



Bank Polski

Warsaw, 10 December 2019

Stowarzyszenie
Pracownia na rzecz Wszystkich Istot
(*"Workshop for All Beings" Association*)
ul. Jasna 17
43-360 Bystra

Dear Sir/Madam,

Further to your letter of 20 November 2019, we would like to emphasize that, just as you do, we care and feel responsible for the protection of the environment in our country. The Management Board of PKO Bank Polski confirmed this commitment by signing the Ecological Responsibility Charter of Businesses and Employers in Poland. The goals of the Charter will be pursued by us within the framework of the new strategy "PKO the Bank of the Future" announced on 18 November 2019. In particular, these goals will be pursued through our lending policy to various industries and sectors. The aim of our lending policy in the coming years is to finance entities and projects which engage in reducing harmful emission to the air. As emphasized in our previous letter, we proactively work on the implementation of economic activities aimed at energy transition and will support, as part of the tasks defined in our Articles of Association, all initiatives relating to improving the climate conditions in Poland, provided that they are also economically viable.

In line with our responsibility for our impact on society and the environment, the Bank's policy is consistent with the existing regulations governing these topics at EU level, i.e. those relating to the need to fulfil the BAT standards, the so-called "Winter Package" and the Paris Agreement.

Thus, given the progressing decarbonization of the power generation subsector in Poland, the main assumption of the policy towards high-emission sectors adopted by the Bank is to gradually change the structure of the loan portfolio by successively reducing exposures to coal-based transactions, and increasing the share of transactions which support zero- or low-emission energy sources.

The Bank focuses on financing the transition of the Polish power generation sector to the exclusion of transactions which finance coal-based capital expenditure projects. The transition areas include not only setting in motion the said zero- or low-emission energy sources, but also improving the energy efficiency of entities with high energy consumption necessary to carry out their production activity, and modernizing the transmission network to minimize energy losses in transmission.

We share your opinion that the objectives set out in the Paris Agreement show the direction of the further development of the energy sector and the banking sector, and as such, should be proactively supported by all financial institutions in our country, including by PKO Bank Polski as the leader of the Polish banking sector.

Below we present the key assumptions of the Policy towards high-emission sectors of the economy until 2030, adopted by the Bank in Q1/2019. According to the Policy, high-emission sectors include, among others, coal and lignite mining, production of mining machinery, electric power generation (excluding nuclear energy and energy from renewable sources) and complementary activities relating to power generation (energy transmission and distribution, cogeneration plants):

1. With regard to the sectors of coal and lignite mining, production of ovens, furnaces and burners (re: production of coal-burning furnace) – the strategy of exposure reduction was introduced;
2. With regard to the power generation sector – the following was introduced:
 - the principle of non-financing of new energy sources based on coal and lignite;
 - reduction of exposures relating to financing/refinancing coal-based investment projects;
 - an obligation to clearly specify the purpose of the financing and to monitor spending of the funds for the purpose stated, which means reducing general purpose financing and transforming it into ESG financing or the financing dedicated to improving energy efficiency, changing the energy mix of the energy produced and modernization of transmission networks;
3. With regard to coal-related industries – the principle of gradually reducing exposure and clearly setting the purpose of the financing and monitoring the use of funds was introduced, which is consistent with the principles applicable to the mining industries.

These measures are supported by consistently introducing to the Bank's offer products dedicated to financing prosumers on the market of renewable energy, all types of thermomodernization measures, the construction of energy-saving houses and apartments.

We would also like to draw your attention a long way to energy transition – in the EU, we have examples like Germany or Denmark – where these transition processes took many years and were implemented with respect to the environment on the one hand, but on the other hand, ensuring the continuity of the energy security of these countries and maintaining unobstructed access to energy supply for consumers and the economy. These processes were financed by both domestic banks and multilateral organizations such as EBOR, EBI, CEB and from the own funds of companies, governments and local authorities. Only by combining the activities of all stakeholders can we achieve a successful change of the energy mix and contribute to the protection of the climate.

The Bank is but one among many entities taking steps to protect the environment. We try to promote our activities through public discussion forums, industry conferences and annual meetings with shareholders. We standardize and expand our non-financial reports by Environment Social Governance factors in accordance with EU guidelines. We aim to be as transparent as possible in our communication with the market. We encourage you to follow the developments and news on our website.

We would like to inform you that in line with our policy of transparent communication, we will publish the letters to and from you.

Yours faithfully,

VICE-PRESIDENT OF
THE MANAGEMENT BOARD
Jakub Papierski

VICE-PRESIDENT OF
THE MANAGEMENT BOARD
Piotr Mazur