



ING Bank Hipoteczny S.A. Green Covered Bond Framework

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1. ING's sustainability strategy

The world is changing so quickly, sometimes it's hard to keep up. We at ING are here to help people stay ahead of these changes. To help them thrive in tomorrow's world by turning the threats of climate change and fast-changing technology into opportunities.

With more than 34 million customers in over 40 countries, our business activities have a significant influence on communities and the environment. For us, this means making the right choices in how, where and with whom we do business – and crucially, being transparent about the underlying principles that guide our daily business decisions.

A low-carbon and self-reliant society

Being sustainable is not just about reducing our environmental footprint. As a bank, we believe our role is to facilitate and finance society's shift to sustainability. In other words: contribute to progress – environmental, economic, and social.

In 2017, we sharpened our long-term commitment to sustainability so that all our initiatives focus on contributing to a low-carbon and self-reliant society. Our new direction has been broken down into building blocks, each with its own objectives and targets. For example:

- becoming the industry leader in sustainable finance
- creating products to specifically help our SME/Mid-Corp clients future-proof their businesses
- aligning our portfolio with the well-below two-degree scenario

We are committed to better understanding the impact of our lending activities and working with our clients to drive progress towards a low-carbon and self-reliant society. We talk with clients about the challenges they face and help them identify opportunities.

ING finance many projects that advance renewable energy and the circular economy and aim to increase our Climate Finance portfolio two-fold by 2022 compared to 2017. We also aim to double our Social Impact Finance portfolio by lending to projects that lead to, for example, affordable housing or basic infrastructure improvements. And we will double lending to environmental, social and governance (ESG) industry leaders by 2022 compared to 2017.

Much of these efforts focus on climate change. In the Paris Climate Agreement, governments committed to take action to remain well below a two-degree rise in global temperatures. As a bank, we make our biggest contribution through our financing.

ING's loan book is over €600 billion euros across many sectors, and we will begin steering it towards meeting the Paris Agreement's two-degree goal. ING co-created an innovative, accurate way to measure this, called the Terra approach. We're the first bank to commit to using science-based scenarios to steer our business strategy.

To contribute to a low-carbon and self-reliant society, at the local level, ING implements the sustainability strategy in 4 priorities: bank for the enterprising, bank for equal opportunities, bank of green investments, bank which is eco- aware.

In 2017 ING in Poland declared also that will gradually reduce product and credit exposure related to the thermal coal - driven activities. At the same time, the bank supports clients in the energy transformation and transition to low-carbon activities.

To support all of these objectives and fund these portfolios, ING Bank Hipoteczny S.A. designed a Green Covered Bond Framework meeting the highest standards on transparency and disclosure.

2. ING Green Bond Framework

The ICMA Green Bond Principles (GBP) are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. ING Bank Hipoteczny S.A Green Covered Bond Framework follows the GBP 2018¹, which provides guidelines in the following four key areas:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

This framework may, from time to time, be updated and, will be applied to any green covered bond issued by ING Bank Hipoteczny S.A. This Green Covered Bond Framework may also be used to govern other green financing for which the use of proceeds is intended for a portfolio of green loans (“Eligible Green Loan Portfolio”), defined, selected, tracked and reported on, in accordance with this Green Bond Framework.

3. Use of proceeds

ING Bank Hipoteczny S.A. intends to allocate the net proceeds of the green covered bonds issued under this framework to an Eligible Green Loan Portfolio of new and existing loans to the following categories. The eligible green loans are to be funded in whole or in part by an allocation of the covered bond proceeds. The use of proceeds categories can be summarised as follows:

1. **Green buildings:** defined as the financing or refinancing buildings which meet regional, national or internationally recognised regulations, standards or certifications:
 - a) Commercial real estate:
 - i. New or existing commercial buildings belonging to top 15% low carbon buildings in Poland
 - ii. Refurbished commercial buildings with an improved energy efficiency of at least 30%
 - iii. New, existing or refurbished commercial buildings which received at least one or more of the following classifications: LEED® “Gold” and above with energy savings 30% or higher, BREEAM® “Very Good” and above, HQE™ “Excellent” and above, DGNB® “Gold” and above, or equivalent or higher level of certification
 - b) Residential real estate:
 - i. New or existing residential buildings belonging to top 15% low carbon buildings in Poland
 - ii. New or existing residential buildings with an Energy Performance Certificate (EPC) in compliance with CBI's established Residential Proxy based on year of bond issuance and bond duration
 - iii. New or existing residential buildings with year of construction in compliance with CBI's established Residential Proxy based on year of bond issuance and bond duration
 - iv. Refurbished Residential buildings with an improved energy efficiency of at least 30%

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

Additional, technical details concerning Eligible Green Loan Portfolio are available at the ING Bank Hipoteczny S.A. website: <https://www.inghipoteczny.pl/inghipoteczny/relacje-inwestorskie>

4. Process for project evaluation and selection

Projects financed and/or refinanced through the Green Covered Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria. When identifying eligible projects and their non-financial impacts ING Bank Hipoteczny S.A. may rely on external consultants and their data sources.

A Green Covered Bond Committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories, and oversee its implementation. The Green Covered Bond Committee will be composed of ING Bank Hipoteczny S.A. representatives from Treasury, Sustainable Finance, Risk, Business and Operations also responsible for cover pool register and as well as subject matter experts from the various sectors of allocated assets.

ING Bank Hipoteczny S.A. ensures that all eligible loans comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. It is part of ING's ESR transaction approval process to ensure, that all its loans comply with internal environmental and social directives, including those financed with the proceeds of the Green Covered Bonds. These eligibility criteria and minimum requirements and ESG related matters are continuously developed and renewed in its external and internal policy frameworks.

5. Management of proceeds

The Green Covered Bond proceeds will be managed by ING Bank Hipoteczny S.A. in a portfolio approach.

ING Bank Hipoteczny S.A. intends to allocate the proceeds from the Green Covered Bonds to an Eligible Green Loan Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

ING Bank Hipoteczny S.A. will strive, over time, to achieve a level of allocation for the Eligible Green Loan Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Covered Bonds. Eligible Green Loans will be added to or removed from ING Bank Hipoteczny S.A. Eligible Green Loan Portfolio to the extent required.

While any Green Bond net proceeds remain unallocated, ING Bank Hipoteczny S.A. will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments, the balance of net proceeds not yet allocated to the Eligible Green Loan Portfolio.

6. Reporting

ING Bank Hipoteczny S.A. intends to make and keep readily available green bond reporting after a year from the issuance, to be renewed annually until full allocation.

ING Bank Hipoteczny S.A. intends to show the allocation and impact of the green covered bond proceeds to the Eligible Green Loan Portfolio at least at the category level and on an aggregated basis for all of ING Bank Hipoteczny S.A. green bonds and other potential green funding outstanding.

ING intends to align the reporting with the portfolio approach described in "Handbook – Harmonized

Framework for Impact Reporting (June 2019)”² .

Allocation reporting

The allocation report will provide:

- the total amount of proceeds allocated to eligible loans
- the number of eligible loans
- the balance of unallocated proceeds
- the amount or the percentage of new financing and refinancing

Impact reporting

Where feasible, the impact report may provide:



- For Green Buildings eligible loans on:
 - Estimated ex-ante annual energy consumption in kWh/m²
 - Estimated annual reduced and/or avoided emissions in tons of CO₂ equivalent

The green bond report will be made available via the ING Bank Hipoteczny S.A. website:

<https://www.inghipoteczny.pl/inghipoteczny/relacje-inwestorskie>

Alignment with United Nations' Sustainable Development Goals (UN SDGs)

In 2015, countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). The ING Bank Hipoteczny S.A. Green Covered Bond Framework advances the following SDG goals and targets (not exhaustive):

Green Bond Principles	SDG	SDG Goal	SDG Target description
Green buildings		Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
		Sustainable cities and communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

7. External review

Second party opinion

This ING Bank Hipoteczny S.A. Green Covered Bond Framework has been reviewed by ISS-oekom who has issued a Second Party Opinion. The Second Party Opinion as well as the Green Bond Framework will be

²<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

made available to the Green Bond investors on <https://www.inghipoteczny.pl/inghipoteczny/relacje-inwestorskie>

Verification

ING Bank Hipoteczny S.A. may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor.

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