

# PKO Bank Hipoteczny

## PROGRAMMATIC POST-ISSUANCE VERIFICATION LETTER

### Low Carbon Buildings CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** December 2020 – January 2021

**Approved verifier:** Sustainalytics

**Contact address for engagement:** De Entrée 35-37 – 1101 BH, P.O. Box 22703 – 1100 DE, Amsterdam, The Netherlands

**Post-Issuance Engagement Leader:** Ankita Shukla, [ankita.shukla@sustainalytics.com](mailto:ankita.shukla@sustainalytics.com), (+1) 617 603 3329

**Post-Issuance Engagement Support:** Winnie Toppo, [winnie.toppo@sustainalytics.com](mailto:winnie.toppo@sustainalytics.com), (+1) 647 317 3648

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### Scope and Objectives

In November 2019, PKO Bank Hipoteczny (PKO BH) issued green bonds aimed at financing/ refinancing a portfolio of new and existing mortgages for eligible energy-efficient residential buildings which represent the top 15% of low carbon buildings in Poland. In December 2020, PKO BH engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Mortgages included within the green bond portfolio meet the following eligibility criteria, which have been identified as representative of the top 15% low carbon buildings in Poland based on a methodology developed by the consultancy Drees & Sommer:

- Single-Family House or Multi-Family House with an Energy Performance Certificate (EPC) available, stating the Polish technical condition TC 2017 or newer (e.g TC 2017, TC 2021 or Nearly-Zero Energy Building); or
- Single-Family houses that fall under the Primary Energy performance threshold of <110.3 kWh/m<sup>2</sup>a and Multi-Family houses that have Primary Energy performance of <96.5 kWh/m<sup>2</sup>a.<sup>1</sup>

### Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

### Issuing Entity's Responsibility

PKO BH is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project, and disbursed amounts.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of PKO BH's green bond, issued to finance eligible mortgages, and provided an independent opinion informing PKO BH as to the conformance of the green bond with the Post-Issuance requirements and Low Carbon Buildings criteria of the Climate Bonds Standard.

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<sup>1</sup> As of June 2019, CBI considers residential buildings in Poland eligible for certification if their Primary Energy, calculated in accordance with Technical Condition (TC) 2014, lies below the trajectory defined by the 2019 baselines of PE<sub>≤</sub> 120 kWh/m<sup>2</sup>/year for single family houses and PE<sub>≤</sub> 105 kWh/m<sup>2</sup>/year for multi-family apartments. Read more: <https://www.climatebonds.net/files/files/Residential%20Proxy%20Poland%281%29.pdf>

Sustainalytics has relied on the information and the facts presented by PKO BH with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by PKO BH.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

### Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included communication with relevant PKO BH employees and review of relevant documentation to confirm the conformance of PKO BH's green bonds with the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

### Exceptions

No exceptions were identified. All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance with the Low Carbon Buildings criteria.

### Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of PLN 500 million (EUR 110 million ) from the PKO BH green bonds, issued to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

### Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of portfolio of projects funded by the green bond in 2020 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All 28,108 mortgages reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of 100 projects funded by the green bond in 2020 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Buildings technical criteria.	All 28,108 mortgages fall under the Low Carbon Buildings criteria and meet the Low Carbon Buildings technical requirements.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

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## Schedule 1: Detailed Overview of Nominated Projects and Assets

PKO BH has provided to Sustainalytics information on the full eligible portfolio of mortgages. This information is redacted from public release for confidentiality purposes.

## Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects &amp; Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p>7.1 Information about the Nominated Projects &amp; Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects &amp; Assets to the market</p>
Reporting Post-Issuance	<p>8.1 Report containing the list of Nominated Projects &amp; Assets to which proceeds of the bond have been allocated</p>

## Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance eligible mortgages under the Low Carbon Building criteria (Nominated Projects).</p> <p>4.2 PKO BH's management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 PKO BH's management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the Nominated Projects.</p> <p>5.2 PKO BH's management has confirmed that funds have been allocated to Nominated Projects within 24 months of the issuance.</p> <p>5.3 PKO BH's management has confirmed that all Net Proceeds of the bond were used for financing only.</p> <p>5.4 PKO BH's management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 PKO BH's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 PKO BH's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 PKO BH's confirms that all proceeds were allocated immediately on issuance.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 PKO BH's management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 PKO BH's management confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 PKO BH's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated.</p>	None

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

### 5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified  
Climate Bonds of 2019

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**GlobalCapital**  
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**Named**

**2015:** Best SRI or Green Bond Research or Rating Firm  
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**The  
Green Bond  
Principles**