

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework
Graubündner Kantonalbank (GKB)
1 August 2021

VERIFICATION PARAMETERS

| | |
|-------------------------------------|--|
| Type(s) of instruments contemplated | <ul style="list-style-type: none">• Green Bonds |
| Relevant standards | <ul style="list-style-type: none">• International Capital Market Association's (ICMA) Green Bond Principles (GBPs) |
| Scope of verification | <ul style="list-style-type: none">• GKB Green Bond Framework (as of August 2021) |
| Lifecycle | <ul style="list-style-type: none">• Pre-issuance verification |
| Validity | <ul style="list-style-type: none">• As long as the Green Bond Framework does not change |

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Scope of work

Graubündner Kantonalbank (“GKB” or “the issuer”) commissioned ISS ESG to assist with its Green Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bond Link to GKB sustainability strategy – drawing on GKB overall sustainability profile and green bond Use of Proceeds categories.
2. GKB Green Bond Framework (August 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
3. The Eligibility Criteria – whether the projects contribute positively to the United Nations (UN) Sustainable Development Goals (SDGs) and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ¹ |
|---|--|--|
| <p>Part 1:</p> <p>Green Bond link to issuer's sustainability strategy</p> | <p>According to the ISS ESG Corporate Rating published on 13.05.2020, the issuer shows a good sustainability performance against industry peer group on key ESG issues faced by the Public & Regional Banks sector. As of 09.06.2021, the company obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer ranks 54th out of 277 companies within its sector.</p> <p>The Use of Proceeds financed through this Framework are consistent with GKB sustainability strategy and material ESG topics for the Public & Regional Banks sector. The rationale for issuing green bonds is clearly described by the issuer.</p> | <p>Consistent with issuer's sustainability strategy</p> |
| <p>Part 2:</p> <p>Alignment with GBPs</p> | <p>GKB 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 Green Bond Principles.</p> | <p>Aligned</p> |
| <p>Part 3:</p> <p>Sustainability quality of the Green Bond Framework</p> | <p>The overall sustainability quality of the Green Bond Framework in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bonds will (re-)finance eligible asset categories which include renewable energy and green and energy-efficient buildings.</p> <p>Those Use of Proceeds categories have a positive contribution to SDGs 7 'Affordable and Clean Energy', 11 'Sustainable Cities and Communities' and 13 'Climate action'. The environmental and social risks associated with those Use of Proceeds categories are well managed.</p> | <p>Positive</p> |

¹ ISS ESG's evaluation is based on GKB Green Bond Framework (August 2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 13.05.2020).

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND LINK TO GKB'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF GKB ESG PERFORMANCE

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

| COMPANY | SECTOR | DECILE RANK | TRANSPARENCY LEVEL |
|------------|------------------------------------|-------------|--------------------|
| GKB | PUBLIC & REGIONAL BANKS | 2 | VERY HIGH |

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

ESG performance

As of 09.06.2021, this rating places GKB 54th out of 277 companies rated by ISS ESG in the 'Public & Regional Banks' sector. Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

Graubündner Kantonalbank offers financial services and products to retail and corporate clients, small- and medium-sized enterprises, and public sector clients in Switzerland. To promote a sustainable development, the company provides financing of solar and wind power projects as well as loans for eco-efficient houses. Graubündner Kantonalbank further enables clients to make sustainable investments. Still, the aforementioned products do not represent the company's main business.

Sustainability Risks

For financial companies, the most relevant sustainability issues are the systematic integration of environmental and social aspects into core business areas, as well as the responsible treatment of clients and employees. Graubündner Kantonalbank considers sustainable criteria in lending activities but does not provide an in-depth insight into its practices. As concerns its responsibility towards customers, the company prohibits support of clients in tax evasion. In addition, the company

demonstrates a good performance with regard to the responsible treatment of employees in areas such as work-life balance. All of the company's employees are located in Switzerland, where high environmental and social standards exist. Graubündner Kantonalbank further has an approach to ensure compliance with regard to insider trading, corruption, money laundering and validity of financial information.

Governance Opinion

The company ensures the effective supervision of management as all members of the supervisory board including the chairman are considered independent (as at June 1, 2021). There are independent board committees in charge of audits and remuneration. Yet, there is no evidence of a comparable board committee dealing with nomination issues. The company discloses its remuneration policy for executives, including long-term components, which could incentivise sustainable value creation.

Regarding the company's governance of sustainability, there apparently is no board committee tasked with the supervision of a sustainability strategy. In terms of remuneration, it remains unclear whether sustainability performance objectives are integrated into the variable remuneration of members of the executive management team. Graubündner Kantonalbank has an approach with regard to insider trading, money laundering or corruption. The company provides compliance training to ensure that the corresponding standards are met.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of GKB'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 GKB's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

The company is not facing any severe controversy.

B. CONSISTENCY OF GREEN BOND FRAMEWORK WITH GKB' SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

In 2010, GKB defined climate targets for the bank's own operations: climate neutrality by 2025², reduction of greenhouse gas emissions by 40% by 2025³, reduction of direct energy consumption by 25% by 2025.

In GKB strategy 2021 – 2024, sustainability was one of the ten strategic fields of action. GKB aims at reducing its ecological footprint while fostering development. Its aim is to comply with applicable laws on energy and ecology and also to significantly go beyond the legal parameters.

GKB assigns great importance to working conditions by complying with human rights standards in Switzerland. GKB has been involved in initiatives and in organizations that are committed to more sustainable businesses. For instance, the Bank is a member of "Öbu", the association for sustainable business, since 2011. The aim of the merger of more than 350 Swiss companies is to further develop the Swiss economy in accordance with the principles of sustainability. As a partner of "myclimate", GKB has been supporting activities for climate protection and sustainable development since 2013.

For its direct energy needs, GKB entirely relies on renewable energies and on increasing its energy efficiency. It achieves the latter through active energy management and energy technology improvements in buildings and infrastructure facilities. For example, new buildings are to be built in compliance with the Minergie P standard and renovations are to be brought as close as possible to the Minergie standard.

GKB promotes sustainability in the lending business with specific offers for customers, including discounts for sustainable construction. When granting loans for specific projects, it also makes sure that the sustainability standards are respected.

Within the investment process, GKB incorporates ESG criteria (environment, society and good corporate governance) into the analysis. In implementing the Sustainable Development Goals, GKB is guided, among other things, by the "Principles for Responsible Investments" (PRI) of the United Nations. For 2021, active membership in the UN PRI is planned.

Rationale for issuance

With the launch of green bonds, GKB is pursuing the modernization of existing renewable electricity production plants, but also the goal of maintaining the attractiveness of Graubünden as a business location and contributing to the indirect reduction of CO₂ emissions. The expansion of the investor base contributes to the diversification of the Bank's refinancing sources. Investors are given the opportunity to invest in sustainable bonds and to contribute to a more sustainable environment. In this context, the purpose of the issuance is in line with GKB's overall sustainability strategy.

² The target has been achieved in 2015. Scope 3 emissions, however, are not considered in this target.

³ Again, the target does not include scope 3 emissions.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

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

| USE OF PROCEEDS CATEGORY | SUSTAINABILITY OBJECTIVES FOR THE ISSUER | KEY ESG INDUSTRY CHALLENGES | CONTRIBUTION |
|---|--|-----------------------------|--------------------------------------|
| Renewable energy | ✓ | ✓ | Contribution to a material objective |
| Green and Energy-Efficient buildings | ✓ | ✓ | Contribution to a material objective |

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

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

With the proceeds from the issue of green bonds, GKB intends to finance and/or refinance green projects in whole or in part in the areas of "renewable energy sources" and "green buildings".

The proceeds from green financing will only be invested in projects that meet the following requirements for green projects:

| ELIGIBLE CATEGORY | ELIGIBILITY CRITERIA |
|--------------------------------|--|
| <p>Renewable energy</p> | <p>Refinancing of existing and future loans related to:</p> <ul style="list-style-type: none"> • Production of renewable energies <ul style="list-style-type: none"> - Hydropower (construction, rehabilitation or refinancing of small hydroelectric power stations (maximum generating capacity of 10 megawatts (MW)) or for the rehabilitation or refinancing of existing medium or large hydroelectric power stations (with a production of more than 10 MW)) - Solar photovoltaics, Concentrated Solar Energy and Solar Thermal Facilities - Onshore wind turbines and other emerging technologies such as wind tunnels and cubes - Plants for the production and distribution of district heating. The majority of district heating is based on waste heat from waste recycling or wastewater treatment plants, from industrial processes and renewable energy sources such as lake water, groundwater, biomass or wood⁴. Fossil fuels such as natural gas and oil can be used to compensate for power peaks, for example on very cold winter days, or when setting up a new heating system or carrying out repair and renovation work. |

⁴ The Swiss Forest Act stipulates that only as much wood may be used as will grow back at the same time. GKB is therefore committed to ensuring that borrowers use mostly domestic wood.

| | |
|--|---|
| | <ul style="list-style-type: none"> • Construction of electrical infrastructure for electric cars (installation of charging point/line infrastructure for electromobility) |
| <p>Green and Energy-efficient buildings</p> | <p>Refinancing of existing and future loans related to:</p> <ul style="list-style-type: none"> • Construction and renovation of green buildings <ul style="list-style-type: none"> - New buildings⁵ - Renovations⁶ (thermal insulation of the building envelope, replacement of fossil or electric heating systems with different heating systems using renewable energy, and connection to a heating network) - Optimization of building technology⁷ |

Opinion: ISS ESG considers the Use of Proceeds description provided by GKB’s Green Bond Framework as aligned with the Green Bond Principles. The project categories set clear environmental benefits that align with the ICMA principles. Moreover, the categories described show alignment with the sustainability strategy of GKB.

2. Process for Project Evaluation and Selection

As with all GKB lending activities, all potential GKB green loans go through the standard lending process to ensure that the applicable national regulations and GKB guidelines are respected. In addition, potential environmental, social and governance (ESG) risks are assessed and included for lending. When determining eligible projects and their non-financial impact, GKB can rely on external consultants and their data sources.

On the basis of the existing and new loans in GKB, experts within the credit units evaluate potential green loans, their compliance with the green loan categories presented in this framework and their environmental benefits. If the analysis requires this, GKB may request additional information (for instance, an environmental impact assessment or a life cycle analysis). GKB may also ask the customer to sign a covering letter stating the purpose of the financing if this is unclear. Based on the analysis, lenders can propose loans as potential green loans.

⁵ Due to the current Swiss legal requirements, new buildings meet requirements equivalent to Minergie A’s total energy requirements.

⁶ See footnote number 4.

⁷ See footnote number 4.

A Green Bond Committee will manage future updates to the framework, including the extension of the list of allowed categories, and monitor its implementation. GKB ensures that all eligible loans comply with official national and international environmental and social standards as well as local laws and regulations on the best possible basis.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by GKB's Green Bond Framework as aligned with the Green Bond Principles. The issuer has set a clear and detailed process for project evaluation and selection. GKB also established a Green Bond Committee responsible for the tracking of the proceeds, reflecting best market practices. The issuer has a process in place to identify ESG risks.

3. Management of Proceeds

GKB undertakes to use the proceeds of the green bonds for the refinancing of existing and future green loans. In order to ensure that funds are used for the intended purpose, new Green Bonds are only issued if there is a volume surplus of green loans of at least 25% on the bank's balance sheet after a planned new bond issuance.

If the volume of outstanding green bonds exceeds the total outstanding volume of green loans at any time, the excess funds from green bond issuances will be used as follows:

- Holding of funds in cash
- Investments in green bonds of other issuers

For investments in green bonds of other issuers, the following criteria apply:

- Currency/Rank: CHF or EUR/senior unsecured
- Issuer rating: investment grade
- At least one independent audit: Second Party Opinion or Green Bond Rating

The described use of the surplus funds is used until there are enough green loans again or green bonds are repaid. The expected allocation period of the proceeds is of 24 months. GKB is also entitled to repurchase green bonds at any time for its own investment or repayment purposes.

Opinion: ISS ESG finds that Management of Proceeds proposed by GKB's Green Bond Framework is well aligned with the Green Bond Principles. Moreover, GKB has defined an expected allocation period under this Framework.

4. Reporting

GKB will regularly, at least once a year, provide up-to-date information on the use of the proceeds and the environmental impact of the Green Bonds.

Reporting is ensured during the term of the Green Bond (i.e. at least until final maturity) and includes all funds from the asset pool or proceeds.

Allocation Report

The reporting on the allocation includes the following information:

- Total issue volume of outstanding GKB Green Bonds
- Volume and number of green loans granted according to the GKB Framework
- Use of the green loans granted according to GKB Framework (aggregated according to the thematic fields "Renewable Energies" and "Green Buildings")

GKB will provide the following information on green bonds on its homepage at www.gkb.ch/GreenBond

- Green Bond Framework Conditions
- Green Bond Annual & Environmental Reporting
- Second Party Opinion by ISS ESG

Opinion: *ISS ESG finds that the reporting proposed by GKB's Green Bond Framework is aligned with the Green Bond Principles. The issuer commits to annually report on allocation in a clear, detailed and transparent manner.*

External review

An independent external auditor is commissioned to review the allocation of GKB's green loans and to prepare an annual report on compliance with the criteria of all GKB's issued green bonds described above. The report will be published on the homepage of the GKB.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

















A. CONTRIBUTION OF THE GREEN BOND FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Framework Eligibility Criteria and using a proprietary methodology, ISS ESG assessed the contribution of GKB's Green Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

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

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

Each of the Green Bond Framework's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|--|---------------------------------|--|
| Renewable energy Energy production from small scale hydropower (<10 MW) Energy production from medium scale hydropower (>10 MW) Solar photovoltaics, Concentrated Solar Power and Solar Thermal Facilities Wind power Installation of charging points for electric cars District heating based on waste heat coming from (waste)water treatment plants and waste recycling District heating based on waste heat coming from biogenic waste | Significant contribution |   |
| | Limited contribution |   |
| | Significant contribution |   |
| | Significant contribution |   |
| | Limited contribution |   |
| | Limited contribution |   |
| | Limited contribution |   |
| | Limited contribution |   |

District heating⁸
 based on waste heat
 coming from wood-
 based biomass
 District heating based
 on waste heat coming
 from second-
 generation biofuels

| |
|-----------------------------|
| No Net Impact |
| Limited contribution |



Green and energy-efficient buildings

Construction of new
 buildings and
 optimization of
 building technology
 Construction of new
 buildings and
 optimization of
 building technology
 (with "*Minergie-P
 Eco*" or "*Minergie-A
 Eco*" certifications)

| |
|-------------------------------------|
| Limited contribution |
| Significant contribution |



Renovations (thermal
 insulation)

| |
|-------------------------------------|
| Significant contribution |
|-------------------------------------|



Renovations (energy
 saving lighting
 systems)

| |
|-----------------------------|
| Limited contribution |
|-----------------------------|



Heat pumps

| |
|-----------------------------|
| Limited contribution |
|-----------------------------|



⁸ Fossil fuels such as natural gas and oil can be used to compensate for power peaks, for example on very cold winter days, or when setting up a new heating system or carrying out repair and renovation work.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE USE OF PROCEEDS CATEGORIES

The table below presents the findings of an ISS ESG assessment of the Use of Proceeds categories against ISS ESG KPIs. GKB's assets are loans granted in Switzerland.

| ASSESSMENT AGAINST ISS ESG KPI |
|---|
| All categories |
| Labour, Health & Safety |
| <ul style="list-style-type: none"> ✓ 100% of assets are located in the Switzerland, where high labour, health and safety standards are respected (e.g., ILO Core Conventions). |
| Dialogue with local communities |
| <ul style="list-style-type: none"> ✓ There is a clear policy on conducting Environmental Impact Assessments (EIAs) during the planning phase of all relevant projects (e.g. as part of eligibility criteria, general financing policies or company policy in case of corporate issuances). |
| Site selection |
| <ul style="list-style-type: none"> ✓ 100% of assets have been developed excluding protected areas and sites of high environmental value. |
| Renewable Energy |
| Biodiversity |
| <ul style="list-style-type: none"> ○ 28% of GKB's green bonds come from companies with a certified environmental management system in line with relevant international standards (ISO 14001). However, companies comply with Swiss legislation, based on strict legal requirements⁹. Moreover, GKB is committed to ensuring that the borrowers operate and license a recognized quality and environmental management system (preferably according to ISO 14001). ✓ There is a clear policy on conducting Environmental Impact Assessments (EIAs) during the planning phase of all relevant projects (e.g. as part of eligibility criteria, general financing policies or company policy in case of corporate issuances). |
| Electricity generation for Concentrated Solar Power (CSP) |
| <ul style="list-style-type: none"> ✓ In the event that GKB allocates part of the available funds of the Green Bond in the field of solar power, 100% of these assets will be attributable to solar energy. During cloudy periods, the Concentrated Solar Power (CSP) plants will not be combined with coal, natural gas or biofuel plants. |

⁹ GKB claims that the ISO certification would no longer offer any additional added value with regard to the management of environmental risks.

Green Buildings

Energy Efficiency prerequisites

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

Safety of building users

- ✓ Assets under this Framework ensure good measures for the safety of users, based on internal policies and national legislation.

Sustainability labels

- No information is available with regards to the assets that obtained a BREEAM (or an equivalent) certification “Very good”. However, new buildings already meet the requirements regarding Minergie A's total energy requirements.

Water use minimization

- No information is available with regards to measures reducing water consumption (e.g. water metering, high-efficiency fixtures and fittings). However, GKB assumes that high reductions in water consumption would be guaranteed with every renovation or new building.

DISCLAIMER

1. Validity of the SPO: For GKB's first issuance following the SPO release date.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the Use of Proceeds of GKB’s Green Bond Framework.

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

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

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

Environmental and social risks assessment methodology

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

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

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by GKB (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 GKB’s Green Bond Framework contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

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

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

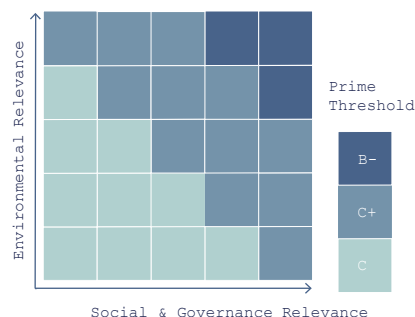
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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: ISS ESG Quality management processes

SCOPE

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

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ISS ESG KPI set: Renewable Energy and Green and Energy-Efficient Buildings

ISSUER'S RESPONSIBILITY

GKB responsibility was to provide information and documentation on:

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

ISS ESG'S VERIFICATION PROCESS

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

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Framework to be issued by GKB based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with GKB took place in April/May 2021.

ISS ESG'S BUSINESS PRACTICES

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

About ISS ESG SPO

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

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

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

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

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