

STATE TREASURY OF THE REPUBLIC OF POLAND ANNUAL COMPLIANCE REVIEW

December 19, 2017

Type of engagement: Annual Compliance Review

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Introduction

In December 2016, The State Treasury of the Republic of Poland represented by the Minister of Development and Finance (State Treasury of Poland) issued a green bond aimed at funding certain environmentally beneficial projects in Poland, in accordance with its Green Bond Framework. As of October 17, 2017, all bond proceeds had been allocated. More specifically, 80.6% of the proceeds were spent on refinancing projects that had been initiated between 2014-2016. The remaining 19.4% was allocated to projects launched in Q1 2017. In December 2017, the State Treasury of Poland engaged Sustainalytics to review all the projects funded through the issued green bond, and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Green Bond Framework.

Compliance Evaluation Criteria

Sustainalytics evaluated the projects and programmes funded in 2017 for compliance based on whether the projects and programmes:

1. Met one of the six Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework ; and
2. Reported on at least one of the sixteen Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists all the Use of Proceeds and Eligibility Criteria, while Table 2 list the associated the KPIs.

Table 1: Use of Proceeds and Eligibility Criteria

| Use of Proceeds | Eligibility Criteria |
|-----------------------------|--|
| Renewable Energy | <ul style="list-style-type: none"> • Generation of energy from renewable sources • Manufacture of components of renewable energy technology • Wholly dedicated transmission infrastructure linking energy from renewable sources to users |
| Clean Transportation | <ul style="list-style-type: none"> • Investments in rail infrastructure • Investments related to associated rail infrastructure |

Sustainable Agricultural operations

- Sustainable Agricultural operations

Afforestation

- Sustainable Forest management

National Parks

- National Park management

Reclamation of Heaps

- Reclamation and remediation of contaminated land

Table 2: Key Performance Indicators

| Key performance indicators | |
|-------------------------------------|---|
| Renewable Energy | <ul style="list-style-type: none"> • Total megawatt/gigawatt capacity of clean energy produced (MW/GW) • Number of wind turbines / solar panels installed and operating in each location etc. |
| Clean Transportation | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Number of farms/ farmers supported • Area of farmland (square meters / acres / hectares) supported |
| Afforestation | <ul style="list-style-type: none"> • Area of forest (square meters / acres / hectares) planted / preserved • Location and site name • Biodiversity information – trees and plants planted |
| National Parks | <ul style="list-style-type: none"> • Location and site name • Area of land (square meters / acres / hectares) preserved • Biodiversity information – trees and plants planted • Visitor data |
| Reclamation of Heaps | <ul style="list-style-type: none"> • Area of land (square meters / acres / hectares) remediated • Future use of remediated land / purpose of the reclaimed land |

Issuing Entity's Responsibility

The State Treasury of Poland is responsible for providing accurate information and documentation related to the details of the projects that have been funded, including description of projects and realized costs of projects, and, where possible, project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the State Treasury of Poland's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from the State Treasury of Poland employees and review of documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics made 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 review.

Conclusion

Based on the limited assurance procedures conducted¹, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of the State Treasury of Poland's green bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. It should be noted that the majority of environmental indicators reported by the State Treasury of Poland demonstrate the impact of the total expenditures at a program level, and do not indicate the impact resulting from specific expenditures financed from the green bond. However, in certain cases, the impact resulting from specific projects funded by the green bond is reported, this information is outlined in the Green Bond Report. The State Treasury of Poland has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of October 17, 2017.

Detailed Findings

Table 3: Detailed Findings

| Eligibility Criteria | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|---------------------------------|--|--|--------------------------------|
| Use of Proceeds Criteria | Verification of the projects funded by the green bond in 2017 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1. | All projects reviewed complied with the Use of Proceeds criteria. | None |
| Reporting Criteria | Verification of the projects funded by the green bond in 2017 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1. | All projects reviewed reported on at least one KPI per Use of Proceeds criteria, however, the majority of KPIs were reported at a program level therefore do not indicate the specific impact of projects financed by the green bond. In certain cases, the impact resulting from specific projects funded by the green bond is reported, this is stated in the Green Bond Report. | None |

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the State Treasury of Poland. The State Treasury of Poland is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Impact Reporting by Eligibility Criteria²

| Use of Proceeds and Eligibility Criteria Category | Environmental Impact Reported by Eligibility Criteria |
|--|--|
| Renewable Energy | <ul style="list-style-type: none"> • Renewable energy produced from 2014-Q12017 is reported as 40,558 GWh • Growth of renewable energy capacity from the end of 2014 to the end of Q1 2017 is reported as 2,411 MW • Estimated value of energy from renewable sources for which excise duty was obtained in a calendar year as 34,338,420 MWh |
| Clean Transportation | <ul style="list-style-type: none"> • 2.9 thousand km of railway lines |
| Sustainable Agricultural Operations | <ul style="list-style-type: none"> • Hectares supporting sustainable farming (57,010ha), organic farming (38,891 ha), protection of endangered bird species and natural habitats outside (38,071 ha) and within (38,603 ha) Natura 2000 areas, and protection of soil and water (73,522 ha) • Number of farms supporting sustainable farming (2,925), organic farming (2,577), protection of endangered bird species and natural habitats outside (3,457) and within (4,659) Natura 2000 areas, and protection of soil and water (3,165) |
| Afforestation | <ul style="list-style-type: none"> • Afforestation of agricultural land, 3991 hectares and 1257 farms • Afforestation of non-agricultural land, 556 hectares and 298 farms • Afforestation under the Rural Development Program (RDP) 2014-2020, 74,122 hectares and 15775 farms |
| National Parks | <ul style="list-style-type: none"> • Area of national parks preserved reported as 314.7 thous. ha • In 2016, the number of visitors to national parks in Poland reported as 12,900,000 |
| Reclamation of Heaps | <ul style="list-style-type: none"> • The length of the drainage ditch and drain discharging Carboniferous waters from the adit in Czarny Bór is reported as 127.7m • The length of the drainage ditch draining the Krostoszowice heap in Godów is reported as 330 m. |

² The environmental indicators reported by the State Treasury of Poland demonstrate the impact of the total expenditures at a program level, and does not indicate the impact resulting from specific expenditures financed from the green bond. However, in certain cases, the impact resulting from specific projects funded by the green bond is reported, this information is outlined in the Green Bond Report.

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