

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bonds Asset Pool

Aargauische Kantonalbank
25 May 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bonds
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (GBPs), as administered by the International Capital Market Association (ICMA)
Scope of verification	<ul style="list-style-type: none">• AKB Green Bond Framework (as of June 2020)• Green Asset Pool (as of April 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• For a single issuance after SPO publication

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Scope of work

Aargauische Kantonalbank (AKB) commissioned ISS ESG to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bonds link to AKB’s sustainability strategy – drawing on AKB’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. AKB’s Green Bond Framework (June 2020 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
3. The Asset Pool – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Green Bonds link to issuer’s sustainability strategy	<p>According to the ISS ESG Corporate Rating published on 13.05.2020, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Public & Regional Banks sector. The issuer is rated 45th out of 276 companies within its sector.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	Consistent with issuer’s sustainability strategy
Part 2: Alignment with GBPs	<p>The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs.</p>	Aligned
Part 3: Sustainability quality of the Asset Pool	<p>The overall sustainability quality of the Asset Pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bonds will (re-)finance green buildings – private mortgages.</p> <p>Those use of proceeds categories have a limited contribution to SDG 11 ‘Sustainable cities and communities’. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	Positive

¹ ISS ESG’s evaluation is based on the AKB’s Green Bond Framework (June 2020 version), on the analysed Asset Pool as received on the 13.04.2020, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 13.05.2020).

ISS ESG SPO ASSESSMENT

PART I: GREEN BONDS LINK TO AKB'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF AKB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
AKB	PUBLIC & REGIONAL BANKS	2	MEDIUM

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Public & Regional Banks sector and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 13.05.2020, this Rating places AKB 45th out of 276 companies rated by ISS ESG in the Public & Regional Banks sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

AKB provides various banking products and services for private and corporate clients, and institutional investors in Switzerland with a focus on the canton of Aargau in which it is located. The financial industry aims to provide solutions to sustainability challenges via the provision of equal access to financial products, financial services with high social benefit and sustainable investment products. AKB offers various SRI products through its partner Swisscanto subject to a wide range of best-in-class and exclusion criteria such as weapons, tobacco and nuclear energy. It additionally offers sustainability themed investments on water and climate, as well as the possibility to invest in fair-trade gold. However, these products and initiatives so far do not constitute a major business of the company and sustainability issues are seemingly not yet integrated into the company's core business.

Sustainability Risks

Through the offering of financial products and services, AKB faces not only environmental and social risks relating to lending and investment activities but also risks related to customer and product responsibility. AKB offers SRI products subject to a wide range of best-in-class criteria as well as theme

funds through its partner Swisscanto. It further offers a basic banking account subject to moderate terms and offers banking services to clients with physical impairments. As the company only addresses some of the risks it faces with these measures, it needs to be considered that AKB is a regional bank, focussed on the canton of Aargau. Exposure to international project finance and thereby risks related to its lending business are therefore limited. Regarding the responsible treatment of its workforce, the company has established comprehensive regulations for its employees on workplace flexibility as well as sabbaticals and offers financial support to employees with children. Located in Switzerland only, the employees also benefit from high standards on issues such as employment security. As for business ethics, the company has established a code of ethics covering important compliance topics such as insider dealings, conflicts of interest and money laundering in general terms. AKB further conducts compliance audits risk assessments and has installed reporting channels for non-compliance reporting and ensures non-retaliation against whistleblowers.

Governance opinion

AKB is wholly owned by the canton of Aargau. Concerning the company's governance structure, while the chair of the board has executive duties and is therefore not independent, board independence is assured as the remaining board members are company outsiders. AKB has further established a fully independent audit committee and almost all members of the nomination and remuneration committee are also independent (all information as at May 13, 2020). AKB discloses the remuneration of its CEO individually and of the executive management team as a whole and further sub-divides the amounts according to fixed and variable performance-related components. The company further states that there are no long-term components. With regard to its governance of sustainability, while a sustainability committee is in place, it is only staffed with a minority of independent board members (as at May 13, 2020). In terms of remuneration for the executives, it remains unclear whether ESG targets are included in the variable remuneration. Concerning business ethics, AKB has established a code of ethics covering important compliance topics such as insider dealings, conflicts of interest and money laundering in general terms. AKB further conducts compliance audits and risk assessments and has installed reporting channels for non-compliance reporting and ensures non-retaliation against whistleblowers.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of AKB's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along AKB's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is not facing any controversy.

B. CONSISTENCY OF GREEN BONDS WITH AKB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

AKB relies on sustainable growth that is based on security, customer proximity and on dealing responsibly with the consumption on natural resources. In addition to being firmly anchored in business activities, leadership and the corporate culture, the overall bank strategy pays particular attention to the issue of sustainability.

Sustainability has long been a focus for AKB, having published its first sustainability report in 2007. AKB has defined the following areas as particularly important from a sustainability perspective:

- Attractive working models
- Sustainable projects and sponsorships
- Dialogue with stakeholders
- Sustainability communication
- Development-focused management

In terms of the investment business, AKB applies ESG criteria when assessing and evaluating investments.

AKB has also partnered with organisations in support of sustainability objectives:

- AKB has supported the Aargau Foundation's "Fair Recycling" climate protection programme since 2013 and offsets its annual CO2 emissions against climate certificates from an environmentally friendly refrigerator recycler in Brazil. By funding this offsetting project, AKB is helping to combat climate change through its climate neutrality.
- In terms of e-waste, Gisler Systems AG has either professionally disposed of around 200 AKB printers or refurbished them so that they can be used as second-hand devices by private individuals or start-up companies. "AfB social & green IT" – a non-profit foundation to create work for people with disabilities – acquires discarded computers, monitors and other hardware from AKB and also refurbishes them for further use.

For all sustainability priorities, AKB defined specific sustainability objectives and activities. However, those objectives are not all quantified.

Rationale for issuance

The purpose of issuing green bonds is to refinance existing and / or future mortgage financing and represent the link between the assets and liabilities side of the bank's balance sheet.

At the same time, the expansion of the investor base contributes to the diversification of refinancing sources for the AKB. Investors are given the opportunity to participate in investing in sustainable bonds and supporting the contribution of the bank to sustainable and responsible business activity.

AKB thereby promotes the environmentally friendly development of construction activities and creates a social added value. The AKB Green mortgage is ready for environmentally friendly building and renovation projects, and helps to save resources and minimize emissions as well as to reduce environmental risks

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bonds with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Public & Regional Banks sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green buildings – private mortgages	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH GBPs

1. Use of Proceeds

AKB designed a new financing product called the AKB Green mortgages specifically for the purpose of financing green buildings and/or energy efficient renovations.

The following conditions must be fulfilled for the allocation:

- The issue money is used exclusively to finance owner-occupied residential property (owner-occupied home) of private clients (natural persons).
- For these home ownership financing transactions, the permissible property location covers the whole of Switzerland.
- The following owner-occupied property categories are considered owner-occupied homes:
 - Single family homes
 - Terraced houses
 - Condominium ownership
 - Two-family houses (at least one unit owner-occupied)
- Suitable projects include financing for
 - New buildings (incl. first-time occupation of condominiums)
 - Individual energy-related measures (renovations)
 - Comprehensive energy interventions for existing property owners or following the acquisition of a new property

The following set of criteria in the form of a points table shows the selection criteria for new buildings, individual energy-related measures or comprehensive overall renovations and serves as the basis for classifying a climate-friendly property:

ELIGIBILITY CRITERIA	POINTS (1-4)			POTENTIAL IMPLEMENTATIONS
New construction			X	<ul style="list-style-type: none"> ▪ Compliance with cantonal building regulations and energy ordinances ▪ General exclusion of fossil fuel energy sources (oil / gas) ▪ In general, the first-time occupation of the defined property categories falls under this category (especially condominium ownership)
Renewable energy source	X			<ul style="list-style-type: none"> ▪ Installation of a new climate-friendly heating system

				<ul style="list-style-type: none"> Exclusion of fossil fuel energy sources (oil / gas)
Optimisation of insulation / outer shell	X			<ul style="list-style-type: none"> Reinforcement / extension of insulation of facade, outer wall, roof, cellar or building ground Replacement of exterior doors with a more energy-efficient model
Window renovation	X			<ul style="list-style-type: none"> Improvement of building emissions by replacing all windows
Optimisation of building technology	X			<ul style="list-style-type: none"> Renewal of ventilation, air conditioning or hot water preparation Installation of a heat or electricity storage system Installation of new energy-saving built-in lighting and systems Installation of low-flow (low pressure) water pipes in kitchens and sanitary facilities Installation of intelligent electricity meters (3rd generation smart meters) Installation of intelligent heat regulation systems (various types of smart thermostats) and sensor technology such as lighting control via motion detectors (each for domestic use) Installation of a building management system
Renewable energy sources	X			<ul style="list-style-type: none"> Installation of photovoltaic systems Installation of panels for the preparation of hot water Installation of wind turbines Installation of heat generating solar collectors/facades
Electrical infrastructure	X			<ul style="list-style-type: none"> Installation of Charging point / line infrastructure for electric mobility

<p>Certificate for entire building</p>				<p>X</p>	<ul style="list-style-type: none"> ▪ Cantonal Energy Performance Certificate (GEAK) with overall efficiency: <ul style="list-style-type: none"> ○ For new buildings of at least class B ○ For existing buildings of at least class C ▪ Minergie: <ul style="list-style-type: none"> ○ Minergie ○ Minergie-P ○ Minergie-A ○ Minergie ECO ▪ Certification by the Swiss Standard for Sustainable Building (SNBS)
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Further general conditions:

Proof must be provided by corresponding offers, invoices or certificates from a specialist planner (architect / specialist). The measures and certificates may not be more than 2 years old.

Points are awarded for each selection criterion regardless of the amount of investment.

Individual energy-related measures or renovations that meet one or more of the above criteria can be financed via the AKB Green Mortgage regardless of the total number of points achieved.

A property is considered to be climate-friendly (energy efficient) overall if at least a total score of 4 is achieved.

If a building has an energy source that uses fossil fuels (oil or gas), the entire property will always be classified as not climate friendly. In this case, only individual energy-related measures or renovations can be financed, even if the required total score is achieved through extensive interventions.

Opinion: ISS ESG considers the Use of Proceeds description provided by AKB's Green Bond Framework as complete, exhaustive and aligned with the Green Bond Guidelines. The eligible category is aligned with the issuer's sustainability strategy.

2. Process for Project Evaluation and Selection

The purpose of AKB's Green Bond is the (re-) financing of existing and future AKB Green mortgages. The allocation is subject to the allocation criteria described under "1. Use of Proceeds".

A dual control principle is used to ensure that the selection criteria are met in terms of processes and organisation, as well as sufficient documentation is provided: the Private Clients & Private Banking division and the Corporate Clients & Institutional Banking division (sales units) carry out the initial audit. In the Credit & Finance division, the subsequent second audit and control is carried out. Documentation is provided in the form of corresponding evidence in the loan dossier (created per mortgage). Product Management Credits acts as an advisory capacity and is the final escalation stage.

In the event of a controversy (e.g. legal dispute) in connection with the issue of the AKB Green Bond and the implementation of the Green Bond Principles, AKB will make this transparent as part of its annual reporting, provided that it is both a systemic and a substantial incident involving the bulk of the asset pool.

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection description provided by AKB's Green Bond Framework as aligned with the Green Bond Principles. The issuer has set up a structured process to identify eligible projects and ESG risks associated with the eligible projects. Moreover, the issuer has committed to transparency in the event of a controversy. The issuer has also outlined the responsibility of various internal stakeholders in the selection process, which is considered best market practice.*

3. Management of Proceeds

AKB commits itself to use the proceeds from the issue of the Green Bond to refinance existing and future AKB Green mortgages. In order to ensure that funds are used for a specific purpose, the proceeds from the Green Bond issue are recorded on a clearly separated balance sheet item. The loan disbursement for AKB Green mortgages is made directly via this balance sheet account in each case. In addition, new Green Bonds are only issued if, following a planned new issue, the total outstanding volume of AKB Green mortgages on the bank's balance sheet exceeds the issue volume of Green Bonds by at least 10%. In addition, AKB excludes existing and future AKB Green mortgages from the cover pool of Pfandbrief loans.

If the volume of outstanding Green Bonds exceeds the total volume of outstanding AKB Green Mortgages at any time, the excess funds from Green Bond issues will be used as follows:

- Holding the funds in cash and / or
- Investment in green bonds of other issuers.

The following criteria are applied when investing in green bonds of other issuers:

- Currency/rank: CHF, EUR, or USD / senior unsecured
- Issuer rating: investment grade
- At least one independent review: Second Party Opinion or Green Bond Rating

Accepted examiners:

Second Party Opinion: ISS ESG, CICERO, Sustainalytics, Vigeo EIRIS or DNV GL

Green Bond Rating: Moody's or S&P

The use of surplus funds as described above will continue until there are enough AKB Green mortgages again or Green Bonds are repaid. AKB is also entitled to buy back any number of Green Bonds at any time for its own investment or repayment purposes.

Opinion: *ISS ESG finds that the Management of Proceeds proposed by AKB is well aligned with the Green Bond Principles and follows best-market practice through the segregation of Green Bond*

proceeds. Moreover, ESG criteria are defined for temporary investments through an innovative solution of investing in other verified Green Bonds.

4. Reporting

AKB will regularly, at least once a year, provide up-to-date information on the use of the proceeds and the environmental impact of the Green Bonds. Reporting is guaranteed during the term of the Green Bond, i.e. at least until final maturity, and includes all funds from the asset pool or proceeds.

- Green Bond framework
- Green Bond Annual Reporting
 - Overview and use of allocated funds
 - Statement of surplus funds not yet used
- Second Party Opinion from ISS ESG

Opinion: ISS ESG finds that the reporting proposed by AKB is aligned with the Green Bond Principles. The issuer has clearly defined the scope and level of reporting.

External review

Second Party Opinion

AKB has obtained a second party opinion from ISS ESG to confirm the transparency and reliability of the Green Bond framework. The Second Party Opinion will be published on AKB's website.

Annual review

AKB will publish annually a report on the proceeds allocation for all bonds issued. ISS ESG, as an independent external review provider, will be commissioned to review the compliance of the allocated AKB Green mortgages with the criteria documented in AKB's Framework and to release an external review. The report and the external review will be published on AKB's website.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bonds Asset Pool and using a proprietary methodology, ISS ESG assessed the contribution of the AKB's Green Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green buildings private mortgages –	Limited Contribution	

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL

Green Buildings – private mortgage loans

As a Use of Proceeds category, green buildings (private mortgages) has a limited contribution to the SDG 11 “Sustainable cities and communities”.

A. GREEN BUILDINGS: PRIVATE MORTGAGE LOANS

Energy Efficiency prerequisites

- ✓ 100% of the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.

Construction standards

- ✓ 100% of the assets are located in Switzerland, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).

Responsible treatment of customers with debt repayment problems

- ✓ For 100% of the assets, pre-emptive actions to prevent client debt repayment problems (e.g. data collection on client indebtedness, long-term fixed interest rates) are in place.
- ✓ For 100% of the assets, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).
- ✓ For 100% of the assets, the creditor does not exclude the selling of contractually serviced loans. However, AKB will only sell loans in case of contract breaching by clients and, in case of selling, the conditions will not be detrimental to the clients, e.g. no additional costs.

Controversy assessment

Due to a low controversy risk, ISS ESG does not carry out a controversy assessment for private mortgage loans.

DISCLAIMER

1. Validity of the SPO: For AKB's first issuance following the SPO release date.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of AKB's Green Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by AKB (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which AKB's Green Bonds contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Aargauische Kantonalbank

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
 - Degree of verification of allegations and claims
 - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

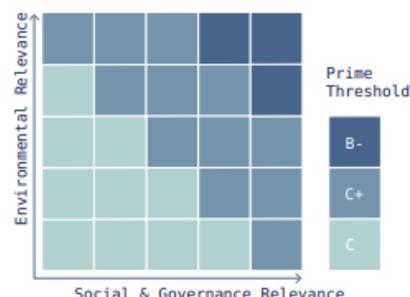
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Aargauische Kantonalbank

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

AKB commissioned ISS ESG to compile a Green Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the GBPs and to assess the sustainability credentials of its Green Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs
- ISS ESG KPI set

ISSUER'S RESPONSIBILITY

AKB's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bonds to be issued by AKB based on ISS ESG methodology and in line with the ICMA GBPs.

The engagement with AKB took place May 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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