

Supplement No. 3

dated 12 August 2022

to the

BASE PROSPECTUS

dated 8 March 2022

for the

ISSUANCE PROGRAMME

for Bonds and Short-Term Notes

of

BASLER KANTONALBANK

Basel, Switzerland

This Supplement No. 3 (the "**Supplement**") is complementary to, and should be read in conjunction with, the Base Prospectus dated 8 March 2022 (the "**Base Prospectus**") relating to the Issuance and Offering Programme of Basler Kantonalbank (the "**Issuer**" or "**Basler Kantonalbank**") for Bonds and Short-Term Notes.

The Supplement will be filed with SIX Exchange Regulation Ltd and forms part of the Base Prospectus.

The Issuer confirms that, to the best of its knowledge and belief, the information contained herein is correct and that no pertaining material fact has been omitted from the Supplement.

Supplementary Information

Basler Kantonalbank amends hereby the Base Prospectus with the Supplement containing its Social Bond Framework dated August 2022 and the Second Party Opinion of ISS ESG dated 2 August 2022.

Basel, 12 August 2022

Basler Kantonalbank

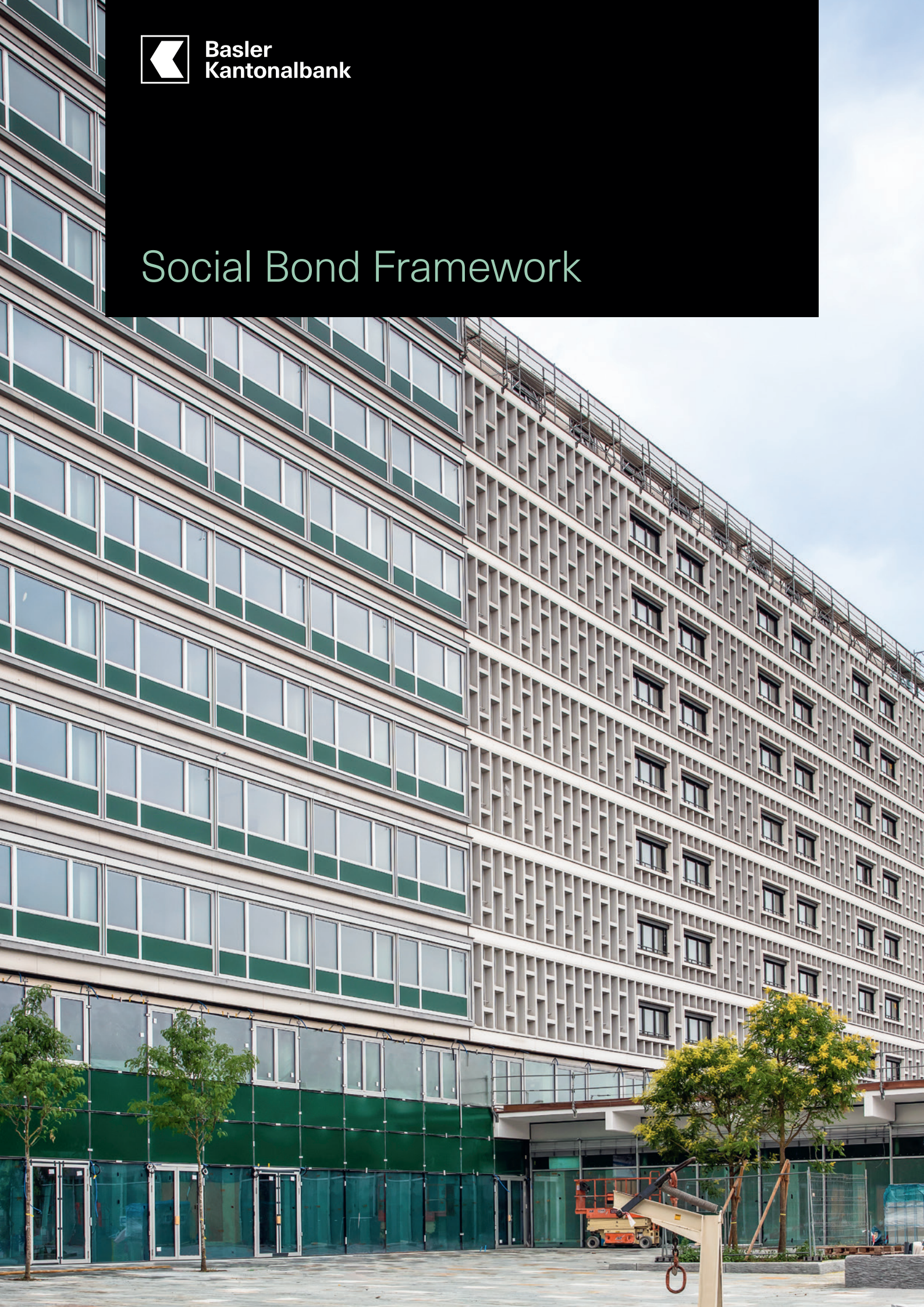
BASLER KANTONALBANK

**SOCIAL BOND FRAMEWORK OF BASLER KANTONALBANK
DATED AUGUST 2022**



**Basler
Kantonalbank**

Social Bond Framework



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1. Einführung

1.1 Überblick Basler Kantonalbank

Der Kanton Basel-Stadt setzt sich für die Entwicklung und den Ausbau einer leistungsfähigen und strukturell ausgewogenen Wirtschaft ein. Er orientiert sich an den Bedürfnissen bzw. am Wohlergehen der Bevölkerung und wirkt auch bei dem Kanton zugehörigen Unternehmen auf eine nachhaltige Entwicklung hin. So leistet auch die Basler Kantonalbank (BKB) mit ihren Bankdienstleistungen einen wichtigen Beitrag zur Erreichung dieser Ziele und bekennt sich zu einer langfristig ausgerichteten und ethischen Grundsätzen verpflichteten Geschäftspolitik.

Seit ihrer Gründung im Jahr 1899 ist die BKB in der Region Basel tief verwurzelt. Sie positioniert sich für ihre Kundinnen und Kunden als Bank von Basel für Basel. Die BKB ist mehrheitlich im Besitz des Kantons Basel-Stadt und verfügt über eine Staatsgarantie. Anhand der Eignerstrategie (siehe unten) gibt der Kanton der Bank die strategischen Leitplanken vor und verlangt eine überdurchschnittlich hohe Eigenkapitalausstattung und Liquidität, weshalb die BKB mit einem AA+ Rating von S&P zu den sichersten Banken des Landes zählt.

Das Geschäftsmodell fokussiert auf Privatkunden, Firmenkunden, Private Banking, institutionelle Anleger, Immobilienkunden. Das Dienstleistungsangebot umfasst die gesamte Palette von Konten und Karten über Anlageprodukte und -strategien bis hin zu Wohnbau- und Unternehmensfinanzierungen sowie ein breites Spektrum an Finanzmarktinstrumenten. Gerade nachhaltige Finanzierungen weisen ein hohes Wachstumspotenzial wegen des zunehmenden Beratungsbedarfs und der steigen-

den Produktnachfrage auf. So finanziert die BKB bereits heute mittels Green, Social, Sustainable und Sustainability-Linked Loans Einzelprojekte ihrer Firmenkunden, die sich ökologische und/oder soziale Ziele gesetzt haben. Mit dem Bereitstellen von Fremdkapital bietet die BKB einen wichtigen Hebel, um den Ausbau nachhaltiger Energien und die Dekarbonisierung der Wirtschaft zu fördern und ihre Nachhaltigkeitsziele im Rahmen ihrer Geschäftsstrategie zu verfolgen.

Gemäss Eignerstrategie umfasst der Leistungsauftrag der BKB Folgendes:

- Kunden eine sichere und nachhaltige Anlage ihrer Ersparnisse und anderer Gelder ermöglichen
- Kredit- und Geldbedürfnisse der Bevölkerung und der Wirtschaft des Kantons Basel-Stadt befriedigen, unter Berücksichtigung der besonderen Bedürfnisse der KMUs
- Engagement bei der Förderung von Start-ups
- **Unterstützung des gemeinnützigen und preisgünstigen Wohnungsbaus (bspw. Wohnbaugenossenschaften)**
- Engagement für den Umbau zu einer treibhausgasarmen Wirtschaft

1.2 Nachhaltigkeit bei der BKB

Die nachhaltige Ausrichtung sämtlicher Unternehmensaktivitäten ist eine zentrale Voraussetzung für den langfristigen Geschäftserfolg der BKB. Denn die Stakeholder der Bank wie Kundinnen und Kunden, Mitarbeitende oder die Öffentlichkeit haben heute deutlich höhere Erwartungen an die Nachhaltigkeit eines Unternehmens und hinterfragen dessen Handeln kritisch. Die BKB setzt sich deshalb vertieft mit den zentralen ökologischen Herausforderungen und gesellschaftlichen Entwicklungen unserer Zeit auseinander und treibt die Verankerung von Nachhaltigkeit und ESG im Kerngeschäft voran. Im Rahmen der aktuellen Unternehmensstrategie liegt der Fokus darauf, Nachhaltigkeit integral in allen relevanten Bereichen der Bank zu verankern, namentlich in der Produktentwicklung, der Vermögensverwaltung, dem Risk Management, bei der Kreditvergabe, im operativen Betrieb der Bankinfrastruktur oder im Bereich der Refinanzierung.

Als BKB sind wir uns bewusst, dass unsere Geschäftstätigkeit Auswirkun-

gen haben kann, die als gesellschaftlich kritisch erachtet werden oder einer nachhaltigen Entwicklung zuwiderlaufen. Daher haben wir Richtlinien zum Umgang mit kontroversen Umwelt- und Sozialthemen festgelegt, die für die gesamte Geschäftstätigkeit der Bank gelten, siehe [Richtlinien zu kontroversen Umwelt- und Sozialthemen – Basler Kantonalbank \(bkb.ch\)](#).

Nachhaltigkeit ist ein sehr breit gefasster Begriff und muss letztlich von jedem Unternehmen selbst eingegrenzt und definiert werden. Das Nachhaltigkeitsverständnis der BKB lehnt sich entsprechend an die Vorgaben aus dem Kantonalbankengesetz und der Eignerstrategie an:

«Sie trägt unter besonderer Berücksichtigung der Bedürfnisse der gegenwärtigen Bevölkerung, der Wirtschaft und der öffentlichen Hand zu einer ausgewogenen sowie ökologisch, wirtschaftlich und sozial nachhaltigen Entwicklung des Kantons Basel-Stadt bei, die zugleich die Fähigkeit künftiger Generationen nicht gefährdet, ihre eigene Bedürfnisse zu befriedigen.»

«Sie fördert die Chancengleichheit und die Gleichberechtigung.»

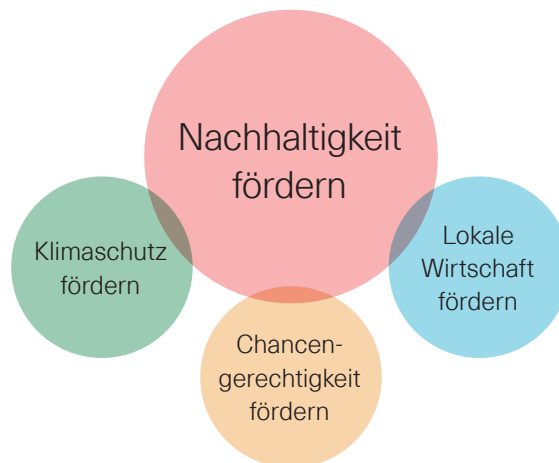
Gesetz über die Basler Kantonalbank, Art. 2 Zweck, vom 9. Dezember 2015 (Stand 6. Juni 2016)

Nachhaltigkeitsverständnis

Damit orientiert sich die gesetzliche Vorgabe an der klassischen Nachhaltigkeitsdefinition des Brundtland-Berichts von 1987 und legt zudem das Augenmerk auf die Förderung von Chancengleichheit und Gleich-

berechtigung. Die BKB hat auf dieser Basis ihr eigenes Nachhaltigkeitsverständnis konkretisiert und wie folgt definiert: Nachhaltigkeit fördern bedeutet bei der BKB, dass entsprechende ESG-Massnahmen jeweils einen konkreten Beitrag zur Förde-

rung des Klimaschutzes (Umwelt), der Chancengerechtigkeit (Soziales) oder der lokalen Wirtschaft (Ökonomie) leisten, ohne jedoch dabei ein anderes ESG zu verletzen.



Folgende nicht abschliessende Beispiele dienen zur Veranschaulichung konkreter ESG-Ansatzpunkte:

| | | |
|--|--|--|
| <p>Klimaschutz fördern</p> <ul style="list-style-type: none"> • Netto-Null-Ziel: Senkung der Treibhausgase und Kompensation • Ökosysteme schützen und wiederherstellen z.B. Wälder • Umbau zur treibhausgas-armen Wirtschaft • Erneuerbare Energie fördern • Kreislaufwirtschaft fördern | <p>Chancengerechtigkeit fördern</p> <ul style="list-style-type: none"> • Chancengleichheit von Mann und Frau • Soziale und regionale Chancengerechtigkeit (sozioökonomische Herkunft, Migration, Alter, Religion, Sprache) • Kinder- und Jugendförderung • Förderung von Vielfalt • Integration von Menschen mit physischen/psychischen Beeinträchtigung | <p>Lokale Wirtschaft fördern</p> <ul style="list-style-type: none"> • Start-Up und Innovationsförderung • KMU Unterstützung • Schaffung von Ausbildungsplätzen • Sicherung von Arbeitsplätzen |
|--|--|--|

Mit der Emission von Social Bonds wird entsprechend in den sozialen Aspekt «Chancengerechtigkeit fördern» eingezahlt. Hierauf wird in den folgenden Abschnitten noch detaillierter Bezug genommen.

ESG-Leistungsausweis der BKB

Verschiedene Ratings unterstreichen die Nachhaltigkeitsarbeit bei der BKB. So stuft die weltweit grösste ESG-Ratingagentur MSCI die BKB seit mehreren Jahren konstant mit der guten Note A ein. Auch im Rahmen des WWF-Retailbankenratings 2020/2021 hat die BKB ein gutes Rating («zeitgemäss») erzielt und liegt bei den meisten Kriterien über dem Branchendurchschnitt. Bezug auf das soziale Engagement nimmt vor allem das Corporate Rating von ISS ESG. Hierbei schneidet die BKB mit der Gesamtnote C ab und kann den Prime-Status ausweisen. Im Ratingreport wird unter anderem hervorgehoben, dass die BKB Finanzdienstleistungen mit hohem sozialem Nutzen anbietet, wie z.B. den sozialen Wohnungsbau. Die Palette der sozial verantwortlichen Produkte basiert laut ISS ESG auf einem Prozess, der soziale und ökologische Aspekte berücksichtigt, einschliesslich qualitativer Forschung, der Anwendung von Best-Practice-Standards und Ausschlusskriterien.

1.3 Motivation und Zielsetzung

Wohnen zählt zu den Grundbedürfnissen von Menschen. Um dies befriedigen zu können, muss Wohnraum für jeden Menschen zugänglich und erschwinglich sein. Leider reicht hierzu der freie Markt allein nicht aus und es braucht ergänzend gemeinnützige Wohnbauträger wie Wohnbaugenossenschaften, Stiftungen, Vereine oder Aktiengesellschaften. Durch den Verzicht auf Renditemaximierung bzw. Spekulationsgewinne können auf diesem Weg weitere preisgünstige Wohnungen zur Verfügung gestellt und ein wesentlicher ausgleichender Beitrag zur Grundversorgung von Wohnraum geleistet werden. Auch mit Blick auf eine nachhaltige Bewirtschaftung und Nutzung von verdichtetem Wohnen ist ein Mehrwert für das Gemeinwohl zu verzeichnen. Aus diesen Gründen muss der Anteil von gemeinnützigen Wohnbauprojekten ausgebaut und weiterentwickelt werden.

Die Erlöse aus den Social-Bond-Emissionen leisten zudem einen Beitrag zu «Gesundheit und Sicherheit zur Förderung eines breiteren Zugangs zu Gesundheitsdiensten». Damit die Basler Einwohnerinnen und Einwohner auch künftig von einer hochwertigen Gesundheitsversorgung profitieren können, sind Investitionen wie Bau, Renovierungen und die Modernisierung von Gesundheitseinrichtungen und Infrastrukturen zwingend notwendig. Damit wird die Stabilität eines zentralen Pfeilers der Gesellschaft, nämlich die Sicherung der gesundheitlichen Versorgung und der Lebensgrundlagen, gefördert.

Die BKB sieht sich als Kantonalbank in der Verantwortung, einen nachhaltigen und sozialen Beitrag zur Gesellschaft in Basel-Stadt zu leisten. Dies begründet sich im Leistungsauftrag der Eignerstrategie, aber auch im eigenen Anspruch als nachhaltiges Finanzinstitut. Die BKB verfolgt einen stetigen Ausbau des nachhaltigen Produkt- und Dienstleistungsangebots mit dem Ziel, in allen Produktkategorien nachhaltige Lösungen anzubieten. Mit der Emission von Social Bonds möchte die BKB ein weiteres Instrument nutzen, um die nachhaltige Entwicklung in sozialen Bereichen des Kantons voranzutreiben. Darüber hinaus bietet sie auch Kapitalmarktteilnehmern die Chance, deren Investitionsentscheidungen mit einem sozialen Beitrag zu verknüpfen. Gerade Wohnbaugenossenschaften und Gesundheitseinrichtungen sind wichtige Zielgruppen der BKB und bergen ein hohes Potenzial an regionaler sozialer Entwicklung.

2. Einführung der ICMA Social Bond Principles

Das Social Bond Framework der BKB, das als Grundlage für zukünftige Social-Bond-Emissionen dient, basiert auf den ICMA Social Bond Principles (SBP, 2021). Diese Principles wurden, gemeinsam mit den Green Bond Principles, den Sustainability Bond Guidelines und den Sustainability-Linked Bond Principles unter dem Sammelbegriff «Principles» von der International Capital Market Association (ICMA) veröffentlicht. Die Sammlung der freiwilligen Rahmenwerke hat zum Ziel, die internationalen Kapitalmärkte in der Finanzierung von ökologischen und sozial nachhaltigen Projekten zu unterstützen und die Integrität im Kapitalmarkt durch Richtlinien zu Transparenz, Offenlegung und Berichterstattung zu fördern.

Die BKB engagiert sich dafür, dass ihr Social Bond Framework den freiwilligen Prozessleitlinien entspricht.

Die BKB setzt sich zum Ziel, zukünftige Social-Bond-Emissionen an bewährten Marktpraktiken zu orientieren und dementsprechend Anpassungen des Rahmenwerks bei wichtigen Änderungen der SBP zu überprüfen. Jedes solche aktualisierte und geänderte Rahmenwerk wird das derzeitige Niveau der Transparenz und der Offenlegung von Informationen entweder beibehalten oder verbessern. Eine Änderung schließt die Erweiterung der Liste der zulässigen Kategorien sowie die Überwachung der Implementierung ein. Jedes aktualisierte und geänderte Rahmenwerk sowie die allfällige Überprüfung durch einen externen Anbieter werden auf der Website der BKB veröffentlicht. Alle nach der Aktualisierung oder Änderung dieses Rahmenwerks noch ausstehenden oder begebenen Social Bonds werden dem aktualisierten und geänderten Rahmenwerk unterliegen.

Das Framework umfasst die folgenden wesentlichen Bestandteile

1. Verwendung der Emissionserlöse

2. Prozess der Projektbewertung und -auswahl

3. Management der Erlöse







4. Berichterstattung

3. Anwendung der ICMA Social Bond Principles

3.1 Mittelverwendung

Die erhaltenen Mittel aus den Social-Bond-Emissionen werden zur vollständigen oder teilweisen Finanzierung eines zulässigen Portfolios an sozialen Finanzierungen («Social Asset Pool») verwendet. Der Social Asset Pool

setzt sich aus den Kategorien Gemeinnütziger Wohnungsbau, Gesundheit & Pflege und Inklusion zusammen. Eine Beschreibung der Kategorien kann der folgenden Tabelle entnommen werden.

| BKB-Kategorie | SBP-Kategorie | Definition | Zielgruppen | SDG-Beitrag |
|-----------------------------------|---|--|--|---|
| Gemeinnütziger Wohnungsbau | Affordable housing | Kredite zur Finanzierung/ Refinanzierung von Wohnliegenschaften im Eigentum von gemeinnützigen Wohnbauträgern ² | allgemeine Öffentlichkeit mit Fokussierung auf <ul style="list-style-type: none"> • Familien • Haushalte mit geringen Einkommen • Menschen mit Beeinträchtigung und Betagte | 10.2, 11.1   |
| Gesundheit & Pflege | Access to essential services | Kredite zur Finanzierung/ Refinanzierung von Einrichtungen des Gesundheitswesens wie <ul style="list-style-type: none"> • öffentliche Krankenhäuser • Alterspflegeheime | <ul style="list-style-type: none"> • allgemeine Öffentlichkeit, die das öffentlich zugängliche Gesundheitssystem in Anspruch nimmt • ältere Menschen • Menschen mit besonderen Pflegebedürfnissen | 3.8  |
| Inklusion | Socioeconomic advancement and empowerment | Kredite zur Finanzierung/ Refinanzierung von sozialen Infrastruktureinrichtungen, wie <ul style="list-style-type: none"> • Einrichtungen für suchtkranke Menschen • Einrichtungen für Menschen mit Beeinträchtigung • Stiftungen mit einem gemeinnützigen Zweck | <ul style="list-style-type: none"> • Menschen mit Beeinträchtigung • suchtkranke Personen • Kinder und Jugendliche • Frauen • weitere schutzbedürftige Bevölkerungsgruppen | 3.5, 5.2, 10.2    |

² Als gemeinnützige Wohnbauträger gelten Kreditnehmer, die sich zur Charta der gemeinnützigen Wohnbauträger bekennen und Mitglied einer der beiden vom Bund anerkannten Dachorganisationen des gemeinnützigen Wohnungsbaus sind («Wohnbaugenossenschaften Schweiz» und «WOHNEN SCHWEIZ»). Weiter zählen Wohnbauträger als gemeinnützig, sofern sie preiswerten Wohnraum anbieten und sich zu einem gemeinnützigen Zweck bekennen. In jedem Fall wird sichergestellt, dass die Liegenschaften der Renditemaximierung am Immobilienmarkt entzogen sind.

Bei einer Erweiterung des Social Asset Pool um zusätzliche Vermögenswerte mit nachweislichem sozialem Nutzen wird die BKB die neue Anlageklasse durch eine Aktualisierung des Rahmenwerks angemessen berücksichtigt.

3.2 Prozess zur Projektbewertung und Selektion

Die sozialen Ziele der finanzierten Projekte und Einrichtungen sind die Bereitstellung von erschwinglichem Wohnraum sowie die Erhaltung und Verbesserung des Gesundheitswesens und der Sozialfürsorge (vgl. auch Abschnitt 1.3).

Für die Zuordnung von Finanzierungen zu den unter dem Abschnitt «Mittelverwendung» beschriebenen Kategorien bestehen sowohl quantitative/finanzielle als auch qualitative Kriterien. Erstere sind unabhängig von der Mittelverwendungskategorie auf alle Darlehen anzuwenden (z.B. Ausschluss bestimmter Finanzierungsarten), während die qualitativen Kriterien kategoriespezifische Anforderungen stellen (z.B. Auflistung zulässiger Zwecke bei sozialen Stiftungen). Mit den Erlösen des Social Bond werden ausschliesslich Einrichtungen und Liegenschaften in der Schweiz finanziert, wobei der Fokus auf dem Kanton Basel-Stadt liegt. Zugeordnete Assets werden im Kernbankensystem gekennzeichnet.

Für das operative Management des Social-Bond-Rahmenwerks ist die «Expertengruppe Sustainable Finance» zuständig. Dazu gehört neben der regelmässigen Überprüfung und allfälligen Aktualisierung des Rahmenwerks auch die Erstellung und Aktualisierung des Kriterienkatalogs für den Social Asset Pool. In der Expertengruppe sind der Leiter der Fachstelle Nachhaltigkeit sowie Fachspezialisten aus den Bereichen Vertrieb kommerzielle Kunden, Treasury und Risk Management vertreten. Die von der Expertengruppe vorgeschlagenen Anpassungen am Kriterienkatalog sind auf Ebene der Geschäftsleitung zu genehmigen.

Die BKB stellt nach bestmöglichem Bemühen sicher, dass alle ausgewählten zulässigen Finanzierungen die offiziellen nationalen und internationalen ökologischen und sozialen Standards erfüllen sowie lokale Gesetze und Bestimmungen einhalten. Die BKB hat Richtlinien zu kontroversen Umwelt- und Sozialthemen definiert, die für das gesamte Kredit- und Anlagegeschäft gültig sind und damit auch die Geschäfte abdecken, die aus den Erlösen der Social Bonds finanziert werden. Die Einhaltung der Richtlinien ist Bestandteil des Kreditgenehmigungsverfahrens. Die ESG-bezogenen Mindestanforderungen werden kontinuierlich weiterentwickelt und können auf der Website der BKB eingesehen werden.

3.3 Verwaltung der Mittel

Das Management der Erlöse der Social Bonds erfolgt mittels eines Portfolioansatzes. Die Erlöse werden dem Social Asset Pool zugewiesen, d.h. dem Portfolio von Krediten, das die Zulässigkeitskriterien für die Nutzung der Erlöse erfüllt und den oben dargestellten Bewertungs- und Selektionsprozess befolgt.

Die BKB ist bestrebt, bei der Emission eines Social Bond eine entsprechende Allokation der Mittel in voller Höhe des jeweiligen Emissionsvolumens unmittelbar nach Begebung der Anleihe, spätestens jedoch zwei Jahre nach der Emission, vorzunehmen. Solange Nettoerlöse der Social Bonds nicht zugewiesen sind, hält die BKB den überschüssigen Teil entweder in ihrem Liquiditätsportfolio (in bar oder anderen Geldmarktinstrumenten) und/oder investiert in ESG-Bonds anderer Emittenten. Für die Investition in ESG-Bonds anderer Emittenten kommen folgende Kriterien zur Anwendung:

- Währung/Rang: CHF, EUR oder USD/senior unsecured, covered
- Emittentenrating: im Investment-Grade-Bereich
- Unabhängige Prüfung in Form einer Second Party Opinion durch einen etablierten Anbieter

Sollten Darlehen nicht mehr dem definierten Kriterienkatalog entsprechen, werden sie aus dem Social Asset Pool entfernt. Die BKB ist berechtigt, jederzeit Social Bonds in beliebiger Anzahl zu eigenen Anlage- oder Tilgungszwecken zurückzukaufen.

3.4 Reporting

Während der Laufzeit des Social Bond (d.h. mindestens bis zum Endverfall) stellt die BKB jährlich aktualisierte Informationen über die Allokation der eingenommenen Mittel und die sozialen Auswirkungen des Social Asset Pool zur Verfügung. Weiter ist die BKB bestrebt, das Impact-Reporting in einem Portfolioansatz gemäss den Empfehlungen der ICMA-Veröffentlichung «Working Towards a Harmonized Framework for Impact Reporting for Social Bonds» vorzunehmen.

Das **Allokationsreporting** wird Kennzahlen auf aggregierter Ebene bereitstellen, wie zum Beispiel:

- Erlöse der im Umlauf befindlichen Social Bonds
- Volumen des Social Asset Pool
- Erlöse des Social Bond, die nicht dem Social Asset Pool zugeordnet werden können (falls vorhanden) und ihre Verwendung
- Volumen oder Anteil neuer Finanzierungen im Social Asset Pool
- Geografische Verteilung des Social Asset Pool (auf Kantonsebene)

Mögliche Indikatoren für das **Impact-Reporting** sind in folgender Tabelle aufgelistet:

| Kategorie | Mögliche Output ³ -Indikatoren |
|--------------------------------|--|
| Gemeinnütziger Wohnbau | <ul style="list-style-type: none"> • Anzahl Wohneinheiten • Wohnfläche in m² • Zielpopulation, Anzahl Bewohner |
| Gesundheit & Pflege | <ul style="list-style-type: none"> • Anzahl Einrichtungen • Zielpopulation, Anzahl Patienten/Bewohner |
| Inklusion | <ul style="list-style-type: none"> • Anzahl Einrichtungen • Zielpopulation, Anzahl Personen |

³ Gemäss der ICMA-Veröffentlichung «Working Towards a Harmonized Framework for Impact Reporting for Social Bonds» (Juni 2020) wird zwischen Output-, Outcome- und Impact-Indikatoren unterschieden.

Nach Möglichkeit werden im Impact-Reporting zusätzlich Outcome-Indikatoren aufgenommen, wie zum Beispiel die Entwicklung der Mietkosten im Vergleich zum nationalen/regionalen Mietspiegel in der Kategorie «Gemeinnütziger Wohnungsbau». Die BKB wird die Berichte auf ihrer Website bereitstellen.

4. Externe Überprüfung

Die BKB hat eine Nachhaltigkeits-Ratingagentur mit der Beurteilung des Social Bond Framework in Form einer Second Party Opinion beauftragt.

Zudem soll im Rahmen einer jährlichen Verifizierung durch einen unabhängigen Dritten die Einhaltung der Selektionskriterien überprüft werden. Die Ergebnisse werden auf der Website der Bank veröffentlicht.

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**Basler
Kantonalbank**

Die Basler Kantonalbank übernimmt keine Gewähr dafür, dass die Social Bonds geeignet sind, den sozialen Anlagezielen von potenziellen Anlegerinnen und Anlegern gerecht zu werden. Es gibt derzeit auch keine rechtliche, regulatorische oder anderweitig akzeptierte Definition, was einen "sozialen" Zweck darstellt oder welche genauen Anforderungen ein bestimmtes Projekt, das aus dem Emissionserlös finanziert wird, erfüllen muss, um als "sozial" bezeichnet werden zu können.

Aus diesen Gründen liegt es in der alleinigen Verantwortung der potenziellen Anlegerinnen und Anleger, die Relevanz und die Effektivität des beschriebenen Verwendungszwecks des Erlöses der Social Bonds im Hinblick auf die eigenen Anlageziele einzuschätzen. Entsprechend erfolgt der Kauf von Social Bonds aufgrund der eigenen, unabhängigen Einschätzung der Anlegerinnen und Anleger und basierend auf den individuell als notwendig erachteten Abklärungen. Potenzielle Anlegerinnen und Anleger anerkennen, dass die Verwendung des Emissionserlöses möglicherweise nicht die erwarteten sozialen Ergebnisse bewirkt.

Es liegt von ISS ESG eine unabhängige Überprüfung der Konformität der Social Bonds im Hinblick auf die Social Bond Principles (SBP) der International Capital Markets Association (ICMA), der Qualität der Nachhaltigkeitskriterien und der Übereinstimmung mit der Nachhaltigkeitsstrategie der BKB vor. Die Beurteilungen von ISS ESG beschränken sich auf die vorgenannten Kriterien und befassen sich weder mit Ausfallrisiken noch mit sonstigen Risiken von Social Bonds. Sie stellen auch keine Beratung oder Empfehlung zum Kauf, Verkauf oder Halten von Social Bonds dar. Die Basler Kantonalbank übernimmt keine Verantwortung für die Eignung oder Verlässlichkeit der Beurteilungen von ISS ESG und potenzielle Anlegerinnen und Anleger müssen die Relevanz dieser Beurteilungen selbst einschätzen.

Die Basler Kantonalbank hat sich verpflichtet, bestimmte Grundsätze bezüglich der Verwendung des Emissionserlöses und der Transparenz einzuhalten. Eine Nichteinhaltung dieser Grundsätze würde jedoch nicht zu einer vorzeitigen Rückzahlung gemäss den Bedingungen der Social Bonds berechtigen oder führen. Die Nichteinhaltung dieser Grundsätze könnte sich aber nachteilig auf den Wert der Social Bonds auswirken und/oder andere nachteilige Folgen für Anlegerinnen und Anleger haben, die nach dem Kriterium des sozialen Zwecks investieren, ohne dass die Basler Kantonalbank hierfür haftbar wäre.

BASLER KANTONALBANK

**SECOND PARTY OPINION OF ISS ESG DATED 2 AUGUST 2022 TO
THE SOCIAL BOND FRAMEWORK OF BASLER KANTONALBANK
DATED AUGUST 2022**

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Framework

Basler Kantonalbank
02 August 2022

VERIFICATION PARAMETERS

| | |
|-------------------------------------|--|
| Type(s) of instruments contemplated | <ul style="list-style-type: none">• Social Bond |
| Relevant standards | <ul style="list-style-type: none">• Social Bond Principles, as administered by the ICMA (June 2021) |
| Scope of verification | <ul style="list-style-type: none">• Basler Kantonalbank Social Bond Framework (as of 02.08.2022)• Basler Kantonalbank Eligibility Criteria (as of 02.08.2022) |
| Lifecycle | <ul style="list-style-type: none">• Pre-issuance verification |
| Validity | <ul style="list-style-type: none">• As long as there is no material change to the Framework |

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SCOPE OF WORK

Basler Kantonalbank (“the issuer” or “BKB”) commissioned ISS ESG to assist with its Social Bond issuance by assessing three core elements to determine the sustainability quality of the instrument:

1. Basler Kantonalbank’s Social Bond Framework (02.08.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles (SBP).
2. The Eligibility Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).
3. Social Bonds link to Basler Kantonalbank’s Sustainability strategy – drawing on BKB’s overall sustainability profile and issuance-specific use of proceeds categories.

Note: The SPO assessment was completed between April and May 2022. A clean version of the Framework with minor changes has been provided to ISS ESG on August 2nd.

BASLER KANTONALBANK - BUSINESS OVERVIEW

Since its foundation in 1899, BKB has been deeply rooted in the Basel region, Switzerland. BKB is majority-owned by the Canton of Basel-Stadt and has a state guarantee. The business model focuses on private clients, corporate clients, private banking, institutional investors, real estate clients. The service offering covers the full range of accounts and cards, investment products and strategies, housing and corporate finance, as well as a wide range of financial market instruments.

BKB acted as Sole/Joint Lead Manager to issue green, social and sustainability bonds to finance individual projects that have set themselves ecological and/or social goals. From 2018 to 2021 bonds with a volume of CHF 1030 million were issued. As a signatory partner, BKB supports the Principles for Responsible Investments¹.

¹ [UNPRI Signatory Directory](#)

ISS ESG ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ² |
|--|--|---|
| Part 1: Alignment with SBP | <p>The issuer has defined a formal concept for its Social Bonds with regards to the use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Social Bond Principles, administered by ICMA.</p> | Aligned |
| Part 2: Sustainability quality of the Eligibility Criteria | <p>The Social Bond will (re-)finance eligible asset categories which include Affordable Housing, Access to essential services, Socioeconomic advancement and empowerment.</p> <p>These use of proceeds categories have a positive contribution to SDGs 1 'No Poverty', 3 'Good Health and Well-Being', 10 'Reduced Inequalities' and 11 'Sustainable Cities and Communities'. ISS ESG concludes that the environmental and social risks associated with the use of proceeds categories are well managed.</p> | Positive |
| Part 3: Social Bonds link to the issuer's Sustainability strategy | <p>According to the ISS ESG Corporate Rating updated on 12.02.2022, the issuer shows a medium sustainability performance.</p> <p>The use of proceeds financed through the Social Bonds are consistent with the issuer's Sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Social Bonds is clearly described by the issuer. Following the issuance of this first Social Bond BKB plans further issuances under its Social Bond program.</p> | Consistent with the issuer's Sustainability strategy |

² ISS ESG's evaluation is based on the Basler Kantonalbank's Social Bond Framework (August 2022 version), and on the ISS ESG Corporate Rating updated as of 12.02.2022 and applicable at the SPO date.

ISS ESG SPO ASSESSMENT

PART I: ALIGNMENT WITH THE SOCIAL BOND PRINCIPLES

This section describes ISS ESG's assessment of the alignment of the Basler Kantonalbank's Social Bond Framework (as of 02.08.2022) with the Social Bond Principles.

| SOCIAL BOND PRINCIPLES COMPONENTS | ALIGNMENT | ISS ESG OPINION |
|---|-----------|--|
| 1. Use of Proceeds | ✓ | <p>ISS ESG considers the Use of Proceeds description provided by Basler Kantonalbank's Social Bond Framework as aligned with the Social Bond Principles.</p> <p>The issuer's social categories align with the project categories as proposed by the Social Bond Principles, Criteria are defined in a clear and transparent manner. Social benefits are described.</p> <p>The share of allocation by use of proceeds category, the share of financing and refinancing and the corresponding look back period is yet to be determined by the issuer following the proceeds allocation.</p> |
| 2. Process for Project Evaluation and Selection | ✓ | <p>ISS ESG considers the Process for Project Evaluation and Selection description provided by BKB's Social Bonds Framework as aligned with the Social Bond Principles.</p> <p>The issuer defines responsibilities in the evaluation and selection of the projects and follows the segregation of duties principle.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process.</p> |
| 3. Management of Proceeds | ✓ | <p>ISS ESG finds that the Management of Proceeds proposed by BKB's Social Bonds Framework as aligned with the Social Bond Principles.</p> <p>The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The issuer commits to the proceeds allocation in the full amount of the respective volume immediately after</p> |

| | | |
|----------------------------|----------|---|
| | | <p>issuance of the bond, but no later than two years after issuance. In line with market best practices BKB holds the excess part of unallocated proceeds either in its liquidity portfolio (in cash or other currency exchange instruments) and/or invests in ESG-bonds of other issuers. In the latter case the issuer commits to follow its proper project evaluation and selection process ensuring Eligibility Criteria to be met.</p> |
| <p>4. Reporting</p> | <p>✓</p> | <p>ISS ESG finds that the allocation and impact reporting proposed by BKB’s Social Bonds Framework as aligned with the Social Bond Principles.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. BKB engages to the level of expected ex-post annual reporting and the type of information included. The issuer commits to report until the bond matures.</p> <p>BKB aims to carry out impact reporting on a portfolio level in accordance with the recommendations of the ICMA publication "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds" and commits to report on output and outcome/impact indicators using the standard’s proposed indicators list, ensuring market comparability.</p> <p>The issuer commits to making annual post-issuance impact reports available on its website.</p> |

PART II: SUSTAINABILITY QUALITY OF ELIGIBLE SOCIAL CATEGORIES

A. CONTRIBUTION TO THE UN SDGs





Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of use of proceeds 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 UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of use of proceeds categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

| | | | | |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|
| Significant Obstruction | Limited Obstruction | No Net Impact | Limited Contribution | Significant Contribution |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|

Each of the Social Bond's use of proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|--|---|---|
| Affordable Housing³ <i>Provision of financing to co-operatives, where beneficiaries include the following targeted populations: Low-income households, families, disabled and elderly</i> | Limited Contribution |  |
| Affordable Housing³ <i>Provision of financing to co-operatives: addressing the general public</i> | Limited Contribution⁴ |  |
| Access to essential Services - Health <i>Infrastructure and Healthcare Provision: Hospitals, Senior and Nursing Homes</i> | Significant Contribution |  |
| Socioeconomic Advancement and Empowerment - Inclusion <i>Facilities for addicted or impaired, Foundations with a charitable purpose</i> | Limited Contribution⁵ |  |

³ Proceeds allocated to (re)finance residential properties owned by non-profit housing developers. Non-profit housing developers are committed to the underlying charter and are members of one of the two federally recognized umbrella organizations of non-profit housing ("Wohnbaugenossenschaften Schweiz", "WOHNEN SCHWEIZ"). According to the underlying charter, non-profit housing developers provide housing for all segments of the population. As far as possible, they strive for a mix allowing access to populations with different lifestyles and integrating underserved populations. Special consideration is given to families, disabled, and elderly populations, and the providence of housing with affordable rent indices to low-income households. However, no specific thresholds are set and consistently applied.

⁴ This assessment deviates from ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology, due to the alignment with the Swiss SDG-specific sub-target 11.1. This intends to preserve the stock of affordable housing and increase it in areas with high demand. It is further noted that co-operatives are bound by their legal statutes to not exclude specific population segments.

⁵ The limited contribution to SDG 10 differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS

Use of proceeds categories: Affordable Housing, Access to Essential Services and Socioeconomic Advancement and Empowerment

The table below presents the findings of an ISS ESG assessment of the Eligibility Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Affordable Housing

Environmental aspects of construction and operation

- Assets eligible under this Framework are located in Switzerland exclusively, where high building standards are in place. Furthermore, the majority of non-profit housing developers are members of one of the two associations "Wohnbaugenossenschaften Schweiz" or "Wohnen Schweiz". Following the "Charta der gemeinnützigen Wohnbauträger in der Schweiz" stipulates - in accordance with the requirements of the Bundesamt für Wohnungswesen (BWO) members are made aware to the use of ecologically sound materials and observe ecological principles in construction and operation (Principle 7).⁶ However, it is not an overarching requirement.

Site location

- ✓ The majority of eligible properties are located in urban areas (in particular the two major cities Zurich and Basel) where public transportation systems are very well developed, ensuring access to public transportation within 1km.

Labour, health, and safety

- ✓ Assets eligible under this Framework provide for high labour, health and safety standards. Switzerland is a signatory partner of the eight ILO core labour conventions, thus entering an obligation under international law to transpose the ILO standards into national law⁷. The issuer confirms that with the support of SUVA⁸, all parties involved on construction sites in Switzerland have committed themselves to ensure the best possible safety on the construction site. Planners, construction workers, employers' and employees' associations have signed an agreement with the Safety Charter. In doing so, they undertake to make their contribution to a safe construction site.

Quality management

- ✓ Policies are in place systematically ensuring that rents are lower than the local average rent level for social housing. The issuer ensures that non-profit housing developers that are not members of one of the two organisations "Wohnbaugenossenschaften Schweiz" or "Wohnen Schweiz" are free from speculation and maximization of returns. The "Charta der gemeinnützigen Wohnbauträger in der Schweiz", the members of the two organizations

⁶ [Charta der gemeinnützigen Wohnbauträger in der Schweiz](#)

⁷ [ILO Core conventions application status Switzerland](#)

⁸ [Sicherheitscharta](#)

"Wohnbaugenossenschaften Schweiz" or "Wohnen Schweiz" commit themselves to cost rent and the renunciation of profit maximization (Principle 1).⁹

✓ Residents are members of cooperatives and enjoy greater housing security. As a rule, notice of termination is only possible on an extraordinary basis or in the event of unacceptable behaviour on the part of the tenants (such as misuse of the rental property) (Principle 3).¹⁰

✓ The providers of non-profit housing are organized as cooperatives. In cooperatives, residents are usually their members and - through their "Anteilscheinkapital" - co-owners, ensuring democratically organization of the cooperatives.¹¹

User safety

✓ All eligible assets are located in Switzerland providing for measures to ensure operational safety in buildings (e.g., emergency exits, fire sprinklers, fire alarm systems).

Water use optimization

○ For the assets eligible under this Framework policies are in place ensuring water use reduction. In the "Charta der gemeinnützigen Wohnbauträger in der Schweiz" it is stipulated - in accordance with the requirements of the BWO - that the members prioritize the use of ecologically sound materials and observe ecological principles in construction and operation (Principle 7).¹² Water consumption-reducing measures such as highly efficient fittings or water meters are required, but not systematically ensured.

Conservation and biodiversity management

✓ Where applicable assets eligible under this Framework underwent environmental impact assessments at the planning stage. All new buildings and conversions are subject to the Environmental Protection Act (USG). The EIA is not applied in general: the EIA obligation applies to types of installations that are potentially significantly harmful to the environment and for which environmental protection regulations can generally only be complied with by means of measures to be determined on a case-by-case basis.

Access to essential Services - Health Socioeconomic Advancement and Empowerment - Inclusion

Energy efficiency

✓ For eligible projects under this Framework, energy efficiency during operation is optimized. With the revised CO2 Act, the Federal Council aims to halve Switzerland's greenhouse gas emissions by 2030 compared with 1990. Energy laws at the federal and cantonal level aim to promote efficient, environmentally friendly and economical energy use. In the canton of Basel-Stadt, non-residential buildings must periodically undergo operational optimization for the trades' heating, ventilation, air conditioning, refrigeration, plumbing, electrical, and building automation.

⁹ [Charta der gemeinnützigen Wohnbauträger](#)

¹⁰ [Charta der gemeinnützigen Wohnbauträger](#)

¹¹ [BWO Bundesamt fuer Wohnungswesen - Gemeinnuetziger Wohnungsbau](#)

¹² [Charta der gemeinnützigen Wohnbauträger](#)

Site location

- ✓ Public facilities such as hospitals eligible under this Framework are generally located within a maximum of 250m from one or more modalities of public transport. The issuer confirms that the major share of nursing homes and social institutions projects are located in the Canton Basel-Stadt with an adequate public transport system in place.

Labour, health and safety

- ✓ Eligible assets under this Framework provide for high labour, health and safety standards. Switzerland is a signatory partner of the eight ILO core labour conventions, thus entering an obligation under international law to transpose the ILO standards into national law¹³. The issuer confirms that with the support of SUVA¹⁴, all parties involved on construction sites in Switzerland have committed themselves to ensure the best possible safety on the construction site. Planners, construction workers, employers' and employees' associations have signed an agreement with the Safety Charter. In doing so, they undertake to make their contribution to a safe construction site.

User safety

- ✓ Eligible assets are located in Switzerland providing for measures to ensure operational safety in buildings (e.g., emergency exits, fire sprinklers, fire alarm systems).

Waste Management

- ✓ Policies systematically ensure that eligible projects provide for measures to reduce and correctly dispose of (medical) waste. Health and Inclusion projects are located in Switzerland exclusively with high requirements for the handling of medical waste. Safe and proper waste disposal ensures the prevention of disease transmission and environmental pollution as well as the protection of patients and workers. All medical waste must be disposed of in an environmentally sound manner and in accordance with the state of the art (prescribed in the "Verordnung über den Verkehr mit Abfällen"). The "Vollzugshilfe zur Entsorgung von Abfällen aus dem Gesundheitswesen" (Implementation Guide for the Disposal of Waste from the Healthcare Sector) published by the Federal Office for the Environment (BAFU) describes the disposal of waste that is generated in companies and facilities in the healthcare sector or during healthcare activities.

Inclusion

- ✓ For eligible projects of this Framework policies and measures are in place systematically ensure reference in their policies fairly priced and/or subsidized participation for socially disadvantaged patients/customers. Exclusively only public hospitals are financed through the Social Bond proceeds. In Switzerland, access to the health care system is basically secured thanks to compulsory health care insurance. The Federal Office of Public Health (BAG) is committed to ensuring that health care is also accessible and adequately designed for disadvantaged population groups.

Access to essential Services - Health

¹³ [ILO Core conventions application status Switzerland](#)

¹⁴ [Sicherheitscharta Schweiz](#)

Quality management

- ✓ Projects eligible are located in a Switzerland, with strong education standards and supervising bodies in place, e.g., for health professions (including nursing), the "Gesundheitsberufegesetz" (GesBG) also ensures uniform training requirements throughout Switzerland. Strict training standards and supervisory bodies are in place in accordance with national legislation.

PART III: SOCIAL BONDS LINK TO BASLER KANTONALBANK'S SUSTAINABILITY STRATEGY

A. BASLER KANTONALBANK'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

Company Profile

Basler Kantonalbank provides various banking products and services to private and corporate customers in Switzerland. The company offers private, youth, education plus, Euro private and savings, foreign currency, investment and savings, gift savings, current, Euro current, and capital payments accounts, as well as debit and credit cards. It also provides mortgages; personal loans, Lombard loans, business and investment loans, real estate financing, trade finance, and capital good leasing; investment products, such as investment advice, asset management, and investment solutions; pension advice, financial planning, pension account, and securities saving provisions services, as well as retirement accounts. In addition, the company offers forex trading, precious metal trading, securities trading, and interest rate trading services, as well as corporate finance services; and e-banking and mobile banking services.

Basler Kantonalbank was founded in 1899 and is based in Basel, Switzerland.

ESG risks associated with the issuer's industry

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies within that industry.




| ESG KEY ISSUES IN THE INDUSTRY |
|---|
| Sustainability impacts of lending and other financial services/products |
| Customer and product responsibility |
| Sustainable investment criteria |
| Labour standards and working conditions |
| Business ethics |

ESG performance of the issuer

Leveraging ISS ESG's Corporate Rating methodology, ISS ESG assessed the current sustainability performance of the issuer to be medium. Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer’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 the issuer’s production process.

| PRODUCT/SERVICES PORTFOLIO | ASSOCIATED PERCENTAGE OF REVENUES ¹⁵ | DIRECTION OF IMPACT | UN SDGS |
|----------------------------|---|---------------------|---|
| Social Housing | 1% | CONTRIBUTION |    |

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public & Regional Bank sector are as follows: Failure to pay fair share of taxes, Failure to respect the right to just and favorable conditions to work, Failure to respect the right to privacy. Please note, that this is not a company-specific assessment but areas that can be of particular relevance for companies within that industry.

¹⁵ For companies in the financial sector, the total business volume (e.g., loan volume, assets under management, underwriting volume) is used as a reference value. Analysis conducted by ISS ESG Corporate Rating. Based on FY 2019 figures.

B. CONSISTENCY OF THE SOCIAL BONDS WITH BASLER KANTONALBANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Basler Kantonalbank provides financial services with social benefit such as social housing programs. The company further offers a broad range of socially responsible investment products for retail and institutional clients. Selection is based on an in-depth process considering social and environmental aspects including qualitative research, the use of best practice standards, and exclusion criteria. Furthermore, the company offers green lending products, for instance with a focus on promoting energy-efficient construction and renovation. It also has set up ESG guidelines that restrict to some extent investments and lending to companies engaged in fossil fuels.

Basler Kantonalbank is not significantly involved in international project finance and operates only in Switzerland, where high environmental and social standards apply. The company has a climate policy addressing the consideration of climate aspects in core business areas, e.g., assessing the possibility to align lending and asset management activities with the 2-degree goal until 2025. It also has set up adequate social and environmental guidelines covering its business operations. This includes the exclusion of companies engaged in agri-commodities or Coal and/or oil-based power production, or controversial sectors such as weapons and nuclear energy.

Rationale for issuance

As a cantonal bank, BKB considers itself responsible for making a sustainable and social contribution to society in Basel-Stadt. This is based on the one hand on the performance mandate of the owner's strategy, but also on its own claim to be a sustainable financial institution. BKB claims to be constantly expanding its range of sustainable products and services with the stated aim of offering sustainable solutions in all product categories. With the issuance of social bonds, BKB wants to use another instrument to drive sustainable development in social areas of the canton. It also offers capital market participants the opportunity to link their investment decisions with a social contribution. Especially housing cooperatives and health care facilities are important target groups for BKB and hold a high potential for social regional development.

Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges

ISS ESG mapped the Use of Proceeds categories financed under this Social Bond 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 industry. 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 category.

| USE OF PROCEEDS CATEGORY | SUSTAINABILITY OBJECTIVES FOR THE ISSUER | KEY ESG INDUSTRY CHALLENGES | CONTRIBUTION |
|--|--|-----------------------------|--------------------------------------|
| Affordable Housing | ✓ | ✓ | Contribution to a material objective |
| Access to Essential Services | ✓ | ✓ | Contribution to a material objective |
| Socioeconomic Advancement and Empowerment | ✓ | ✓ | 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 Social Bonds is clearly described by the issuer.*

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
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 standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
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ANNEX 1: Methodology

ISS ESG Green/Social KPIs

The ISS ESG Green/Social 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 BKB's Social 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.

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/Social 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/Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Basler Kantonalbank (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 Basler Kantonalbank's Social Bonds contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

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

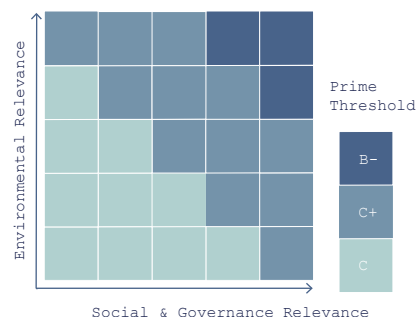
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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).

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

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

CRITERIA

Relevant Standards for this Second Party Opinion

- Social Bond Principles, ICMA
- ISS ESG Key Performance Indicators relevant for use of proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

Basler Kantonalbank's responsibility was to provide information and documentation on:

- Framework
- Eligibility Criteria
- ESG risks management

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 Social Bond to be issued by Basler Kantonalbank based on ISS ESG methodology and in line with the ICMA Social Bond Principles.

The engagement with Basler Kantonalbank took place from April to May 2022.

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/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Social Bond SPO, please contact: SPOOperations@iss-esg.com

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