



Bank Polski

Warsaw,
30.10.2019

Zdzisław Nitak, Fundacja GAP Polska (*GAP Poland Foundation*)
Kuba Gogolewski, Fundacja "Rozwój TAK - Odkrywki NIE" (*"Development YES - Open-Pit Mines NO" Foundation*)
Oskar Kulik, Fundacja WWF Polska (*WWF Poland Foundation*)
Wojciech Szymalski, Instytut na rzecz Ekorozwoju (*Institute for Eco-development*)
Jacek Bożek, Klub Gaja (*Gaia Club*)
PhD Tomasz Rozwadowski (*doctor of architecture*), Polski Klub Ekologiczny Okręg Wschodnio-Pomorski (*Polish Ecological Club, East Pomeranian District*)
Radosław Gawlik, Stowarzyszenie Ekologiczne EKO-UNIA (*Ecological Association ECO-UNION*)
Radosław Sawicki, Stowarzyszenie Ekologiczno-Kulturalne Wspólna Ziemia (*Ecological - Cultural Association "Common Earth"*)
Radosław Ślusarczyk, Stowarzyszenie Pracownia na rzecz Wszystkich Istot (*Association "Workshop for All Beings"*)
Krzysztof Gorczyca, Towarzystwo dla Natury i Człowieka (*Society for Nature and Humanity*)
Robert Wawręty, Towarzystwo na rzecz Ziemi (*Society for the Earth*)
Dariusz Szwed, Zielony Instytut (*Green Institute*)
Joanna Furmaga, Związek Stowarzyszeń Polska Zielona Sieć (*Alliance of Associations Polish Green Network*)

Dear Sir/Madam,

We have carefully read the letter you sent us, concerning the conventional power sector and the investment of financial institutions, including PKO Bank Polski.

Due to the applicable regulations and the rules of business cooperation, we are obliged to maintain the confidentiality of individual transactions, owing to which we may not address the details of the financing we provide which you raised in your letter. However, since we also consider the problems raised in your letter to be very important socially, in this reply we present the measures taken by PKO Bank Polski to support the protection of climate.

In the first quarter of 2019, PKO Bank Polski adopted a Lending Policy towards high-emission industries such as coal mining, metallurgy, and conventional power generation. The assumptions behind the Policy were presented at the Ordinary General Meeting of the Bank's Shareholders in May 2019. This document provides clearly that the conditions of climate regulations and, therefore, compliance with the BAT standards, the arrangements of the so-called Winter Package and the Paris Agreement by entities in high-emission industries or taking measures to improve their energy efficiency are important to the bank. Therefore, the bank's objective is, on the one hand, to reduce the financing of activities or entities which contribute to an increase in the negative effect on climate and, on the other hand, to support customers' initiatives contributing to protecting climate and reducing CO₂ emissions. The bank pointed out in its Policy that it will not become involved in financing new coal-based capacities and that, in the case of financing the already existing ones, it will gradually reduce its share in accordance with the contracts concluded with its customers.

The energy transformation process is a long-lasting process, and the essence of the said climate regulations, apart from establishing climate targets, is also to give individual countries time for energy transformation and, therefore, to take investment measures, as well, so as to let them reach out for energy sources which are an alternative to coal-based ones, and to significantly reduce the emissions from the sources which already exist. Therefore, it is necessary to look at the bank's investments in high-

emission industries also through the aim of financing and not just the entity being financed. A lot depends on the state's policy on the produced energy mix whose gradual change may ultimately lead to producing clean energy.

An important element of energy transformation is to provide entities operating in the conventional power industry with funds which will enable them to gradually move to 'greener' technologies and to gradually move away from fossil fuels with the necessary intermediate stage consisting of modernizing the existing capacities, in order to increase the effectiveness of the production of energy and to reduce CO₂ emissions. The bank also finances such activities of its customers which contribute to a gradual reduction in their negative impact on the natural environment. The customer makes a decision about the pace of changes and receives the support of the bank which may perform an advisory function rather than a decision-making one.

For PKO Bank Polski, important aspects of energy transformation also include assessing the social impact of the transformation activities, in particular their effect on the local labour market and assessing the effect of the transformation activities on the financial position of borrowers. In this way, we take into account the requirement that we take particular care of the safety of deposits at the bank. It is the funds owned by depositors that the bank uses to grant loans.

Apart from the above policy which is mainly addressed to the professional energy sector, the PKO Bank Polski SA Group is widely and actively involved in supporting pro-ecological initiatives in many other areas, such as financing thermomodernization, financing wind farm construction projects and other renewable energy sources, supporting the modernization of infrastructure reducing energy losses and improving energy efficiency, participating in the processes of issuing debt securities such as green bonds and green covered bonds and, as the first bank in Poland, taking part in the Energy Efficient Mortgages (EEM) project.

I hope that we shall continue this open dialogue.

We would also be obliged if you could let us have the expert opinions which you refer to in your letter, in order to evaluate the arguments contained in those studies more fully.

Yours faithfully,

VICE-PRESIDENT OF
THE MANAGEMENT BOARD
Piotr Mazur

VICE-PRESIDENT OF
THE MANAGEMENT BOARD
Jakub Papierski