regarding S4: page 64

S4 Consumers and end-users: pages 151-156

S4-2 – Processes for engaging with consumers and end-users about impacts: page 153

S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns: page 153

Sustainability related products and services for the loan portfolio, the Treasury portfolio and financial investments:

E1 Climate change: pages 104-124

E5 Resource use and circular economy: pages 129-131

Principle 4: Stakeholders

Content

Briefly describe how the bank consults, engages and collaborates/partners with relevant stakeholders for the purpose of implementing the Principles. This could include understanding impacts, setting ambitious targets, advocating for enabling regulatory/policy environments, and creating partnerships that contribute to addressing significant impacts. Note any changes in the reporting year.

Stakeholder engagement

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.

As demands for transparency and external communication around companies' sustainability work increase, the Bank of Åland's stakeholders have also taken on a more significant role in our sustainability work.

Stakeholders have been identified during the work with the materiality analysis. Dialogue takes place primarily with our key stakeholders, i.e. the Bank's *customers*, *shareholders* and *employees*, whose overall views have been included in the materiality assessment process.

Employees

The Bank of Åland's employees are its most valuable asset and most important competitive advantage. Dialogue with employees is continuous, both on a daily basis and through recurring employee surveys. By continuously measuring and following up on employees' motivation and working conditions, the Bank can ensure a healthy and efficient organisation. The connection to the Bank's strategy and business models is through the social sustainability area in its sustainability strategy.

Customers

The Bank has a business model that focuses on personalized advisory services. As part of this, the Bank is keen on maintaining personal contact with its customers and considers it important that customers should have the opportunity to receive personalized service. Dialogue with customers thus takes place mainly through face-to-face meetings at Bank branches, but also via digital channels, at customer events and through information on the Bank's website. The Bank also conducts annual surveys to gather information about customers' opinions on various issues, of which sustainability is one of many.

Shareholders

Dialogue with shareholders largely takes place at the Annual General Meeting, but the Bank of Åland has also conducted a specific stakeholder dialogue with selected major shareholders to discuss sustainability. Our major shareholders understand that the Bank has an obvious responsibility for the green transition, a key role in preventing economic crime and money laundering, and an important role in the Åland community.

Links & references

Sustainability report in the Annual report 2024:

Engagement with the most significant stakeholders in ERS2 SBM-2: pages 60-61

Principle 5: Governance & Culture

Content

Briefly describe the key governance structures in place (Board and Executive level) and related accountability mechanisms to implement the Principles. This could include how governance supports your bank's management of significant impacts and risks, including target implementation and monitoring of action/transition plans. In addition, briefly describe how a culture of responsible banking is driven internally (e.g. via employee learning & development). Note any changes or progress in the reporting period.

Governance structure for Implementation of the Principles

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's Managing Director, together with the Executive Team, is responsible for implementing the decisions on strategic direction made by the Board of Directors. The Bank's Managing Director together with the rest of the Executive Team, the Sustainability Manager and the Managing Director of Ålandsbanken Fondbolag comprise the Bank of Åland's Sustainability Committee. The Sustainability Committee directs the Bank's overall sustainability work and creates the conditions and structure for development, implementation and followup within the framework of sustainability.

Promoting a culture of Responsible banking

The Bank of Åland's three watchwords are ambitious, personal and responsible. Employees should perform their duties with the requisite skill, care and diligence. An employee's work shall be characterized by professionalism and high ethical standards, and the Group shall actively advocate a high level of ethical conduct for all employees through information and training.

Accessible internal policies, guidelines, and work instructions support operations and provide reporting channels. Employees are trained and informed about internal regulations.

The Bank of Åland and its fund management company Ålandsbanken Fondbolag each ensure that their own respective workforce has the right knowledge and skills to be able to properly perform their tasks and assignments in accordance with current external regulations.

Risk and due diligence processes and policies

Risk and due diligence processes

Risk identification is a part of the double materiality analysis which is described in IRO-1. The main risks identified regarding the process for compiling the sustainability report plus associated analyses and materials consist of the general lack of access to qualitative data for reporting, especially regarding actors downstream in the value chain, as well as a lack of systems support since this has not yet been developed, the lack of industry-specific standards for reporting and knowledge challenges to employee resources, given the extensive new regulations.

Due diligence analysis is a part of the project model, and the due diligence process is included to overall risk analysis that is carried out at the start of the projects.

Policies

The Bank has established several policy documents relating to its own workforce and is examining the extent to which these are compatible with the UN Guiding Principles on Business and Human Rights. The topics of trafficking in human beings, forced labour and child labour are not explicitly addressed in any policies for its own workforce but these practices are regarded as being avoided through compliance with the law. The Bank of Åland has policies related to compliance. Code of conduct, ethical conduct policy and a guideline for whistleblowing are examples of policies related to compliance. The Bank of Åland also has established a sustainability strategy and a climate strategy, as well as the policy related to investment and sustainability. There are also policies related to climate change mitigation and adaptation, and policies related to financial risk, human resources (HR), policies related to own workforce, and policies related to customers and end-users.

Links & references

Sustainability report in the Annual report 2024:

Sustainability governance in ESRS GOV-1 and GOV-2: pages 49-53

Sustainability objectives in incentive schemes in GOV-3: page 53

Due diligence in GOV-4: pages 54-55

Risk in DMA in IRO-1: pages 65-69

E1-2 – Policies related to climate change and risks: page 106-108

Business conduct policies and corporate culture in G1-1: pages 159-163.

HR policies for staff in S1-1: pages 135-137

Policies related to customers in S4-1: pages 151-152.

Principle 6: Transparency & Accountability

Content

Provide reference to additional relevant reports, if not listed as references with P1–P5. Briefly note whether/where assurance of sustainability information has been undertaken (optional).

Disclosure frameworks

The Bank of Åland is reporting in accordance with CSRD and ESRS.

Assurance

The Sustainability Report 2024 which is included in the Bank of Åland's Annual Report 2024 has been assured by KPMG Oy Ab. The scope of the assured information is indicated in KPMG's limited assurance report, which excludes comparative information. The PRB report from 2023 has been assured by KPMG Ab Sweden.

Links & References

The assurance report of the limited assurance in the Annual Report 2024 can be found on pages 277-278.
