



**Bank Millennium Group  
Green Bond Framework**

21.08.2024

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## 1. ABOUT BANK MILLENNIUM GROUP

### Bank Millennium

Bank Millennium S.A. (“Bank”, “Bank Millennium”) is a modern universal bank offering services to its clients across Poland in all of the market segments through its branch network, individual advisors, electronic banking and other remote channels. The Bank was established in 1989 as one of the first commercial banks in Poland and since 1992 has maintained the status of the public company, listed on the Warsaw Stock Exchange. Today, it is the 7th largest bank in Poland measured by total assets. It offers services to individual clients (in the retail, “Prestige” and private banking segments), micro businesses and small, medium and large enterprises in the Corporate Banking segment. By blending the most sophisticated technologies and the best banking traditions, Bank Millennium successfully competes in all of the segments of the financial market. The Bank adds its international background in finance through Banco Comercial Português (Millennium bcp) - one of the largest banks in Portugal and Bank Millennium’s strategic shareholder - to its many years of familiarity with the Polish market. The acquisition of Euro Bank in 2019 was a landmark decision that increased the size of Bank Millennium’s operations and contributed to its growth.

### Bank Millennium Group

Bank Millennium and its subsidiaries constitute the Bank Millennium Group (“Group”, “BM Group”) - one of the most progressive financial groups in Poland as evidenced by several awards. In addition to the Bank, its most important subsidiaries in 2023 were Millennium Leasing (leasing activity), Millennium TFI (mutual funds management), Millennium Bank Hipoteczny (mortgage bank), as well as Millennium Goodie, a smart shopping platform based on advanced technology, and Millennium Consulting (formerly Millennium Dom Maklerski). The Group also comprises a minority stake in Millennium Financial Services, which carries out insurance distribution activities.

### Millennium Bank Hipoteczny

Millennium Bank Hipoteczny S.A. („Millennium Bank Hipoteczny”) launched its operations on 14 June 2021. One of its primary goals is to secure long-term financing for the Group by issuing covered bonds whose underlying instruments are receivables by virtue of the mortgage loans transferred from Bank Millennium.



## 2. OUR APPROACH TO SUSTAINABILITY

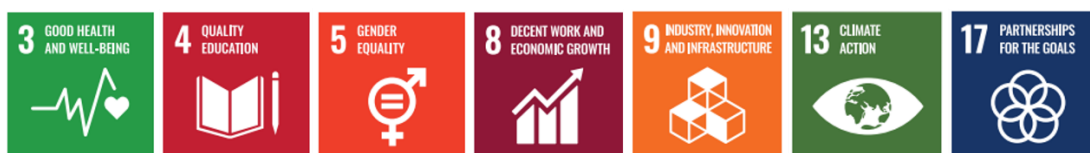
### 2.1. SUSTAINABLE DEVELOPMENT GOALS AS A BASIS FOR OUR ACTIVITY

The basis for defining the approach to managing sustainable development is the **agenda formulated by the United Nations that includes 17 goals, 169 targets, and 304 indicators (Paris Agreement)**. Bank Millennium signed a declaration regarding the implementation of these UN Sustainable Development Goals (“UN SDGs”) in 2017.

The Group is guided by all 17 goals, but the following goals marked in red receive the highest attention:

1. No Poverty
2. Zero hunger
3. **Good health and well-being**
4. **Quality education**
5. **Gender equality**
6. Clean water and sanitation
7. Affordable and clean energy
8. **Decent work and economic growth**
9. **Industry, Innovation and Infrastructure**
10. Reduced inequality
11. Sustainable cities and communities
12. Responsible consumption and production
13. **Climate action**
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. **Partnership for the goals**





## 2.2. SUSTAINABILITY POLICY

The basic principles related to sustainable development were defined for Bank Millennium Group in the “Sustainability Policy”. The following components of this policy are published on the Bank’s website (<https://www.bankmillennium.pl/en/about-the-bank/esg#zasady-esg>):

- Policy on sustainability principles
- Anti-Corruption Policy
- Social Impact Policy
- Human Rights Policy
- Diversity Management Policy
- Corporate Volunteerism Policy
- Responsible Financing Policy
- Environmental Policy

Sustainability principles adopted by the Bank Millennium Group, which integrate the environmental, social and management dimensions, include:

- Adapting the decision-making process, in all areas of the Bank Millennium Group, to the implementation of the UN SDGs, as well as generally applicable laws and national and international standards in the area of sustainable development;
- Supporting the transition to a sustainable and fair society through the development of products and services that have a positive impact on society and the environment;
- Taking into account the UN SDGs in the development and offering of financial products;
- Transparency of disclosed information regarding the implementation of activities in the area of sustainable development by the Bank Millennium Group;
- Building awareness of employees, clients and other stakeholders of the Group in the field of sustainable development;
- Adhering to the highest standards in the conducted business, including the 10 Principles of Global Compact, the Principles of Corporate Governance for Supervised Institutions and Best Practices for WSE Listed Companies, as well as striving to constantly ensure full compliance with generally applicable laws and business standards;
- Building partnership relations and constant involvement in cooperation with communities - both external and internal - in the search for opportunities to create social and environmental value, by supporting initiatives related to culture, education and financial knowledge, as well as activities within the framework of supporting local communities, and employee volunteering.

Bank Millennium Group recognises the existence of sectors of activities or projects that do not correspond to the commitment made by the Group in the area of environmental protection, promotion of sustainable development, combating climate change, preserving biodiversity and minimising social risks. In order to ensure consistency with our sustainability principles, the Group applies consistent rules defining both exclusions and limitations to be taken into account when deciding whether to grant funding or make investment on own account, specified in the “Responsible Financing Policy”.

### Excluded projects

Bank Millennium Group does not finance projects, nor makes investment transactions on own account in the following categories of activity:

- Activities deemed illegal under national or international laws, including the manufacturing of or trade in any product deemed illegal,
- Oil extraction and hard coal mining,
- Coal-based energy production,
- Enterprises and activities related to prostitution or pornography,
- Enterprises and activities related to unlicensed trade in wildlife or endangered species,
- Enterprises and activities related to the harvesting and sale of illegal timber.

### Sectors or projects for which funding may be granted (or an investment transaction on own account may be carried out) subject to certain conditions

In the case of financing/investing in projects with specific characteristics or in sectors of activity with a potentially higher impact on the environment and society, the Bank's decision is subject to the fulfilment of additional conditions:

- Enterprises and activities related to defence industry,
- Enterprises and activities related to the production of tobacco,
- Enterprises and activities producing, processing or exporting/importing hazardous materials or substances (in accordance with specific national or international regulations).

According to “Environmental Policy”, the Group does not extend financing to new:

- coal mines,
- projects in coal-based power generation, except new projects involved with reduction of pollution.

Financing in the energy sector can be made available only when:

- its goal is to engage in non-carbon and/or low-emission energy sources,
- its goal is the energy transition towards low-emission sources.

## **2.3. THE “ESG STRATEGY OF THE BANK MILLENNIUM GROUP FOR 2022-2024”**

ESG goals were incorporated in the “ESG Strategy of the Bank Millennium Group for 2022-2024”, which builds on and specifies in greater detail the environmental, social and governance goals presented in the Strategy for 2022-2024 “Millennium 2024: Inspired by People”.

In the “Environmental Protection” pillar, we have set strategic goals in the following areas:

- Striving for climate neutrality
- Reduction of resource consumption
- Product offering supporting sustainability
- Responsible lending policy
- Partnership with organizations
- Educational activities

The climate protection goals adopted by the BM Group include, among others:

- Reduction of its own greenhouse gas emissions by 50% in 2022 compared to 2020
- Achievement of climate neutrality in terms of its own emissions (by 2027), and
- Full climate neutrality (by 2050).

The first of the above listed objectives has been already achieved, due to e.g. purchase of electricity from renewable energy sources (through purchase of guarantees of origin) and creating a corporate



low-emission car fleet. The strategic objectives also include active support for decarbonization efforts of the Group's clients and granting PLN 2 billion of financing for sustainable and transformational projects for the clients of the Group in the years 2022-2024.

More information about the Group's ESG objectives, describing all the pillars of ESG strategy, can be found in the Group Strategy for 2022-2024:

[https://www.bankmillennium.pl/documents/10184/84831/ESG\\_Strategy\\_2022-2024.pdf](https://www.bankmillennium.pl/documents/10184/84831/ESG_Strategy_2022-2024.pdf)

## 2.4. THE STRUCTURE OF THE ESG AREA MANAGEMENT PROCESS

To properly manage the area of the Sustainability in BM Group, the Bank has established within its structures a Sustainability Committee (with a Green Bonds Subcommittee) and a Sustainability Department. However, overseeing the pursuit of the sustainable development goals at the highest level is the responsibility of the Management Board.

**The Sustainability Committee** ("Committee") is led by the Chairman of the Bank's Management Board. The Committee is composed of all members of the Bank's Management Board, as well as representatives of the units performing tasks related to sustainable development in the Bank and the BM Group. The Committee meetings are held not less frequently than once a quarter. The Committee's tasks include participation in preparation of sustainability strategic initiatives proposal, adoption of operational plans related to the implementation of strategic initiatives in the sustainability area, monitoring and evaluation of the implementation of planned activities related to the implementation of strategic initiatives in sustainability area, in terms of their completeness and quality, meeting the required deadlines and the planned budget, approval and monitoring of indicators regarding strategic sustainability initiatives.

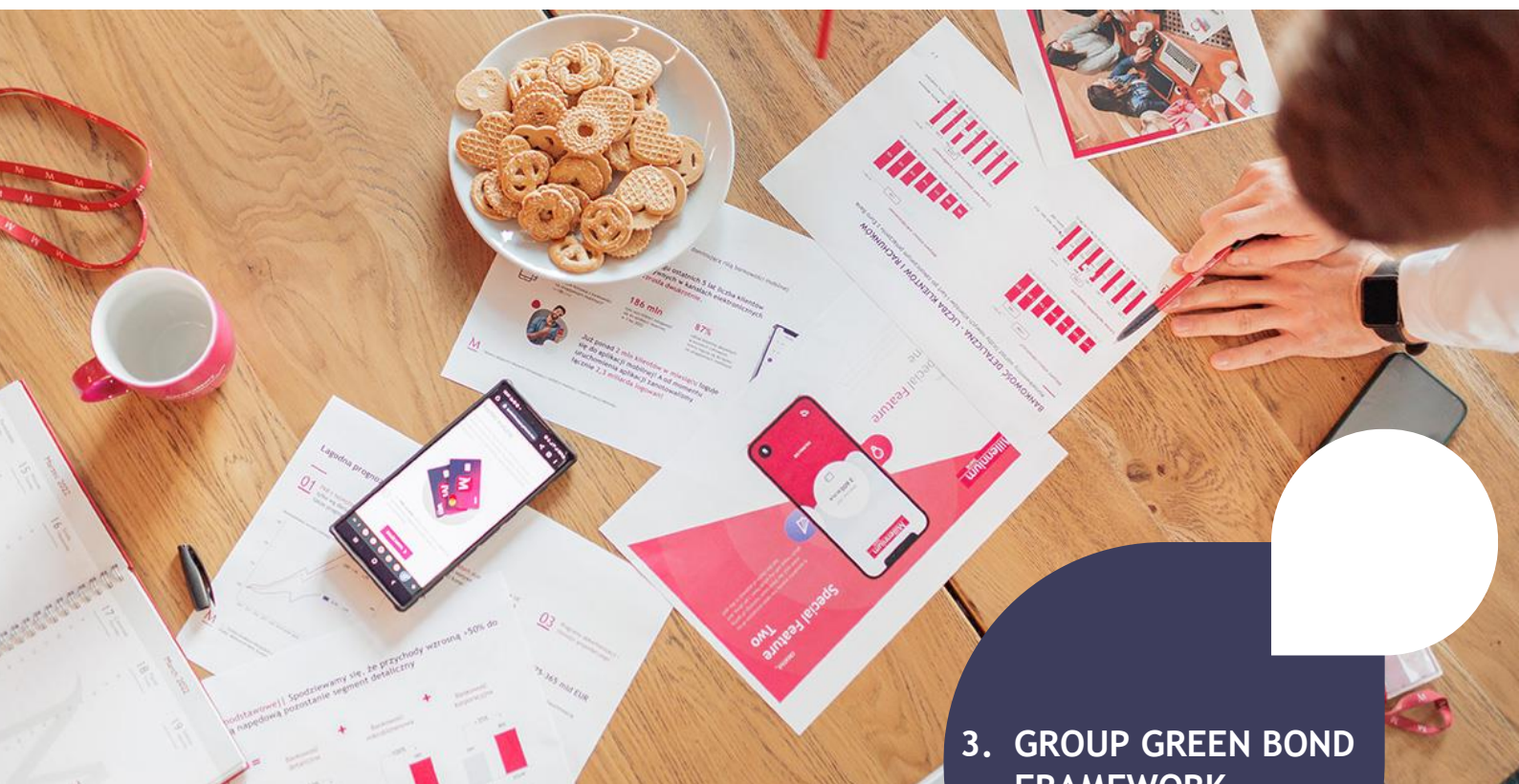
**The Sustainability Department** ("Department") is supervised directly by the Chairman of the Bank's Management Board. The purpose of the Department is to supervise and coordinate the implementation of sustainable development principles in the BM Group. The scope of the Department's tasks includes, among others: coordination of work related to the sustainable development strategy, cooperation with other units of the Bank and entities of the BM Group in the implementation of the sustainable development principles, ensuring identification of risks related to climate change in the Group's operations, cooperation with other units in the implementation of sustainable products, conducting activities aimed at promoting sustainable development principles among the Group's employees.

## 2.5. ESG INITIATIVES AND RECOGNITION

Bank Millennium Group has a holistic approach to sustainability and aligns its activities with a focus on sustainability.

Bank Millennium is a part of the following initiatives:

- The Bank joined UN Global Compact (UNGC) and is a signatory of its 10 Principles (<https://unglobalcompact.org/what-is-gc/mission/principles>);
- The Bank is a signatory of the Diversity Charter, which is a pledge signed by organizations that choose to prohibit discrimination in the workplace and work to create and promote diversity.



### 3. GROUP GREEN BOND FRAMEWORK

#### 3.1 GREEN BOND FRAMEWORK

Bank Millennium Group's Green Bond Framework (Framework) has been created in alignment with the International Capital Market Association (ICMA) Green Bond Principles (June 2021 version including the June 2022 Appendix 1) - "GBP". As such, it follows the core components as described by the GBP:

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

This Framework will apply to any green debt instruments ("Green Bonds") to be issued by Bank Millennium S.A. and its subsidiaries. In particular, it applies to the covered bonds ("Green Covered Bonds") issued by Millennium Bank Hipoteczny.

#### 3.2 USE OF PROCEEDS

Net proceeds raised through Green Bond issuances under this Framework will be exclusively allocated to new and/or existing loans ("Eligible Assets"), together the eligible assets portfolio ("Eligible Assets Portfolio" see below), which are identified to have a positive environmental impact and fall within eligible categories ("Eligible Categories") listed in Chapter 3.2.1.

The Eligible Assets are to be funded in whole or in part by an allocation of the Green Bond proceeds.





### 3.2.1 ELIGIBLE CATEGORIES

The purpose of this Green Bond Framework is to allow investors to participate in Green Bonds where the underlying financing projects are sustainable. Eligible Assets are aligned as much as possible with the “EU Taxonomy” (EU Regulation 2020/852) and more specifically with the first EU environmental goal (“Climate Change Mitigation”) as defined in Art. 10 of the EU Taxonomy. This means for all Green Eligible Assets that as a minimum, they meet the criteria for substantial contribution to Climate Change Mitigation (“Substantial Contribution”) and the technical screening criteria (“TSC”) as defined in each subchapter of the Annex I of the EU Delegated Regulation 2021/2139 (“Subchapter”). Regarding the other two criteria that are required to make a Eligible Assets fully aligned with the EU Taxonomy, i.e. Do No Significant Harm (“DNSH”) and Minimum Safeguards (“MS”), Bank Millennium will try to fulfil them on a best effort basis. Also, as described below in this chapter, commercial buildings may be assessed by using certain internationally recognised certificates (listed on page 11).

Below, we have outlined the Eligible Categories based on the Subchapters of Annex I, giving a summary of the activity concerned and the TCS that need to be met. We have also added any excluded activities and the relevant DNSH criteria for each Subchapter. This should give readers a more precise idea how these DNSH criteria differ from Subchapter to Subchapter, but also how easily they can be met and verified. If they consist only of meeting the requirements of one of the appendices of Annex I (“Appendix”), we have denoted this with the letter of the respective Appendix. If the requirements are more extensive, we have indicated this with a tick mark. If a DNSH criteria to one of the other five EU Taxonomy objectives is not applicable, we have also indicated this with N/A.

Finally, we have added the prime UN SDG each Eligible Category is supporting.

#### Renewable Energy

Eligible category according to Annex 1	Description summary	Substantial contribution	Transition or enabling activity	Exclusion criteria	DNSH Criteria					UN SDG
					Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	
4.1. Electricity generation using solar photovoltaic technology	Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology	The activity generates electricity using solar PV technology		None	A	N/A	<input checked="" type="checkbox"/>	N/A	D	
4.3. Electricity generation from wind power	Construction or operation of electricity generation facilities that produce electricity from wind power	The activity generates electricity from wind power		None	A	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	N/A	D <input checked="" type="checkbox"/>	

## Green Buildings

Eligible category according to Annex 1	Description summary	Substantial contribution	Transition or enabling activity	Exclusion criteria	DNSH Criteria					UN SDG
					Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	
7.1. Construction of new buildings	Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realise the building projects for later sale as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis	<p>1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).</p> <p>2. For buildings larger than 5 000 m<sup>2</sup>, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.</p> <p>3. For buildings larger than 5 000 m<sup>2</sup>, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>		None	A	B E <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	C <input checked="" type="checkbox"/>	D <input checked="" type="checkbox"/>	 
7.2. Renovation of existing buildings	Construction and civil engineering works or preparation thereof	The building renovation complies with the applicable requirements for major renovations. Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%.	Transitional activity	None	A	E <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	C <input checked="" type="checkbox"/>	N/A	
7.6. Installation, maintenance and repair of renewable energy technologies	Installation, maintenance and repair of renewable energy technologies, on-site	The activity consists in one of the following individual measures, if installed on-site as technical building systems: <ul style="list-style-type: none"> <li>(a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment;</li> <li>(b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment;</li> <li>(c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment;</li> <li>(d) installation, maintenance and repair of wind turbines and the ancillary technical equipment;</li> <li>(e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment;</li> <li>(f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment;</li> <li>(g) installation, maintenance and repair of high efficiency micro CHP (combined heat and power) plant;</li> <li>(h) installation, maintenance and repair of heat exchanger/recovery systems.</li> </ul>	Enabling activity	None	A	N/A	N/A	N/A	N/A	
7.7. Acquisition and ownership of buildings	Buying real estate and exercising ownership of that real estate	<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 that are relevant at the time of the acquisition.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined airconditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</p>		None	A	N/A	N/A	N/A	N/A	

Regarding commercial buildings, the Eligibility Criteria are also met if the property has (or will have) one of the following certificates:

- LEED (Gold or higher);
- BREEAM (Excellent or higher);
- DGNB (Gold or higher);
- EDGE;
- PassivHaus.

For residential buildings (activity 7.7.) the criterion of being among the top 15% of the national building stock is met for:

- buildings from years 2017-2020 by the year of construction (completion)
- buildings from years before 2017 - meeting the following primary energy demand (“PED”)/ final energy demand (“FED”) criteria:
  - Residential single - family
    - Buildings without cooling  $PED \leq 95 \text{ kWh/m}^2\text{year}$   $FED \leq 67.7 \text{ kWh/m}^2\text{year}$
    - Buildings with cooling  $PED \leq 105 \text{ kWh/m}^2\text{year}$   $FED \leq 75 \text{ kWh/m}^2\text{year}$
  - Residential multi - family
    - Buildings without cooling  $PED \leq 85 \text{ kWh/m}^2\text{year}$   $FED \leq 60.6 \text{ kWh/m}^2\text{year}$
    - Buildings with cooling  $PED \leq 95 \text{ kWh/m}^2\text{year}$   $FED \leq 67.7 \text{ kWh/m}^2\text{year}$

When there is a building classification system implemented in Poland (building classes A+ to G), the Group may alternatively make its assessment of TSC in the activity 7.7. based on this system.

Eligible Assets must comply with Bank Millennium Group internal policies, in particular ESG policies, exclusion criteria and credit policies.

The list of Eligible Assets may be extended to other sectors and categories providing environmental benefits, subject to update of this Framework and the Second Party Opinion.

### 3.3 PROCESS OF EVALUATION AND SELECTION

Projects financed and/or refinanced through Green Bond proceeds (“Net Proceeds”) are evaluated and selected based on compliance with the Eligibility Criteria, taking into account the exclusion criteria adopted by Bank Millennium Group and described in chapter “Our approach to sustainability”.

The Group established the Green Bonds Subcommittee of the Sustainability Committee (“Green Bonds Subcommittee” or “Subcommittee”) which is responsible for overseeing the entire Green Bond process for Bank Millennium Group, including the evaluation and selection of Eligible Assets originated across relevant types of businesses.

The Green Bond Subcommittee is led by the Chairman of the Management Board. The Subcommittee is composed of 5 Management Board members and representatives of the units performing tasks related to implementation of this Green Bond Framework. The Subcommittee includes representatives of the Treasury Department, the Risk Department, the Sustainability Department and business units responsible for particular green assets (including in particular representatives of Millennium Bank Hipoteczny).

The scope of tasks of the Green Bonds Subcommittee includes in particular:

- Approving and updating of the Green Bond Framework,
- Approving the Eligibility Criteria of the Eligible Assets,
- Assessment of the compliance of assets with Eligibility Criteria,
- Approval of assets allocated to the Eligible Assets Portfolio,
- Periodical review of the Eligible Assets portfolio,
- Approving the allocation and impact reports,



- Approving selection of external companies supporting assets' evaluation and selection, assessment of non-financial impact of eligible assets,
- Approving procedures related to the process of preparing and issuing green bonds,
- Obtaining a Second Party Opinion.

Assets compliant with our Eligibility Criteria become part of the Eligible Assets Portfolio by the decision of the Green Bonds Subcommittee based on the internal reports presented periodically to this Subcommittee. In specific cases, when internal expertise may not be sufficient, the assets' evaluation and selection may be supported by an external expert. In particular the Green Bonds Subcommittee may support its decisions regarding assessment of non-financial impact of Eligible Assets by external parties and their relevant data sources.

### 3.4 MANAGEMENT OF NET PROCEEDS

The Green Bond Net Proceeds will be managed in a portfolio approach.

The Net Proceeds will be assigned to the Eligible Assets Portfolio based on the Eligibility Criteria and in compliance with the selection and evaluation process described in Chapter 3.3. "Process of evaluation and selection".

Eligible Assets will be added to/removed from the Eligible Assets Portfolio by decision of the Green Bonds Subcommittee. If a loan is repaid or otherwise ceases to fulfil the Eligibility Criteria during the life of the Green Bond (or Green Covered Bond) it will be removed from the Eligible Assets Portfolio and replaced as soon as reasonably practicable. The use of Net Proceeds from Green Bonds will be monitored by the Green Bond Subcommittee based on the reports provided to the Subcommittee. The Group runs a register of Eligible Assets Portfolio, based on which the eligibility of assets is monitored and reported.

Bank Millennium Group will strive, at the latest within 3 years from issuance, to achieve a level of allocation for the Eligible Assets Portfolio that matches or exceeds the balance of Net Proceeds from its outstanding Green Bonds.

Any unallocated Net Proceeds will be invested, in accordance with the Investment Policy of the Bank, respecting any exclusion criteria defined in the chapter 2.2. "Sustainability Policy", on a temporary basis in cash and/or cash equivalent and/or short-term liquid instruments.

### 3.5 REPORTING

BM Group intends to publish a report on the allocation of Net Proceeds ("Allocation Report") to the Eligible Assets Portfolio as well as an impact report ("Impact Report") annually and at least until full allocation.

BM Group intends to report the allocation and impact of the Green Bond Net Proceeds to the Eligible Assets Portfolio at least at the category level and on an aggregated basis for all of Bank Millennium Group's Green Bonds. The Group intends to align its reporting with the approach described in the ICMA Handbook: "Harmonised Framework for Impact Reporting, June 2021" on a best effort basis.

Both Allocation Report and Impact Report will be made available on Bank Millennium's website.

#### Allocation reporting

The first Allocation Report shall be disclosed after a year from the issuance date of the first Green Bond at the latest, whereas subsequent annual reports shall be published regularly at the determined time of the year. After full allocation, a final Allocation Report shall be published.

The Allocation Report shall include the following indicators, based on a portfolio basis:

- the total amount of outstanding Net Proceeds allocated to Eligible Assets
- the total amount of Eligible Assets included in the Green Assets Portfolio divided into Eligible Categories (green buildings, renewable energy)
- the balance of unallocated Net Proceeds
- the amount or the percentage of new financing and refinancing

#### Impact reporting

The Impact Report shall include information on the environmental impact of the Eligible Assets Portfolio as per each Eligible Category, subject to the availability of information. Where appropriate any applied methodology will be described and disclosed. This reporting will be provided annually until all bonds issued under this Framework have been fully repaid, and will include the following indicators:

- Estimated annual energy savings in MWh
- Estimated annual CO2 emissions avoided (in tons).

The Group may use external consultants to develop the methodology for the estimation and calculation of the impacts.

## 3.6 EXTERNAL REVIEW

### 3.6.1 SECOND PARTY OPINION

The Group will obtain an independent Second Party Opinion in order to confirm the validity of Bank Millennium Group's Green Bond Framework and its alignment with the ICMA GBP. The independent Second Party Opinion will be published on the Bank's website.

### 3.6.2 POST ISSUANCE VERIFICATION

Bank Millennium Group may request on an annual basis, starting one year after the issuance date of the first Green Bond and until maturity (or until full allocation), a limited assurance report on impact and Allocation Reports, provided by a qualified external party.

## 3.7 GREEN BOND FRAMEWORK AMENDMENTS

This Framework may be subject to updates and amendments. Substantial amendments shall be subject to an updated Second Party Opinion. Any such updated and amended Framework will be published on Bank Millennium's website.

## DISCLAIMER

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