

# PRE-ISSUANCE CLIMATE BOND CERTIFICATION

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Verification Report for Pre-Issuance Certification  
for the Green Bond Issued by ING Bank Hipoteczny



## SCOPE

ING Bank Hipoteczny commissioned ISS-oekom to compile a Verifier's Report for Pre-Issuance Certification of its Green Bond by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the Climate Bonds Standards issued by the CBI are met and obtaining evidence to support the verification.

## CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 2.1)
- Other relevant standards (Low Carbon Buildings – Residential)

## ING BANK HIPOTECZNY'S RESPONSIBILITY

ING Bank Hipoteczny's responsibility was to provide information and documentation on:

- Selection of nominated projects & assets
- Technical aspects of projects & assets
- Internal processes & controls
- Proposed reporting

## ISS-oekom's VERIFICATION PROCESS

ISS-oekom is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS-oekom has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS-oekom has been conducted this independent Pre-Issuance Verification Process of the green/ bond issued by ING Bank Hipoteczny based on the Climate Bond Standards 2.1. and in line with the limited assurance procedure defined by the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

ISS-oekom's approach to assess whether ING Bank Hipoteczny's Green Bond meets the criteria of the Climate Bond Standards 2.1. is as follows:

- ING Bank Hipoteczny provided an overview over the assets to be included in the Green Bond asset pool and the relevant processes and documentation regarding the proceeds (e.g. use of proceeds, management of proceeds) to ISS-oekom.
- ING Bank Hipoteczny filled in a questionnaire that covers all criteria of the Climate Bonds Standard 2.1.
- ING Bank Hipoteczny provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, ISS-oekom carried out an assessment of the CBI criteria. In case any answers were unclear, ISS-oekom contacted ING Bank Hipoteczny for more details and clarification.

The engagement with ING Bank Hipoteczny took place in August and September 2019.

## ISS- oekom's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## RESTRICTION ON DISTRIBUTION AND USE OF REPORT

This Verification Report for Climate Bonds Certification including all documentation provided alongside is intended for the use of ING Bank Hipoteczny and the Climate Bonds Standard Board. The present document may be published by ING Bank Hipoteczny, CBI and ISS-oekom. CBI and ISS-oekom agree to publish the report with the consent of ING Bank Hipoteczny.

## OPINION

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the ING Bank Hipoteczny's 2019 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.



ROBERT HAßLER

ISS-oekom

Munich, 16 September 2019

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## About ISS-oekom and ISS ESG

Since March 2018, ISS-oekom has been a member of the ISS family, sitting within the ISS ESG business unit, which also includes ISS-ethix and ISS-Climate. ISS ESG provides high quality solutions for sustainable and responsible investment and corporate governance. The External Review team, covering Second Party Opinions (SPOs) and Climate Bond Certifications is made up of colleagues across ISS ESG, from ISS-oekom and ISS-Climate.

Originally founded in 1993 and formerly known as oekom research, ISS-oekom is one of the world’s leading ESG research and rating agencies for sustainable investments with an unsurpassed rating methodology and quality recognition. ISS-oekom analyzes businesses and countries with respect to their environmental social and governance performance. As an experienced partner of institutional investors and financial service providers, we analyse the level of responsibility exercised by equity towards society and the environment. Under the new ownership, ISS-oekom completes the ESG research and RI services offerings of ISS, making it a worldwide pure-player in the area of RI Research & Solutions. ISS-oekom is headed by Robert Haßler, former CEO and co-founder of oekom research. More information: [www.oekom-research.com](http://www.oekom-research.com) and [www.issgovernance.com](http://www.issgovernance.com).

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## ANNEX

Annex 1: Detailed Findings

Annex 2: Detailed Findings Green Buildings

## ANNEX 1: DETAILED FINDINGS

### 1. SELECTION OF NOMINATED PROJECTS & ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
1.1.	Decision-making process to determine eligibility of nominated projects & assets.	<p>It is estimated that residential and commercial buildings sector accounts for more than 40% of energy consumption in EU, producing 36% of CO<sub>2</sub> emissions. The environmental impact of the bond is focused on financing / refinancing the most energy efficient buildings in Poland and as a result reduce GHG emissions contributing to reaching climate changes targets.</p> <p>Projects financed and/or refinanced through the proceeds are evaluated and selected based on compliance with the Eligibility Criteria defined within ING Bank Hipoteczny's Green Covered Bond Framework. When identifying eligible projects and their non-financial impacts ING Bank Hipoteczny may rely on external consultants and their data sources. Bank will only finance / refinance residential green buildings meeting eligibility criteria i.e. top 15% of the market in terms of emissions performance. Details concerning eligibility criteria are presented in the Framework.</p> <p>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 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.</p> <p>A Green Covered Bond Committee will ensure that nominated assets belong to one of the categories listed in Climate Bond Taxonomy and at the same time sector specific requirements.</p>	

1.2.	Assessment of proposed nominated projects & assets.	Nominated assets will be verified against eligibility criteria defined within Green Covered Bond Framework. As a result, environmental objectives and compliance with eligible categories as well as sector - specific requirements will be assured. The whole process will be overseen by Green Covered Bonds Committee.	✓
1.3.	Documentation of eligibility of nominated projects & assets.	Nominated assets will be documented within a dedicated list and periodically updated. This list will be discussed and approved by Green Covered Bonds Committee.	✓
1.4.	No double nomination of projects & assets.	List of nominated assets will include information which assets are related to the given Climate Bond. This list will be approved by Green Covered Bonds Committee.	✓
1.5.	Net proceeds in relation to ING Bank Hipoteczny's debt obligation.	ING Bank Hipoteczny identified pool of green assets which is significantly higher compared to expected issuances. As a result, net proceeds from the issuances will always be lower than debt obligation to the green assets pool available within ING Bank Hipoteczny. The whole process will be overseen by the Green Covered Bonds Committee.	✓

## 2. INTERNAL PROCESSES & CONTROLS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
2.1.1.	Tracking of proceeds	ING Bank Hipoteczny will create a sub-account to monitor allocation of the use of proceeds. This sub-account will be created within Bank's financial system and as a result all operations will be easily identifiable and possible to track. Information about use of proceeds will be presented to Green Covered Bonds Committee which performs supervisory functions over the whole process.	✓
2.1.2.	Managing unallocated proceeds	<p>While any Green Bond net proceeds remain unallocated, ING Bank Hipoteczny 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.</p> <p>ING Bank Hipoteczny commits that the unallocated proceeds will not be used to finance GHG intensive activities nor controversial activities.</p> <p>The Green Covered Bonds Committee performs supervisory functions over the whole process.</p>	✓
2.1.3.	Earmarking funds to nominated projects & assets	List of nominated assets will include information which assets are related to given funds. This list will be approved by Green Covered Bonds Committee.	✓



### 3. REPORTING PRIOR TO ISSUANCE

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
3.1.1.	Disclosure on investment areas	Investment areas will be disclosed in the Green Covered Bond Framework which will be presented to interested parties before issuance via web page.	✓
3.1.2.	Disclosure on intended types of temporary investment instruments	Temporary investment instruments will be disclosed in the Green Covered Bond Framework which will be presented to interested parties before issuance via web page.	✓
3.1.3.	Disclosure regarding pre-issuance verification	SPO will be presented to interested parties before issuance via web page.	✓
3.1.4.	Disclosure on periodic assurance engagements	Pre-issuance verification and also post-issuance verification will be conducted by ISS-oekom. Information about verification will be presented via web page.	✓

## ANNEX 2: DETAILED FINDINGS GREEN BUILDINGS



**The Green Bond Asset Pool complies with the Low Carbon Buildings criteria of the Climate Bonds Initiative.**