

POST-ISSUANCE CLIMATE BOND CERTIFICATION

Verification Report for Post-Issuance Certification
for the Green Bond Issued by ING Bank Hipoteczny S.A.



SCOPE

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

CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

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

ISSUER'S RESPONSIBILITY

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

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

ISS ESG's VERIFICATION PROCESS

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

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

ISS ESG's approach to assess whether the issuer's Green Bond meets the criteria of the Climate Bond Standards 2.1. is as follows:

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

The engagement with ING Bank Hipoteczny took place in April 2020.

ISS ESG's BUSINESS PRACTICES

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

RESTRICTION ON DISTRIBUTION AND USE OF REPORT

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

OPINION

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



ROBERT HÄBLER
ISS ESG
Munich, 17 April 2020

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About ISS ESG

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

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

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ANNEX

Annex 1: Detailed Findings

Annex 2: Detailed Findings Green Buildings

ANNEX 1: DETAILED FINDINGS

4. NOMINATED PROJECTS & ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
4.1	Decision-making process to determine the continuing eligibility of nominated projects and assets	ING Bank Hipoteczny has defined an environmental objective and has implemented processes to determine the eligibility of nominated assets.	✓
4.2	Conformance with the Bond's documented objectives and requirements of Part B of the CBI Standard	Projects financed and/or refinanced through the Green Covered Bond proceeds were evaluated and selected based on compliance with the Eligibility Criteria defined within Green Covered Bond Framework. Bank has only finance/refinance residential green buildings meeting eligibility criteria i.e. top 15% of the market in terms of emissions performance. The Green Covered Bond Committee ensures that nominated assets belong to one of the categories listed in Climate Bond Taxonomy and at the same time sector specific requirements.	✓
4.3	No double nomination of projects and assets	At this stage ING Bank Hipoteczny issued one green bond and identified portfolio of green assets which is substantially higher than the volume issued. ING Bank Hipoteczny Green Covered Bond Framework states that the proceeds from the issuance will be managed in a portfolio approach. For future issuances the Green Covered Bond Committee will assure that the amount of green assets is always higher than the total volume issued. As a result, it will be assured that total nominated assets are always higher than the volume of Green Bonds issued. Additionally, the Green Covered Bond Committee ensures that same assets are not nominated twice, for this one or any other bond.	✓

5. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
5.1	Allocation of net proceeds to nominated projects and assets	The full amount of the net proceeds has been allocated to nominated Eligible Assets.	✓
5.2	Allocation of funds within 24 months of issuance of the bond	The full amount of the net proceeds has been allocated to nominated Eligible Assets.	✓
5.3	Share of financing and refinancing	The net proceeds of the Green Bond were exclusively used to refinance Eligible Assets identified by ING Bank Hipoteczny.	✓
5.4	Tracking of proceeds	The net proceeds of the bond are moved to a specially designated account and are tracked by the organisation.	✓
5.5	Net proceeds of the loan and investment to nominated projects and assets	To ensure that the bond proceeds can be directed in full to the Eligible Assets, the total amount of the Eligible Projects is greater than the allocated amount.	✓

6. NON-CONTAMINATION OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
6.1	Tracking of proceeds	ING Bank Hipoteczny's internal accounting system allows to identify and track at any point in time the amount of funds that have been allocated to an individual project.	✓
6.2	Non-contamination of proceeds	For any unallocated proceeds, ING Bank Hipoteczny will hold and/ or invest, at its own discretion, in its treasury liquidity portfolio or other short term and liquid instruments. The Green Covered Bonds Committee performs supervisory functions over the whole process,	✓

		providing assurance that proceeds will not be used to finance GHG intensive nor controversial activities.	
6.3	Cases of force majeure	Not applicable. All proceeds have been allocated.	-

7. CONFIDENTIALITY

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
7.1	Description of the projects	The full amount of the net proceeds is distributed to Eligible Assets related to the aforementioned categories (see Page 1) and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	✓
7.2	Disclosure of information to the market	ING Bank Hipoteczny publishes a Green Bond Allocation Report which includes the Green Bond Impact Report. The document is publicly available on ING's website (https://www.inghipoteczny.pl/inghipoteczny/relacje-inwestorskie#investors=3)	✓

8. REPORTING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
8.1	Description of reporting	<p>Reporting on the Covered Bond and allocation process is presented within the Green Bond Allocation Report. Environmental impact is presented in Post-issuance Green Bond Impact Report. Both documents are publicly available on Bank's web page. (https://www.inghipoteczny.pl/inghipoteczny/relacje-inwestorskie#investors=3)</p> <p>The allocation report will provide:</p> <ul style="list-style-type: none"> • the total amount of proceeds allocated to eligible loans • the number of eligible loans • the balance of unallocated proceeds • the amount or the percentage of new financing and refinancing 	✓

Where feasible, the impact report may provide:

- For Green Buildings eligible loans on:
- Estimated ex-ante annual energy consumption in kWh/m²
 - Estimated annual reduced and/or avoided emissions in tons of CO₂ equivalent

ING Bank Hipoteczny intends to make and keep readily available green bond reporting at the latest after a year from issuing, to be renewed annually until full allocation.

9. CLIMATE BOND TAXONOMY

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
9.1	Matching of Climate Bond category	The full amount of the net proceeds is distributed to Eligible Assets related to the aforementioned categories (see Page 1) and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	✓

10. TECHNICAL CRITERIA

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
10.1	Sector-specific eligibility criteria	The full amount of the net proceeds is distributed to Eligible Assets related to the mentioned category (see Page 1) and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	✓
10.2	Bonds covering several sector-specific criteria	Not applicable.	-

11. PROJECT HOLDING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
11.1	Holding of assets with a fair market value at least of the original amount at time of issuance	<p>The value of assets selected will always be higher than the original principal amount of bond at the time of issuance.</p> <p>Potential additional projects and assets finance and/or refinanced through the Green Covered Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria defined within the Green Bond Framework.</p>	✓



12. SETTLEMENT PERIOD

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
12.1	Description of the process and timeline of distribution of proceeds	The full amount of the net proceeds has been allocated to nominated Eligible Assets as of 31 st December 2019.	✓
12.2	Description of process regarding unallocated proceeds after 24 months	Not applicable. The full amount of the net proceeds has been allocated to nominated Eligible Assets as of 31 st December 2019.	–

13. EARMARKING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
13.1	Description of internal earmarking process	ING Bank Hipoteczny has set up specially designated accounts to track the outstanding proceeds of Green Financing instruments internally. The earmarking of use of proceeds is reflected in the management of the project list and published in the ING Bank Hipoteczny Green Bond Allocation Report 2019.	✓

ANNEX 2: DETAILED FINDINGS GREEN BUILDINGS

	The Green Bond Asset Pool complies with the Low Carbon Residential Buildings criteria of the Climate Bonds Initiative.
	All assets are qualified by year of construction (TC2017/2021).