

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Graubündner Kantonalbank

24 September 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green bonds

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

Scope of verification

- GKB's Green Bond Framework (as of Sept. 14, 2024)
- GKB's selection criteria (as of Sept. 14, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK.....	3
GKB OVERVIEW.....	4
ASSESSMENT SUMMARY.....	5
SPO ASSESSMENT.....	7
PART I: ALIGNMENT WITH THE GBP.....	7
PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA.....	9
A. CONTRIBUTION OF THE GREEN BONDS TO THE U.N. SDGs.....	9
B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA.....	15
PART III: CONSISTENCY OF GREEN BONDS WITH GKB'S SUSTAINABILITY STRATEGY.....	21
ANNEX 1: METHODOLOGY.....	25
ANNEX 2: QUALITY MANAGEMENT PROCESSES.....	26
About this SPO.....	27

SCOPE OF WORK

GKB (“the Issuer” or “the Bank”) commissioned ISS-Corporate to assist with its green bonds by assessing three core elements to determine the sustainability quality of the instruments:

- GKB’s Green Bond Framework (as of Sept. 14, 2024), benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
- The selection criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate’s proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
- Consistency of green bonds with GKB’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

GKB OVERVIEW

Graubündner Kantonalbank engages in the provision of banking and financial services to private and corporate clients. It offers products and services including current accounts and credit cards, payment processing, savings and investments, loans and home financing, real estate financing, pension and insurance, electronic banking, investment consulting, asset management, and capital goods leasing. The company was founded in 1870 and is headquartered in Chur, Switzerland.



ESG risks associated with the Issuer's industry

GKB is classified in the public and regional banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies¹ in this industry are business ethics, labor standards and working conditions, sustainability impacts of lending and other financial services/products, customer and product responsibility, and sustainable investment criteria.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

¹ Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry. Key ESG issues by industry are sourced from ISS ESG's Corporate Rating methodology.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part I:</p> <p>Alignment with GBP</p>	<p>The Issuer has defined a formal concept for its green bonds regarding the use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the GBP.</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the selection criteria</p>	<p>The green bonds will (re)finance the following eligible asset categories: Green Buildings, Energy Efficiency Measures and Renewable Energy Sources.</p> <p>Product and/or service-related use of proceeds categories³ individually contribute to one or more of the following SDGs:</p> <div data-bbox="572 969 1040 1084" style="text-align: center;">  </div> <p>Other use of proceeds categories improve the operational impacts of GKB’s borrower(s) and mitigate potential negative externalities of their sectors on one or more of the following SDGs:</p> <div data-bbox="691 1326 924 1440" style="text-align: center;">  </div> <p>The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.</p>	<p>Positive</p>
<p>Part III:</p> <p>Consistency of green bonds with GKB’s sustainability strategy</p>	<p>The key sustainability objectives and the rationale for issuing green bonds are clearly described by the Issuer. All of the project categories considered are in line with the Issuer’s sustainability objectives.</p>	<p>Consistent</p>

² The evaluation is based on the GKB’s Green Bond Framework (Sept. 14, 2024), on the analyzed selection criteria as received on Sept. 14, 2024.

³ Green Buildings, Energy Efficiency Measures and Renewable Energy Sources.

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Green Bond Framework

	At the date of publication of the report and leveraging ISS ESG research, no severe controversies have been identified.	
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SPO ASSESSMENT

PART I: ALIGNMENT WITH THE GREEN BOND PRINCIPLES

This section evaluates the alignment of the GKB’s Green Bond Framework (as of Sept. 6, 2024) with the GBP.

GBP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by GKB’s Green Bond Framework is aligned with the GBP.</p> <p>The Issuer’s green categories align with the project categories as proposed by the GBP. Criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by GKB’s Green Bond Framework is aligned with the GBP.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer’s sustainability strategy. The Issuer defines exclusion criteria for harmful project categories.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by GKB’s Green Bond Framework is aligned with the GBP.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately and managed on an aggregated basis for multiple green bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>

		<p>The Issuer has defined an expected allocation period of 24 months.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by GKB’s Green Bond Framework is aligned with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. GKB has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the portfolio level. Moreover, the Issuer commits to report annually until the bond matures.</p> <p>The Issuer is transparent on the level of impact reporting and further defines the duration, scope and frequency of the impact reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE GREEN BONDS TO THE U.N. SDGs⁴

Companies can contribute to the achievement of the SDGs by providing specific services/products that help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. This section assesses the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- Specific products/services
- Improvements of operational performance

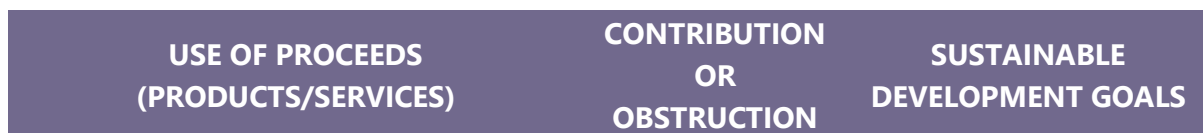
1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a three-point scale:



Each of the green bonds' use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:



⁴ The impact of the UoP categories on the SDGs is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

Green Buildings

Energy-efficient new buildings

- Buildings that have a heating system based on renewable energies. This does not apply to buildings with oil or gas heating systems.
- New buildings and major renovations of buildings that have or will receive a Minergie certification (Minergie-P, Minergie-A, Minergie ECO).
- Buildings with a cantonal building energy certificate of at least Class B for new buildings and at least Class C for existing buildings.
- Buildings built after Jan. 1, 2016, if no energy certificate is available. Based on the SIA standards, buildings built after 2016 have an energy label of at least B, which based on an analysis carried out by the Swiss Federal Office of Energy, [GAPxPLORE](#), Labels A and B are 8% of the distribution. Every building that has at least a B certificate is among the top 15% of energy-efficient buildings in Switzerland.

Contribution



Green Buildings

New buildings and major renovations of buildings that have or will receive one of the following certifications:

- Certification by the Swiss Sustainable Building Standard
- DGNB/SGNI certification
- Leadership in Energy and Environmental Design (LEED)
- Building Research Establishment Environmental Assessment Methodology (BREEAM)

Contribution



Energy Efficiency Measures

Development of electrical infrastructure for e-cars.

Installation of charging point/line infrastructure for electromobility.

Renewable Energy Sources

a) Hydropower

Granting loans related to hydropower plants:

- *Small hydropower plants, up to 10 MW generation capacity. Includes the construction of new facilities and the refurbishment or refinancing of existing facilities.*
- *Medium or large hydropower plants, greater than 10 MW and less than 1,000 MW. This includes refurbishment, capacity expansions of a maximum of 100 MW or refinancing of existing facilities. The construction of new facilities is excluded.*

b) Solar energy

Granting of loans for new plants and renovation or refinancing of existing plants that generate electricity from solar power, including photovoltaic, concentrated solar power and solar thermal facilities.

c) Onshore wind energy

Granting of loans for the construction of new plants and renovation or refinancing of existing power generation plants of onshore wind turbines and other emerging technologies.

d) District heating systems

Granting of loans for the construction, renovation or refinancing of facilities for the production and distribution of district heating.

The energy source of the district heating is:

- *Based on waste heat coming from (waste)water treatment plants and waste recycling.*

Contribution



Contribution



- *Based on waste heat coming from biogenic waste:*
 - *Fermentation*
 - *Biogas from the fermentation and digestion of sewage sludge*
- *Based on waste from industrial processes*

Based on renewable energy sources, lake water or groundwater

Renewable Energy Sources

d) District heating systems

Granting of loans for the construction, renovation or refinancing of facilities for the production and distribution of district heating.

The energy source of the district heating is:

- *Based on waste heat coming from wood-based biomass:⁵*
 - *Forestry byproducts such as tree stumps, dead trees, waste, tops and branches*
 - *Sawdust, shavings and bark from the wood processing industry*
 - *Wood generated by the consumer that cannot be reused for furniture or construction purposes*
- *Based on agricultural biomass, farmyard manure and crop residues⁶*
- *Based on waste heat coming from second-generation biofuels*

Contribution



⁵ GKB confirms that borrowers must provide evidence that the reduction in greenhouse gas emissions is 80% compared to fossil fuels.

⁶ Agricultural biogas plants that use energy crops as energy source are excluded.

2. Improvements of operational performance (processes)

The below assessment qualifies the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related SDGs impacted. The assessment displays how the UoP categories mitigate the exposure to the negative externalities relevant to the Issuer’s business model and sector.

GKB finances operations/processes in third-party sectors that are not listed in its Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

The table below displays the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁷	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <p><i>Individual energy measures:</i></p> <p><i>Energy-efficient renovations. Financing of energy-efficient refurbishment of residential properties. This includes, among other things:</i></p> <ul style="list-style-type: none"> ▪ <i>Thermal insulation of the building envelope</i> ▪ <i>Window refurbishment</i> ▪ <i>Replacement of fossil or electric heating systems with heating systems using renewable energies</i> ▪ <i>Connection to a heating network</i> ▪ <i>Optimization of building technology. Installation of intelligent building technology with the aim of reducing energy consumption.</i> 		
<p>Energy Efficiency Measures</p> <p><i>Generation of renewable energy</i></p> <p><i>Installation of photovoltaic systems, panels for the preparation of hot water, wind turbines,</i></p>		

⁷ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Green Bond Framework

*heat-generating solar collectors/façades or
comparable producers of renewable energy*

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. The entirety of the assets will be located in Switzerland.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

GKB takes ESG criteria into account in its credit assessment and monitoring process. In the investment business, GKB follows the United Nations Principles for Responsible Investment. The Bank applies ESG criteria to define the investment universe (exclusions and laggards-out) and considers ESG-related risks as supplementary information in investment assessments and portfolio construction (integration). Additionally, ESG criteria are considered in specific investment decisions and are incorporated into risk management to create transparency on ESG risks of investment portfolios (reporting).

Within GKB's investment process, the Bank excludes sectors and companies whose business practices violate predefined norms and values or have an increased risk assessment. GKB further excludes investments that are identified as laggards in their exposure to ESG risks and opportunities.

The Bank integrates ESG factors into the investment decision-making of its funds. A quantitative and qualitative analysis process is conducted to ensure the funds are compatible with GKB's ESG approach. Regarding the quantitative analysis, the following criteria are followed:

1. "ESG concept" audit
2. Verification of minimum coverage requirements
3. Examination of minimum ESG rating (at least MSCI Fund ESG rating of BB)
4. Auditing global norms and controversial business activities

For the qualitative analysis, GKB only includes funds that comply with the following criteria:

- The asset manager has an investment process geared toward sustainability and reports on it transparently (e.g., via website)
- The fund has a convincing, binding ESG approach, including at least the following sustainability approaches:
 - Exclusions
 - Positive selection/best-in-class/ESG integration
 - Exercise of voting rights (preferably also engagement)
- A process for compliance with the Ten Principles of the U.N. Global Compact is defined (screening process and measures such as exclusions or engagement)

Individual stocks that do not have an ESG rating from MSCI are excluded.

Labor, health and safety



The Issuer has policies in place ensuring that labor standards are respected for the projects underlying the transaction. All assets financed under this Framework will be in Switzerland, where high labor, health and safety standards are ensured by the relevant national legislation. Switzerland has signed all eight conventions of the ILO and has thus entered an obligation under international law to implement the standards in its national law. In Switzerland, the protection of human rights is ensured and reflected in national legislation. The Gender Equality Act enforces the legal right to [equal pay](#) for equal and equivalent work, as derived from Article 8 of the Federal Constitution. Additionally, the Swiss National Accident Insurance Fund (SUVA), as the enforcement body of the [Federal Accident Insurance Act](#), is responsible for monitoring compliance with workplace safety and health protection. SUVA inspects individual workplaces and the overall workplace safety system of the business.

Biodiversity



The Issuer has measures in place ensuring that assets financed under this Framework feature the respect of biodiversity as an integral part of the planning process (e.g., protection of critically endangered species, protection of endangered species, protection of vulnerable species, and setting aside of biodiversity areas). All assets financed will be in Switzerland. Thus, the Issuer ensures that its environmental impacts have been mitigated and reduced in alignment with national standards for environmental and social impact assessment. The financed power plants are exclusively hydropower plants located in Switzerland (mostly in Graubünden) and are subject to Swiss and cantonal legislation. Most of these plants have ISO 14001 certification. In Switzerland, performing an environmental impact assessment (EIA) before construction is required by EU [Directive 2014/52/EU](#), which has been implemented into [Swiss national legislation](#). The EIA conducted covers aspects of the environment, society and economy, ensuring compliance with nature and heritage conservation, landscape protection, water protection, forest preservation, hunting, fishing and genetic technology regulations.

Community dialogue



The Issuer has measures in place ensuring that assets financed under this Framework feature community dialogue as an integral part of the planning process (e.g., sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms, and compensation schemes). All assets financed will be in Switzerland. Thus, the Issuer ensures that its impacts on the communities have been mitigated and

reduced in alignment with [national standards](#) for environmental and social impact assessment. In Switzerland, the process of concession and permit issuance for hydropower plants is a regulated procedure. Environmental organizations and the public have opportunities to participate in the process and submit objections. As demonstrated by the example in Bergün, public concerns can lead to the rejection of a project. This is why, in new projects or renovations, it is crucial to involve various stakeholders early on to find an acceptable and sustainable solution for all parties. Spatial planning includes all spatial planning by the state at federal, 26 cantonal and communal levels. Note that Swiss citizens and environmental organizations have the right to voice objections and concerns through legal instruments, including the Association Right of Complaint, allowing them to challenge projects based on environmental protection criteria. Public engagement has become a core part of the planning process, with opportunities for early involvement through consultations, public hearings and voluntary participation mechanisms.

Inclusion



Switzerland has legislation ensuring that borrowers are not discriminated based on age, disability, ethnic origin, family status, race, religion, gender, sexual orientation, nationality and social origin in the access to credit. The prohibition of discrimination is [enshrined](#) in Article 261bis of the Criminal Code. This provision prohibits public racist incitement (Paragraph 1), defamation (Paragraph 2) and expressions that violate human dignity based on racial, ethnic or religious grounds (Paragraph 4, Clause 1). Following a referendum on Feb. 9, 2020, this law was extended to include discrimination based on sexual orientation, thereby protecting individuals from discrimination due to their homosexuality, heterosexuality or bisexuality. Additionally, denying a publicly offered service to someone based on race, ethnicity, religion or sexual orientation is punishable by law. Authorities are required to initiate criminal proceedings if there is sufficient suspicion of an act prohibited by this anti-racism law, regardless of the victim's wishes. Furthermore, any person (not just those affected) can file a report if they become aware of such actions.

Data protection and information security



The Issuer has implemented internal directives on topics such as data protection, IT security, data and information classification, confidentiality obligations, outsourcing, banking secrecy, and general employment conditions defining the operational Framework to ensure compliance with current regulatory requirements in data protection and security. These internal directives apply to all individuals accessing the Bank's IT systems and data. The Bank adheres to technical and organizational measures in line with ISO 27001 standards. It is the responsibility of these individuals to adhere to the directives.

GKB has an internal control system to monitor adherence, including checks on virtual private network access during non-standard hours, random inspections, data loss prevention filters, and audits such as ISAE 3402 reports from partners. The directives are also reviewed through internal audits, external penetration tests and security evaluations. Supplementary documents and intranet summaries are provided to assist employees. These directives and supporting documents are also emphasized in internal data protection training. Guidelines regarding internet behavior, password management and secure email communication are defined in an internal directive. Bank employees are instructed to be mindful of their surroundings during conversations or screen work, and customers must be identified over the phone before any information is disclosed.

Responsible treatment of customers with debt repayment problems



The Bank has internal regulations for responsibly managing customers who face difficulties in repaying their debts. If payment issues arise, the customer advisor addresses the problem early on. Customers can arrange a payment plan for outstanding overdrafts, payment delays on current accounts, loans, fixed advances and mortgages. Each case is assigned a specific strategy to restructure, resolve or minimize the potential loss on distressed credits. The Bank's actions align with the Guidelines for the Examination, Evaluation, and Processing of Mortgage-Backed Loans and Rights set by the Swiss Bankers Association. These guidelines outline factors to be considered when granting loans such as affordability, loan-to-value ratio and amortization. GKB calculates a debt service capacity based on the borrower's sustainable net income and expenses. The GKB restructuring strategy ensures that all possible options are considered before foreclosure is initiated. The Bank generally avoids terminating mortgage loans as long as the borrower complies with legal and contractual obligations, remains creditworthy and capable of making payments, and maintains the collateral property in good condition. In cases of financial hardship due to uncontrollable circumstances, the Bank may take on increased risks to help the borrower. Foreclosure is treated as a last resort if no other mutually agreeable solution can be found. Individuals facing credit difficulties can seek assistance from *Schuldenberatung Schweiz* (Debt Counseling Switzerland), a nonprofit association that advocates for issues related to personal debt, over-indebtedness and debt restructuring, following shared guidelines among its members.

Sales practices



The Issuer has measures in place to ensure responsible sales practices are followed. The Bank maintains a control system for its sales activities, including spot checks and quality assurance measures, to ensure compliance with internal

and external regulations. GKB regularly conducts internal audits to identify and prevent operational or reputational risks. Additionally, employees receive ongoing training in ethical business practices, compliance, and sustainability-focused investment and credit strategies. Also, employees are trained on early recognition of credit risks or dynamic credit assessment, and consultants learn about the Bank's debt capacity approach. Customer satisfaction surveys are conducted annually about different topics, including investments, mortgages and customers funds, and feedback is encouraged to improve services. The Bank continuously develops specialized training modules on sustainable investments and credits, reflecting its long-term commitment to ethical and responsible banking.

Responsible marketing



GKB follows a [responsible marketing policy](#) and strictly adheres to fair competition principles, avoiding any misleading or deceptive practices as outlined in the [Unfair Competition Act](#). This means the Bank refrains from using false, misleading or damaging information. GKB is also committed to avoiding subliminal advertising or hidden advertising in content and refrains from targeting vulnerable groups such as children or inexperienced youth. Marketing and product information is based on the principles of clarity, transparency, completeness and accuracy. The Bank ensures fair pricing and transparent disclosure of product risks, avoiding hidden fees. Any violation of these marketing rules or the Bank's code of conduct may lead to disciplinary actions, including legal consequences. Suspected misconduct can be reported to the Bank's whistleblowing system, with employees assured that they will not face any disadvantages for reporting such issues.

Exclusion criteria

Exclusion of Controversial Business Sectors: GKB excludes lending to companies involved in the production of controversial weapons as part of its large-scale and syndicated lending business. Additionally, percentage thresholds are set for companies generating a certain portion of their revenue from conventional weapons (15%), tobacco (15%), coal mining (5%), thermal coal power generation (15%), unconventional oil and gas (5%), pornography (5%) or federally licensed gambling (20%).⁸ If a company's revenue from these activities exceeds the specified thresholds, it is excluded from receiving credit. Companies with thermal coal reserves exceeding 1 billion metric tons are also excluded.⁹

⁸ Companies licensed by the Swiss Confederation are not excluded.

⁹ Within the SME and mortgage business, which is heavily focused on the canton of Graubünden, the Bank does not yet apply any binding exclusion criteria within the overall financing business. However, the exclusion criteria are also applied to SME financing promoted under the Framework for green bonds. This is not the case with mortgage financing, as the focus here is always on the real estate property.

Exclusion of Controversial Business Practices: If a company violates applicable U.N. conventions or standards (e.g., human rights, corruption), it is excluded from receiving credit until it is compliant with international standards.

Exclusion of companies with very high ESG risks: An additional criterion for lending is the exclusion of companies with very high ESG risks.

The exclusion criteria are reviewed annually by representatives of the investment and financing departments in the Sustainability Committee and further developed in line with market standards. As of Jan. 1, 2023, the thresholds for coal-related exclusions were refined and a distinction was made between mining and power generation. In addition, a maximum limit for companies with thermal coal reserves (1 billion metric tons) as well as sales thresholds for unconventional oil and gas, gambling, and pornography were defined. As of Jan. 1, 2024, nuclear power was also removed as an exclusion criterion at the overall Bank level.¹⁰

¹⁰ This means that GKB no longer excludes affected companies from its investment and lending activities. However, the Bank is also concentrating on Switzerland in its lending business and, due to the nuclear power moratorium, no new nuclear power plants will be built until further notice. Additionally, refinancing of existing Swiss nuclear power plants is no longer subject to a turnover threshold of 20%.

PART III: CONSISTENCY OF GREEN BONDS WITH GKB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>The Issuer's financial and sustainability goals are defined on the basis of Graubündner Kantonalbank's sustainability strategy, with the three dimensions of economy, ecology and social affairs, as well as the Sustainable Development Goals, which are central to the Bank. The target year 2025 reflects the current strategy period 2021-2025. The Issuer is currently in the process of developing its 2025 strategy with the aim of setting ESG goals and targets.</p>
<p>ESG goals/targets</p>	<p>The Issuer has defined corresponding financial and sustainability targets for the current strategy period 2021-2025:</p> <ul style="list-style-type: none"> ▪ GKB aims to uphold the Bank's overall ESG rating by 2025, ensuring ongoing sustainability. ▪ "Paris-aligned 2050" in the investment business with CO₂ reduction of at least 35% by 2030 for GKB funds and premium mandates. The Bank aims to reduce CO₂ emissions in its investment business by 33% by 2025, aligning with long-term climate goals. ▪ Reduction of CO₂ emissions on existing residential mortgage portfolio: A 12.5% reduction of carbon emissions of residential mortgages by 2025 compared to underlying assets. ▪ Keeping lending volumes of large and syndicated loans in violation of sustainability criteria at less than 1% of total client lending limits. ▪ Bank's total energy consumption: The target is to reduce energy consumption to less than 75% of the 2010 baseline by 2025.

	<ul style="list-style-type: none"> ▪ Reduction of the Bank’s own greenhouse gas emissions: The Bank aims to cut its greenhouse gas emissions by at least 40% from 2010 levels by 2025. ▪ Share of renewable energies in direct energy consumption: The Bank aims to have at least 80% of its energy consumption sourced from renewable energies by 2025. ▪ Employer rating: The goal is to maintain or exceed an employer rating of 4.5 on Kununu, reflecting high employee satisfaction. <p>The Bank is currently revising its sustainability strategy. This includes revising the current targets and setting new targets from 2025 to fulfill the Bank’s “Paris-aligned 2050” ambition.</p>
<p>Action plan</p>	<p>There is no information on an action plan to achieve the Issuer’s climate-related ESG objectives. The Issuer is currently revising its strategy. This is accompanied by the development of an action plan, the details of which will be published in the first quarter of 2025 with the Bank’s sustainability report for the 2024 financial year.</p>
<p>Climate transition strategy</p>	<p>The Issuer is committed to achieving net-zero emissions by 2050 and has established climate targets for its own operations. In 2024, GKB will develop a comprehensive climate strategy aligned with the standards of the Task Force on Climate-Related Financial Disclosures, incorporating scientifically based reduction pathways.</p>
<p>Top three areas of breaches of international norms and ESG controversies in the industry¹¹</p>	<p>Sexual harassment in the workplace, embezzlement and financial market irregularities.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG research, no controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability reporting</p>	<p>The Issuer intends to report on its ESG performance and initiatives annually in its sustainability strategy</p>

¹¹ Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies within the public and regional banks industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry.

	report. Since 2021, reporting has been done by preparing sustainability reports following the standards of the Global Reporting Initiative.
Industry associations, collective commitments	The Bank is a member of Swiss Sustainable Finance, Asset Management Association Switzerland, Swiss Cleantech, myclimate and the United Nations Global Compact, among others. It is also a signatory to the United Nations Principles for Responsible Investment, the Partnership for Carbon Accounting Financials and Climate Action 100+.
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	GKB previously <u>issued</u> a CHF 100 million green bond in 2021 and a CHF 200 million green bond in 2022.

Rationale for issuance

The issuance of green bonds aims to respond to the increasing demand for sustainable investments while also providing transparency on where and how GKB is advancing its sustainability efforts. The Bank's green bonds aim to promote the expansion and modernization of existing renewable Swiss power generation facilities and make an indirect contribution to the transformation toward green and energy-efficient buildings. This Green Investment Product Framework aims to form the basis for future green investment product issuances.

Opinion: *The key sustainability objectives and the rationale for issuing green bonds are clearly described by the Issuer. All the project categories financed are in line with the Issuer's sustainability objectives.*

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
2. ISS-Corporate, a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

GKB commissioned ISS-Corporate to compile a green bonds SPO. The second-party opinion process includes verifying whether the Green Bond Framework aligns with the GBP and assessing the sustainability credentials of its green bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Green Bond Principles, as administered by the International Capital Market Association (as of June 2023 with June 2023 Appendix 1)

ISSUER'S RESPONSIBILITY

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

- Framework
- Selection criteria
- Documentation of ESG risk management at the Framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is a part of, 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.

This independent second-party opinion of the green bonds to be issued by GKB has been conducted based on proprietary methodology and in line with the GBP.

The engagement with GKB took place in August and September 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. 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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>.

For more information on SPO services, please contact: SPOsales@iss-corporate.com.

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