

# Roadmap for reducing GHG emissions

ING Bank Śląski S.A. Group

November 2023





## We are a bank that responds to the challenges of today's world.

As a responsible financial institution, our bank is aware of the key role it plays in the transformation towards sustainability.

We conduct our business ethically and with the environment in mind. We believe that only companies with such an approach stand a chance of long-term growth.

**Sustainability is a pillar of our business.** We aim to reduce emissions, invest in green technologies, companies and people, as well as education.

We support our customers in the transformation to ensure a green future and a stable and strong economy.



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# Introduction



# On ING Bank Śląski

We are a bank that is responding to the challenges of today's world, which is why we are taking an active part in climate change mitigation efforts. In our activities, we strive to achieve the goals of the Paris Agreement and join in the low-carbon transformation of the economy, taking into account the international guidelines for the banking sector.

*„We are aware that only active measures in the real economy, supported by bank financing, will produce tangible results. In pursuit of our climate goals, we want to support the transformation process of our customers. To this end, we focus on helping our customers in their decarbonisation efforts, bearing in mind both their capabilities and external circumstances.”*

Brunon Bartkiewicz, CEO



We plan to gradually cover an increasing proportion of our credit portfolio with emission reduction targets, selecting first the sectors requiring the most urgent decarbonisation, setting out paths for them based on widely used and generally accepted methodologies that take into account planned development and sector specificities. The sustainable transformation of our credit portfolio and the reduction of our own emissions are integrated into ING Bank Śląski Group's business strategy, and the steps we have developed and our ambitions will enable us to operationalise our ESG targets.

*„We know that today it is up to our decisions and actions what the world will look like and what world will be available to the next generations. Therefore, guided by our principles and values, we want to **respond to the challenges of today's world.**”*

Joanna Erdman, Vice-President





# Legal, social and economic determinants of sustainable development

## A joint effort for sustainable development

The topic of sustainability is a complex issue that requires the simultaneous involvement of not only the financial and business sectors, but also the creation of an appropriate formal and legal framework and an informed and active society. Our active involvement in supporting our customers in the transition is linked to the dynamic changes in the legal, social and economic environment. Those changes will have a significant impact on the operations of our customers, and we want to be a partner supporting them as they adapt to the new reality.

Poland's national strategies and development goals related to sustainable development are increasingly demanding. Poland has adopted the UN Sustainable Development Goals, which include reducing CO<sub>2</sub> emissions and promoting sustainable consumption and production. Banks, as key players in the economy, have an important role to play in achieving those goals by financing projects that support the transformation of their customers, such as those related to renewable energy, energy efficiency and green transport. Supporting such projects is in line with national objectives. Poland, like many other countries, has adopted national sustainable development strategies and is developing adequate sectoral strategies. One of the key national documents is the "Energy Policy of Poland until 2040", which defines the country's development priorities in the area of energy transition.

Finally, public and customer expectations of banks are changing significantly. Customers increasingly expect banks to take action on environmental protection, social responsibility and business ethics.

## Formal and legal environment

- ❖ **European Green Deal and Fit for 55**
  - ❖ 55% emission reduction by 2030
- ❖ Taxonomy
- ❖ SFDR
- ❖ CSRD
- ❖ Energy Performance of Buildings Directive (EPBD)
- ❖ CO<sub>2</sub> certificates
- ❖ **National regulations and strategies:**
  - ❖ Long-term building renovation strategy
  - ❖ Poland's Energy Policy until 2040 (PEP 2040)

## Financial sector

- ❖ Investors
- ❖ Disclosures, reporting
- ❖ Sustainable financing
- ❖ Supervisory expectations of the ECB and EBA, mainly in terms of ESG risk management

Our Customers

## Society

- ❖ Social activism, including of the younger generation
- ❖ Growing importance of NGOs
- ❖ Growing public expectations of business involvement in tackling global issues, including climate change

# Our ambitions

## We support the transformation of the Polish economy

At ING Bank Śląski, we are aware of our impact on reducing the negative effects of climate change both by reducing our own greenhouse gas emissions and by financing projects and investments that reduce emissions (otherwise known as decarbonisation) in the real economy. As a first small step, in 2015 we set targets to reduce our own carbon footprint (scope 1 and 2), which represents less than 0.3% of the Bank's total reported greenhouse gas emissions. 99.6% is due to the Bank's assumption of responsibility for the part of our customers' emissions related to our financing (scope 3 category 15).

As a financial institution, we have the ability and the desire to take active steps to transform the economy to a less carbon-intensive one, primarily by supporting our customers in their decarbonisation. We started with ourselves, but we see our role as a bank primarily in promoting and undertaking energy transition initiatives and other projects with customers to reduce energy consumption and switch to renewable energy sources. We want to support our customers to succeed at the same time as supporting environmentally sustainable investments that benefit our customers, as well as ensuring compliance with regulations in this area.

## Scope of greenhouse gas emissions<sup>1</sup>:

### Greenhouse gases<sup>2</sup>:

CO<sub>2</sub>

CH<sub>4</sub>

N<sub>2</sub>O

HFC<sub>s</sub>

SF<sub>6</sub>

NF<sub>3</sub>

PFC<sub>s</sub>

### Scope 1



Owned and controlled properties



Owned vehicles

Bank

Scope 1: Direct emissions

### Scope 2



Purchased electricity, steam, heat, cold

Upstream

Scope 2: Indirect emissions from purchased energy

### Scope 3



(1) Acquired goods and services, and (2) fixed assets



(3) Energy related activities not included in scope 1 and 2



(6) Business trips and (7) employee commuting



(5) Waste generated from operations



(8) Leases with lessees and (13) lessor



(4) Transport until the time of sale and (9) afterwards



(15) Investments



(10) Processing and (11) use of sold products



(12) End of life of products sold



(14) Franchises

Upstream

Downstream

Scope 3: Other indirect emissions

1) Greenhouse gas emission scopes under the GHG Protocol; 2) Greenhouse gases under the Kyoto Protocol



# Our approach to reducing emissions

## Own operations



# Our approach to the reduction of emissions from own operations

The long-term approach to emission reduction from own operations is a part of Bank's priority. We undertake efforts related to own operations and it is our ambition to reach neutrality in 2030 (scopes 1&2 in the market-based perspective). For the time being, using district heating and cooling remains a challenge which has a major impact on our emissions.

For many years, we have upgraded and invested into our buildings to reduce their emission intensity. As a result, our CO<sub>2</sub>e emissions from operations in 2022 were 26% lower than in 2019.

In our reports, we disclose both market-based and location-based perspectives to show a full picture of our efforts and their results. The presentation of the purchased guarantees of electricity origin is the main difference in the approach. We do not apply other instruments for offsetting our emissions.

Since 2019, we have measured emissions in accordance with the provisions of GHG Protocol, and the results of our calculations are audited by external companies and presented in the Bank's integrated report.

We consistently strive towards a zero-emission car fleet. As of the end of 2023, 98% of our fleet will have hybrid and electric drive. The remaining 2% of the cars will be fuelled with petrol that we will keep until the end of their lease contracts.

## Activities planned in regards to the car fleet

It is our ambition to ensure that 100% of our car fleet in 2035 is made of electric cars or hydrogen cars.

The Bank's activities aimed at reaching net zero emissions from its buildings will be based on the IEA Net Zero by 2050 scenario which uses pathway data published by Carbon Risk Real Estate Monitor (CRREM).<sup>2</sup>

We create more and more detailed modernisation plans that are to help us transition in accordance with the CRREM decarbonisation pathway for office buildings in Poland to achieve climate neutrality for our properties, also from the location-based perspective.

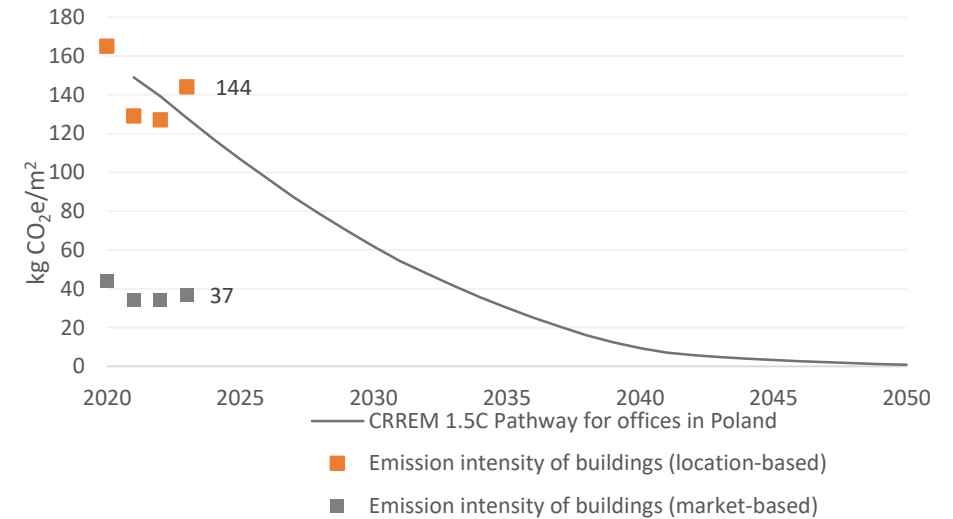
Our ambitions will be updated as new technological capabilities appear that accelerate the expected pace of changes.

Buildings and car fleet are responsible for our emissions in scope 1 and 2. That is why our approach focuses on those two areas.

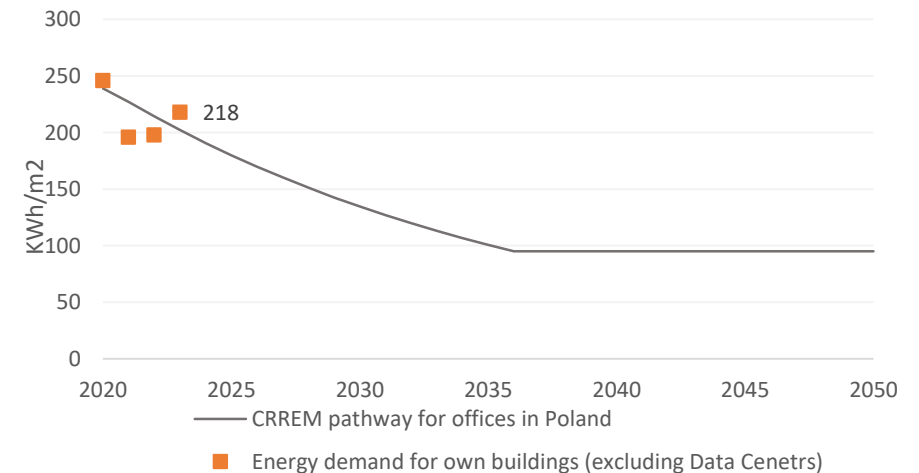
## Activities planned in regards to the building

- space optimisation
- implementation of energy audits' recommendations
- negotiating lease agreements and involving landlords in the execution of emission reduction plans.
- relocation and modernisation of outlets to improve the efficient energy use in buildings
- purchase of electricity that comes from RES in 100%
- increasing the share of RES in electricity provided by the landlords
- gradual departure from district heating (based on fossil fuels), gas- and oil heating

Emission intensity of office buildings as part of own operations of ING BSK Group and the CRREM 1.5°C pathway for Poland<sup>1</sup>



The energy demand of office buildings as part of own operations of ING BSK Group and the CRREM pathway for Poland



1) A considerable reduction in emissivity and demand for energy in 2020 and 2021 results from the impact of COVID-19 pandemic.

2) CRREM (Carbon Risk Real Estate Monitor) is an EU-funded research project. More information is available at <https://www.crrem.eu/>.



# Our approach to reducing emissions

## Credit portfolio





# Our plan to reduce our carbon footprint

## Prioritisation of climate action

Our actions are consistent with guidelines promoted by organizations such as the Net Zero Banking Alliance (NZBA). Their goal is to finance ambitious climate actions aimed at transitioning the real economy to net zero greenhouse gas emissions by 2050. ING Bank Śląski, as part of the ING N.V. Group, a member of NZBA, also joins the implementation of the goals promoted by the organization.

In this document, we provide you with key information on our carbon footprint reduction strategy, current decarbonisation initiatives and progress to date towards reducing the impact of the Bank's and its customers' operations on atmospheric greenhouse gas emissions. The first round of targets, which you will read about in the document, focuses on the sectors that have the greatest impact on the carbon footprint of the Bank's loan portfolio, and those for which the availability of carbon data is best.

As a financial institution, we understand the importance of the climate transition for the Polish economy, so in the next few years, we will actively analyse the individual opportunities, needs and ambitions of the other sectors. Our aim is to support sustainable development and Poland's green future, while reducing CO<sub>2</sub> emissions.

The level of emissions for commercial and residential properties at the end of 2030, resulting from the CRREM pathways, assumes a 52% reduction in the carbon intensity of the Polish economy compared to the status in 2015. In contrast, the current Energy Policy of Poland until 2040 (PEP2040) assumes a 14% reduction in emissions over the same period. We therefore regard the CRREM pathways as an ambitious benchmark, the achievement of which depends on action on the part of the state authorities. As a bank, we will make effort to reduce emissions from our credit portfolio to the extent that is under our control.

## The first three areas covered by our emission reduction plan:



# 1

### Residential properties

A reduction in the average intensity of our financed emissions in the residential property sector.

We take the CRREM 1.5°C path for Poland as the benchmark.



# 2

### Commercial properties

A reduction in the average intensity of our financed emissions in the commercial property sector.

We take the CRREM 1.5°C path for Poland as the benchmark.



# 3

### Power generation

PLN 5 billion in financing for renewable energy projects between 2024 and 2030 for corporate clients.

# Our approach to reducing emissions from portfolio - sectoral targets

**The targets that ING Bank Śląski is adopting for the entire group as part of its climate change mitigation efforts are based on the decarbonisation potential of individual sectors and their readiness for change.**

The regulatory aspect and the direction of the flow of public funds for the reduction of greenhouse gas emissions is also not insignificant. On the basis of our analysis, we decided to develop carbon intensity reduction targets for residential and commercial properties and those related to power generation as a first step. Our choice was dictated by the following factors:

- 1 Significant share of emissions from buildings and energy production (73.2%) in global greenhouse gas emissions<sup>1</sup>.
- 2 The existence of generally accepted, applied transformation pathways that are already being implemented by many companies in these sectors.
- 3 The availability of data to estimate the emissions of these sectors and chart a pathway to reduce emissions intensity aligned with the Paris Agreement goals and leading to climate neutrality by 2050. As a next step, it will be necessary to obtain data from customers on the actual emissions reductions they have achieved in order to compare them with the decarbonisation pathway assumptions.
- 4 The role of the energy sector in the economy as the primary producer and supplier of energy, and commercial and residential properties as a significant consumer of energy, positions that sector as central to the decarbonisation of the economy.

Based on the available data, we estimated the Bank's financed greenhouse gas emissions as a first step towards setting decarbonisation targets. For commercial and residential properties, we have adopted as a baseline a reduction path aligned with the ambitious scenario of limiting global warming to 1.5°C relative to the pre-industrial era. At the same time, we are continuing our policy in the power generation sector of moving away from financing high-carbon non-renewable sources of energy, i.e. coal and lignite, and redirecting resources mainly towards financing renewable energy sources, in line with the targets set.

Given the possibility of changes in international agreements or national decarbonisation strategies, we intend to review our targets at least once every five years. We will also publish progress on their implementation annually in publicly available annual reports. We will present the first results of the implementation of our decarbonisation measures in the 2024 annual report.

We are currently working to expand our commitments to support the decarbonisation of our credit portfolio, and our aim is to use generally accepted and widely used methodologies for emissions calculations and decarbonisation scenarios, and to successively increase the quality of our customers' emissions data as it becomes available.

One of the approaches we are exploring is to set targets and support transformation and decarbonisation for our largest customer companies. This method will enable a focus on the most important sources of emissions in the Bank's credit portfolio, while setting a good example and benchmark for smaller companies.





# Our approach to setting sectoral benchmarks

## Adopted decarbonisation pathways

For the residential and commercial property sector we have established pathways aligned with the Paris Agreement and with the ambitious scenario of limiting global warming to 1.5°C relative to the pre-industrial era.

In the case of the power generation sector, our actions relate to continuing our policy of phasing out the financing of coal and lignite-based generation<sup>1</sup> and setting targets for financing renewable energy sources.

The values in the table are based on available data and projections of decarbonisation scenarios as at June 2023.<sup>2</sup> Future updates to CRREM scenarios or other data – for example, changes reflecting trends in global emissions, available technologies or economic conditions – may result in adjustments to the required pathways aligned with the Paris Agreement and thus our benchmarks for these sectors.

Improving data quality and availability may also require a recalculation of our 2022 baseline for at least one of the included sectors. We will regularly monitor those changes, evaluate them and adjust our indicators and benchmarks if necessary.

The following table summarises our commitments in the sectors currently covered by our emission reduction plan

Sector of the economy	% of total assets	Gross book value (PLN billion) as of 31.12.2022	Base value (2022)	Adopted decarbonisation pathway / generation targets
Residential properties (Scope of emissions 1&2)	24.7%	53 598	64.1 kg CO <sub>2</sub> e/m <sup>2</sup>	CRREM path 1,5°C for Poland
Commercial properties (Scope of emissions 1&2)	3.9%	8 396	103.5 kg CO <sub>2</sub> e/m <sup>2</sup>	CRREM path 1,5°C for Poland
Power generation (Scope 1)	0.85%	1 848	N/A	<ol style="list-style-type: none"> <li>1. PLN 5 billion of financing provided to RES by the end of 2030. The target applies to companies in all sectors<sup>3</sup></li> <li>2. After 2025, we will not finance clients running business directly based on thermal coal in more than 5%<sup>4</sup></li> </ol>

1) Details of the exclusions are contained in ING BSK Bank's internal instruction "Environmental, social and corporate governance risks".

2) The main change between the end of 2022 and June 2023 concerned the availability of certificate data available from April 2023 in the Central Register of Building Energy Performance.

3) Understood as signed agreements.

4) The degree of dependence on thermal coal is, as a rule, measured by the amount of revenue. It does not apply to revenues from the sale of products and the provision of so-called services. general purpose that can be used in various sectors (e.g. security or accounting services). Additionally, in the case of companies from the electricity generation sector, we refer to the installed capacity.

# Information on emission reduction in the property portfolio

## Residential properties

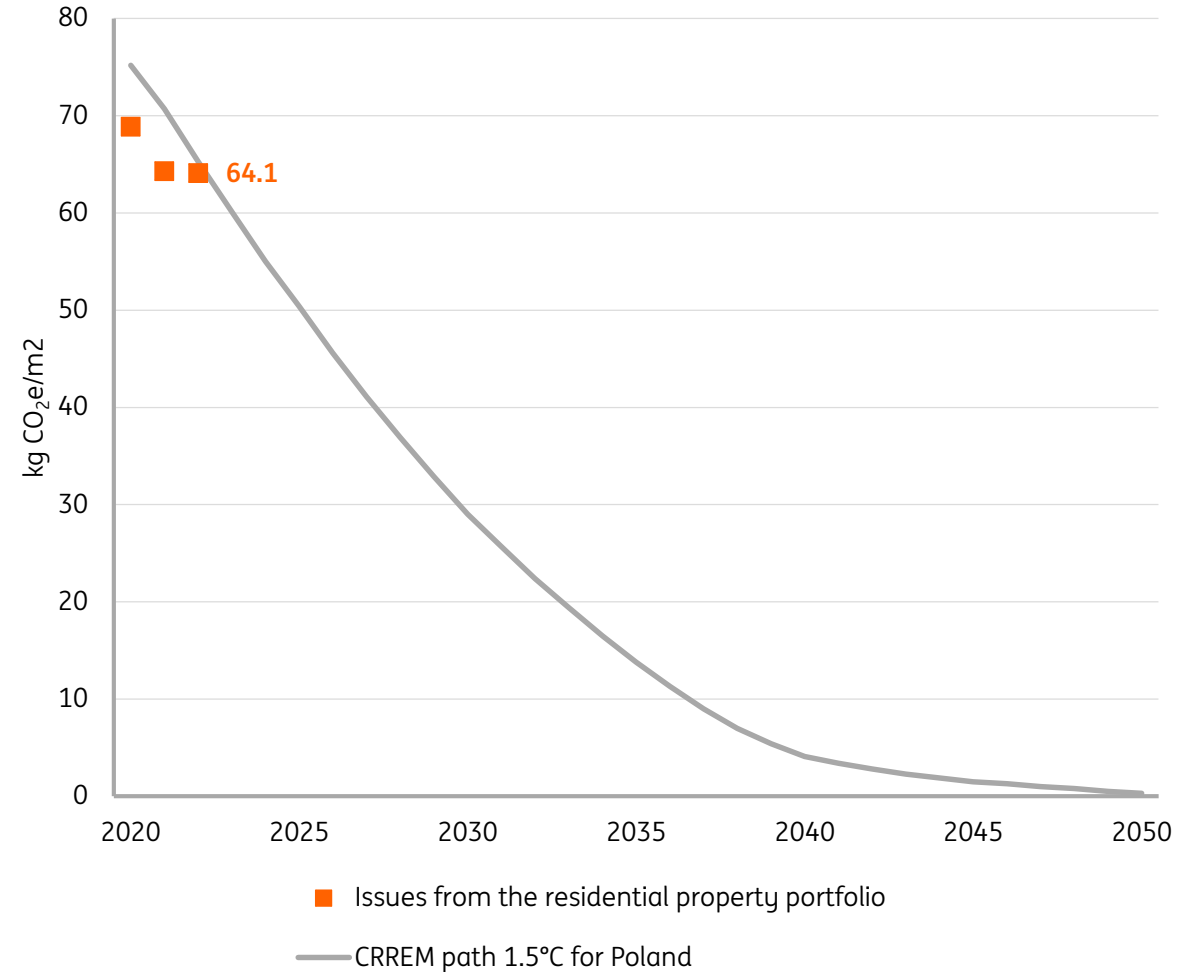
Financing of residential property includes loans on such real estate made available for individual customers (retail segment)

Already in 2021, we have included housing loans in TERRA, a strategic initiative of ING Group N.V. that includes decarbonisation measures in the loan portfolio. In the chart, we show emissions in previous years, where the improvement in our portfolio in 2021 against 2020 is mainly related to new lending for buildings built in line with stricter energy efficiency standards. A slight improvement in the domestic energy mix (the share of different energy sources in total production) also contributed to this result. The positive trend in 2022 was not maintained, which was primarily the result of weaker sales dynamics evident across the sector.

Our efforts to achieve net zero emissions will be based on the IEA Net Zero by 2050 scenario, which uses pathway data published by the Carbon Risk Real Estate Monitor (CRREM).

## Conditions for achieving emissions reduction targets in the property portfolio

In residential (and commercial) properties, achieving the decarbonisation targets of the IEA Net Zero 2050 pathway depends on the national energy mix. It is significantly influenced by Poland's climate and energy policy, including its long-term vision to strive for climate neutrality and the regulatory mechanisms stimulating the transformation process of the national electricity sector. Additionally, in the area of the property sector, the regulatory and legal environment is particularly important.





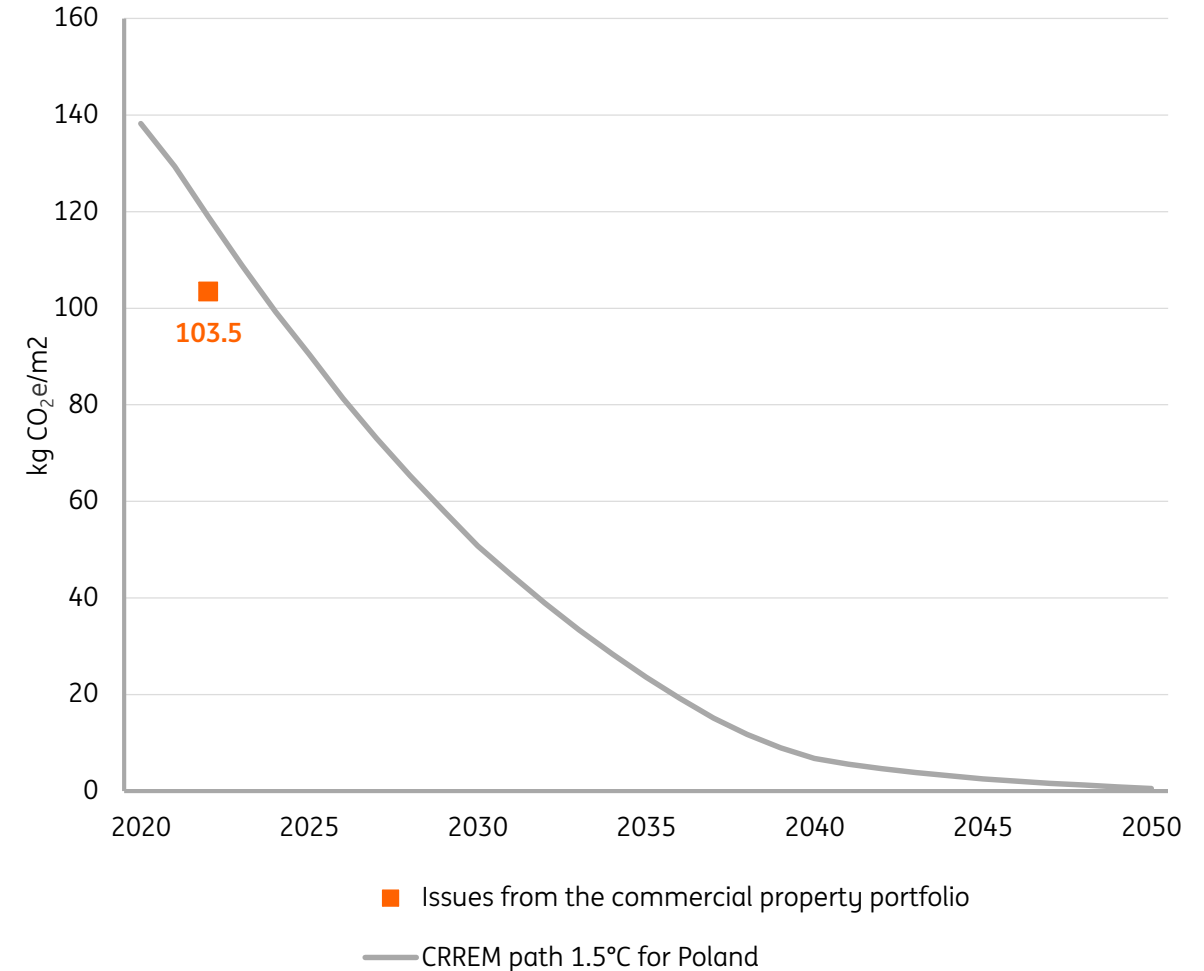
# Information on emission reduction in the property portfolio, cont.

The regulatory and legal environment plays a key role in supporting the process of thermal modernisation and renovation of Polish buildings. Poland has adopted a Long Term Renovation Strategy for Buildings (DSRB). It contains a series of guidelines to support the renovation of buildings in Poland, which are expected to improve the energy efficiency of buildings, air quality and contribute to the reduction of CO<sub>2</sub> emissions. Our estimates indicate that the average annual rate of thermal upgrading currently adopted under the DSRB programme of around 3.8 per cent is insufficient to achieve the average CO<sub>2</sub> - equivalent intensity required by the CRREM pathway. While our products and services will be designed to prepare customers for the coming changes and help finance them, we see that current demand and regulations do not guarantee the required pace of change.

## Commercial properties

The group of commercial properties comprises the financing of properties that generate income for businesses from the rental or use of the properties.

Our efforts to achieve net zero emissions will be based on the IEA Net Zero by 2050 scenario, which uses pathway data published by the Carbon Risk Real Estate Monitor (CRREM).



# Emission reduction targets in the power generation portfolio

## Priority sector of the Polish transformation

The power generation sector includes all portfolio companies involved in electricity generation. This applies to both public and private utilities, independent energy producers, energy cooperatives whose predominant activity is power generation.

We focus on direct greenhouse gas emissions from power generation (Scope 1), which account for the vast majority of the sector's climate impact. We are monitoring the fuel mix in the power generation business, aiming for the highest possible share of renewable energy sources, with the aim of rapidly decarbonising Poland's electricity grid.

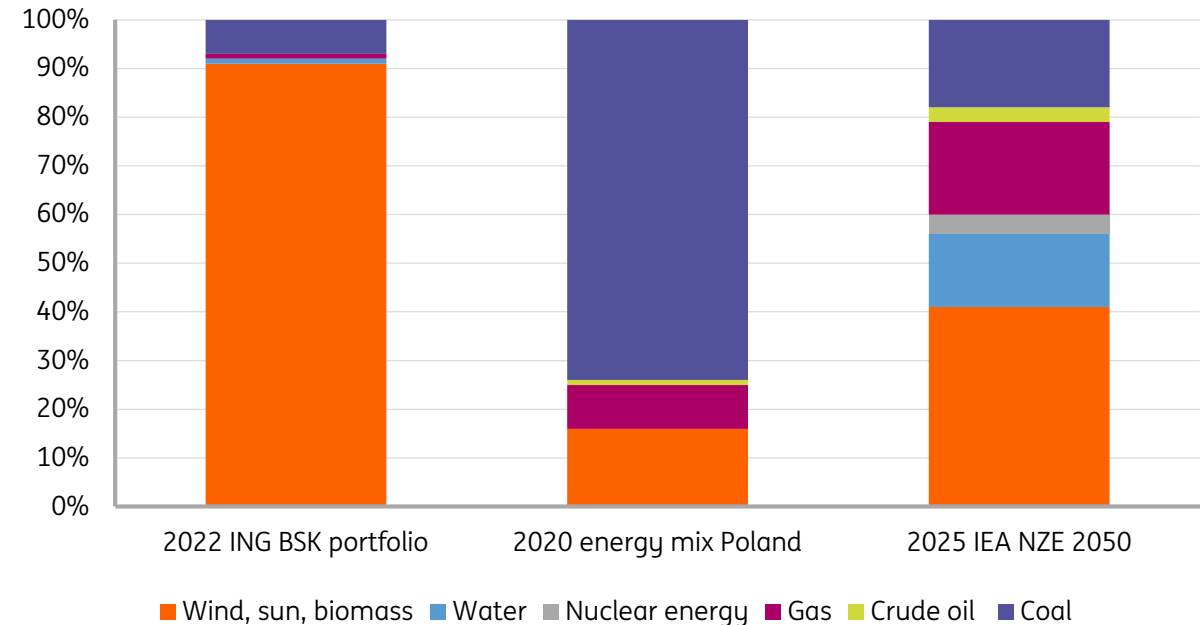
The effect of the efforts to date is shown in the chart on the right. The share of coal in the fuel mix of our credit portfolio as a result of ING Bank Śląski Group's coal policy, which is to cease financing companies that use coal to generate electricity or heat by the end of 2025, represented only 7.2% at the end of 2022. The share of renewables (including hydropower) was much higher at 92% at the end of 2022.

To ensure that it continues to support the NZE 2050 ambitions in the area of power generation, ING Bank Śląski commits not only to continue to move away from providing new financing to coal-related companies<sup>1</sup>, but also to support the increase in the share of energy from renewable energy sources (RES) by providing financing of PLN 5 billion between 2024 and 2030 to these projects for corporate clients.

The starting point for defining ING Bank Śląski's involvement in RES financing is the Polish state's targets for the development of renewable energy sources and the place of those sources in the state's energy policy. At the same time, the following risk factors for RES development were identified, among others:

- Limited potential of available connection capacities to connect and integrate new RES capacities.
- Insufficient level of readiness of the actors involved to carry out network modernisation processes, on a scale that exceeds existing investments by several times.
- Uncertainty for investors vis-à-vis the regulatory environment, including in the context of interventions in the electricity market.

The chart shows the energy mix of the ING BSK Portfolio, of Poland and of the IEA Scenario

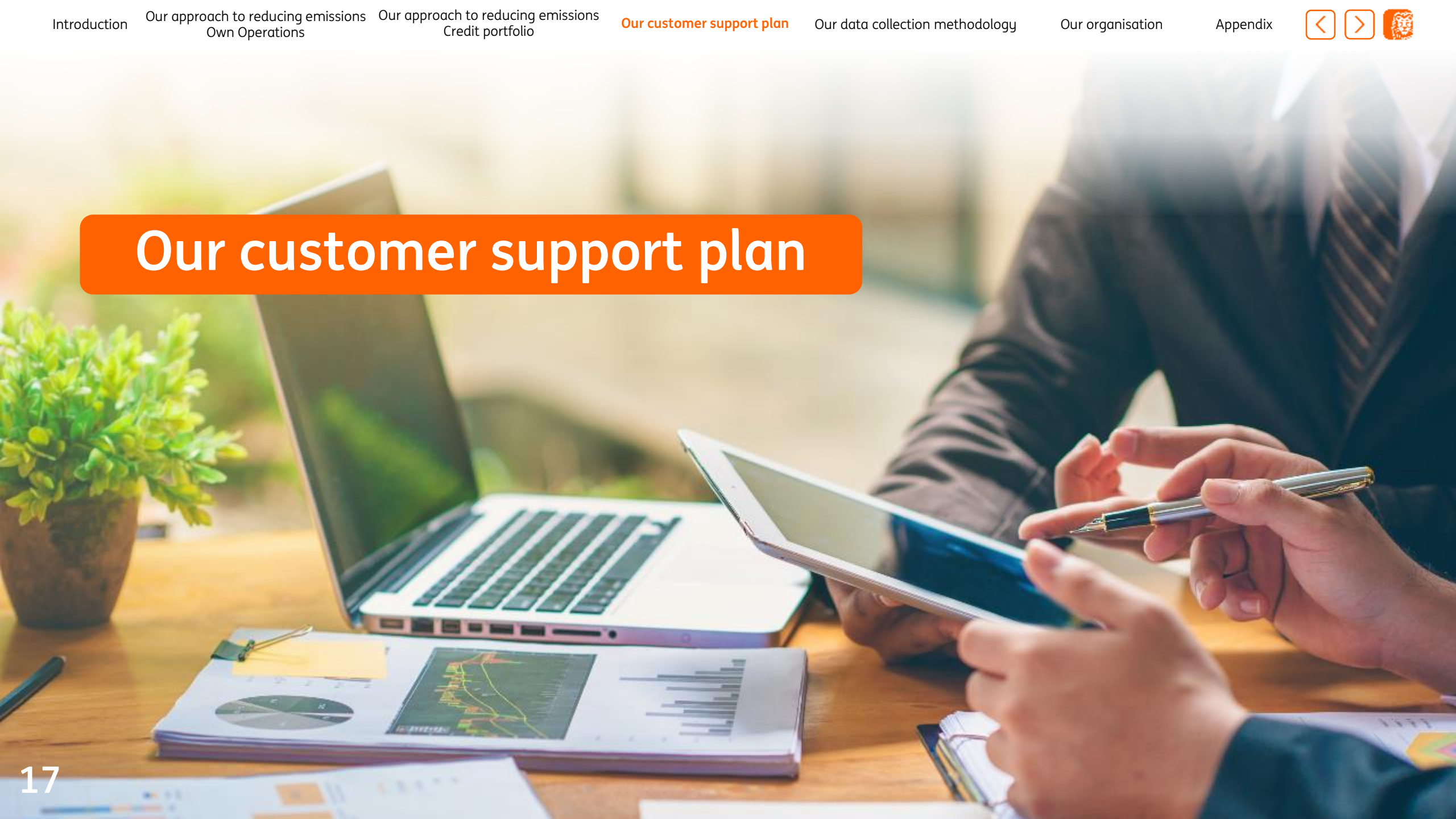


Source: ING BSK, IEA NZE, Energy Market Agency





# Our customer support plan



# We want to support our customers in the transformation

Our aim is not only to provide financing for the energy transition, but also to support our customers along the way. In order to enable our customers to adapt to the new reality and the requirements of the energy transition, we are already taking appropriate measures, which are presented below. Those measures are only the beginning of our efforts. We plan to introduce additional solutions and initiatives in the future.



## Residential properties

In order to meet the goal of decarbonising the mortgage portfolio and aiming for an average CO<sub>2</sub> intensity of 0.3 kg CO<sub>2</sub>e/m<sup>2</sup> in 2050, the less energy-efficient part of the houses and flats in our portfolio should first undergo a major renovation related, for example, to technical systems and the building envelope.

In order to more effectively monitor the decarbonisation of the residential property portfolio, we have started building a quantitative tool to forecast the composition of the mortgage portfolio based on changes in the market and the various factors contributing to different forecast scenarios (including renovation rates and customer energy consumption behaviour).

## Commercial properties

In order to meet the goal of decarbonising the commercial property portfolio and aiming for an average CO<sub>2</sub> intensity of 0.5 kg CO<sub>2</sub>e/m<sup>2</sup> in 2050, as a first step, a large proportion of the properties in our portfolio should undergo major refurbishment. This is a major challenge for the Bank, which in our view requires significant government intervention to support those activities.

As a bank, we are aware of our role in supporting our customers during the transition.

## Power generation sector

In order to meet the objective of supporting the development of energy production from renewable energy sources, we want to provide financing of PLN 5 billion in renewable energy sources between 2024 and 2030 for corporate clients. We understand that the power generation sector is the main pillar enabling the decarbonisation of the rest of the economy, so it is an important part of our emission reduction plan.



# Our support plan to Bank's customers



## Our planned activities for the residential property sector:

- Monitoring of national policy developments in the area of residential property and decarbonisation of the energy grid, including the level of alignment with EU requirements;
- Monitoring of EU and government subsidy programmes for the modernisation of residential properties, including a plan to inform customers about the possibilities of obtaining public funds when providing financing for the investments covered;
- Work with property sector organisations to coordinate decarbonisation efforts and to build awareness, promote available financial support programmes, grants for thermal upgrading;
- Increasing the number of low-emission-intensity transactions and reducing the number of high-emission-intensity financed transactions – by providing loans for energy-efficient buildings and renewable energy sources. As mortgages are long-term, simply paying off a less energy-efficient portfolio is not sufficient – therefore, for the existing portfolio, renovations that improve the energy and emission performance of buildings (e.g. related to energy sources and the building envelope) will be promoted and financed;
- Analysing the tools available on the market and, in the event of a positive outcome of such analyses, implementing solutions to support our customers in planning measures to improve the energy efficiency of their properties;
- Investment loans for housing associations with a target for thermomodernisation;
- Preparation of a dedicated offer for the refurbishment of properties in our credit portfolio combined with the requirement to provide an energy performance certificate after the refurbishment;
- Performing credit risk assessment processes to assess the physical and transformation risks associated with our portfolio and check the resilience of our portfolio to climate change;
- “Loan for Better” as a product to support customers' decarbonisation efforts;
- Collection of data from energy performance certificates for the new and existing credit portfolio, also with renovations financed by a dedicated offer;
- Educational programmes and webinars for our employees and customers to promote energy-efficient solutions, e.g. in the form of podcasts.



# Our support plan to Bank's customers, cont.



## Our planned activities for the commercial property sector:

- Monitoring of national policy developments in the area of commercial property and decarbonisation of the energy grid, including the level of alignment with EU requirements;
- Monitoring of EU and government subsidy programmes for the modernisation of commercial properties including a plan to inform customers about the possibilities of obtaining public funds when providing financing for the investments covered;
- Analysis of the property portfolio: review of existing properties of the Bank's customers in terms of energy efficiency and CO<sub>2</sub> emissions;
- Continuing to obtain energy performance certificates for every property financed by the Bank, including a plan to require that certificates also be obtained for renovation loans (this is not currently an obligation under Polish law);
- Increasing the number of low-emission-intensity transactions and reducing the number of high-emission-intensity financed transactions – by providing loans for energy-efficient buildings.
- Collaborating with property sector organisations for coordinated action on decarbonisation;
- Analysing the tools available on the market and implementing solutions to support our customers in planning measures to improve the energy efficiency of their properties;
- Performing credit risk assessment processes to assess the physical and transformation risks associated with our credit portfolio and check the resilience of our portfolio to climate change.



## Our activities in the power generation sector:

- Continuing to finance renewable energy projects such as wind farms and photovoltaic installations;
- In addition to setting sectoral targets for new investments in renewables, we are moving away from financing: coal mines, coal-fired power plants, coal-fired thermal power plants, coal-fired district heating plants, and from financing customers who trade in coal (including coal used by households), as well as customers who provide services or sell products dedicated to coal mining or coal-fired power generation. Services or products that may also be provided to other sectors are not subject to this stipulation;
- After 2025, we will not finance clients running business directly based on thermal coal in more than 5%<sup>1</sup>. Financing to those customers can be provided on condition that dedicated financing is provided for assets not related to coal mining or coal-fired power generation, and if the financing structure allows this to be documented;





# Our data collection methodology



# Methodology and data access restrictions

We use the Partnership for Carbon Accounting Financials (PCAF) standard to measure and disclose financed GHG emissions. In some cases, it was not possible to fully apply all the provisions included in the PCAF methodology due to, among other things, a lack of available data. Information on those limitations is described below.

## Residential properties

Emissions related to residential properties refer to the Bank's retail loans secured by properties. Loans covered by the calculation also include loans for the construction or renovation of residential properties.

In order to calculate the financed emissions associated with residential properties, we use the data contained in the available energy performance certificates and the floor area of the buildings from the property registers or notary deeds. In case of properties that do not have data from energy performance certificates we calculate emissions based on property energy demand taking into account different energy demand sources and property types (as calculated by an external consultancy agency) and the floor area of the building.

Due to the obligation to have an energy performance certificate at the time of selling or renting a property, we expect to increase the share of the portfolio of properties with certificates and, consequently, to increase the quality of the data.

Emissions financed within the residential property sector at the end of 2022 were 602 761 tonnes of CO<sub>2</sub> equivalent<sup>1</sup>. The value was calculated in accordance with the Terra Initiative's group methodology and focuses on the Bank's exposures whose data meets the requirements of the emissions calculation. In the next reporting periods, we will continuously strive to improve the quality of the data and to fill the gaps that have been identified.

## Commercial properties

Commercial property emissions comprise properties financed by the Bank that generate rental income.

For properties for which an energy performance certificate has been issued, we use the available data on energy demand and CO<sub>2</sub> emissions. For the remainder of the portfolio, the level of energy consumed is estimated based on the area of the property based on the emissivity data made available per property type by the PCAF. As in the case of residential properties, the share of certified properties in the portfolio is expected to increase and, consequently, the quality of the data will improve.

Emissions financed within the commercial property sector at the end of 2022 were not subject to disclosure, but according to our calculations made for the emission reduction plan amounted to 133 707 tonnes of CO<sub>2</sub> equivalent. The value was calculated in accordance with the Terra Initiative's group methodology and focuses on the Bank's exposures whose data meets the requirements of the emissions calculation.

## Power generation sector

Emissions related to the activities of the power generation sector calculated according to a common methodology for corporate loans.

Emissions are estimated on the basis of customers' financial data and energy sector emissivity data. With the gradual introduction of non-financial reporting requirements by the CSRD, data on companies' emissions will become more accessible, resulting in better data quality.

Emissions financed within the power generation sector (Scope 1 and 2) at the end of 2022 were 144 937 tonnes of CO<sub>2</sub> equivalent. The calculation of those issues excludes exposures related to renewable energy sources (RES), which will be included in the calculation for the "project finance" asset class in the future.



# Our organisation



### ESG as a value embedded in the organisation

ING Bank Śląski Group's sustainability management involves both the Bank's Management Board, Supervisory Board and senior management, and in addition, special groups and committees have been set up to work on the broader perspective and further development of this area. The graphic on the right shows the governance structure of ING Bank Śląski Group with an indication of the area of responsibility for the Bank's climate change processes, including decarbonisation.

### Governance structure of the organisation in the area of sustainable development





# Our process for developing our ESG targets

## Involvement in the development of our ESG targets

ING BSK's directions of action in terms of emission reduction were approved by the Bank's Management Board. Supervision and coordination of these activities takes place during meetings of the ESG Council, consisting of both members of the Management Board and Bank staff responsible for implementation of actions in the ESG area.

Recognising the growing risks associated with climate change and supporting the Bank's ambition to become a net-zero-emission institution by 2050, ING Bank Śląski has established an ESG Risk Committee. In addition, at the beginning of 2022, the Supervisory Board approved the Risk Management Strategy, which lists the continuation of ESG risk activities among its key objectives for 2020-2024. The objective is to ensure that those risks are progressively better identified, measured and assessed, and that efforts are made to ensure that the Bank's policies, procedures and processes comply with the requirements of external regulations.

## Remuneration policy

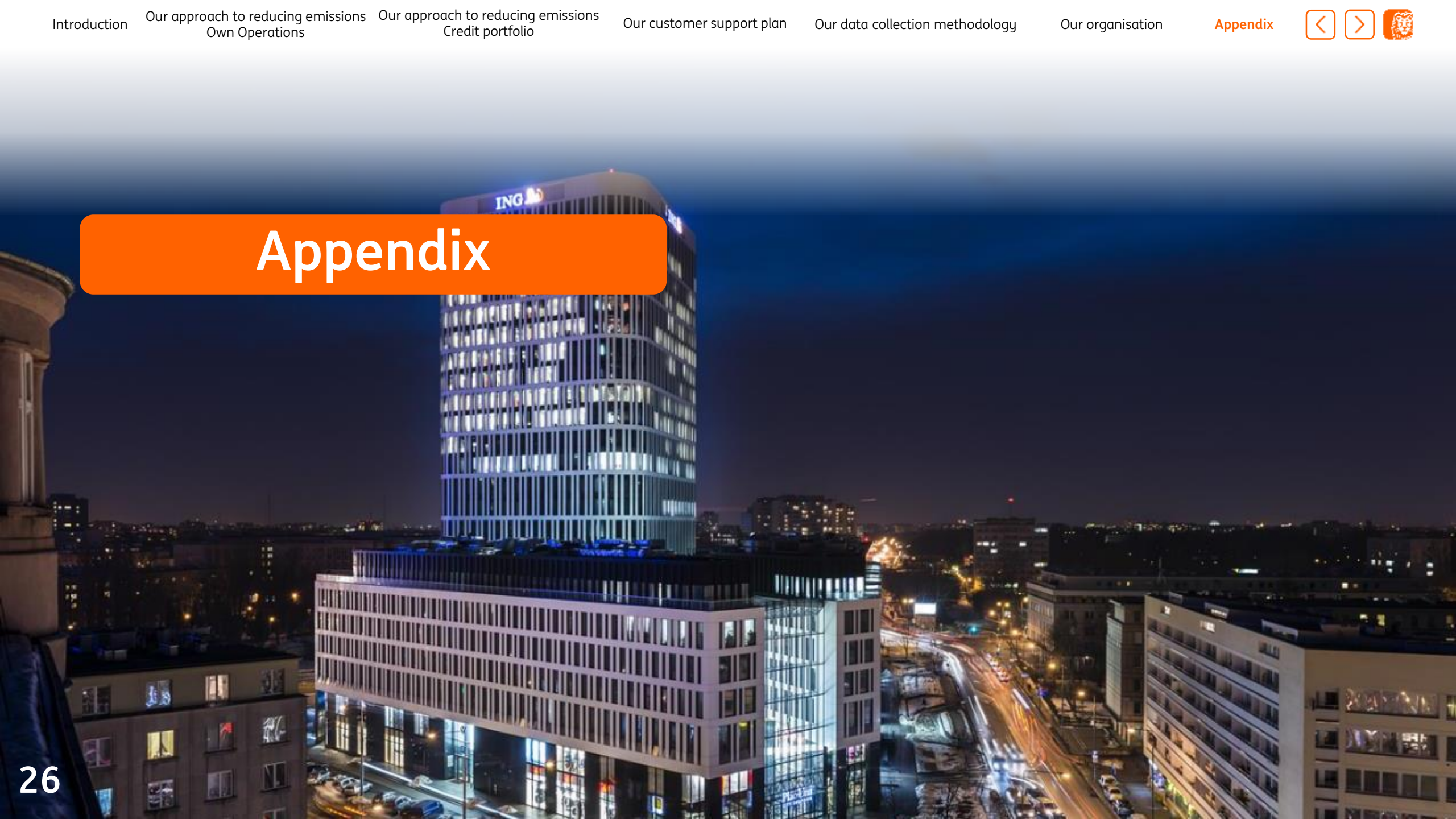
In addition, since 2020, ING Bank Śląski Group has had a Remuneration Policy in place that has introduced a link between remuneration principles at all levels and the sustainability targets included in business strategy. The remuneration policy is consistent with the Bank's strategy for the period and supports corporate social responsibility, which is reflected in the objectives set for the Management Board and employees for the year and directly translates into the level of variable remuneration. In 2022, the objectives set for Board members were related to ESG targets and included, among other tasks, the following:

- Development and introduction of sustainable products,
- Meeting the agreed targets along the climate risk chain in the ESG project in accordance with the adopted roadmap,
- Providing green technological solutions in the workplace that contribute to the reduction of CO<sub>2</sub> equivalent emissions,
- Promoting increased employee involvement in ESG, Culture of Risk, entrepreneurship and self-development programmes.<sup>1</sup>





# Appendix



# Definitions of the terms used in the Document

<b>CRREM (Carbon Risk Real Estate Monitor)</b>	EU-funded (Horizon 2020) research project to provide commercial property managers and investors with tools to align their properties and portfolios with the objectives of the Paris Agreement. Today, CRREM is the international market standard used and recommended by institutional investors. More information on the project is available at <a href="https://www.crrem.eu/">https://www.crrem.eu/</a>
<b>Decarbonisation</b>	a process aimed at reducing carbon dioxide (CO <sub>2</sub> ) emissions into the atmosphere as much as possible.
<b>CO<sub>2</sub> equivalent (CO<sub>2</sub>e)</b>	a unit for measuring greenhouse gas emissions; it determines what mass of carbon dioxide would affect the Earth's energy balance to the same extent as the emission of another greenhouse gas into the atmosphere.
<b>Greenhouse gases (GHG):</b>	gases such as carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF <sub>6</sub> ) (according to the Kyoto Protocol), which transmit most of the solar radiation reaching the Earth, while absorbing infrared radiation reflected by the Earth's surface, contributing to the greenhouse effect.
<b>IEA Net Zero until 2050</b>	The International Energy Agency's scenario, which shows the global energy sector's path to achieving net zero CO <sub>2</sub> emissions by 2050.
<b>Bank or ING BSK</b>	ING Bank Śląski S.A. Group.
<b>Energy mix</b>	the share of individual sources (renewable and non-renewable) in energy production.
<b>Climate neutrality / net zero</b>	a state of equilibrium (zero balance) between greenhouse gases emitted and their uptake from the atmosphere by, inter alia, water bodies, forests or soils or man-made technologies.
<b>Paris Agreement</b>	document adopted in 2015 at the UN COP21 conference in Paris and in force since November 2016, following its endorsement by 55 countries (including all EU countries) collectively responsible for at least 55% of global GHG emissions. The aim of the Agreement is to limit the average increase in the Earth's temperature well below 2 degrees Celsius over the period 1750-2100, and to aim to limit this increase to 1.5 degrees Celsius. The Agreement also seeks to achieve climate neutrality by 2050.
<b>Terra</b>	ING Group's initiative to, among other things, adopt long-term decarbonisation targets for lending in line with the Paris Agreement.





