

Second-Party Opinion

Bank Millennium Group

Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Bank Millennium Group Green Bond Framework is credible and impactful and aligned with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Renewable Energy and Green Buildings, are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.



PROJECT EVALUATION AND SELECTION Bank Millennium’s Green Bonds Subcommittee will evaluate, select and monitor eligible projects. The Green Bonds Subcommittee comprises five management board members and representatives of the Treasury Department, the Risk Department, the Sustainability Department and business units responsible for specific green assets. Bank Millennium has internal processes to address environmental and social risks associated with the eligible assets. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Bank Millennium’s Green Bonds Subcommittee will be responsible for the management and allocation of proceeds on a portfolio basis using an internal register. Bank Millennium intends to allocate net proceeds within 36 months of issuance. Pending full allocation, Bank Millennium may temporarily hold unallocated proceeds in cash, cash equivalents or short-term liquid instruments. This is in line with market practice.



REPORTING Bank Millennium will report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting may include the total amount of outstanding net proceeds allocated to eligible assets, total amount of eligible assets included in the green assets portfolio by category, balance of unallocated net proceeds, and amount or percentage of new financing and refinancing. In addition, Bank Millennium intends to report on relevant impact metrics. Sustainalytics views Bank Millennium’s allocation and impact reporting as aligned with market practice.

Alignment with the EU Taxonomy

Sustainalytics has assessed the Framework for alignment with the EU Taxonomy’s criteria for Substantial Contribution (SC) to its environmental objectives, Do No Significant Harm (DNSH) and Minimum Safeguards. For more details, see Section 1 and Appendix 1.

Evaluation Date	September 2, 2024
Issuer Location	Warsaw, Poland

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Introduction

Bank Millennium Group¹ (“Bank Millennium” or the “Bank”) is a commercial bank operating in Poland. Founded in 1989 and headquartered in Warsaw, the Bank offers services in retail, private banking and in the corporate banking segments. As of June 2024, Bank Millennium has 6,434 employees and as of December 2023, the Bank held total assets of PLN 125.52 billion (EUR 29.21 billion).

Bank Millennium has developed the Bank Millennium Group Green Bond Framework dated August 2024 (the “Framework”) under which Bank Millennium or any of its subsidiaries may issue green bonds (including green covered bonds),² and use the proceeds to finance or refinance, in whole or in part, projects to support renewable energy generation and reduce emissions from buildings in Poland. The Framework defines eligibility criteria in the following areas:

1. Renewable Energy
2. Green Buildings

Bank Millennium engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).³ The Framework will be published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- Alignment of the use of proceeds criteria with the SC criteria, DNSH criteria and alignment with the Minimum Safeguards of the EU Taxonomy;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Bank Millennium to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Bank Millennium representatives have confirmed that: (1) they understand it is the sole responsibility of Bank Millennium to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Bank Millennium.

¹ Bank Millennium Group comprises Bank Millennium and its subsidiaries, including Millennium Leasing (leasing activity), Millennium TFI (mutual funds), Millennium Bank Hipoteczny, Millennium Goodie, Millennium Consulting and Millennium Financial Services.

² Bank Millennium has confirmed that: i) covered bonds may include covered green standard bonds and covered green collateral bonds as defined in the June 2022 Appendix of the Green Bond Principles 2021; ii) the net proceeds from covered bonds will be directed to assets eligible under the Framework; iii) for covered green collateral bonds, the underlying collateral meets the Framework criteria; iv) there will be no double counting of eligible projects under covered green standard bonds, covered green collateral bonds and any other outstanding green financing instruments; v) Millennium Bank Hipoteczny, a subsidiary of Millennium Bank, will be the only entity issuing covered bonds.

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Bank Millennium Group Green Bond Framework is available on Bank Millennium’s website at: <https://www.bankmillennium.pl/en/>.

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Bank Millennium has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Bank Millennium Group Green Bond Framework

Sustainalytics is of the opinion that the Bank Millennium Group Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of Bank Millennium's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories, Renewable Energy and Green Buildings, are aligned with those recognized by the GBP.
 - Under the Renewable Energy category, Bank Millennium may finance or refinance the construction and operation of the following:
 - Solar photovoltaic electricity generation.
 - On-shore and off-shore wind power electricity generation.
 - Sustainalytics considers investments under this category as aligned with market practice.
 - Under the Green Buildings category, Bank Millennium may finance or refinance the following in Poland:
 - Development of residential and non-residential buildings according to the following criteria:
 - Buildings having primary energy demand (PED) at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in Poland implementing the EU Energy Performance of Buildings Directive.⁶ In addition to the above, Bank Millennium will certify energy performance using energy performance certificates (EPC).⁷
 - Buildings larger than 5,000 m² will also undergo testing for airtightness and thermal integrity where no robust and traceable quality control processes are in place during the construction process. Additionally, life cycle global warming potential (GWP) will be calculated for each stage in the life cycle of the building and can be disclosed on demand.
 - Alternatively, commercial buildings will be certified to: i) LEED Gold or higher;⁸ ii) BREEAM Excellent or higher;⁹ iii) DGNB Gold or higher;¹⁰ iv) EDGE;¹¹ or v) PassivHaus.¹²

⁶ EUR-Lex, "Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings", (2010), at: <https://eur-lex.europa.eu/eli/dir/2010/31/oj>

⁷ As of September 2024, EPCs in Poland do not provide energy performance rating or classes. Nonetheless, Bank Millennium has communicated that it will consider them once relevant regulations come into force.

⁸ LEED: <https://www.usgbc.org/leed>

⁹ BREEAM: <https://bregroup.com/products/breeam/>

¹⁰ DGNB: <https://www.dgnb.de/en>

¹¹ EDGE: <https://edgebuildings.com/certify/certification/>

¹² PassivHaus: <https://passiv.de/en/index.html>

- Renovation of existing buildings that comply with the following criteria:
 - Applicable requirements for major renovation implementing Directive 2010/31/EU. Sustainalytics notes that the performance standard reflected in the EU Taxonomy, which requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the Energy Performance Building Directive, could vary among EU Member States. Sustainalytics, therefore, encourages Bank Millennium to report on the actual PED performance or energy savings achieved compared to the reference buildings as defined based on the existing building stock in the region.
 - A minimum 30% improvement in primary energy demand over pre-renovation levels.
- Acquisition and ownership of buildings that meet the following criteria:
 - For buildings built before 31 December 2020, Bank Millennium will finance buildings achieving or expected to achieve an energy performance certificate (EPC) A¹³ or in the top 15%¹⁴ of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence.
 - For buildings built after 31 December 2020, the building meets the criteria for the development of residential and non-residential buildings described above.
 - In addition to the criteria above, large non-residential buildings will be efficiently operated through energy performance monitoring and assessment.
- Installation, maintenance and repair or upgrade of on-site renewable energy technologies, such as: i) solar photovoltaic (PV) systems; ii) hot water panels; iii) heat pumps in accordance with Directive EU 2018/2001;¹⁵ iv) wind turbines; v) solar transpired collectors; vi) thermal or electric energy storage connected to PV systems; vii) high efficiency micro combined heat and power (CHP) plants; viii) heat exchangers and recovery systems; and ix) ancillary technical equipment. Regarding heat pumps, Bank Millennium has confirmed to Sustainalytics that it will only finance electric heat pumps. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics encourages Bank Millennium to exclude financing of heat pumps with high-GWP refrigerants, and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
- Bank Millennium has confirmed to Sustainalytics that buildings will exclude industrial facilities designed or intended for controversial activities having harmful social or environmental impacts, such as tobacco, weapons and gambling, and buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels.
 - Sustainalytics considers these expenditures to be aligned with market practice.
- Sustainalytics notes that the Framework excludes financing of activities deemed illegal, including the manufacture or trade in any product deemed illegal, as well as oil extraction and hard coal mining, coal-based energy production, activities related to prostitution or pornography, unlicensed trade in wildlife or endangered species, harvesting and sale of illegal timber.
- Project Evaluation and Selection:
 - The Bank's Green Bonds Subcommittee of the Sustainability Committee (the "Green Bonds Subcommittee") will be responsible for the evaluation and selection of projects in line with the eligibility criteria under the Framework. The Green Bonds Subcommittee comprises five management board members and representatives of the Treasury Department, the Risk Department, the Sustainability Department and business units responsible for specific green assets.

¹³ As of September 2024, EPCs in Poland do not provide an energy performance rating or classes. Nonetheless, the Bank has communicated that it will consider financing the acquisition of buildings achieving EPC A once relevant regulations come into force.

¹⁴ For residential buildings built before 2017, Bank Millennium considers them to be in top 15% of national building stock if they meet the following PED criteria: i) Residential single-family: buildings without cooling PED ≤ 95 kWh/m² year FED ≤ 67.7 kWh/m² year, buildings with cooling PED ≤ 105 kWh/m² year FED ≤ 75 kWh/m² year; ii) Residential multi-family: buildings without cooling PED ≤ 85 kWh/m² year FED ≤ 60.6 kWh/m² year, buildings with cooling PED ≤ 95 kWh/m² year FED ≤ 67.7 kWh/m² year. Additionally, Sustainalytics notes that Bank Millennium considers the top 15% criterion for residential buildings to be met by buildings constructed (completed) between years 2017 and 2020.

¹⁵ EUR-Lex, "Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources", (2018), at: <https://eur-lex.europa.eu/eli/dir/2018/2001/oj>

- During the evaluation stage, Bank Millennium assesses if the potential projects comply with the Bank’s ESG risk assessment criteria. Bank Millennium has established internal policies and processes to mitigate environmental and social risks commonly associated with the eligible projects. The assessments will be performed based on dedicated ESG questionnaires for corporate clients or defined criteria for mortgage banking customers. Bank Millennium has in place environmental and social risk management policies and processes, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with the requirements of the GBP. For additional details see Section 2.
- Based on the defined role and responsibility for project evaluation and selection and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Green Bonds Subcommittee will be responsible for the management and tracking of proceeds on a portfolio basis using an internal register.
 - Bank Millennium intends to allocate net proceeds to eligible projects or assets within 36 months of issuance. Pending full allocation, Bank Millennium may temporarily hold unallocated proceeds in cash, cash equivalents or short-term liquid instruments.
 - Based on the presence of an internal register and disclosure of temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Bank Millennium commits to report on allocation of proceeds and impact annually until full allocation. The allocation and impact reports will be made publicly available on Bank Millennium’s website.
 - Allocation reporting may include the total amount of outstanding net proceeds allocated to eligible assets, total amount of eligible assets included in the green portfolio split by the use of proceeds categories, balance of unallocated net proceeds, and amount or percentage of new financing and refinancing.
 - Impact reporting may include estimated annual energy savings (in MWh) and estimated annual CO₂ emissions avoided (in tonnes).
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Bank Millennium Group Green Bond Framework aligns with the four core components of the GBP.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework’s eligible use of proceeds criteria against the relevant criteria in the EU Taxonomy. For SC and DNSH, please see Table 1. For Minimum Safeguards, please see below.

Table 1 provides an overview of the alignment of Bank Millennium Group’s Framework with the applicable SC criteria and DNSH criteria of the EU Taxonomy.

Table 11: Summary of Alignment of Framework Criteria with the EU Taxonomy

EU Taxonomy Activities corresponding to Framework Criterion	Alignment with Technical Screening Criteria		Alignment per EU Environmental Objective					
	SC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
4.1. Electricity generation using solar photovoltaic technology	■	■		■	-	■	-	■

4.3. Electricity generation from wind power	■	□		■	■	■	-	□
7.1 Construction of new buildings	□	■		■	■	■	■	■
7.2. Renovation of existing buildings	■	■		■	■	■	■	-
7.6. Installation, maintenance and repair of renewable energy technologies	■	■		■	-	-	-	-
7.7. Acquisition and ownership of buildings	□	■		■	-	-	-	-

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
Not applicable	-
Not assessed	*
Grey shading indicates the primary EU Environmental Objective	

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should comply with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.

Human Rights

Bank Millennium has implemented the following policies and procedures regarding human rights:

- Bank Millennium's Code of Ethics states the Bank respects human rights, human dignity and the right to equal treatment irrespective of age, gender, ethnic and national origin, religion, creed, family status, sexual orientation, health status, beliefs, trade union membership and other causes of discrimination.¹⁶
- Bank Millennium's Human Rights Policy outlines the Bank's commitment to comply with national and international laws, including the UN Universal Declaration of Human Rights.^{17,18} The Bank is also committed to prohibiting forced labour, child labour and human trafficking. Additionally, the principles outline the Bank's approach to treating its clients without discrimination, promoting financial inclusion through its products and services. The Bank has also implemented internal evaluation and control mechanisms in its internal regulations to ensure enforcement of the principles.¹⁹
- The Bank's Supplier Sustainability Guidelines mandates the Bank's suppliers to comply with national and international laws and standards, including the UN Universal Declaration of Human Rights. The Bank has zero tolerance for any human rights violation, rejecting any form of harassment, discrimination, coercion, abuse, violence or exploitation in the area of influence.²⁰

¹⁶ Bank Millennium, "Bank Millennium Group Code of Ethics", at:

https://www.bankmillennium.pl/documents/10184/84940/Code_of_Ethics.pdf/5550fd32-7d9e-4ead-842d-712245304e84?t=1705481455477

¹⁷ United Nations, "Universal Declaration of Human Rights", at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

¹⁸ Bank Millennium, "Human Rights Policy", at: https://www.bankmillennium.pl/documents/10184/84831/Principles_of_Respect_for_Human_Rights.pdf

¹⁹ Ibid.

²⁰ Bank Millennium, "Supplier Sustainability Guidelines", at:

https://www.bankmillennium.pl/documents/10184/84831/Supplier_Sustainability_Guidelines.pdf

- Bank Millennium joined UN Global Compact and signed the declaration on the Ten Principles of the UN Global Compact²¹ in 2023, committing to meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption in its operations.²²

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics evaluated the performance of Bank Millennium in the area of human rights and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human rights in relation to the activities of the Framework.

Labour Rights

Bank Millennium has implemented the following policies and procedures regarding labour rights:

- Bank Millennium’s Code of Ethics regulates its employees’ duties and obligations in relation to equality, anti-harassment and non-discrimination. In case of violation of equality and non-discrimination, the Bank is obligated to initiate a disciplinary procedure, carried out in accordance with the law.²³
- The Bank’s Human Rights Policy prohibits all forms of workplace discrimination and violation of workers’ rights and commits the Bank to providing a healthy and safe environment for its employees in addition to respecting freedom of association and providing fair remuneration based on qualifications and experience.²⁴
- The Bank’s Diversity Management Policy requires the Bank to promote diversity and inclusion and ensure equal opportunities.²⁵ The Bank has implemented anti-mobbing and anti-discrimination procedures in this regard. All employees are required to undergo mandatory training on ethics and diversity, also on counteracting harassment and discrimination in employment.²⁶
- Under its Supplier Sustainability Guidelines, the Bank requires suppliers to: i) respect workers’ rights; ii) prohibit forced or child labour; iii) ensure fair and just remuneration; iv) guarantee equal opportunities and balance between professional, family and personal life; v) provide a working environment free from discrimination, harassment, threats and physical or psychological aggression; and vi) provide regular employee training.²⁷

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics evaluated the performance of Bank Millennium in the area of labour rights, and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on labour rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

Bank Millennium has implemented the following anti-bribery and anti-corruption policies and procedures:

- Bank Millennium has a zero-tolerance policy towards all forms of corruption, which involves both giving and receiving undue benefits aimed at influencing behaviour.²⁸ All employees are encouraged to report cases of suspected corruption.²⁹ The Bank’s Management and Supervisory Boards oversee the implementation of the anti-corruption system. The Bank has also established a role of coordinator to undergo independent monitoring of compliance with the rules.³⁰

²¹ Bank Millennium, “UN Global Compact, “The Ten Principles of the UN Global Compact”, at: <https://unglobalcompact.org/what-is-gc/mission/principles>

²² ESG Report of Bank Millennium and the Bank Millennium Group for 2023” (2023), at: https://www.bankmillennium.pl/documents/d/guest/3_esg-report-eng?mv=1mv

²³ Bank Millennium, “Bank Millennium Group Code of Ethics”, at:

https://www.bankmillennium.pl/documents/10184/84940/Code_of_Ethics.pdf/5550fd32-7d9e-4ead-842d-712245304e84?t=1705481455477

²⁴ Bank Millennium, “Human Rights Policy”, at: https://www.bankmillennium.pl/documents/10184/84831/Principles_of_Respect_for_Human_Rights.pdf

²⁵ Bank Millennium, “Diversity Management Policy”, at: https://www.bankmillennium.pl/documents/10184/84831/Diversity_principles.pdf

²⁶ Ibid.

²⁷ Bank Millennium, “Supplier Sustainability Guidelines”, at:

https://www.bankmillennium.pl/documents/10184/84831/Supplier_Sustainability_Guidelines.pdf

²⁸ Bank Millennium, “Anticorruption Policy”, at: https://www.bankmillennium.pl/documents/10184/84831/Anticorruption_Principles.pdf

²⁹ Bank Millennium, “Bank Millennium Group Code of Ethics”, at:

https://www.bankmillennium.pl/documents/10184/84940/Code_of_Ethics.pdf/5550fd32-7d9e-4ead-842d-712245304e84?t=1705481455477

³⁰ Bank Millennium, “Anticorruption Policy”, at: https://www.bankmillennium.pl/documents/10184/84831/Anticorruption_Principles.pdf

- The Bank provides anonymous reporting channels and maintains confidentiality of all reports related to violation of laws, policies, procedures and the Bank's Code of Ethics.³¹
- The Bank adheres to laws, regulations and internal rules on financial crimes, such as money laundering, terrorist financing, fraud, market abuse and corruption.³² The Bank has implemented an institutional programme to counteract money laundering and terrorism financing, which includes cooperating with specialized government institutions, continuously improving procedures, and providing targeted employee training.³³

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics evaluated the performance of Bank Millennium in relation to anti-bribery and anti-corruption matters, and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures provide the minimum safeguards required for anti-bribery and anti-corruption matters in relation to the activities of the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Bank Millennium's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 2: Sustainability Strategy of Bank Millennium

Contribution to Bank Millennium Group's sustainability strategy

Bank Millennium focuses on the following areas in its sustainability strategy: i) environmental protection; ii) social responsibility; and iii) corporate governance.³⁴

With respect to environmental protection, the Bank has set emissions reduction goals for its operations, aiming to achieve climate neutrality for its scope 1 and 2 emissions by 2027, and net zero emissions for scope 1, 2 and 3 emissions by 2050. For scope 1 and 2 emissions, the Bank met its initial target of a 50% reduction by 2022 and had achieved a 69.2% reduction by 2023, compared to the 2020 baseline. These results were mainly driven by the transition to 100% renewable electricity through guarantees of origin, and the implementation of a low carbon vehicle re-fleeting programme.³⁵ Regarding scope 3 emissions, Sustainalytics notes that the Bank does not have medium-term targets to support its achieve climate neutrality goal by 2050. Sustainalytics also notes that Bank Millennium's calculated scope 3 emissions for 2023 exclude financed emissions, covering only purchased goods and services (category 1), capital goods (category 2), fuel and energy-related activities (category 3), waste generated in operations (category 5) and business travel (category 6). As of 2023, Bank Millennium's scope 3 emissions increased by 0.9% compared to 2022 levels.^{36,37}

Another key aspect of Bank Millennium's environmental strategy involves responsible lending, with a focus on maintaining the Bank's minimal exposure to the coal mining and coal-fired power generation sectors.³⁸ As of 2023, these sectors accounted for 0.1% of the Bank's corporate portfolio, while other fossil fuel-based sectors such as crude oil and natural gas, including supporting activities, accounted for 0.2% of the Bank's corporate portfolio. To support its clients' decarbonization efforts, the Bank has allotted PLN 2 billion (EUR 468 million) for financing sustainable projects between 2022 and 2024. Loan products under this programme include Photovoltaic Loans for renewable energy projects; Environmental Loans to support projects with environmental benefits, such as energy efficiency and thermal upgrades of buildings; and Millennium Leasing for the financing of equipment for renewable energy generation.³⁹

Sustainalytics is of the opinion that the Bank Millennium Group Green Bond Framework is aligned with Bank Millennium's overall sustainability strategy and initiatives and will further the Bank's action on its key

³¹ Bank Millennium, "Bank Millennium Group Code of Ethics", at:

https://www.bankmillennium.pl/documents/10184/84940/Code_of_Ethics.pdf/5550fd32-7d9e-4ead-842d-712245304e84?t=1705481455477

³² Ibid.

³³ Ibid.

³⁴ Bank Millennium, "ESG strategy of Bank Millennium Group for 2022-2024", at: <https://www.bankmillennium.pl/en/about-the-bank/esg#goto-3>

³⁵ Bank Millennium, "ESG Report of Bank Millennium and the Bank Millennium Group for 2023" (2024), at:

https://www.bankmillennium.pl/documents/d/guest/3_esg-report-eng?mv=1mv

³⁶ Bank Millennium, "ESG Report of Bank Millennium and the Bank Millennium Group for 2023" (2024), at:

https://www.bankmillennium.pl/documents/d/guest/3_esg-report-eng?mv=1mv

³⁷ The scope 3 emissions reported in 2023 are not directly comparable to base year (2020) data due to variations in the categories of scope 3 emissions included in the calculations for each year.

³⁸ Bank Millennium, "ESG strategy of Bank Millennium Group for 2022-2024", at: <https://www.bankmillennium.pl/en/about-the-bank/esg#goto-3>

³⁹ Bank Millennium, "ESG Report of Bank Millennium and the Bank Millennium Group for 2023" (2024), at:

https://www.bankmillennium.pl/documents/d/guest/3_esg-report-eng?mv=1mv

environmental priorities. Nevertheless, Sustainalytics encourages Bank Millennium to set and disclose medium-term targets for emissions associated with the Bank's lending and investment activities and transparently report on the progress made towards these targets.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: i) emissions, effluents and waste; ii) land use and biodiversity loss associated with large-scale infrastructure projects; iii) occupational health and safety; and iv) business ethics and predatory lending. Sustainalytics notes that Bank Millennium plays a limited role in the development of projects and the assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services.

Sustainalytics is of the opinion that Bank Millennium is able to manage or mitigate potential risks through implementation of the following:

- Bank Millennium's Policy on Sustainability Principles guides its actions towards key stakeholders, including employees, clients, shareholders and business partners, and outlines its commitment to promoting environmental, social and economic responsibility. The principles reflect the Bank's emphasis on sustainable development, guided by the UN SDGs, with a focus on SDGs 3, 4, 5, 8, 9, 13 and 17. In line with these principles, the Bank, amongst others, is committed to: i) integrating environmental and social factors in assessing customers' risk profiles; ii) avoiding lending to sectors that do not align with the principles of environmental and social responsibility; and iii) respecting human rights and promoting social responsibility through activities that support the social development of the Bank's various stakeholders.⁴⁰
- Regarding risks related to emissions, effluents and waste, as well as land use and biodiversity, Sustainalytics notes that the projects financed in the EU are expected to comply with the requirements of EU Directive 2014/52/EU on environmental impact assessments, which requires projects that are likely to have significant impacts on the environment to be adequately assessed before approval. The directive also mandates that adequate measures be in place to avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, particularly on species and habitats. For projects requiring significant land use, the directive mandates an environmental impact assessment, with large-scale projects also required to limit impacts on land and soil, including organic matter, erosion, compaction and sealing.⁴¹ Additionally, the Bank's Responsible Financing Policy requires that environmental and social risks be assessed when providing loans and financing projects.⁴² This is complemented by the Environmental Policy that requires projects financed by the Bank to comply with environmental regulations at the local and national levels.⁴³
- Regarding occupational health and safety risks associated with the projects financed, the Bank must follow Polish law, specifically Article 207 of the Labour Code, which mandates employers to safeguard employees' health and well-being by ensuring workplace health and safety through the appropriate application of scientific and technological methods.⁴⁴ Additionally, Bank Millennium's Environmental Policy, among others, addresses these risks by requiring its corporate customers to comply with relevant legislation on health and safety for projects financed by the Bank. In relation to customers, Bank Millennium also assesses environmental and social risks as part of its credit due diligence process in line with the Bank's Responsible Financing Policy.
- To mitigate risks related to business ethics and predatory lending, Bank Millennium's Code of Ethics outlines a framework to promote transparency and ethics in banking services. It requires that customers be informed about the risks associated with the Bank's products and services and prohibits staff from influencing customer decisions regarding the purchase of any product or service.⁴⁵ Additionally, Bank Millennium's Anticorruption Policy mandates employees to report

⁴⁰ Bank Millennium, "Policy on Sustainability Principles", at: https://www.bankmillennium.pl/documents/10184/84831/Sustainability_Principles.pdf

⁴¹ European Commission, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052>

⁴² Bank Millennium, "Responsible Financing Policy", at:

https://www.bankmillennium.pl/documents/10184/84831/Principles_of_Responsible_Financing.pdf

⁴³ Bank Millennium, "Environmental Policy", at: https://www.bankmillennium.pl/documents/d/guest/environmental_policy

⁴⁴ International Labour Organization, "LEGOSH Occupational Health and Safety", at:

https://webapps.ilo.org/dyn/legosh/en/f?p=14100:1100:0::NO::P1100_ISO_CODE3,P1100_SUBCODE_CODE,P1100_YEAR:POL,2016#:~:text=Summary%2FCitation%3A%20%22The%20employer%20is%20obliged%20to%20protect%20the,207%20%20C2%A7%20%20Kodeksu%20Pracy.

⁴⁵ Bank Millennium, "Bank Millennium Group Code of Ethics", at:

https://www.bankmillennium.pl/documents/10184/84940/Code_of_Ethics.pdf/5550fd32-7d9e-4ead-842d-712245304e84?t=1705481455477

suspected cases of corruption through the Bank's established monitoring and control channels, including when dealing with counterparties, other organizations and relations with officials.⁴⁶

- In addition to the above, Sustainalytics notes that the financing under the Framework will take place primarily in Poland, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities.⁴⁷

Additionally, Sustainalytics' research has identified that Bank Millennium is exposed to legal risks stemming from the ongoing court proceedings related to CHF mortgage loans in its retail business.⁴⁸ Sustainalytics acknowledges that the controversy pertains to legacy issues which will not directly affect eligible projects that may be financed under the Framework and that Bank Millennium has created provisions to address the financial exposure resulting from customer claims arising from said proceedings.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Bank Millennium has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of green buildings in Poland

The buildings sector in the EU is responsible for 35% of the EU's energy-related emissions and 40% of the total energy consumption in the bloc.^{49,50} The EU has committed to reducing GHG emissions by 55% by 2030 compared to 1990 levels.⁵¹ Achieving this target will require a 60% reduction in emissions from buildings, a 14% reduction in buildings' final energy consumption and an 18% reduction in energy for heating and cooling by 2030, compared to 2015 levels.⁵² The 2024 update to the Energy Performance of Buildings Directive (EPBD) supports these goals by mandating zero emissions for all new public buildings from 2028 and all other new buildings from 2030.⁵³

Poland's buildings account for 33% of the country's total energy-related emissions and 38% of the total energy consumption.⁵⁴ Through the Energy Policy of Poland Until 2040, Poland aims to reduce primary energy consumption in buildings by 23% by 2030 compared to 2020 levels.⁵⁵ Main initiatives under this policy include modernizing residential buildings and phasing out coal use in urban households by 2030 and rural areas by 2040.⁵⁶ To support these goals, under the 2020 Long-term Building Renovation Strategy, the Polish government planned to achieve an annual energy renovation rate of 3.8% and has targeted thermally insulating 236,000 buildings per year between 2020 and 2030.⁵⁷ In addition, Poland has implemented several initiatives,

⁴⁶ Bank Millennium, "Anticorruption Policy", at: https://www.bankmillennium.pl/documents/10184/84831/Anticorruption_Principles.pdf

⁴⁷ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

⁴⁸ In the 2000s, Polish borrowers took out CHF denominated mortgages to take advantage of low-interest rates in Switzerland. However, the rise in value of the Swiss franc in 2015 resulted in higher repayments due to questioned indexation clauses in contracts which in turn led to legal disputes with Polish banks, including Bank Millennium. As at December 2023, ongoing cases involved 20,914 loan agreements (excluding 1,780 from Euro Bank), representing 4.1% of the Bank's total loan portfolio. These loans were 83% provisioned as at the same date.

⁴⁹ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", (2023), at: <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-energy>

⁵⁰ European Commission, "Energy Performance of Buildings Directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁵¹ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

⁵² Ibid.

⁵³ European Commission, "Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast)", (2024), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401275&pk_keyword=Energy&pk_content=Directive

⁵⁴ European Commission, "Improving the energy efficiency of Poland's buildings", (2022) at: <https://cordis.europa.eu/article/id/435871-improving-the-energy-efficiency-of-poland-s-buildings>

⁵⁵ Government of Poland, Ministry of Climate and Environment, "Energy Policy of Poland until 2040", (2021), at: <https://www.gov.pl/web/climate/energy-policy-of-poland-until-2040-epp2040>

⁵⁶ Ibid.

⁵⁷ Government of Poland, "Long-Term Building Renovation Strategy", (2020), at: https://energy.ec.europa.eu/system/files/2022-06/PL%202020%20LTRS%20_%20EN%20version.pdf

including the Clean Air Programme and Modernization Fund, which focus on replacing heat sources and insulating residential units and funding energy efficiency improvements in buildings, respectively.^{58,59}

Based on the above, Sustainalytics is of the opinion that Bank Millennium's financing of green buildings is expected to support Poland in achieving its emissions reduction targets and deliver positive environmental impacts.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Bank Millennium Group Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Conclusion

Bank Millennium has developed the Bank Millennium Group Green Bond Framework under which the Bank or any of its subsidiaries may issue green bonds, including green covered bonds to finance or refinance projects intended to generate renewable energy and reduce emissions from buildings in Poland.

The Bank Millennium Group Green Bond Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics believes that the Bank Millennium Group Green Bond Framework is aligned with Bank Millennium Group's overall sustainability strategy and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics is of the opinion that Bank Millennium has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Sustainalytics has assessed the Framework for alignment with the EU Taxonomy's criteria for Substantial Contribution (SC) to its environmental objectives, Do No Significant Harm (DNSH) and Minimum Safeguards. For more details, please see Section 1 and Appendix 1.

Based on the above, Sustainalytics is confident that Bank Millennium is well positioned to issue green bonds and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021).

⁵⁸ Government of Poland, Ministry of Climate and Environment, National Fund for Environmental Protection and Water Management, "Czyste Powietrze", at: <https://czystepowietrze.gov.pl/>

⁵⁹ European Commission, "Report on the implementation of projects (priority programmes) co-financed from the funds accumulated on the account of the Modernization Fund and the material and environmental effects achieved in 2021", at: https://climate.ec.europa.eu/system/files/2022-06/pl_mf_annual_report_2021_en.pdf

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable technical screening criteria for substantial contribution (SC) to an environmental objective of the EU Taxonomy and the applicable "do no significant harm" (DNSH) criteria. Sustainalytics' assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant with respect to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the EU Taxonomy. In other cases, some categories which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

Table 2 below displays the outcome of Sustainalytics' mapping process for this report.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the SC criteria and the DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 1, above.)

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Environmental Objective	Refer to Table
4.1. Electricity generation using solar photovoltaic technology	Construction/operation of electricity generation using solar photovoltaic (PV) technology - The activity generates electricity using solar PV technology	4.1. Electricity generation using solar photovoltaic technology	D35.11 and F42.22	Mitigation	Table 3
4.3. Electricity generation from wind power	Construction/operation of electricity generation facilities that produce electricity from wind power - The activity generates electricity from wind power	4.3. Electricity generation from wind power	D35.11 and F42.22	Mitigation	Table 4
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	7.1. Construction of new buildings	F41.1 and F41.2	Mitigation	Table 5

	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				
7.2. Renovation of 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%.	7.2. Renovation of existing buildings	F41 and F43	Mitigation	Table 6
7.6. Installation, maintenance and repair of renewable energy technologies	Installation, maintenance and repair of renewable energy technologies, on- site	7.6. Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12	Mitigation	Table 7
7.7. Acquisition and ownership of buildings	Buying real estate and exercising ownership of that real estate	7.7. Acquisition and ownership of buildings	L68	Mitigation	Table 8

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution to an environmental objective and the DNSH for each relevant EU Taxonomy activity.

Table 3

Framework Activity assessed	Construction/operation of electricity generation using solar photovoltaic (PV) technology - The activity generates electricity using solar PV technology	
EU Taxonomy Activity	4.1. Electricity generation using solar photovoltaic technology	
Corresponding NACE Code	D35.11 and F42.22	
Applicable SC Criteria	Alignment Assessment	
Climate Change Mitigation	Eligible by default.	Aligned
Applicable DNSH Criteria	Alignment Assessment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 9	Aligned
Protection and Restoration of Biodiversity and Ecosystems	Refer to the assessment set out in Appendix 3, Table 10	Aligned
Transition to a Circular Economy	Bank Millennium has a due diligence process which requires borrowers to demonstrate whether the equipment and components of the photovoltaic installation consist of recyclables or if they can be easily dismantled and refurbished. The borrowers are expected to demonstrate if recycling solutions for PV panels are available. If they are, borrowers must show that the panels will be recycled at the end of life. If no recycling solutions exist, borrowers should prove that the panels can be easily dismantled and refurbished.	Aligned

Table 4

Framework Activity assessed	Construction/operation of electricity generation facilities that produce electricity from wind power - The activity generates electricity from wind power	
EU Taxonomy Activity	4.3. Electricity generation from wind power	
Corresponding NACE Code	D35.11 and F42.22	
Applicable SC Criteria	Alignment Assessment	
Climate Change Mitigation	Eligible by default.	Aligned
Applicable DNSH Criteria	Alignment Assessment	

Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 9	Aligned
Protection and Restoration of Biodiversity and Ecosystems	Refer to the assessment set out in Appendix 3, Table 10	Partially Aligned
Sustainable Use and Protection of Water and Marine Resources	Bank Millennium has a diligence process that requires its borrowers to demonstrate the following in case of financing wind installation assets. The Bank inquires whether the activity or investment has been assessed to ensure it does not hinder achieving good environmental status concerning energy input to marine waters and underwater noise. This requirement is based on Annex I of Directive 2008/56/WE, which states that energy input, including underwater noise, should not adversely affect the marine environment. The Bank checks if the assessment follows the methodological standards for the underwater noise energy input indicator, as outlined in the annex titled "Underwater Noise Indicator." The Bank also verifies whether measures have been put in place to mitigate or prevent underwater noise at levels that could adversely affect the marine environment. The Bank has confirmed to Sustainalytics that its borrowers are mandated to take appropriate measures to prevent or mitigate impacts in relation to Descriptor 11 (Noise/Energy) in Annex I of that Directive, and as set out in Commission Decision (EU) 2017/848.	Aligned
Transition to a Circular Economy	Bank Millennium has a due diligence process that requires borrowers to demonstrate whether the equipment and components of the wind installation consists of recyclables or whether they can be easily dismantled and refurbished.	Aligned

Table 5

Framework Activity assessed	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	
EU Taxonomy Activity	7.1. Construction of new buildings	
Corresponding NACE Code	F41.1 and F41.2	
Applicable SC Criteria	Alignment Assessment	
Climate Change Mitigation	<p>Bank Millennium has confirmed the following to Sustainalytics:</p> <ol style="list-style-type: none"> 1. Bank Millennium communicated that the threshold values will be determined on the basis of point 329 of the Ordinance of the Minister of Infrastructure of 12 April 2002 on the technical conditions to be met by buildings and their location.⁶⁰ The energy performance (EP) rate should be 10% lower than the threshold set for the requirements for nearly zero-energy buildings, based on the maximum EP rate outlined in the technical standard in force from 31 December 2020, under the same law. The energy performance certificate of a building shall be the as-built energy performance certificate. 2. For buildings larger than 5,000 m², upon completion, the building erected as part of the construction works shall be subjected to airtightness and thermal integrity testing, and investors and customers shall be informed of any deviations from the levels specified in the performance at the design stage or defects in the building envelope. Alternatively, where robust and traceable quality control procedures have been introduced during the construction process, this is possible as an alternative to thermal integrity testing. For residential buildings, testing is carried out 	Partially Aligned

⁶⁰ Sejm of the Republic of Poland, "ISAP – Internet System of Legal Acts", at: <https://isap.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20020750690>

	<p>on a representative set of dwelling types in accordance with EN13187 (Thermal performance of buildings - Qualitative detection of thermal defects in the building envelope - Infrared method) and EN 13829 (Thermal performance of buildings - Determination of air permeability of buildings. Fan pressure measurement method) or equivalent standards acceptable to the relevant building control authority responsible for the location of the building.</p> <p>3. For buildings larger than 5,000 m², the global warming potential of the life cycle of the building constructed as part of the construction works shall be calculated for the different life cycle stages. These calculations and disclosures shall be made for a representative set of dwelling types. Data selection, scenario definition and calculations for the global warming potential are carried out in accordance with EN 15978 (BS EN 15978:2011 “Sustainable buildings - Assessment of environmental performance of buildings - Calculation method”). The scope of building elements and technical equipment corresponds to that defined in the common EU Level(s) system for indicator 1.2. If a national calculation tool exists, or if it is required for disclosure or building permits, such a tool may be used to disclose the required information. Other calculation tools may be used if they meet the minimum criteria set out in the common EU Level(s) system, (version 4.6.2021).</p> <p>Bank Millennium has communicated to Sustainalytics that it will finance commercial buildings which are alternatively certified as i) BREEAM Excellent or higher; ii) LEED Gold or high; iii) DGNB Gold or higher; iv) EDGE; or v) PassivHaus to assess the building’s energy performance. Sustainalytics notes that the EU Taxonomy has not specified the conditions on which green building certifications align with the technical screening criteria as of September 2024. Therefore, Sustainalytics has assessed this activity to be partially aligned with the SC criteria related to climate change mitigation of the EU taxonomy.</p>	
<p>Applicable DNSH Criteria</p>	<p>Alignment Assessment</p>	
<p>Climate Change Adaptation</p>	<p>Refer to the assessment set out in Appendix 3, Table 9</p>	<p>Aligned</p>
<p>Protection and Restoration of Biodiversity and Ecosystems</p>	<p>Refer to the assessment set out in Appendix 3, Table 10</p>	<p>Aligned</p>
<p>Sustainable Use and Protection of Water and Marine Resources</p>	<p>Bank Millennium has a due diligence process which includes asking borrowers if the project requires a water permit or if it is subject to an environmental impact assessment (EIA) that includes evaluating the impact on water status in accordance with Appendix B of Regulation 2021/2139. It also checks if the project has been granted a water permit or a positive environmental decision and whether any required mitigation or compensation measures specified in the permit or decision are being implemented.</p> <p>Additionally, the Bank asks if there are any non-residential parts or premises within the property, such as service, storage or production areas. The Bank also verifies whether the water facilities in these commercial or service areas meet or will meet the criteria specified in the relevant business guidelines, according to the technical specifications in Appendix E of Annex I of Regulation 2021/2139 and the specific DNSH criteria for this activity.</p>	<p>Aligned</p>

Transition to a Circular Economy	<p>Bank Millennium has a due diligence process which includes asking borrowers whether at least 70% of the mass of non-hazardous construction and demolition waste generated onsite is ready for reuse, recycling and other material recovery processes. It also asks if operators minimize waste generation during construction and demolition by employing best available techniques, such as selective demolition, recycling, selective material disposal or sorting systems. The borrower must verify that the waste collector ensures recycling or recovery of at least 70% by weight of non-hazardous waste in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.⁶¹ Alternatively, if the borrower delivers the waste to separate collection points, it must confirm that it ensures that at least 70% by weight of non-hazardous waste is recycled or recovered. Additionally, the Bank checks whether the building's designs and construction techniques demonstrate a higher level of resource efficiency, adaptability, flexibility and dismantlability to facilitate reuse and recycling. This is verified against ISO 20887:2020, which provides principles, requirements and guidelines for design for dismantlability and adaptability.</p>	Aligned
Pollution Prevention and Control	<p>Bank Millennium has a due diligence process which includes asking borrowers if they have implemented measures to reduce noise, dust and pollutant emissions during construction or maintenance works. The Bank also inquires whether harmful substances or elements are present in building materials or construction elements, including persistent organic pollutants (POPs), mercury, ozone-depleting substances, fluorinated greenhouse gases, substances listed in Annex XVII of REACH (unless fully compliant with conditions), substances on the candidate list of substances of very high concern (unless alternatives are unavailable and used under controlled conditions), electrical or electronic equipment without CE marking (except where Directive 2011/65/EU applies), and substances classified as carcinogenic, mutagenic or reproductive toxicants (unless alternatives are unavailable and used under controlled conditions). Additionally, the Bank checks if building components and materials, such as paints, varnishes, ceiling panels, floor coverings, adhesives, sealants, internal insulation and external treatments emit at least 0.06 mg formaldehyde per m³ or 0.001 mg other carcinogenic volatile organic compounds of categories 1A and 1B per m³. VOC levels should be determined by tests carried out in accordance with CEN/EN 16516 and ISO 16000-3:2011 or other equivalent standardized test conditions and methods. The Bank also verifies if the new building is being constructed on a potentially contaminated or degraded site and whether the area has been tested for contamination, for example, using ISO 18400.</p> <p>The Bank has confirmed to Sustainalytics that its borrowers are expected to demonstrate meeting the criteria specified in the relevant business guidelines, according to the technical specifications in Appendix C of Annex I of Regulation 2021/2139</p>	Aligned

⁶¹ Bank Millennium has confirmed that its borrowers are expected to demonstrate that the non-hazardous construction and demolition waste generated on the construction site is prepared for reuse, recycling and other material recovery in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.

Table 6

Framework Activity assessed	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%.	
EU Taxonomy Activity	7.2. Renovation of existing buildings	
Corresponding NACE Code	F41 and F43	
Applicable SC Criteria	Alignment Assessment	
Climate Change Mitigation	<p>Bank Millennium has communicated to Sustainalytics that it will comply with the applicable requirements for major renovations for building renovations. According to the Article 2(1)(10) of Directive 2010/31/EU on the energy performance of buildings, "major renovation" means the renovation of a building where:</p> <ul style="list-style-type: none"> a) the total cost of the renovation work related to the building envelope or technical building systems exceeds 25% of the value of the building, excluding the value of the land on which the building is situated; or b) more than 25 % of the surface of the building envelope is renovated. <p>Alternatively, the renovation will lead to a reduction of PED of at least 30%. Bank Millennium has communicated that the 30% improvement shall be based on the actual PED reduction (without taking into account net primary energy demand reduction through the use of renewable energy sources) and may be achieved by successive measures over a maximum of three years. The initial primary energy demand and its estimated reduction shall be determined on the basis of a detailed building survey, an energy audit by an accredited independent expert or any other transparent and proportionate method and validated by an energy performance certificate.</p>	Aligned
Applicable DNSH Criteria	Alignment Assessment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 9	Aligned
Sustainable Use and Protection of Water and Marine Resources	Bank Millennium's due diligence process includes asking borrowers whether the renovated property includes any non-residential parts or premises, such as service, storage or production areas. Additionally, the Bank verifies whether the water facilities in these commercial or service areas meet or will meet the criteria specified in the relevant business guidelines, according to the technical specifications in Appendix E of Annex I of Regulation 2021/2139 and the specific DNSH criteria for this activity.	Aligned
Transition to a Circular Economy	Bank Millennium has a due diligence process that includes asking borrowers whether at least 70% of the mass of non-hazardous construction and demolition waste generated on-site is ready for reuse, recycling and other material recovery processes. It also asks if operators reduce waste generation in construction and demolition processes by using best-available techniques, such as selective demolition, recycling, selective material disposal or sorting systems. The borrower must verify that the waste collector ensures recycling or recovery of at least 70% by weight of non-hazardous waste in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. ⁶² Alternatively, if the borrower delivers the waste to separate collection points, it must confirm that it ensures at least 70% by weight of non-hazardous waste is recycled or recovered. Additionally, the Bank checks whether the building designs and construction techniques demonstrate a higher level of resource efficiency, adaptability, flexibility and dismantlability to facilitate reuse	Aligned

⁶² Bank Millennium has confirmed that its borrowers are expected to demonstrate that the non-hazardous construction and demolition waste generated on the construction site is prepared for reuse, recycling and other material recovery in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.

	and recycling. This is verified against ISO 20887:2020, which provides principles, requirements, and guidelines for design for dismantlability and adaptability.	
Pollution Prevention and Control	<p>Bank Millennium's due diligence process asks borrowers if they have implemented measures to reduce noise, dust and pollutant emissions during construction or maintenance works. The Bank checks if building components and materials, such as paints, varnishes, ceiling panels, floor coverings, adhesives, sealants, internal insulation, and external treatments, emit at least 0.06 mg formaldehyde per m³ or 0.001 mg other carcinogenic volatile organic compounds of categories 1A and 1B per m³. VOC levels should be determined by tests carried out in accordance with CEN/EN 16516 and ISO 16000-3:2011 or other equivalent standardized test conditions and methods.</p> <p>The Bank has confirmed to Sustainalytics that its borrowers are expected to demonstrate meeting the criteria specified in the relevant business guidelines, according to the technical specifications in Appendix C of Annex I of Regulation 2021/2139.</p>	Aligned

Table 7

Framework Activity assessed	Installation, maintenance and repair of renewable energy technologies, on- site	
EU Taxonomy Activity	7.6. Installation, maintenance and repair of renewable energy technologies	
Corresponding NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12	
Applicable SC Criteria	Alignment Assessment	
Climate Change Mitigation	<p>Bank Millennium has communicated to Sustainalytics that the activity consists of one of the following individual measures, if installed on-site as technical building systems:</p> <ul style="list-style-type: none"> a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; 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; d) installation, maintenance and repair of wind turbines and ancillary technical equipment; f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment; g) installation, maintenance and repair of high efficiency micro-CHP (combined heat and power) plant; h) installation, maintenance and repair of heat exchanger or recovery systems. <p>Sustainalytics notes that installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heating and cooling will meet those of Directive (EU) 2018/2001 which is transposed into Polish</p>	Aligned

	national regulations. ⁶³ Overall, Sustainalytics considers this activity to be aligned with the SC requirement of the EU Taxonomy.	
Applicable DNSH Criteria	Alignment Assessment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 9	Aligned

Table 8

Framework Activity assessed	Buying real estate and exercising ownership of that real estate	
EU Taxonomy Activity	7.7. Acquisition and ownership of buildings	
Corresponding NACE Code	L68	
Applicable SC Criteria	Alignment Assessment	
Climate Change Mitigation	<ol style="list-style-type: none"> For buildings built before 31 December 2020, Bank Millennium will finance buildings achieving or expected to achieve an EPC A⁶⁴ or those that belong in the top 15%⁶⁵ of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence. 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. Additionally, Bank Millennium has communicated to Sustainalytics that it may consider financing commercial buildings which are certified as: i) BREEAM Excellent or higher; ii) LEED Gold or higher; iii) DGNB Gold or higher; iv) EDGE; or v) PassivHaus in relation to assessing a building's energy performance. Refer to the assessment in Table 5 for additional information on this criterion. Bank Millennium has confirmed that in the case of large non-residential buildings, it will ensure that each building is efficiently operated through energy performance monitoring and assessment. <p>Considering point (2), Sustainalytics notes that Bank Millennium may alternatively consider the acquisition and ownership of buildings that have achieved or are expected to achieve above mentioned green building certification after 31 December 2020. However, Sustainalytics notes that EU Taxonomy has not specified the conditions on which green building certifications align with the technical screening criteria as of September 2024. Therefore, Sustainalytics has assessed this activity to be partially aligned with the SC criteria related to climate change mitigation of the EU taxonomy.</p>	Partially Aligned
Applicable DNSH Criteria	Alignment Assessment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 9	Aligned

⁶³ European Commission, "National transposition measures concerning Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources", at: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32018L2001>

⁶⁴ As of September 2024, EPCs in Poland do not provide an energy performance rating or classes. Nonetheless, the Bank has communicated that it will consider financing the acquisition of buildings achieving EPC A once relevant regulations come into force.

⁶⁵ For residential buildings built before 2017, Bank Millennium considers them to be in top 15% of national building stock if they meet the following PED criteria: i) Residential single-family: buildings without cooling PED ≤ 95 kWh/m² year FED ≤ 67.7 kWh/m² year, buildings with cooling PED ≤ 105 kWh/m² year FED ≤ 75 kWh/m² year; ii) Residential multi-family: buildings without cooling PED ≤ 85 kWh/m² year FED ≤ 60.6 kWh/m² year, buildings with cooling PED ≤ 95 kWh/m² year FED ≤ 67.7 kWh/m² year. Additionally, Sustainalytics notes that Bank Millennium considers the top 15% criterion for residential buildings to be met by buildings constructed (completed) between years 2017 and 2020.

Appendix 3: Criteria for “Do No Significant Harm” (DNSH) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 9

Criteria for DNSH to Climate Change Adaptation	
Alignment	
<p>Bank Millennium has a methodology for the identification of increased physical risk and increased transition risk in its mortgage loan portfolio.⁶⁶ As per this methodology, the Bank identifies increased physical risk related to the real estate serving as collateral for mortgage loans. For corporate loans, the Bank uses the EU Taxonomy matrices from the appendices of Principles for Identifying and Monitoring Sustainable Financing.⁶⁷ These matrices provide guidance on how to meet the requirements outlined in Appendix A of the EU Taxonomy criteria for substantial contribution to climate change mitigation.</p> <p>Periodically, as part of the materiality analysis of ESG risk factors on traditional banking risks, the Bank assesses whether physical risks and their negative effects could materially impact the credit quality of the entire mortgage loan portfolio. The Bank evaluates the exposure of specific properties to physical risks by using publicly available climate change scenarios that project changes in physical risks over set time horizons, with a long-term perspective. Guided by the precautionary principle, the Bank selects the appropriate scenario to identify increased physical risks, consistently applying the RCP 8.5 scenario (low mitigation) as recommended in the European Commission Notice No. C/2023/267, point 168. The Bank identifies real estate with increased physical risk on a portfolio basis by analyzing the property's location using physical risk maps for Poland developed under the RCP 8.5 scenario as part of the Klimada 2.0 project.⁶⁸ Additionally, the Bank identifies increased physical risks in the mortgage loan portfolio on a per-exposure basis according to the location of the real estate collateral. For each credit exposure, the Bank determines the projection of physical risk levels for the next decade (10 years) based on the residual maturity, using data from the Klimada database.</p> <p>The Bank assumes that mortgage loans for properties with increased physical risks, identified using the Klimada database and long-term climate change projections, do not meet the Do No Significant Harm (DNSH) criterion for the environmental objective “adaptation to climate change”. As a result, the Bank does not consider these loans environmentally sustainable under the EU Taxonomy. The Bank also chooses not to conduct the additional analyses required by Regulation 2021/2139, which would allow borrowers to prove their property is resilient to increased physical risks. In this regard, the Bank has considered the complexity of the additional criteria and the difficulty of verifying them in the consumer credit process.</p> <p>The Bank’s internal due diligence process asks the borrower questions regarding the following: i) the investment’s sensitivity to climate change-related physical risks; ii) whether the borrower has conducted its own assessment of the investment’s sensitivity to physical risks, considering scenarios that include future periods consistent with the investment’s time horizon and based on this assessment, whether the borrower believes that the investment is exposed to at least one physical risk related to climate change. The Bank then evaluates the investment itself using its physical risk assessment methodology, based on the Klimada database (mentioned above) to determine whether the investment is exposed to any physical risks related to climate change. Additionally, the Bank has confirmed to Sustainalytics that it asks its borrowers if they are implementing adaptation solutions before the start of operations for financing new activities and existing activities using newly built physical assets or will implement climate change adaptation solutions over a period of five years for financing existing and new activities that use current physical assets to reduce these risks. It further assesses whether these adaptation solutions could negatively impact the adaptation activities or resilience of other people, nature, cultural heritage, assets or economic activities. The Bank also verifies if the adaptation solutions align with local, sectoral, regional, or national adaptation strategies and plans. Finally, the Bank checks whether the adaptation solutions being implemented or already in place include the use of nature-based solutions or rely on blue or green infrastructure where possible.</p>	<p>Aligned</p>

⁶⁶ Bank Millennium, “Methodology for identification of increased physical risk and increased transition risk in the mortgage loan portfolio”, shared confidentially with Sustainalytics.

⁶⁷ Bank Millennium, “Principles for Identifying and Monitoring Sustainable Financing in Bank Millennium S.A.”, shared confidentially with Sustainalytics.

⁶⁸ Klimada 2.0, “Risk visualizations for Poland”, at: <https://klimada2.ios.gov.pl/wizualizacje-ryzyka-dla-polski/>

Table 10

Criteria for the Protection and Restoration of Biodiversity and Ecosystems	
Alignment	
<p>Bank Millennium is guided by its Principles for Identifying and Monitoring Sustainable Financing for assessing projects' compliance with the criteria set out in the EU Taxonomy, including the DNHS criteria associated with Protection and Restoration of Biodiversity and Ecosystems.⁶⁹ Additionally, the Bank has a due diligence process that requires borrowers to demonstrate to the following:</p> <p><u>For 4.1 activity:</u> The Bank inquires whether the project or investment qualifies for an environmental impact assessment (EIA) as defined in Section V of the Act on Access to Information on the Environment and its Protection, Public Participation in Environmental Protection, and Environmental Impact Assessment.^{70,71} It also checks if the project has received a positive environmental decision and whether any required mitigation or compensation measures specified in that decision are being implemented. In particular, the Bank assesses whether the project qualifies among those that may significantly affect the environment, as outlined in point (3), Paragraph 1 of the Ordinance of the Council of Ministers of September 10, 2019. This includes projects such as the development of photovoltaic systems with a surface area of at least 0.5 hectares in conservation areas or buffer zones, or 2 hectares in other areas, excluding those on building roofs or facades. Additionally, the Bank considers whether the obligation for an environmental impact assessment, as stipulated in Art. 63, Paragraph 1 of the Act of October 3, 2008, has been determined by the competent authority.</p> <p><u>For 7.1 activity:</u> The Bank inquires whether the building is constructed on arable land or arable land with medium or high soil fertility (soil classes I to IV); if the building is situated on a greenfield site of recognized high biodiversity value or on a site serving as a habitat for endangered species listed in the European Red List or the IUCN Red List; and whether the building is on land classified as a forest. The Bank also requires evidence that the project or investment qualifies for an environmental impact assessment (EIA) as defined in Section V of the Act on Access to Information on the Environment and its Protection, Public Participation in Environmental Protection, and Environmental Impact Assessment.⁷² Additionally, the Bank verifies whether the project has been granted a positive environmental decision and if any mitigation or compensation measures indicated in that decision are being implemented.</p>	Aligned
<p><u>For 4.3 activity:</u> The Bank inquires whether the project or investment qualifies for an EIA as outlined in Section V of the Act on Access to Information on the Environment and its Protection, Public Participation in Environmental Protection, and Environmental Impact Assessment, in accordance with Appendix D of Regulation 2021/2139. Additionally, the Bank seeks confirmation on whether the project has been granted a positive environmental decision and whether any mitigation or compensation measures indicated in the decision are being implemented for the project.</p> <p>For offshore wind assets, the activity must not hamper the achievement of good environmental status as set out in Directive 2008/56/EC, requiring that appropriate measures be taken to prevent or mitigate impacts in relation to Descriptors 1 (biodiversity) and 6 (seabed integrity) in Annex I of that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors. The Bank has confirmed to Sustainalytics that it does not have a due diligence process that covers this criterion. Therefore, Sustainalytics assesses the DNSH criteria as partially aligned.</p>	Partially Aligned

⁶⁹ Bank Millennium, "Principles for Identifying and Monitoring Sustainable Financing in Bank Millennium S.A.", shared confidentially with Sustainalytics.

⁷⁰ Journal of Laws of the Republic of Poland, "Act of 13 July 2023 amending the Act on providing information on the environment and its protection, public participation in environmental protection and on environmental impact assessments and certain other acts", at: https://eur-lex.europa.eu/legal-content/PL/TXT/PDF/?uri=CELEX:72011L0092POL_202305201.

⁷¹ Sustainalytics notes that this law is the Polish national transposition measures for Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment. EUR-Lex, "National transposition measures communicated by the Member States concerning: Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (codification) Text with EEA relevance", (2011), at: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32011L0092>

⁷² Ibid.

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