

United Nations Principles for
Responsible Banking self-assessment



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Requirement:	Ålandsbanken's response	References - Where to find it
<p>Principle 1: Alignment</p> <p>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.</p>		
<p>1.1 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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>The Bank of Åland is a Finnish bank targeting high net worth and affluent individuals. We provide financial services in retail, commercial and wealth management activities.</p> <p>The bank was established in 1919 on the Åland Islands and now also operates on the Finnish mainland and in Sweden. Its headquarters are in Mariehamn in the Åland Islands.</p> <p>In 1942 the Bank of Åland was listed on NASDAQ OMX Helsinki stock exchange.</p> <p>We are top ranked in customer loyalty and have a long-standing tradition of stability and very low credit losses.</p> <p>In 2016 the Bank of Åland launched the Åland Index which measures the carbon dioxide impact of every credit card transaction.</p>	<p>See Annual Report 2020 Page 2</p>
<p>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</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 increase 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 role. Each quarter we transparently report our carbon footprint from business travel as well as electricity and paper consumption. In 2019 the Bank of Åland signed the United Nations Principles for Responsible Banking. Our starting point is the materiality analysis that we conduct on the basis of the UN's 17 sustainable development goals. Here we analyse all of our operations and see where our impact is positive and where it is negative. Then we set clear development targets and follow them up on a regular basis. Our long-term objective is to become a climate neutral group.</p>	<p>See Annual Report 2020 our business strategy page 7</p>

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<p>Principle 2: Impact and Target Setting</p> <p>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 plan to set and publish targets where we can have the most significant impacts.</p>		
<p>2.1 Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/ regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>In 2020, we carried out a more in-depth analysis based on these targets in our materiality analysis, which means that for the first time we can report our operations based on them. We use the materiality analysis to examine our operations from four perspectives: our responsibility as a lender, investments, the environment and social issues. With the insights and lessons learned from our 2019 work, the materiality analysis for 2020 was more comprehensive than before. For this reason, our reporting of the Group's operations is now directly linked to the UN's global goals and their related targets. Our commitment and our efforts focus on the following four SDG:</p> <ul style="list-style-type: none"> • Sustainable energy for all • Life below water • Climate action • Decent work and economic growth. <p># 7 Affordable and clean energy,</p> <p>Our ambition is to raise awareness about our carbon dioxide emissions. We shall continuously reduce these emissions, among other things through sustainable consumption, production and energy use. We offer solutions to our customers that contribute to climate transition through continuous development of a sustainable product range.</p> <p># 8 Decent work and economic growth</p> <p>Our operations are continuously growing. We are a sizeable employer in the Åland community, thus contributing to jobs and tax revenues to the community. As an employer, the Bank maintains decent working conditions based on collective-bargaining agreements and current regulations. We work actively to promote social sustainability, encompassing inclusion, equal worth, sound values and a strong commitment to the community, as well as following regulations and requirements to help combat corruption, money laundering and other criminal activities.</p> <p># 13 Climate action</p> <p>We endeavour to continuously reduce our carbon dioxide emissions by means of sustainable consumption and production, as well as sustainable energy use and business travel and a range of products that aim at reducing carbon dioxide emissions. We enable our customers to increase their environmental awareness via the Åland Index and via our business partner Doconomy.</p> <p># 14 Life below water</p> <p>Through the Baltic Sea Project and the Baltic Sea Account, we and our customers work together to help reduce pollution in the Baltic Sea. Various stakeholders are offered the opportunity to receive funding to implement their ideas for achieving a cleaner Baltic Sea. We have been doing this since 1997. Our environmental work is based on our geographic location in the middle of the Baltic Sea.</p>	<p>As described in Annual Report 2020 pages 11-17</p>

<p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 		
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.</p>		
<p>We have conducted a materiality analysis in 2020, which fulfills some of the requirements set out in this principle. We will refine our methodology for impact analysis in 2021.</p>		
<p>2.2 Target Setting Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.</p>	<p>We will continue to fight climate change through spreading the Åland Index worldwide. The Åland Index allows its card holders to follow their carbon footprints on their card purchases. This helps create awareness about the impact of one's consumption habits on the climate. We aim to refine the Åland Index further to give our card holders more detailed insights.</p> <p>Our bank has clearly set ambitions when it comes to the carbon footprint from its own business in energy consumption, business travels and paper prints. In 2021 we aim to decrease those by 172 000 kg in comparison to 2019.</p>	<p>Annual Report 2020 page 7-17</p>
<p>Show that these 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. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/ society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>These targets will drive alignment with SDG 13, fighting climate change.</p> <p>We will fund various projects by a minimum of 500 000 euros. The Baltic Sea is one of the world's most polluted seas and restoring the water quality and the environment is vital. This Baltic Sea Project drives alignment within SDG 14 Life below water.</p> <p>In line with SDG 13, we measure the carbon dioxide emissions, on our investment products. We also take into consideration other sustainability risks within our investment portfolios. We are planning for exclusion of fossil fuels from our investment portfolios.</p> <p>In collaboration with MSCI the effects with regards to ESG are measured on our investment products. Water is an important factor, with this regard, and the investments include investing in businesses that provide solutions to sanitation problems.</p>	<p>The Baltic Sea Project</p>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

Based on our 2020 materiality assessment we have been able to identify the areas in which we have most impact. In 2021 we will evaluate our targets and also set more SMART criteria targets to evaluate.

2.3 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

We will continue to follow up on our carbon dioxide emissions in connection with business travels, printouts and energy consumption.

Our target for 2021 is to emit no more than 176 000 kg.

In 2021 we are taking actions in order to further develop our climate calculation in accordance with scope 1, scope 2 and scope 3.

We will continue to yearly fund Baltic sea projects by a minimum of 500 000 euros. The projects funded by the Baltic Sea Project are publicly reported on a yearly basis on the Baltic Project website.

We are currently taking actions in order to have a closer follow up on our progress on our different targets.

ESG – we will track our investment products more closely from an ESG perspective.

[The Baltic Sea Project](#)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

We have set targets and plans for their implementation. We are developing means to monitor our progress.

2.4 Progress on Implementing Targets

For each target separately:

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

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

In 2019 Ålandsbanken was the first Fund Manager in Finland that had its green bond fund labeled by Nordic Ecolabel (Svanen). In 2020 another fund (Global Aktie) acquired the same label. Nordic Ecolabel puts strict requirements on the investments the fund makes and for instance excludes all investments in fossil fuel companies.

In 2020 we launched a wind power fund which is initially investing in wind power farms in Finland

The bank's own carbon dioxide emissions have since 2018 decreased from 342 000 kg to 140 154 kg in 2020, largely due to decrease in travel due to COVID-19, but also thanks to a renegotiated electricity agreement.

Updates on our targets will be published in our financial reports.

[Annual Report 2020](#)
page 11-17

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

We are on track for meeting some of the requirements under this principle. To further align, we will develop ways to measure and report our progress on target implementation.

Requirement:	Ålandsbanken's response	References - Where to find it
<p>Principle 3: Clients and Customers</p>		
<p>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>		
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>The Baltic Sea Project and the Baltic Sea Account enables our clients to make a difference for the Baltic Sea.</p> <p>The Åland Index and banking cards offers individuals an indication upon their carbon footprints on their card purchases, through the Index we strive to create awareness in our customers.</p> <p>Our lending to clients is based on responsible assessments on the client's ability to pay back.</p> <p>Ålandsbanken uses external analysis from MSCI regarding ESG-aspects (environmental, social and governance) when analysing investment objectives. On each objective, sustainability related risks- as well as opportunities are evaluated.</p> <p>We are developing our responsible investment policy to align it with the EU sustainable finance regulation. This incorporates taking into consideration sustainability related risks as well as possible negative impacts for sustainable development that an investment might have.</p> <p>Our Code of Conduct is discussed with our suppliers and our B2B clients.</p>	<p>Annual Report 2020 Åland Index: page 22-23</p>
<p>3.2 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. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>All sound banking business is based on trust.</p> <p>The Baltic Sea project is also an example of environmental sustainability work</p> <p>We choose Fintech partners that share our values with regards to the environment and we develop innovations in close collaboration with them.</p> <p>A few years ago we created the Åland Index, which enables card customers to calculate their own carbon footprint. Together with the Swedish-based fintech company Doconomy, we are now successfully launching it on a global scale and the Index will be developed further in collaboration with them.</p> <p>The Bank of Åland will assess how to get businesses with activities associated with significant negative impact to transition into a more sustainable direction and in alignment with the SDG.</p> <p>We will continuously strive to exclude investments that include fossil fuels. The plan for this will be set in 2021 as well as a plan for our target to becoming climate neutral and fossil free.</p> <p>Our Green Bond ESG and Global Equity Fund are fossil free.</p>	<p>Code of conduct Annual Report 2020 Page 6-7</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.		
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>The number of stakeholders is growing rapidly. This is due to several reasons. First, there is increasing awareness and interest in sustainability issues, and second, there is growing concern about climate change. Meanwhile public authorities, the media and others are showing a greater sense of commitment. In addition, our ever-broadening stakeholder categories include customers, employees, shareholders, competitors, resellers, suppliers, recruitment candidates, business partners and society at large (citizens, interest groups, political leaders).</p> <p>Our management, board of directors and employees are all involved and committed to our sustainability work.</p> <p>When undertaking our materiality analysis, we consulted a specialist from Östersjöfonden.</p> <p>We engage in the local network "Bärkraft", a platform for all forms of organisations on Åland working towards a common goal of a viable and sustainable region. The backbone of the organisation is the Development and Sustainability Agenda for Åland, agreed upon by Ålands regional parliament and government.</p> <p>Our business partner 'Dreams' is helping to educate especially young people in how to handle their finances in a sustainable way.</p> <p>In collaboration with Doconomy we will further develop the Åland Index.</p> <p>We collaborate with Siwi – Stockholm International Water Institute, with a representation on the Board. The Institute contributes worldwide to clean water and sanity.</p> <p>We are also a member of Climate action 100+ which means that we together with other investors impact the world's 100 biggest polluters to lower their carbon emissions.</p> <p>Ålandsbanken is also a founding member in Finsif (Finnish Sustainable Investment Forum) since 2010 and a member of the corresponding organisation in Sweden, Swesif. These are good platforms to discuss and develop the sustainable investment landscape together with other financial market participants.</p> <p>To compensate for carbon emissions on card purchases we refer our clients to WWF for climate compensating.</p>	<p>Bärkraft Annual Report 2020 page 11-17</p>

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<p>Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking</p>		
<p>5.1 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 effective implementation of the Principles.</p>	<p>Sustainability is a natural element of the Bank of Åland's business strategy. The Group's Board of Directors consequently oversees both its strategic sustainability objectives and their yearly monitoring. The Group's Executive Team pursues a continuous discussion on our corporate responsibility. The Team is in charge of the Bank of Åland's strategic sustainability work. A sense of commitment and responsibility drives this work in a natural, self-evident way.</p> <p>Based on their specific roles, all executives and employees are responsible for ensuring that the Bank of Åland develops in a sustainable way. Among the tools of this work are directives, guidelines and plans that concretize the strategy in each area of sustainability.</p> <p>The Group's ESG Committee is an advisory body that was given a clearer mandate in 2019. The committee has met regularly to discuss current sustainability and investment-related issues. The ESG Committee represents all business areas and monitors development in sustainable investments, global events, competitors, legislation and so on. It also monitors compliance with the existing policies and guidelines in the ESG field.</p> <p>Our sustainability implementation group consists of dedicated employees and is responsible for developing targets in accordance with the SDG and Paris agreement. Also, it monitors our progress in order to ensure that we are moving in the right direction.</p>	<p>Annual Report 2020 page 5-7</p>
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>Our training programme includes mandatory information about sustainability relevant regulations as well as each employee's responsibility to help us in aligning with the targets.</p>	
<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) target-setting and actions to achieve targets set</p> <p>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>Our sustainability implementation group contributes to developing targets and monitoring progress towards achieving set goals. They are also involved in recognizing any negative impact and addressing them.</p> <p>Our Management Group is responsible for target-setting and measures that need to be put in place to achieve set targets.</p> <p>We will track our progress to achieving our targets in connection with our regular reporting.</p>	

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

We have fulfilled some of the requirements under principle 5 through our existing governance structure and are still working with the principles regarding target setting and actions to achieve set targets.

Requirement:	Ålandsbanken's response	References - Where to find it
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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.

<p>1.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>We have aligned our annual reporting to the principles for responsible banking.</p> <p>Our impact analysis is entirely based on the SDG and the targets, which are more closely monitored as of now. Our sustainability implementation group who has been working with the analysis and target setting has become more aware of where we have a positive impact and where we have a negative one. This means that we can increase our ambition and significant target-setting on a long-term basis. We plan to set more long-term targets on our climate calculation. We aim to be able to climate compensate in order to gain climate neutrality.</p> <p>We will add sustainability risks including both climate and sustainability risks within ESG for both lending and investment products.</p> <p>Our decrease in carbon dioxide emissions for 2020 is a progress, as are the two environmentally friendly certified investment products and the wind farm investment that we have launched.</p> <p>Our business follows national legislation in Sweden and Finland and work with the local authorities.</p>	
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

This is our first report on the Principles for Responsible Banking and we have had good progress. We will seek to achieve further alignment in the future.