

**The State Treasury of the Republic of Poland,  
represented by the Minister of Development and Finance**

**Green Bond Framework  
5<sup>th</sup> December 2016**

The State Treasury of the Republic of Poland is responsible for the preparation and fair presentation of this Green Bond Framework as of 5<sup>th</sup> December 2016.

**Purpose**

This Green Bond Framework has been developed to demonstrate how The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, will issue Green Bonds to fund new financing or the re-financing of projects with environmental and societal benefits in alignment with the *Green Bond Principles (GBP), 2016*<sup>1</sup>.

**Assertions from State Treasury of the Republic of Poland, represented by the Minister of Development and Finance and the Ministry of Finance, Public Debt Department**

For each Green Bond issued, The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, asserts that it will adopt (A) the Use of Proceeds and (B) Policies and Internal Control Procedures in respect of each of (i) project evaluation and selection (ii) management of proceeds and (iii) reporting, as set out in this Framework.

**Background**

The Polish Ministry of Finance is a governmental office serving the Polish Finance Minister in responsibilities pertaining to the state budget, public finance and financial institutions. Furthermore the Ministry handles financing for local governments and implements the state financial policy.

In addition to its responsibility for execution of the state budget, the Republic of Poland has increasingly become recognised as a progressive example among sovereigns transitioning to a low-emission economy. Actions, such as dedicated implementation of the National Renewable Energy Action Plan (NREAP) and the success of initiatives such as the Green Certificate System have garnered in approaching pledges of the Polish government to increase renewable energy use, and production affirms this.

In Poland, there is a central, national objective of increasing the share of energy from renewable energy sources (RES) used in gross final consumption and specifically in the energy, transport, heating and cooling sectors. Further to this, other targets include: ensuring an increased share of renewable energy sources are used in final energy consumption (up to at least 15% by 2020), building a 10% share of biofuels in the market for transport fuel by 2020 and protection of forests from excessive exploitation in order to obtain biomass and sustainable use of agricultural areas.

**Framework Overview**

The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, has developed a framework under which it plans to finance and or re-finance Eligible Projects via a Ministry of Finance, Poland Green Bond.

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<sup>1</sup> <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/green-bond-principles/>

For details on what constitutes as Eligible Projects, see section 1. Use of Proceeds below. In addition to defining eligibility criteria for the framework, The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, has committed to disclose the relevant Eligible Sector, (and specific projects if possible), utilised for the respective green bond to be issued at the time of (or before) issuance, where project review and evaluation has been completed and the allocation of proceeds has been determined in advance of issuance.

### **1. Use of Proceeds**

With reference to the *Green Bond Principles* the proceeds of each Green Bond will be used exclusively for spending in the form of budget allocation / subsidies / projects<sup>2</sup> for new financing or the re-financing of existing “Eligible Projects”.

"Eligible Projects" refer to funding from The State Treasury of the Republic of Poland that in whole or in part, promote the transition to low-emission economy and climate resilient growth, including both climate mitigation and adaptation.

Eligible Projects must fall into at least one of the following Eligible Sectors defined below:

<b>Eligible Sector</b>	<b>Further detail on Eligible Projects</b>
Renewable Energy	<p>Generation of energy from renewable sources</p> <ul style="list-style-type: none"> <li>- Examples include wind, solar, tidal, and biomass (where waste to energy plants are on a standalone basis and not used for cogeneration in coal plants) energy</li> </ul> <p>Manufacture of components of renewable energy technology</p> <ul style="list-style-type: none"> <li>- Examples include wind turbines, solar panels</li> </ul> <p>Wholly dedicated transmission infrastructure linking energy from renewable sources to users</p>
Clean Transportation	<p>Investments in rail infrastructure</p> <ul style="list-style-type: none"> <li>- Examples include electric rolling stock, rail line, modernisation, maintenance, upgrades, reinstatement of old, unused, lines into working lines (due to increased/improved energy network connectivity) and general improvement in energy efficiency of the entire rail system</li> </ul> <p>Investments related to associated rail infrastructure</p> <ul style="list-style-type: none"> <li>- Examples include new and refurbishment of existing rail stations, entry ticket equipment to ensure access and usage of rail lines and the efficient movement of people and freight</li> </ul>
Sustainable Agricultural operations	<p>Sustainable Agricultural operations</p> <ul style="list-style-type: none"> <li>- Examples include organic farming (such as: reduced use of pesticides), more energy efficient farming methods and processes</li> </ul> <p>Note: This Eligible Sector falls under the ‘Sustainable Management of living natural resources’ example within the Green Bond Principles</p>

<sup>2</sup> Please see table on page 4 for clarification of mechanism used in each Eligible Sector considered within this framework

Afforestation	<p>Sustainable Forest management.</p> <ul style="list-style-type: none"> <li>– Examples include development and planting of new forested areas, ongoing maintenance in the form of tree, plant and wildlife care and management and fire protection</li> </ul> <p>Note: This Eligible Sector falls under the ‘Sustainable Management of living natural resources’ example within the Green Bond Principles</p>
National Parks	<p>National Park management</p> <ul style="list-style-type: none"> <li>– Examples include conservation and restorative activities, repair and recreation of damaged areas to reconstruct distorted natural habitats, ongoing maintenance in the form of tree, plant and wildlife care and management and fire protection</li> <li>and,</li> <li>– Organisation and funding of educational activities / facilities to enhance awareness, knowledge and importance of the National Parks and hence support / encourage the environmental care taken by local residents and visitors</li> </ul> <p>Note: This Eligible Sector falls under the ‘Sustainable Management of living natural resources’ example within the Green Bond Principles</p>
Reclamation of Heaps	<p>Reclamation and remediation of contaminated land</p> <ul style="list-style-type: none"> <li>– Examples include soil remediation and the onsite repair and recreation of damaged tree, plant and wildlife, ongoing maintenance care and management</li> </ul> <p>Note: This Eligible Sector falls under the ‘Sustainable Management of living natural resources’ example within the Green Bond Principles</p>

Business and projects that are involved in the following operations will be ineligible as Use of Proceeds of a Ministry of Finance, Poland Green Bond:

- Burning of fossil fuel for power generation and transportation (in the form of rolling stock)
- Rail infrastructure dedicated for transportation of fossil fuels
- Nuclear power generation
- Palm oil operations
- Production/ provision of weapons / alcohol / gambling / adult entertainment
- Large scale hydro projects – including technology and equipment (i.e. projects that generate greater than 20 MW of electricity)
- Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated
- Use of biomass for cogeneration in coal plants

## **2. Project Evaluation and Selection**

The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, will review and approve budget allocation / subsidies / projects as eligible Use of Proceeds for each Green Bond issued.

Use of Proceeds will be selected from the budget allocation / subsidies / projects flagged to The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, by the following considerations:

- Alignment with identified Eligible Sectors (as defined in section 1 above)
- Investment horizon
- Availability of information to facilitate reporting
- Other ESG / external factors related to the agencies / organisations

Projects determined as eligible will then be eligible for Green Bond allocation.

To prevent double counting of eligible green projects, The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance will issue green bonds supported by / allocated to Eligible Projects on an annual budget reconciliation basis. For each green bond issued, The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, has assured Sustainalytics that the Green Bond allocation will not allow for listing of same budget allocation / subsidies / project twice, so reconciliation to the annual budget will prevent any such double counting in green bond allocation and therefore prevent funding of the same allocation twice. This will be confirmed in each annual report.

The mechanism used by The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, is documented below for each Eligible Sector considered for funding by a Ministry of Finance, Poland Green Bond(s):

<b>Eligible Sector</b>	<b>Funding mechanism</b>	<b>Additional Government Agency involved in funding of these Eligible Sectors</b>
Renewable Energy	budget allocation – including excise tax exemptions	Ministry of Finance - Agency of Restructuring and Modernization of Agriculture
Sustainable Agricultural operations	subsidies	Ministry of Finance - Ministry of Agriculture and Rural Development - Agency of Restructuring and Modernization of Agriculture - farmers
Afforestation	subsidies	Ministry of Finance - local governments - forest owners
National Parks	subsidies	Ministry of Finance- Ministry of Environment - National Parks
Reclamation of Heaps	subsidies	SPV
Clean Transportation	subsidies	Ministry of Infrastructure

### **3. Management of Proceeds.**

All proceeds from Ministry of Finance, Poland Green Bond are set aside in a designated account for funding exclusively projects as defined in the Eligible Sectors disclosed in this Green Bond Framework.

The proceeds are credited to a separate “Green Cash Account” and disbursed to Green Bond Eligible Projects. Disbursements are often made over a period of time, depending on a project’s amortization schedule. As Green Bond proceeds are disbursed, corresponding amounts are adjusted from the Green Cash Account accordingly on a regular basis.

Any balance of issuance proceeds not allocated to eligible Green Projects will be held in accordance with The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance’s normal liquidity management policy – which comprises investments in cash, short term deposits and other short term liquidity instruments.

Payment of principal and interest of the Notes will be made from general funds and will not be directly linked to the performance of the eligible Green Projects.

#### **4. Reporting**

The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, will report annually, initially within one year of the issuance and until full allocation, on amounts equal to the net proceeds of the Green Bond issued to provide to investors:

- (i) aggregate amount allocated to the various Eligible Sectors
- (ii) remaining balance of funds which have not yet been utilized
- (iii) examples of Green Projects from each Eligible Sector(s) (subject to confidentiality disclosures)

Furthermore, The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, will confirm that the use of proceeds of the Green bond issuance conforms to this Green Bond Framework.

Where possible, The State Treasury of the Republic of Poland, represented by the Minister of Development and Finance, will report on the environmental and social (where relevant) impacts resulting from each Green Project allocated from the respective Green Bond.

Examples of relevant metrics could include:

<b>Eligible Sector</b>	<b>Indicative reporting metrics<sup>3</sup></b>
Renewable Energy	Total megawatt/gigawatt capacity of clean energy produced (MW/GW) Number of wind turbines / solar panels installed and operating in each location etc. Location of production
Clean Transportation	Location and miles of track supported Number of passengers transferred to the train (and calculated equivalent removal of cars / lorries) Total GHG emissions avoided of the project (tCO2eq)
Sustainable Agricultural operations	Number of farms/ farmers supported Area of farmland (square meters / acres / hectares) supported
Afforestation	Area of forest (square meters / acres / hectares) planted / preserved Location and site name Biodiversity information – trees and species of plants planted

<sup>3</sup> These metrics are just to be used as a guide for reported KPIs and are not mandatory reporting metrics

National Parks	Location and site name Area of land (square meters / acres / hectares) preserved Biodiversity information – trees and plants planted Visitor data
Reclamation of Heaps	Area of land (square meters / acres / hectares) remediated Future use of remediated land / purpose of the reclaimed land

The reporting will be made public via annual updates on official Ministry of Finance website.

### External Review

This State Treasury of the Republic of Poland Green Bond Framework has been reviewed by Sustainalytics in the form of a Second Party Opinion.

The objective of the Second Party Opinion is to provide an independent assessment on the alignment of the Green Bond Framework with the GBP, and attest as to the positive impact of the respective Green Eligible Sectors.

This document is publicly available on the website  
<http://www.finanse.mf.gov.pl/en/web/wp/public-debt/international-bonds/issuance-procedures>.

### Signed by:

The State Treasury of the Republic of Poland, Represented by the Minister of Development and Finance

Mr Piotr Nowak  
 Undersecretary of State in the Ministry of Finance,  
 upon authorisation of the Minister of Development and Finance  
 5<sup>th</sup> December 2016

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