

ENVIRONMENTAL RESPONSIBILITY



Bank Polski

The nature of the business activity of the bank and the group means that their direct impact on the environment is limited to consumption of natural resources. All entities of the group monitor their consumption of natural resources and engage in strategies to reduce it. An indirect impact on the environment relates to financing provided by the bank to business and public entities, and to its product offer.

PKO Bank Polski adopted a set of ESG metrics and integrated them with the non-financial objectives of the Bank's Capital Group for the following years. The fulfilment of objectives will be verified using reliable and fully measurable data. The bank has committed to eliminating exposure to the coal mining sector by 2030 and increasing green financing by at least 5% y/y. The volume of green financing relative to the bank's assets will be maintained at a level at least 3x higher than financing of the carbon-intensive sectors.

In 2022, the Bank increased green financing by 54% y-o-y, making the value of its commitment to green financing 5 times higher than to high-carbon financing.

None of the group's entities conducted a project that could significantly affect the environment in 2022. [GRI 307-1] There were no pending administrative proceedings related to breaches of the environmental regulations by the bank or its subsidiaries that would result in financial penalties (in one subsidiary, waste collection fees were increased due to failure to meet the obligation of selective collection of municipal waste).

[GRI 302-4] The Bank is continuing its efforts to implement an Energy Management System in accordance with ISO50001. The aim is to optimise the use of energy in the company, to introduce a single system for controlling energy consumption and to intensify efforts to reduce the consumption of energy carriers.

The Bank has the following policies: Renewable Energy Sources, High-Carbon Energy Sector, Chemicals-Oil-Gas, Revenue Real Estate (adopted and implemented in 2022), Construction and Building Materials, Car Dealers and CFM Companies, Public Health Care, Trade, Local Authorities (adopted and implemented in 2022).

In addition to the above-mentioned policies, the Bank (in the corporate segment) keeps abreast of market developments and trends in various industries/sectors, publishes internal materials (e.g. industry leaflets outlining current market trends) and organises industry meetings. These activities have a direct impact on the high quality of the loan portfolio.

Consumption of natural resources

In 2022 the Bank recorded the largest decrease in emissions in the part resulting from electricity consumption. The high reduction in greenhouse gas emissions in this scope is mainly due to the purchase of guarantees of origin for hydroelectricity in the RES plant.

In 2022, the Bank has once again comprehensively determined energy and fuel consumption and determined emissions in Scopes 1,2 and a progressively expanded the third one. The calculations are for energy and fuel consumption for 100% of the space used and transport. [GRI 302-4] Total energy consumption in 2022 compared to 2021 for the group decreased by 1% and for the Bank by 2.6%. The group purchased electricity, heat, and did not purchase process steam and cooling. [GRI 302-3] Total energy consumption per employee in 2022 was 8.6 MWh for the group (2021: 8.4 MWh).

The bank determined water consumption once again. [GRI 303-1] The bank's water consumption in 2022 was approximately 223.5 mega litres (216.9 mega litres in 2021). The change in consumption in 2022 is due to the greater accuracy of the adopted model for estimating and calculating consumption. In the other entities of the group, water consumption amounted to 45.5 mega litres.

Energy consumption by the organization in 2022 (in MWh)

	Bank	Other entities	Bank	Group	Bank	Other entities	Group	Bank	Other entities	Group	Bank	Other entities	Group
	2022		r/r (%)		2021			2020			2019		
Fuels used in buildings	19 603	3 671	23 274	-10,5	22 122	3 889	26 011	22 765	3 871	26 636	24 122	3 095	27 216
natural gas	17 647	3 603	21 250	-9,4	19 706	3 749	23 455	20 866	3 732	24 598	20 465	2 940	23 405
heating oil	1 789	8	1 797	-21,4	2 188	98	2 286	1 672	94	1 767	3 368	132	3 500
diesel oil	71	51	123	100,3	49	12	61	56	10	66	81	17	98
LPG	0	9	9	-69,0	0	30	30	0	34	34	0	6	6
lignite	0	0	0		0	0	0	0	0	0	0	0	0
coal	96	0	96	-46,3	179	0	179	171	0	171	208	0	208
Fuels used in vehicles	23 774	12 305	36 079	22,0	19 356	10 224	29 579	18 400	10 180	28 580	28 697	9 903	38 600
diesel oil	1 737	4 125	5 862	12,3	1 124	4 097	5 221	815	4 479	5 295	1 211	4 093	5 304
LPG	0,0	0	0		0,2	0	0,2	0	0	0	0	0	0
gasoline	22 037	8 180	30 217	24,1	18 231	6 127	24 358	17 585	5 701	23 285	27 486	5 810	33 296
Energy purchased	136 484	20 513	156 997	-3,7	143 181	19 831	163 012	147 788	17 473	165 261	150 450	19 973	170 422
electricity	74 031	13 652	87 683	1,2	75 494	11 125	86 618	80 829	10 004	90 832	81 675	11 034	92 709
heat	62 453	6 861	69 314	-9,3	67 687	8 706	76 394	66 959	7 469	74 428	68 774	8 939	77 713

Total energy consumption	179 861	36 489	216 350	-1,0	184 658	33 944	218 602	188 953	31 524	220 477	203 268	32 971	236 239
--------------------------	---------	--------	---------	------	---------	--------	---------	---------	--------	---------	---------	--------	---------

In 2022, in accordance with the requirements of the Act on energy efficiency the bank conducted an energy efficiency audit. During the audit tasks were defined the implementation of which should lead to a reduction in energy consumption. These tasks are mainly focused on the optimization of the use, modernization of the automatic control of heat sources and technical installations in properties.

[GRI 302-4] The Bank is continuing its efforts to implement an ISO 50001-compliant Energy Management System, with the aim of optimising the company's energy use, introducing a single system to control energy consumption and intensifying efforts to reduce the consumption of energy carriers. In order to maximise the reduction of CO2 emissions, five further photovoltaic installations with a total capacity of 130.49 kWp were installed in 2022, the operation of existing air handling units at the properties was optimised (79 units), electric water heaters (388) were fitted with timers, and the controls of 31 oil and gas boilers were modernised (replacement of controllers).

Waste generated by the bank (in tonnes)

	2022	r/r (%)	2021	2020	2019
Total	697	-23	901	736	843
Hazardous*	20	-5	21	15	16
Other	677	-23	880	721	827
bulky waste	342	13	303	261	532
electronic and electric	203	-45	366	243	136
magnetic and optical data carriers	0,84	-16	1	1	2
paper and cardboard waste (binders)	11	-66	32	37	4
iron and steel waste	120	-33	178	179	152

* electric and electronic appliances, such as air conditioners, used monitors, refrigerators

The bank and other group entities comply with the environmental protection regulations for fulfilling their waste management obligations and keeping the required records. In 2021, the bank had an agreement for the collection of non-municipal waste with the same service provider. The service provider holds the ISO 9001:2015 and 14001:2005 certificates. The waste collected from the bank is handed over to other waste management firms by the service provider, in accordance with applicable regulations. Moreover, in 2021 the group conducted a selective collection of municipal waste. The increase in the quantity of electronic waste produced in 2021 is the result of the implementation of replacement projects and emergency equipment replacement, the liquidation and relocation of branches. **[GRI 306-2]** Hazardous electrical and electronic waste is handed over to a specialized entity where it is processed and 100% recycled. Paper documentation is collected by a specialized firm and destroyed.

Paper consumption optimization programme

One of the bank's strategic goals is to simplify and streamline its processes by reducing paper documentation. In 2022, the bank continued the implementation of the SMARTOP project

whose strategic focus is the digitization of sales and service processes. There were also other process changes corresponding to a partial transition to remote work, which translated into a significant reduction in the amount of paper consumed by the bank.

66%

Decrease in A4 paper consumption over the past 5 years

2%

Decrease in A4 paper consumption y/y

93%

Share of remote customers in the database of all active retail customers

In 2021, the bank expanded the catalogue of orders that the customers may place online through iPKO and iPKO business which previously could be placed at the bank's branches and through the Contact Center. At the same time, the bank worked on digitization of processes conducted in the branches, including remote forms Seof contact between the bank's employees and customers. This also led to a reduction in the consumption of paper.



Signature on a touch screen in branches instead of paper

Confirmation of cash deposits, withdrawal and transfer orders is already available in 500 branches of the bank in Poland.

[More](#)



Remote submission of payments using iPKO and the voice assistant in IKO

In 2020, we introduced the possibility to submit orders through the voice assistant in IKO, which deploys artificial intelligence algorithms.

[More](#)



Mobile authorization of transactions using IKO application

Instead of a traditional signature on paper, customers can use IKO authorization for orders made in internet banking or branches.

[More](#)

In 2021, the bank carried out a number of other activities to reduce the negative impact on the natural environment, including by reducing elimination of paper correspondence into electronic one, repair of electronic and electrical devices instead of handing them over for scrapping, elimination of plastic waste (discontinuation of the use of coffee capsules, bottled water, plates, cutlery and cups). The bank has also implemented a Flexidesk project whose purpose is to create a new working environment and allow for office and remote work rotation by adjusting the bank's office space. The planned work should result in an optimization of the bank's office space.

Sectoral policies

1. Policy for Financing the Renewable Energy Policy

In 2020, the bank adopted a new Policy for Renewable Energy Sources, which was then implemented in the entire group. Our motivation for adopting the new policy is to support the natural environment, prevent the global climate change and engage in the transformation of the Polish economy towards zero emissions.

The aim of the policy is to gradually increase the share of financing renewable energy sources by the group's entities. The policy defines the preferred directions of development of the loan portfolio in the renewable energy segment. It is focused in particular on financing of photovoltaic farms and wind turbine projects (in particular, the projects that have won renewable energy auctions and that guarantee stable cash flows from their operating activities). However, other projects can also receive financing based on individual decisions. The project assessments performed by the bank include the analysis of the following issues: formal documents, transaction parameters, sources of repayment (e.g. a successful renewable energy auction, PPA), as well as the investor's capital resources and experience.

2. Policy for Financing the Carbon-Intensive Energy Sector

The group adopted and implemented the policy in 2019. The Policy for Financing the Carbon-Intensive Energy Sector covers the following industries: coal and lignite mining, coal-related sectors (e.g. production of mining machinery, trading in coal and similar products), generation of electricity or heat (with the exception of electricity from renewable sources) and supplementary activities in the power sector (transmission, distribution, cogeneration). The policy is aligned with the European climate policy and its goal to achieve net zero emissions by 2050.

The objective of the policy is a gradual change in the loan portfolio structure towards reducing the bank's exposure to coal-based customers and transactions, while increasing its exposure to green entities and projects that support zero-emission or low carbon-intensive energy sources. It is consistent with the European climate policy and the broader market trends to comply with the BAT standards, the so-called Winter Package and the Paris Agreement provisions. The bank finances the transformation of the Polish power sector, excluding the transactions for coal-based projects, unless their aim is to increase efficiency and to adapt to the environmental requirements. Transformation areas include financing the zero-emission or low-emission sources, but also improving the energy efficiency of entities that consume large quantities of energy in their production processes, and modernizing their transmission networks.

The policy was updated in 2020 by introducing stricter criteria for its application (as a result, the policy is now applicable to a wider range of enterprises, including those operating in the coal-related sectors) and terms of financing:

- with respect to coal and lignite mining, production of boilers, fireplaces and burners (coal-fired) – reducing the exposure (with the exception of coke as a raw material entered on the EU list of critical raw materials);

- with respect to energy/heat production – not financing any new coal- or lignite-based sources and gradual reduction in the existing exposure;

- reducing general purpose financing and transforming it into ESG financing, aimed at improving energy efficiency, changing the energy mix or modernization of transmission networks (coal-based projects can be financed on the condition that the funds are spent on modernization aimed at meeting the environmental requirements; in such cases, the purpose of financing must be precisely defined and the use of funds must be controlled);

- with respect to coal-related industries (e.g. production of mining machinery, trading in coal and coal-based products) - gradual reduction in exposure, precise definition of the purposes of financing and control of its use; financing of entities with diversified customer or product/service portfolios (i.e. generating significant revenues from other sources not related to mining) or those transforming their operations is acceptable.

3. Policy for Financing the Chemistry, Oil & Gas Sector

The policy was adopted and implemented at the group level in 2019. It defines a framework for financing entities operating in the sectors of oil and natural gas extraction, production and distribution of liquid and gaseous fuels, production and trading in chemicals or chemical products, and production and sales of rubber and plastic products.

The objective of the policy is to reduce exposure to operations covered by the EU Single-Use Plastic Directive and a prudent approach to the sectors of oil and gas extraction or production of chemicals, chemical goods and rubber goods. The prudent approach is reflected in, among other things, an assessment of compliance with environmental standards and the impact on the environment and an evaluation of the business model with regard to the concept of sustainable business development. The future shape of this policy may be affected by changes in EU law, e.g. with regard to the approach to the use of natural gas during the period of energy transformation, as well as the growing requirements in the ESG area.

4. Income Property Policy

The Group adopted and implemented Income Property Policy in 2022. The policy sets out the framework for the financing of entities in the commercial real estate market and developers in the residential real estate market and indicates the main objective of working with the best entities in the market, financing assets of the highest quality and in the best locations and limiting the speculative phase.

The policy sets operational limits for concentrations, including individual asset types and geographies. It also defines recommended boundary parameters for transactions, as well as the structure of clauses and collateral. In assessing the business model and identifying risks, the policy recommends taking into account the concept of business sustainability, including the benefits that the business can bring to both stakeholders, the community and the environment.

5. Public Health Funding Policy

The Group adopted and implemented Public Health Funding Policy in 2020. The policy indicates preferred transaction parameters and introduces good practice/standards for public hospital financing.

Environmental aspect: collection, sorting, storage, transfer, transport and disposal of hospital waste (mainly medical) regulated by law (e.g. Act: on waste, Environmental Law => municipal waste => disposal according to municipal regulations, medical waste => disposal by specialised company (mainly incinerators)).

ESG in the lending process

Since 30 June 2021 each time the Bank assesses the impact of environmental, social and governance-related factors on a customer's creditworthiness, in the lending process for customers in the corporate segment and customers in the companies and enterprises segment evaluated using rating methods. The bank takes into account data on the client's energy

consumption and greenhouse gas emissions, as well as on his plans to reduce emissions and adapt to climate change.

The Bank also examines the impact of lending transactions on ESG issues and classifies them into four categories, ranging from transactions with a positive impact on ESG issues to those with a significantly negative impact. In assessing ESG factors, the Bank considers, among other things, the risk of climate change and the impact on the client's business, the possible impact of the client on climate change, factors related to human capital or health and safety, and factors related to governance aspects (including organisational culture and internal oversight).

The Bank assesses, evaluates and controls ESG risks through appropriate tools. The identification of ESG risks makes it possible to identify projects that do not meet the increasingly higher environmental and social requirements. By identifying these risks, the Bank can support the financing of environmentally sustainable and socially responsible projects and eliminate the financing of activities/projects with a negative environmental impact.

0.38%

Balance sheet exposure to carbon-intensive energy sectors (2021: 0.37%)

1.92%

Balance sheet exposure to green industries (2021: 1.30%)

0.50%

Share of thermomodernization loans for housing cooperatives and associations (2021: 0.57%)

As part of popularizing the knowledge of ESG, the bank organizes internal meetings which are aimed at raising awareness and pointing to the role of ESG factors in today's world. The bank also organized such meetings at its customers' request.

Green products offer

Together with other entities of the group, the bank supports the development of the economy by financing investments in new technologies, energy-saving projects and modernization of technological lines. We influence customer attitudes by demonstrating our participation in financing pro-ecological projects such as the construction of waste incineration plants, sewage treatment plants and power generation systems using modern, pro-ecological technologies. The group continues to expand its product offer to support the environmental protection:



Green mortgage jointly offered by PKO Bank Polski and PKO Bank Hipoteczny

On the basis of an energy performance certificate issued for the property that collateralizes the loan, the customers of PKO Bank Polski may obtain a lower margin for their mortgage.

[More](#)



A loan for the thermal modernization of multi-family housing at PKO Bank Polski

The loan helps obtain a non-refundable aid from the state budget in the form of a thermal modernization bonus or an overhaul bonus for repaying 20% of the loan, reducing the demand for energy.

[More](#)



The “PKO Environment and Social Responsibility Global” investment fund offered by PKO TFI

The fund's assets are invested in entities whose operations are environment-friendly and generate a positive impact on the society. The first valuation took place on 23 October 2019, rate of return till the end of 2020: 5.69%.

[More](#)



A lease or a loan for financing of photovoltaic devices for enterprises at PKO Leasing

The product is offered under a simplified procedure and enables financing of both the purchase of photovoltaic panels and their installation (for up to PLN 250 thousand and for a maximum period of 6 years).

[More](#)



Eco-loan for the purchase and installation of photovoltaic panels by individuals at PKO Bank Polski

PKO Bank Polski's analysts predict that the photovoltaic sector will expand dynamically in Poland in the coming years. In 2020, the bank extended the Eco-loan offer also to individuals who do not have bank accounts with the bank.

[More](#)



Transactions on the CO₂ emission rights market – Commodity Swap and Forward at PKO Bank Polski

These instruments are intended for the corporate customers who are obliged to redeem such rights under the EU ETS regulations. The customers may hedge against changes in prices of the emission rights.

[More](#)



BIZNESMAX guarantees with BGK for

Green covered bonds issued by PKO Bank

The PKO Renewable Energy fund – fizan

corporate customers in the offer of PKO Bank Polski

The bank launched the BIZNESMAX guarantees in cooperation with BGK to secure loans for pro-environmental projects, such as circular economy, electromobility or renewable energy.

[More](#)

Hipoteczny, whose first issue in Poland took place in 2019

PKO Bank Hipoteczny gradually expands its portfolio of loans, which qualify for financing with the funds obtained from the issues of green covered bonds. The amount of such portfolio stood at PLN 7.2 bn at the end of 2020.

[More](#)

launched in 2021 by PKO TFI with the participation of PKO Bank Polski

In accordance with its investment policy, the fund acquires and sells companies that generate, sell, transmit or store energy from the photovoltaic, hydroelectric or wind power stations located in Poland.

[More](#)