

# United Nations Principles for Responsible Banking self-assessment

**ÅLANDSBANKEN**



Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
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.	
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>The Bank of Åland (Ålandsbanken) was founded in 1919 as Ålands Aktiebank and has been listed on the Helsinki Stock Exchange (now the Nasdaq Helsinki Oy) since 1942.</p> <p>It is a Finnish bank targeting high net worth and affluent individuals</p> <ul style="list-style-type: none"> <li>- The Head Office is located in Mariehamn, Åland and the business operations include Finland and Sweden.</li> <li>- The Bank of Åland Group has two subsidiaries: the fund management company Ålandsbanken Fondbolag Ab and the information technology company Crosskey Banking Solutions Ab Ltd.</li> <li>- In the Åland Islands, the Bank of Åland is a bank for all residents and is both in a position and with a desire to help develop the Åland of the future.</li> <li>- 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.</li> <li>- The Åland Index, launched in 2016, has become established as an international standard for measuring the climate impact of consumption.</li> <li>- The Bank of Åland has business partnerships with several financial technology (“fintech”) companies and supplies services to companies operating in the financial services sector.</li> <li>- The Bank of Åland has proactively chosen to offer products that benefit the customer at various levels: first and foremost financially, but also by contributing to sustainable development. Including the 2021 amount, over the years the Bank’s Baltic Sea Account (formerly the Environmental Account) has contributed almost EUR 3.3 M to projects that improve and protect the environment.</li> </ul>	<p><a href="#">See Annual Report 2021 page 2</a></p>

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
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.	
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>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.</p> <p>The work begins with our materiality analysis, which is based on the United Nations 17 SDGs. We analyse our operations and identify the areas where we have positive and negative impacts. Then we set clear sustainable development targets and regularly follow up our work.</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 global alliance, which means that by 2050 we shall report net-zero greenhouse gas emissions, in line with the Paris Agreement. With the help of GHGP Scope 1–3, we will calculate and report greenhouse gas emissions on a quarterly basis from our own operating activities and from the loan and treasury portfolios in our balance sheet, as well as from our customers’ financial investment portfolios.</p> <p>Whilst having relevant data can be challenging, we will in 2022 take steps towards analysing our customer portfolios in accordance with the UNEP Fi Impact Analysis Tool.</p>	<p><a href="#">See Annual Report 2021</a> page 8 , 14</p>

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
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>2.1 Impact Analysis:</p> <p>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 &amp; 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. (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"> <li>- Identified and disclosed its areas of most significant (potential) positive and negative impact</li> </ul>	<p>In 2021 we put a lot of effort into identifying our impact on the climate and environment. An expanded calculation and deeper analysis of the impact of our core business showed that – based on our current knowledge – our emissions have a particularly negative impact on six of the UN’s 17 goals in terms of climate and environment. These are goals #6 Clean water and sanitation, #7 affordable and clean energy, #12 Responsible consumption and production, #13 Climate Action, #14 Life below water, and #15 Life on land.</p> <p>Overall, it is clear that a well-defined climate strategy will be important in our future work. This strategy should include distinct targets, both yearly and long-term, and have a clear follow-up mechanism. We also know that beyond creating a climate strategy, the Bank of Åland should continue pursuing various activities that will help move us towards the established targets.</p> <p>Our Green House Gas emission calculation is reported in the annual report and the total amount of emissions is 1,519 tonnes and this includes our customers’ financial investments as well as our loan portfolio. The estimate for the loan portfolio is an estimate based on the Åland Index climate impact tool, available data for properties and loan-to-value ratios and published average emission figures in Finland and Sweden. Although the highest exposure of our loan portfolio lies within shipping, agriculture and energy their emissions represent 19 per cent of the total loan portfolio.</p> <p>Starting in 2021 we also report exposures in the balance sheet that are covered by EU’s Taxonomy for sustainable investments.</p> <p>Our financial target is considered an important impact.</p> <p><b>Our compensation portfolio</b></p> <p>We have developed a compensation portfolio that offsets emissions from our own operations – the 775 tonnes of CO2e reported for the year 2021. This was done in collaboration with the Finnish non-profit Compensate, which offers companies and individuals easy access to high-quality greenhouse gas emission compensation.</p> <p>In 2022 we will implement the UNEP FI Impact Analysis Tool in order to have an even more detailed analysis of the impact from our business.</p>	<p><a href="#">See Annual Report 2021</a> pages 20-27</p> <p><a href="#">See Annual Report 2021</a> pages 18-19</p> <p><a href="#">See Annual Report 2021</a> page 17</p>

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
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><b>2.2 Target Setting</b></p> <p>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>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>A climate strategy will be adopted during 2022.</p> <p><b>SDG #7</b> Our goal is 100 per cent energy from renewable sources.</p> <p><b>SDG #13</b> The Bank of Åland’s climate targets</p> <ul style="list-style-type: none"> <li>• The Bank of Åland shall reduce its CO2 e emissions by 50 per cent no later than 2030, compared to 2021.</li> <li>• The Bank of Åland shall be a climate-neutral organisation no later than 2035, in line with Finland’s climate policy decision.</li> <li>• The Bank of Åland shall achieve net-zero emissions by 2050.</li> </ul> <p>This is in line with Finland’s climate policy decision. Our climate neutrality target also supports the Åland regional government’s target of climate neutrality no later than 2035 as well as Sweden’s target of climate neutrality by 2045.</p> <p>In addition, the Bank’s climate target supports Goal 6 of the Bärkraft initiative for a sustainable Åland: A significantly higher proportion of energy from renewable sources plus increased energy efficiency.</p> <p><b>SDG #8 Decent work and economic growth (Financial targets)</b> As for the Bank’s return on equity after taxes, our new target is that it shall exceed 15 per cent over time (previously 10 per cent). The common equity Tier 1 capital ratio shall exceed the Finnish Financial Supervisory Authority’s minimum requirement by 1.75–3.0 percentage points. The payout ratio shall be 60 per cent or higher (previously 50 per cent), provided that capital adequacy does not fall below target</p>	<p><a href="#">Bärkraft</a></p> <p><a href="#">Ålandsbanken’s Long-term financial targets</a></p>

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
<p>2.3 Plans for Target Implementation and Monitoring</p> <p>Show that your bank has defined actions and milestones to meet the set targets.</p> <p>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.</p>	<p>In 2022 we will adopt a climate strategy for our business. This shall include our core business, ie investment and lending. We will continue to work on data availability and the GHGP calculation. The follow up on emission related factors will be performed regularly on a quarterly basis, and we strive to further refine the calculation. (note, in the Annual report, in connection with some SDGs (pp 21-22) it is referred to our climate strategy, when in fact it should say climate target)</p> <p>The progress on our financial target is monitored and reported on in connection with our quarterly financial reporting.</p>	
<p>2.4 Progress on Implementing Targets</p> <p><b>For each target separately:</b></p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p>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.</p> <p>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)</p>	<p>We have broadened our climate calculation of our own business operations in accordance with the GHG protocol and will follow-up our GHG emissions accordingly. Our GHG-emissions for 2020 amounted to 772.4 tonnes and we see a slight increase in emissions in 2021 to 775.2 tonnes. Compensating for our CO2e emissions will be effected starting with year 2021.</p> <p>The Åland Index has been sold out to provide it with better developing opportunities and enabling it to reach out to more people.</p> <p>The Baltic Sea project supported environmentally friendly projects by a total of 507,500 euros</p> <p>Our Wind Power Fund is investing in wind farm projects helping to increase renewable energy in the Nordic Countries by 500 000 MWh.</p> <p>Our ESG tracking on investment products has been improved and is reported in a specific report published by Ålandsbanken Fondbolag (available only in Swedish and Finnish)</p>	<p><a href="#">See Annual Report 2021</a> page 16</p> <p><a href="#">Supported Baltic Sea Projects 2021</a></p> <p><a href="#">See Annual Report 2021</a> page 10</p> <p><a href="#">See Annual Report 2021</a> page 20</p> <p><a href="#">Fondbolag sustainability report (Swedish)</a></p> <p><a href="#">Fondbolag sustainability report (Finnish)</a></p>

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
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 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>Åland Index - responsible consumption through the measuring of our customer’s carbon footprints on his/her card purchases the customer is made aware of the impact of their consumption.</p> <p>MIFIDII activities help us in ensuring responsible investments.</p> <p>EU Taxonomy reporting gives our customers an insight in the sustainability of our investment products.</p> <p>The disclosure regulation ensures that ESG-factors are taken into consideration in our investment products.</p> <p>Our code of conduct is discussed with our B2B customers and suppliers.</p> <p>The Baltic Sea project and the Baltic Sea Account enables our customers to make a difference for the Baltic Sea.</p>	<p><a href="#">Code of Conduct</a></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>Our Åland Index will be further refined to provide insights on consumption’s impact on the environment.</p> <p>We choose Fintech partners, collaborators and suppliers that share our values with regards to sustainability work.</p> <p>The Baltic Sea project will continue to raise awareness of the state of the Baltic Sea.</p> <p>Our investment products are becoming increasingly sustainable as sustainability is considered a hygiene factor these days.</p>	

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
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>Our stakeholders will play a larger role, and requirements for transparency and external communication will be broadened. In order to understand the needs and driving forces that are important to stakeholders, we conduct stakeholder dialogues, both qualitative and quantitative, through various channels during the year. Customer and brand surveys, as well as industry forums where current issues and trends are addressed, are other examples of such dialogues. Dialogues are initiated both by the Bank of Åland and by stakeholders.</p> <p>Our stakeholders include • Customers • Resellers • Shareholders • Suppliers • Debt investors • Partnership organisations • Employees and potential employees • Special interest organisations • Rating agencies • Media</p>	<p><a href="#">Annual Report</a>, page 16</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
Principle 5: Governance & Culture	We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	
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>The development, management and governance of the Bank's sustainability work are based on the priorities of our stakeholders, external regulations and our own ambition to be part of the move towards a sustainable society. Regulations and frameworks such as the EU Taxonomy and Disclosure Regulations will also be an important focus in the future. The executive team and board has the ultimate responsibility for governance of the Bank's sustainability work and is actively engaged in sustainability issues. The Board adopts the Bank's sustainability strategy every two years. The Managing Director/Chief Executive is responsible for ensuring implementation of the Bank's strategy, which shows which way the Bank is moving and what is needed to achieve its established targets. This responsibility also includes sustainability. The Group-wide Executive Team is responsible for strategic sustainability work at the Bank of Åland. Based on a yearly materiality analysis and the Bank's sustainability strategy, the Executive Team creates plans for each sustainability area. The Sustainability Team carries out the Bank's overall sustainability work and acts as a forum for questions and decisions. The team consists of four people: our sustainability manager, sustainability strategist, sustainability developer and responsible investment manager. The Group's ESG Committee is tasked with monitoring global events, overseeing developments in sustainable investments and ensuring that the Bank of Åland's investment activities follow the strategy and guidelines for sustainable investments. The Bank's regulatory group compiles all global monitoring results and also maintains a list of the regulations that must be implemented. The Bank's project organisation carries out those development and implementation projects which are related to sustainability</p>	<p><a href="#">Annual Report</a>, pages 13 -19</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>During 2021 we launched a mandatory sustainability training for our employees.</p> <p>Our introductory training also includes sustainability training and focusing on our long-term relationships. We also take part in local campaigns such as reducing food waste, sustainable modes of travel as well as clothing collection.</p> <p>Sustainability has been included in several job descriptions in order to foster a culture of responsible banking</p>	<p><a href="#">Annual Report</a>, pages 13 -19</p>

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
Principle 5: Governance & Culture	We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.	
<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> <ul style="list-style-type: none"> <li>a) target-setting and actions to achieve targets set</li> <li>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</li> </ul>	<p>Managing Director/Chief Executive is responsible for ensuring implementation of the Bank’s strategy, which shows which way the Bank is moving and what is needed to achieve its established targets.</p> <p>The Group-wide Executive Team is responsible for strategic sustainability work at the Bank of Åland.</p> <p>The Sustainability Team carries out the Bank’s overall sustainability work and acts as a forum for questions and decisions. The Group’s ESG Committee is tasked with monitoring global events, overseeing developments in sustainable investments and ensuring that the Bank of Åland’s investment activities follow the strategy and guidelines for sustainable investments.</p> <p>The Bank’s regulatory group compiles all global monitoring results and also maintains a list of the regulations that must be implemented.</p> <p>The Bank’s project organisation carries out those development and implementation projects which are related to sustainability.</p> <p>Our progress is being tracked and reported on a regular basis.</p> <p>In 2022 we will appoint a third party assurer for our PRB progress</p> <p>As legislation regarding sustainability work is put in place our Internal Audit will will be involved in reviewing our PRB work.</p>	<p><a href="#">Annual Report</a>, pages 13 -19</p>

Reporting and Self-Assessment Requirements	High-level summary of bank’s response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank’s full response/ relevant information
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>6.1 Progress on Implementing the Principles</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>A climate strategy will be adopted in 2022.</p> <p>During the year we have increased our resources. A sustainability developer was employed during the year.</p> <p>We have increased our data and are working with ensuring its quality.</p> <p>We have signed up for a compensation portfolio.</p> <p>We have engaged with different networks, UNEP FI, NZBA among others.</p> <p>Our businesses follow national Swedish and Finnish legislation.</p> <p>On Åland we take an active role within the Bärkraft network working for a sustainable Åland.</p>	<p><a href="#">Annual Report</a>, pages 7-8, 13-27, 43</p>

- a. Impact: An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.
- b. Significant Impact: Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of significant impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.