

PKO Bank Polski S.A. Group



Bank Polski

# GREEN BOND FRAMEWORK

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# INTRODUCTION

## ABOUT POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP

The Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (“Group”, “PKO Group”) conducts its operations within the territory of the Republic of Poland and through subsidiaries in Ukraine, Sweden and Ireland; it also has branches in the Federal Republic of Germany, the Czech Republic and in the Slovak Republic.

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (“PKO Bank Polski”, or “Bank”), as the parent company, is a universal deposit and credit bank which services both Polish and foreign individuals, legal persons and other entities. The Bank may hold and trade cash in foreign currencies, as well as conduct foreign exchange and foreign currency transactions, open and maintain bank accounts in banks abroad, and deposit foreign currency in those accounts.

Through its subsidiaries, the Group offers mortgage loans, provides specialized financial services related to leases, factoring, debt collection, investment funds, pension funds and insurance, as well as provides services related to car fleet management, transfer agent, technological solutions, IT outsourcing and business support, real estate management and also conducts banking operations and provides debt collection and financing services in Ukraine.

## ABOUT POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA

PKO Bank Polski was established by virtue of a decree signed on 7 February 1919 as Poczta Kasa Oszczędnościowa. In 1948, the Bank began operating as Powszechna Kasa Oszczędności Bank Państwowy (state-owned bank). Pursuant to the Decree of the Council of Ministers dated 18 January 2000, Powszechna Kasa Oszczędności (a state-owned bank) was transformed into a state owned joint-stock company, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. In 2004 the shares in the Bank were offered to the public in an initial public offering and were admitted to trading on the regulated market of the WSE. The State Treasury is still the company's largest shareholder.

PKO Bank Polski is the leader of the Polish banking sector, with total assets of PLN 482 bn, around 12 million clients and 1222 branches and agencies as of 30.06.2024. It is the key supplier of financial services for all the customer segments, with the biggest share in the savings market, loans, mortgages and retail investment funds. Thanks to the development of digital tools, including the IKO application, which has around 8.1 million active users as of 30.06.2024, PKO Bank Polski is the most mobile bank in Poland. The strong position of the bank is further reinforced by its subsidiaries.

For further details, please visit: [www.pkobp.pl](http://www.pkobp.pl)

## ABOUT PKO BANK HIPOTECZNY SPÓŁKA AKCYJNA

PKO Bank Hipoteczny Spółka Akcyjna (“PKO Bank Hipoteczny”) specialises in mortgage loans for individual clients. Based on the strategic relationship with PKO Bank Polski these loans are offered to retail clients through Poland's largest network of branches, intermediaries and agencies.

PKO Bank Hipoteczny's main purpose is to secure long-term financing by issuing covered bonds, a type of bond secured by mortgage loans that is one of the world's safest financial instruments. Covered bonds'

high level of safety directly affects their price, which allows the Group to finance itself at a lower cost than that of issuing unsecured bonds.

PKO Bank Hipoteczny's issue of covered bonds also allows the PKO Bank Polski Group to free up liquidity and capital, and thus to increase lending. The use of covered bonds to finance mortgage lending also increases the Group's financial safety by partially eliminating the mismatch between the maturity structure of assets and liabilities.

For further details, please visit: [www.pkobh.pl](http://www.pkobh.pl)

## **SUSTAINABLE STRATEGY AND APPROACH**

For over 100 years, PKO Group has been operating in accordance with the principles of responsibility for the environment in which it operates. It has always adapted its commitment to the current needs of Polish society. PKO Group has accompanied clients in their everyday lives, providing its support at times when important personal and financial decisions had to be taken. From its inception it has participated in the country's major investment projects and engaged with its social environment contributing to its progress and welfare. PKO Group embraced the philosophy of corporate social responsibility long before it ever became one of the key paradigms of the modern practice of business. This is why ethical behavior, fairness, cooperation, trust and respect for all the stakeholders form the core of the Group operational model.

This focus on sustainability continues to this day and is highlighted very clearly in the Group's strategic objectives: for instance, the 2023-2025 Strategy of PKO Bank Polski highlights becoming the 'Leader of the ESG transition in the Polish Banking Sector' as one of its seven pillars.

PKO Bank Polski intends to implement unique solutions in the field of financing the energy transformation to support the competitiveness of Polish companies in the face of high energy prices, business and regulatory requirements. The Bank will continue to engage in pro-social activities and support diversity and equal treatment of employees, regardless of their age, gender and origin. At PKO Bank Polski, respect for human rights is a fundamental principle that guides the Bank in its activities, which is why the Bank is in the process of implementing the Minimum Safeguards referred to in the EU Taxonomy Climate Delegated Act1 (EU Taxonomy).

## **EMBEDDING AWARENESS OF ENVIRONMENTAL FOOTPRINT INTO THE WAY PKO GROUP OPERATES**

Since 2019, PKO Group has been taking steps with increasing determination to address one of the greatest contemporary challenges - climate change counteracting. The Group recognises the impact its business has on the wider environment and aims to operate in ways that deliver sustainable economic growth utilising minimal natural resources. The Group monitors the consumption of such resources and engages in activities aimed at reducing their consumption. Examples of tangible steps taken in this regard include<sup>2</sup>:

- simplifying and streamlining processes by reducing paper documentation (67% decrease in A4 paper consumption over the last 7 years);
- waste segregation (gradual implementation of municipal waste sorting in the bank's locations);
- optimization of the bank's office space (e.g.: creation of 181 rotational workstations in Kraków in 2023 -> reduction of approximately 2 thousand m<sup>2</sup> of office space and reduction branches space by more than 11 thousand m<sup>2</sup>);
- reducing consumption of energy (total energy consumption in 2023 is down 4.6% for the Group compared to 2022, including a 3.8% decrease for the Bank and an 8.7% decrease for the companies).

<sup>1</sup> [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)

<sup>2</sup> [pkobp.pl/media\\_files/66d1855b-6e4e-46b3-bd10-1395db85cfc1.xhtml#\\_Toc160649093](http://pkobp.pl/media_files/66d1855b-6e4e-46b3-bd10-1395db85cfc1.xhtml#_Toc160649093)

In 2022 PKO Bank Polski received the Environmentally Responsible Company award, a distinction of the Green Forum wGospodarce.pl. In 2023 the Bank joined Partnership for Carbon Accounting Financials as the second institution in Poland to do so.

## **PARTNERING WITH PKO GROUP CLIENTS FOR SYSTEMIC GROWTH IN SUSTAINABLE FINANCING**

Indirect impact on the environment concerns financing granted to business and public entities, as well as the group's product offer. The Group has been undertaking initiatives that target environmental protection for years. Highlights of this type of activity include the below initiatives:

1. The Group supports the development of the economy by financing investments in new green technologies, the modernization of technological lines and energy-saving projects;
2. For many years, the Group has been actively involved in cooperation with local government units (LGUs), including through the financing of projects relating to environmental protection or the pro-environmental modernization of public service facilities;
3. The Group finances the transition of the Polish power sector. The transition areas include not only zero emission or low emission energy sources, but also improvement of the energy efficiency of entities that consume significant quantities of energy for the purposes of their production processes and modernization of the transmission network.

## **ADAPTING THE GROUP'S PRODUCT OFFERING TO INCORPORATE GREEN PRODUCTS**

The Group offers specifically designed financing solutions and products with the aim of promoting the environmental transition, including:

- Green mortgage offered by PKO Bank Hipoteczny and PKO Bank Polski,
- Thermo-modernisation loan for multi-family buildings offered by PKO Bank Polski,
- The "PKO Global Ecology and Social Responsibility" investment fund offered by PKO TFI
- Financing of photovoltaic devices, electric vehicles and points and charging stations for electric vehicles offered by PKO Leasing (for enterprises),
- Eco-loan for the purchase and installation of photovoltaic panels (for individuals) offered by PKO Bank Polski,
- Transactions on the CO2 emission right market<sup>3</sup>,
- Green structured deposit and sustainability-linked loans.

The Bank's aim is to gradually increase the offer of green products and services for retail and corporate clients as well as companies, enterprises and leasing customers.

## **SUSTAINABILITY GOVERNANCE AND GROUP POLICIES**

ESG and Sustainability are fully integrated into the Group's governance structure and also reflected in how the Group assesses financing and client onboarding decisions. Examples highlighted below:

- In the assessment of creditworthiness, the Group takes into account the impact of the particular business activities on the environment, compliance with the formal and legal requirements regarding environmental permits, geographical and environmental conditions etc.;

<sup>3</sup> commodity swaps and commodity forwards - transactions addressed to the Bank's corporate customers who are obliged to redeem such rights every year in accordance with the EU ETS regulations. The Customers may trade in such transactions and hedge against changes in the prices of emission rights

- In the assessment of the business models of borrowers and identification of risks (including ESG risks), the Group takes into account the sustainable business development concept and the possible benefits for the local community and the natural environment;
- In the process of analyzing property valuations, the Group assesses the environmental risks that could arise in the event of using the property for the purposes of activities causing contamination or degradation of the environment, including in particular: emission of dust, pollution of water, disposal of sewage, storage or production of toxic, inflammable, or explosive materials.

The above activities are well aligned with the sectoral PKO Group policies and PKO Bank Polski strategy:

1. “Policy for Financing the renewable energy sector”, adopted and implemented in 2020 for the Group which purpose is to gradually increase the share in the financing of renewable energy. The policy defines the preferred directions of development of the loan portfolio in the renewable energy segment. It is focused in particular on the financing of photovoltaic farm and wind turbine projects. However, other projects can also receive financing based on individual decisions. Project assessments performed by the Bank include the analysis of the following issues: formal documents, transaction parameters, sources of repayment (e.g. a successful renewable energy auction, PPA), as well as the investor’s capital resources and experience.
2. “Policy for financing the carbon-intensive energy sector”, adopted and implemented in 2019 for the Group with the purpose of actioning a gradual change in the loan portfolio structure towards reducing the exposure to coal-based Customers and transactions (in line with the European climate policy and the goal to reduce the level of emissions to zero by 2050). The policy assumes non financing any new coal or lignite-based energy and heat production facilities and gradual reduction in existing exposures. The policy covers the following industries: coal and lignite mining, coal-related sectors (e.g. production of mining machinery, trading in coal and similar products), generation of electricity/heat (with the exception of renewable energy) and supplementary activities in the power sector (transmission, distribution, cogeneration). The policy was updated in 2020 by introducing stricter criteria of application (as a result, the policy is now applicable to a wider range of enterprises, including those operating in coal-related sectors) and terms of financing.
3. “Policy for financing the chemistry, oil and gas sectors”, defines, among other things, the framework for financing entities operating in the sectors of oil and natural gas extraction, production and distribution of liquid and gaseous fuels, production and trading in chemicals/chemical products, and production and sales of rubber and plastic products. The Bank adopted a strategy of reducing exposure to operations covered by the EU Single-Use Plastic Directive and a prudent approach to the sectors of oil and gas extraction or production of chemicals, chemical products and rubber products. The prudent approach involves, among other things, an assessment of compliance with environmental standards and impact on the environment and an evaluation of the business model with regard to the concept of sustainable business development.
4. “Policy for income real estate”, the policy defines the framework for financing entities in the commercial real estate market and developers on the residential property market. In assessing the business model and identifying risks, the policy recommends taking into account the concept of sustainable business development, including benefits that can bring business to both stakeholders, local communities and the environment.
5. “Policy for financing the public health care”, the policy indicates preferred transaction parameters and introduces good practices/standards for financing public hospitals. Environmental aspect comprises: collection, sorting, storage, transfer, transport and method of disposal of hospital waste (mainly medical) regulated by the law (e.g. the Act on waste, Environmental Protection Law => municipal waste => disposal in accordance with local regulations, medical waste => disposal by a specialist company (e.g. incineration)).

## RATIONALE FOR GREEN BOND FRAMEWORK

PKO Bank Polski is aware of the challenges arising from climate change and is gradually eliminating activities that may harm the natural environment, supports environmental education and follows the principle of social responsibility in its daily activities. The company takes into account the impact of its activities on the society, customers, suppliers, employees and shareholders, and constantly monitors and improves corporate governance and ensures transparency of the company's management principles. In its strategy, PKO Bank Polski takes into account ESG issues related to the environment, society and corporate governance and in 2021 made specific, measurable commitments in the ESG area. In 2022, the bank published a new strategy in which the ESG area is an integral part. The ESG aspirations published in the new strategy have replaced those published in 2021. Believing that disclosure on ESG performances is a cornerstone of a sustainable approach to business, since 2019, the Group has been publishing detailed data on ESG aspects in the non-financial section of the company's annual report<sup>4</sup>.

PKO Group intends to contribute to the development of the green bond market as it is an important tool for channeling more investments towards climate change mitigation, adoption and transition to a circular economy. PKO Group believes that green issuances offer transparency and traceability to investors who wish to allocate funds to sustainable assets. By issuing green instruments, PKO Group hopes to broaden its investor base by attracting investors that seek to focus their investments on environmentally friendly projects.

In addition, PKO Group is committed to making banking more sustainable as a better bank contributing to a better world and to making sustainability an integral part of its business activities.

Green bonds create the perfect opportunity to connect sustainable parts of the business with dedicated investor demand and are an effective tool to channel financing to projects that have demonstrated clear environmental or climate benefits. By issuing green bonds focused on energy efficiency, clean transportation and circular economy, the Group, its clients and investors contribute to Poland's greenhouse gas reduction targets. Green issues will also help to diversify the Group's investor base and broadens the dialogue with existing investors.

Under this Green Bond Framework, the Group may issue various types of debt security with different levels of subordination, including instruments eligible to be included in the Group entities regulatory capital, and covered bonds.

## PKO GROUP GREEN BOND FRAMEWORK

PKO Group has developed this Green Bond Framework in accordance with the International Capital Market Association's ("ICMA") Green Bond Principles 2021 with June 2022 Appendix 1 ("GBP"), in alignment with market best practice in terms of transparency, impact reporting, and commitments.

PKO Group has created this Green Bond Framework in accordance with the four core components and key recommendation of the ICMA GBP:

- use of proceeds,
- process for project evaluation and selection,
- management of proceeds,
- reporting,
- external review.

<sup>4</sup> The latest The PKO Bank Polski S.A. Group Director's Report for 2023 - is available at our website: [pkobp.pl/media\\_files/66d1855b-6e4e-46b3-bd10-1395db85cfc1.xhtml](http://pkobp.pl/media_files/66d1855b-6e4e-46b3-bd10-1395db85cfc1.xhtml)

The ICMA principles mentioned above are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market, by clarifying approach for issuance of green bond.

This Green Bond Framework is also intended to be aligned, on a best effort basis and to the extent currently possible with the provisions of the proposed EU Green Bond Standard. PKO Bank Polski is constantly developing the process of the assessment of financed activities with the EU Taxonomy and intends to align, on a best effort basis, the eligible green assets with the main Technical Screening Criteria (TSC) of the EU Taxonomy. PKO Bank Polski, where possible, may also report the compliance of the eligible green assets with the remaining TSC and Do No Significant Harm (DNSH) criteria of the EU Taxonomy.

For each green bond issued, the above core ICMA components will be adopted subject to and in accordance with this Green Bond Framework as amended from time to time. This Framework will apply to any green bond issued by PKO Bank Polski and/or its subsidiaries starting from the date of establishment of this version of the Framework and may, from time to time, be updated for future issues. Any future version of this Framework will either keep or improve the current levels of transparency and reporting disclosures. Any amendments shall be a subject to an updated Second Party Opinion.

## USE OF PROCEEDS

PKO Group intends to allocate the proceeds from green issuances to finance and/or refinance loans and investments that intend to align, with the recommendations of the Taxonomy<sup>5</sup>. As long as there are clear EU Taxonomy Technical Screening Criteria (TSC) and feasible practical applications in the geographies where the Bank's assets are located, any eligible category to be included in future versions of this Green Bond Framework will follow the recommendation of the EU Taxonomy, on a best effort basis.

The eligible assets are to be funded by an allocation of the green bond proceeds. Any financing not classified within this Green Bond Framework will not be financed or refinanced with the issue proceeds from a green bond. The underlying eligible assets categories for the use of proceeds and the corresponding eligibility criteria are set out below in table.

GBP Category	Product Activity /Project	EU Environmental Objectives
Financing buildings	<p>Loans to finance/or refinance new and/or existing energy efficient residential or commercial buildings in Poland:</p> <ol style="list-style-type: none"> <li>1) residential or commercial buildings built prior 31 December 2020 that belong to top 15% low carbon buildings in Poland;</li> <li>2) residential or commercial buildings built as of 1 January 2021 that meet the following minimum eligibility criteria: 10% reduction in Primary Energy Demand (PED) of Nearly-Zero-Energy-Building (NZEB) Standard in Poland;</li> <li>3) refurbished buildings (major renovations, thermo-modernization of efficiency upgrade) that achieve at least 30% improvement in energy efficiency;</li> </ol>	<p>Substantial contribution to Climate Change Mitigation (Article 10)</p> <p><b>EU Taxonomy activities:</b></p> <ul style="list-style-type: none"> <li>• (7.1) Construction of new buildings</li> <li>• (7.2.) Renovation of existing buildings</li> <li>• (7.3) Installation, maintenance and</li> </ul>

<sup>5</sup> <https://eur-lex.europa.eu/legal-content/PL/TXT/?uri=celex:32020R0852>



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| <ul style="list-style-type: none"> <li>4) commercial buildings with minimum certification of BREEAM “Excellent”, LEED “Gold”, HQE Excellent and DGNB Gold;</li> <li>5) buildings which are in line with Climate Bonds Initiative’s eligibility criteria for low carbon buildings: <ul style="list-style-type: none"> <li>a. single-family house or multi-family house complying with TC 2017 or later by year of construction,</li> <li>b. single-family house or multi-family house with an Energy Performance Certificate (EPC) available, stating the polish technical condition TC 2017 or newer,</li> <li>c. single-family house or multi-family house which are built after the year 2017, based on the year of construction.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• repair of energy efficiency equipment</li> <li>• (7.6) Installation, maintenance and repair of renewable energy technologies</li> <li>• (7.7.) Acquisition and ownership of buildings</li> </ul> |
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Loans to finance/or refinance expenditures and/or investments regarding:

- 1) energy efficient equipment (e.g. energy efficient windows, doors, light sources, heating, ventilation, air-conditioning and water heating systems);
- 2) installation of renewables on-site in residential buildings in Poland (e.g. PV systems, solar hot water panels, heat pumps).

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Clean transportation	<p>Loans to finance/or refinance expenditures and/or investments to advance the introduction of:</p> <ul style="list-style-type: none"> <li>1) zero direct emissions passenger cars, commercial vehicles and public transport buses / coaches;</li> <li>2) hybrid passenger cars, light commercial vehicles and public transport buses / coaches with emissions of less than 50g CO<sub>2</sub>/passenger-km (eligible till 2025);</li> <li>3) zero direct emission interurban and urban railway rolling stock transporting passengers (e.g. metro, tramway carriages, electric trains, passenger rail carriages);</li> <li>4) zero direct tailpipe emissions trains and wagons (incl. bimode transport) that are not dedicated to the transport of fossil fuels;</li> <li>5) rail transport infrastructure, e.g. metro and tramway lines;</li> <li>6) infrastructure supporting low-carbon transport, such as: EV charging stations, hydrogen fueling stations, public cycling infrastructure, train and bus stations.</li> </ul>	<p>Substantial Contribution to Climate Change Mitigation (Article 10)</p> <p><b>EU Taxonomy Activities:</b></p> <ul style="list-style-type: none"> <li>• (6.1.) Passenger interurban rail transport</li> <li>• (6.2.) Freight rail transport</li> <li>• (6.3.) Urban and suburban transport, road passenger transport technology</li> <li>• (6.4.) Operation of personal mobility devices, cycle logistics</li> <li>• (6.5.) Transport by motorbikes, passenger cars and light commercial vehicles</li> <li>• (6.6.) Freight transport services by road</li> <li>• (6.14.) Infrastructure for rail transport</li> <li>• (6.15.) Infrastructure enabling low-carbon</li> </ul>
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		<p>road transport and public transport</p> <ul style="list-style-type: none"> <li>• (7.4) installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)</li> </ul>
Renewable energy	<p>Loans to finance/or refinance expenditures and/or investments for the acquisition, development, manufacturing, construction, distribution and maintenance of renewable energy generation sources from:</p> <ol style="list-style-type: none"> <li>1) solar energy: onshore and offshore photovoltaics, concentrated solar power and solar thermal facilities;</li> <li>2) wind energy: onshore and offshore wind energy generation facilities.</li> </ol>	<p>Substantial Contribution to Climate Change Mitigation (Article 10)</p> <p><b>EU Taxonomy Activities:</b></p> <ul style="list-style-type: none"> <li>• (4.1.) Electricity generation using solar photovoltaic technology</li> <li>• (4.2.) Electricity generation using concentrated solar power (csp) technology</li> <li>• (4.3.) Electricity generation from wind power</li> </ul>
Sustainable waste water management	<p>Loans to finance/or refinance expenditures and/or investments regarding:</p> <ol style="list-style-type: none"> <li>1) construction, extension and operation of centralised waste water systems including collection (sewer network) and treatment fulfilling the EU Taxonomy substantial contribution to climate change mitigation technical screening criteria;</li> <li>2) renewal of centralised waste water systems including collection (sewer network) and treatment in a way improves energy efficiency by decreasing the average energy consumption of the system by at least 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis;</li> <li>3) construction and operation of facilities for the treatment of sewage sludge by anaerobic digestion with the resulting production and utilisation of biogas or chemicals, where a monitoring and contingency plan is in place in order to minimise methane leakage at the facility and where the produced biogas is used directly for the generation of electricity or heat, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry.</li> </ol>	<p>Substantial Contribution to Climate Change Mitigation (Article 10)</p> <p><b>EU Taxonomy Activities:</b></p> <ul style="list-style-type: none"> <li>• (5.3.) Construction, extension and operation of waste water collection and treatment</li> <li>• (5.4.) Renewal of waste water collection and treatment</li> <li>• (5.6.) Anaerobic digestion of sewage sludge</li> </ul>

Sustainable waste management	<p>Loans to finance/or refinance expenditures and/or investments regarding:</p> <ol style="list-style-type: none"> <li>1) collecting and transporting non-hazardous waste that is segregated at source and is intended for preparation for reuse or recycling operations;</li> <li>2) construction and operation of dedicated facilities for the treatment of separately collected bio-waste through anaerobic digestion with the resulting production and utilisation of biogas and digestate and/or chemicals or through composting (aerobic digestion) with the resulting production and utilisation of compost;</li> <li>3) construction and operation of facilities for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials involving mechanical reprocessing, except for backfilling purposes (where at least 50% of waste, in terms of weight, is processed into secondary raw materials that are suitable for the substitution of virgin materials in production processes);</li> <li>4) installation and operation of infrastructure for landfill gas capture and utilisation in permanently closed landfills (opened prior to 08.07.2020) using new or supplementary dedicated technical facilities and equipment installed during or post landfill closure (where methane emissions from the landfill and leakages are controlled &amp; monitored and where the produced landfill gas is used for the generation of electricity or heat as biogas, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry).</li> </ol>	<p>Substantial Contribution to Climate Change Mitigation (Article 10)</p> <p><b>EU Taxonomy Activities:</b></p> <ul style="list-style-type: none"> <li>• (5.5.) Collection and transport of non-hazardous waste in source segregated fractions</li> <li>• (5.7.) Anaerobic digestion of bio-waste</li> <li>• (5.8.) Composting of bio-waste</li> <li>• (5.9.) Material recovery from non-hazardous waste</li> <li>• (5.10.) Landfill gas capture and utilisation</li> </ul>
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## EXCLUSIONS

The Group will not use the proceeds of any green issuance to knowingly finance projects involved in the following types of activities: activities deemed as carbon intensive; activities involving violations of human rights and any other activity that the Group determine is ineligible for allocation of proceeds at the time of allocation.

## CONSIDERATION OF SOCIAL FACTORS AND RISK<sup>6</sup>

PKO Bank Polski follows the principles of social responsibility and takes into account the impact of its actions on all stakeholders: shareholders, suppliers, employees and the general public. The Bank actively engages in activities that benefit local communities as well as initiates and implements social projects and supports a range of educational, civic, cultural and sports events and projects.

PKO Bank Polski does not tolerate any form of corruption and counteracts all corrupt practices. Nepotism and accepting or offering any physical items in order to influence decisions or actions are in conflict with the bank's values of credibility and trust.

<sup>6</sup> <https://www.pkobp.pl/investor-relations/esg-at-pko-bank-polski-group/policies-and-principles/>

The Bank takes action to prevent violations of human rights, including employee rights. In relations with external entities Bank pays special attention to: ensuring workplace safety, not using child labour, any co-workers or contractors in a difficult position, acting in a manner that does not breach co-workers' personal rights, preventing any discrimination or mobbing activity, ensuring objectivity in selecting bids, and caring for the natural environment and its resources. Subsidiaries monitor the individual risks for human rights and manage them at each entity's level.

The bank pays close attention to the satisfaction of its employees with their employment in the company. This is facilitated by a fair and transparent remuneration system, a package of non-salary benefits, and by taking into account the development needs of employees, and creating a friendly and cooperative work environment. In accordance with the employment policy, all employees are equal regardless of their sex, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnic origin, health condition, sexual orientation, marital status, full or part-time employment.

## EVALUATION AND SELECTION PROCESS

Green assets portfolio financed and/or refinanced by the Green Bond proceeds comply with official national and international environmental and social standards, regulations and laws on a best effort basis. It is part of the transaction approval process of the Group to ensure that all activities comply with internal environmental and social directives. The PKO Group has minimum environmental requirements in place for the corporate segment, the companies and enterprises segment lending businesses, including those financed with the proceeds of the green bonds.

A dedicated Sustainable Development Committee (“Committee”) has been established at the level of PKO Group to coordinate the oversight of this Green Bond Framework and has the following responsibilities:

- Manage any future updates to the Framework, including eligible criteria definition, expansions to the list of eligible categories and oversee its implementation,
- Oversee the process for evaluation and selection of eligible loans and projects, proposed by various business areas of the Group, according to the adopted methodology - the Committee will in this way gradually expand the eligible green assets portfolio,
- Oversee the record keeping of new and existing assets that meet the eligibility criteria for management of proceeds, reporting and, where applicable, an external review,
- Regularly (at least annually) conduct an additional review on the selected assets to ensure ongoing compliance with the eligibility criteria, and also to ensure that assets align with not only with at least one of the Taxonomy Environmental Objectives, but also not significantly harm any other Taxonomy Environmental Objective,
- Monitor environmental and social risks potentially associated with the eligible green loans through their basis in supporting compliance with national and international legislation.

The Committee generally convenes at least once every two months.

The Committee is currently comprised of the representatives or their delegates as shown in the diagram below:



The Committee is responsible for overseeing the identification and record keeping of new and existing assets that meet the eligibility criteria and also for management of proceeds, reporting and, where applicable, an external review. The Committee conducts on regular basis (at least annually) an additional review on the selected assets to ensure ongoing compliance with the eligibility criteria. To be in line not only with at least one of the Taxonomy Environmental Objectives, but also not significantly harm any other Taxonomy Environmental Objective the Committee monitor environmental and social risks potentially associated with the eligible green loans through their basis in supporting compliance with national and international legislation.

Due to the organizational and regulatory environment, a separate Green Covered Bond Committee for PKO Bank Hipoteczny ("GCBC"), which is headed by also the President of the Management Board or a member of the Management Board responsible for Treasury and Product, consists of representatives of the treasury office, the residential mortgage loans office, the risk office, the compliance office, the controlling office, the cover pool register responsible office, was established at PKO Bank Hipoteczny. GCBC main responsibilities are:

- identification and management of eligible green assets in PKO Bank Hipoteczny portfolio,
- monitoring proceeds allocation,
- anticipation of possible threats and propose appropriate actions to avoid them,
- proposing the necessary changes to the technical, eligibility criteria for eligible assets,
- reporting to the Committee on the annual basis.

## MANAGEMENT OF PROCEEDS

The proceeds from the issuance of green bonds will be managed by the Group using a portfolio approach. The Group intends to allocate the proceeds from the green bonds to an eligible green loan portfolio, selected in accordance with the Use of proceeds criteria and evaluation and selection process presented above. Only assets and projects that comply with the Group's credit process and sustainability policies are subject to further analysis from the perspective of eligibility criteria.

The PKO Group intends to maintain sufficient eligible loans in the eligible green loan portfolio, which matches or exceeds the total net proceeds raised from its outstanding balance of all green bonds. The

Group Committee will review and approve allocations of bond proceeds to the eligible green loan portfolio on, at least, an annual basis. The Group aims to match the level of allocation of the loan portfolio to the net proceeds from issued green bonds within 24 months after the issuance.

If a loan is repaid or otherwise ceases to fulfil the eligibility criteria during the life of the green bonds, it will be removed from the eligible green loan portfolio and replaced by other as soon as reasonably practicable. Pending the full allocation of the proceeds, or in case of an insufficient eligible green loan portfolio, the Group will hold and/or invest, at its own discretion, the balance of net proceeds not yet allocated to the eligible green loan portfolio in its treasury liquidity portfolio, in cash or other short term and liquid instruments with a sustainable character (such as green and social bonds).

## REPORTING

The Green Bond Principles require green bond issuers to provide information on the allocation of proceeds. In addition to information related to the projects to which green bond proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

PKO Group will make and keep readily available reporting on the allocation of net proceeds to the eligible green loan portfolio after a year from the issuance of the applicable green bond, to be renewed annually, as long as PKO Group has green bonds outstanding.

On a best effort basis, the Group will align the reporting with the portfolio approach described in the Harmonised Framework for Impact Reporting<sup>7</sup> (June 2023) led by an informal Technical Working Group comprising EBRD, KfW, NIB and the World Bank.

### ALLOCATION REPORTING

Allocation reporting will be available to investors within one year and on a timely basis and annually thereafter, until the bonds have been fully repaid. The report will provide, on a portfolio basis, reporting on indicators such as:

- the notional amount and maturities of the outstanding green bond issues;
- the total amount of proceeds allocated to eligible loans;
- the number of eligible loans;
- the balance of unallocated proceeds into eligible loans (if any);
- the amount or percentage of eligible assets portfolio allocated (usage).

Additionally, when appropriate and subject to confidentiality obligations, PKO Group may provide concrete examples of eligible assets refinanced through the proceeds of the green bonds.

### IMPACT REPORTING

The Group commits on a best effort basis to report annually and on a timely basis and until the bonds have been fully repaid, on listed below climate benefits (when applicable) associated to the:

<sup>7</sup> <https://www.pkobp.pl/investor-relations/esg-at-pko-bank-polski-group/policies-and-principles/>

- a) eligible green buildings and energy efficiency loans on:
- annual primary energy savings in MWh/GWh
  - annual GHG emissions reduced / avoided in tonnes of CO2 equivalent/a
  - overview of sustainable labels and certificates of eligible commercial buildings
  - annual energy production on-site, in MWh or GWh for commercial buildings
- b) renewable energy loans on:
- annual GHG emissions reduced / avoided in tonnes of CO2 equivalent
  - annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
  - capacity of renewable energy plant(s) constructed or rehabilitated in MW
- c) green vehicles eligible loans on:
- passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes in new eligible means of transportation
  - annual GHG emissions reduced / avoided in tCO<sub>2</sub>-e p.a.
  - number of km of new train lines, bicycle lanes etc. created
  - number / capacity of installed EV charging / hydrogen fueling stations
- d) sustainable water supply management:
- number of financed / refinanced sustainable water collection, treatment and supply systems
  - annual capacity of financed / refinanced sustainable water collection, treatment and supply systems
  - annual energy savings in kWh / cubic meter of produced water supply
  - annual absolute (gross) water savings (due to leakage optimisation)
- e) sustainable waste water management:
- number of financed / refinanced sustainable waste water systems
  - annual capacity of financed / refinanced sustainable waste water systems
  - annual energy savings in % or in kWh per population equivalent per annum
  - annual absolute amount of wastewater treated, reused or avoided before and after the financed / refinanced project
  - annual absolute (gross) amount of raw / untreated sewage sludge that is treated and disposed of (in tonnes of dry solids)
- f) sustainable waste management:
- number of financed / refinanced sustainable waste treatment facilities
  - annual capacity of financed / refinanced sustainable waste treatment facilities
  - annual absolute amount of waste that is separated and/or collected, and treated (including composted) or recycled (in tonnes p.a. and in % of total waste)
  - energy recovered from waste (minus any support fuel) in MWh/GWh/KJ of net energy generated p.a.
  - annual GHG emissions reduced / avoided in tCO<sub>2</sub>-e p.a.

Both allocation report and impact report will be made available on PKO Bank Polski website. To offer maximum transparency to investors PKO Group will also strive to deliver such impact estimates in an investor presentation alongside with the issuance of each green bond.

## EXTERNAL REVIEW

### SECOND PARTY OPINION

PKO Group will obtain an independent second party opinion from Sustainalytics in order to confirm the alignment of this Green Bond Framework with the ICMA Green Bond Principles and an independent assessment on the expected environmental benefits of funded projects. The independent second party opinion as well as the Green Bond Framework will be made available to green bond investors and can be found on the Bank's website.

PKO Group may seek certification for some of the debt instruments to be issued under this Green Bond Framework. A pre- and post-issuance verification report will be requested for all certified instruments.

### VERIFICATION POST ISSUANCE

The Group may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the green bond proceeds to eligible green assets, provided by its external auditor (or any subsequent external auditor or reputable verifier).

For CBI's certified Green Bonds the independent verification will be provided at least once after issuance, within two years of issuance. As required, the verifier's report and subsequent annual reporting during the term of the investment will be publicly available on Bank's website.



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