

ORLEN S.A.

# **Allocation & Impact Report 2022**



# Information on the allocation of proceeds from Green Bonds issued by ORLEN

Released in 2021, the ORLEN Green Finance Framework (“Green Finance Framework”) is dedicated to supporting delivery of ORLEN’s strategy and the transition to a low carbon economy. It is also intended to help drive the growth of the Green Financing market by allowing ORLEN to use an array of financial instruments and to take advantage of positive investor sentiment towards financing green projects.

In May 2021, ORLEN conducted inaugural Green Bond issues for a total of EUR 500 million in order to support its sustainable development in the area of renewable energy, clean transportation, and pollution prevention and control.



## Use of proceeds

The net proceeds of ORLEN’s Green Finance Instruments will be used to finance and/or refinance, in whole or in part, new or existing projects (“Eligible Green Projects”) in any of the Eligible Green Project Categories as defined below. The categories of ORLEN Green Finance Instruments are based on the Green Bond Principles and Green Loan Principles. The criteria for Renewable Energy and Clean Transportation projects have been defined so as to ensure that the projects contribute to the EU Environmental Objective of Substantial Contribution to Climate Change Mitigation, as well as being aligned with the associated technical screening criteria of the EU Taxonomy. By satisfying the Pollution Prevention and Control criteria, projects will contribute to the EU Environmental Objective of Substantial Contribution to the Transition to a Circular Economy, for which no technical screening criteria have been established as yet.







GBP/GLP Category	Eligibility Criteria	Contribution to UN SDG	Contribution to EU Environmental Objectives¹
Renewable Energy	<p>Financing and/or refinancing of investments and expenditures for the the acquisition, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources from:</p> <ul style="list-style-type: none"><li>— <b>Solar Energy:</b> onshore and offshore photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities</li><li>— <b>Wind Energy:</b> onshore and offshore wind energy generation facilities</li></ul>	<div>7 CZYSTA I DOSTĘPNA ENERGIA</div> <div>13 DZIAŁANIA W DZIEDZINIE KLIMATU</div>	<p><b>Substantial contribution to Climate Change Mitigation (Article 10):</b></p> <p><b>1.a)</b> Generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2000, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid</p>
Clean Transportation	<p>Financing and/or refinancing of expenditures and / or investments to advance the introduction of low carbon transportation infrastructure, such as (but not limited to):</p> <ul style="list-style-type: none"><li>— Infrastructure related to <b>electric transportation</b> of passengers and freight such as (fast) charging stations and <b>hydrogen</b> fuelling stations</li></ul>	<div>9 INNOWACYJNOŚĆ, PRZEMYSŁ, INFRASTRUKTURA</div> <div>13 DZIAŁANIA W DZIEDZINIE KLIMATU</div>	<p><b>Substantial contribution to Climate Change Mitigation (Article 10):</b></p> <p><b>1.c)</b> Increasing clean or climate-neutral mobility</p>
Pollution Prevention and Control	<p>Financing and/or refinancing of investments and expenditures for the acquisition, development, construction and operation of facilities for:</p> <ul style="list-style-type: none"><li>— Sorting mixed recyclables</li><li>— Processing recyclable waste fractions into secondary raw materials</li></ul>	<div>9 INNOWACYJNOŚĆ, PRZEMYSŁ, INFRASTRUKTURA</div> <div>12 ODPOWIEDZIALNA KONSUMPCJA I PRODUKCJA</div>	<p><b>Substantial contribution to the transition to a circular economy (Article 13):</b></p> <p><b>1.f)</b> Increases the use of secondary raw materials and their quality, including by high-quality recycling of waste</p> <p><b>1.i)</b> increase preparing for the re-use and recycling of waste</p>



## Assessment and selection of Eligible Green Projects

ORLEN has established a clear decision-making process to determine the eligibility of nominated projects for financing in accordance with the eligibility criteria referred to in the Use of Proceeds section of the Green Finance Framework.

The bodies responsible at ORLEN for selecting Eligible Green Projects are the Investment Committee, which is composed of Managing Directors for Finance, Controlling, Strategy and Innovations, Development and Technology, IT, M&A, Property Investments, Procurement and Production, and the Corporate Strategy Committee, which is composed of the Strategy Director and all ORLEN Board Members excluding the CEO.

The Committees verify the compliance of selected Eligible Green Projects with the Eligibility Criteria at least once a year. They are also responsible for excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and for replacing them on a best efforts basis.

Reviewing the contents of the Green Finance Framework and updating it so as to reflect changes in the ORLEN corporate strategy, technology and market environment on a best efforts basis are the responsibility of the Finance and Corporate Strategy teams. Any updates to the Green Finance Framework are subject to approval by the ORLEN Management Board.

## Reporting

Allocation of proceeds as at Dec 31 2022:	Nominal value at issuance	Funds allocated in 2022	Funds outstanding	Funds allocated to Eligible Projects in 2022	Number of Green Bond- funded projects	% of project costs financed with Green Bond proceeds
Green Bonds 2021	EUR 500 m	EUR 33.3 m	EUR 247.4 m	of which funds allocated to renewable energy projects: EUR 26.5 m	10	100%
				of which funds allocated to clean transportation projects: EUR 6.8 m	4	100% <sup>1</sup>
				of which funds allocated to pollution prevention and control projects: EUR 0 m	0	100%

<sup>1</sup> Except project „H<sub>2</sub> filling station” finance in 85% from Doprava Program



The Eligible Green Projects selected by ORLEN for financing with May 2021 Green Bond proceeds can be broken down as follows:

GBP/GLP Category	Type and project name	Type and capacity	Location	Year of coming into service
 Renewable Energy	Wind energy Baltic Power	Offshore wind farms; up to 1,200 MW	Baltic Sea	2026
	Wind energy „Kanin”	Onshore wind farms; 20 MW	Poland	2021
	Wind energy „Nowotna”	Onshore wind farms; 89.4 MW	Poland	2021
	Wind energy „Przykona”	Onshore wind farms; 32.85 MW	Poland	2020
	Solar energy „Gryf”	Solar farm; 19.8 MW	Poland	2022
	Solar energy „Mitra”	Solar farm; 65 MW	Poland	2023
	Solar energy „Wielbark”	Solar farm; 62 MW	Poland	Final capacity to be reached in 2023
	Solar energy „ENERGA”	Solar farms; 5 MW	Poland	2023
	Solar energy „CCGT Włocławek”	Solar farm; 2 MW	Poland	2022
	Solar Farms Programe	Solar farms - of up to 16 MW in aggregate	Poland	Schedule to be determined depending on the farm location
	Wind energy „Neptun”	Offshore wind farms; (5 locations) Including installation terminal in Świnoujście	Poland	Schedule to be determined; 2027 at the earliest
 Clean Transportation	Solar Farms Programe - Energa Green Development <sup>2</sup>	Solar Farms Programe - Energa Green Development	Poland	Schedule to be determined depending on the farm location
	Solar farm - ORLEN Południe <sup>3</sup>	Solar farm - ORLEN Południe	Poland	2023
	Clean Cities - Hydrogen mobility in Poland (Phase I)	Hydrogen loading hub in Włocławek (including trailers)	Poland	2023
	H <sub>2</sub> filling station	Two hydrogen filling stations	Czech Republic	2023 (2 stations);
	EV charging stations	154 stations	Poland	2022
	Alternative Fuels - E-mobility	Over 100 stations	Germany	2024

<sup>2</sup> New project in Eligible Green Projects

<sup>3</sup> New project in Eligible Green Projects





## Impact of financed Eligible Green Projects

The tables below summarize the three main impacts of the renewable energy projects financed with Green Bond proceeds, i.e.:

- installed renewable energy capacity built under each project (in MW);
- renewable energy produced per year (if applicable);
- the estimated CO<sub>2</sub> emissions avoided as a result of supplying the renewable energy produced into the electricity grid.

The data in the tables have been aggregated to represent the overall impacts of all projects in a given category which have been financed with Green Bond proceeds.

Project category	Total capacity of financed projects as at Dec 31 2022	Renewable energy produced per year	Estimated avoided CO <sub>2</sub> emissions*
Renewable Energy	173.1 MW	383,880 MWh	292,133 / 369,485 Mg CO <sub>2</sub>

\* The estimate is based on two indices:  
1) Index of the National Centre for Emissions Management =761 kg CO<sub>2</sub>/MWh.  
2) Emission factor per unit of electricity produced by coal-fired power plants, based on the Regulatory Impact Assessment (RIA) prepared for the purposes of the Polish Act of December 17th 2020 on the Promotion of Electricity Generation by Offshore Wind Farms = 962.5 kg CO<sub>2</sub>/MWh.

The table below summarises the three main impacts of the **clean transportation projects** financed with Green Bond proceeds, i.e.:

- number of EV charging station units installed;
- amount of charged vehicles/charging hours;
- the estimated CO<sub>2</sub> emissions avoided as a result of supplying the additional electricity produced into the electricity grid.

Project category	Number of EV charging station units installed	Amount of charged vehicles (2022)	Amount of charging hours (2022)	Estimated avoided CO <sub>2</sub> emissions (2022)
Clean Transportation	154	98,168	51,980 h	36 TCO <sub>2</sub> eq





The table below summarises the main impact of the **pollution prevention and control projects** financed with Green Bond proceeds, i.e.:

— waste that is prevented or recycled in absolute amount (tonnes).

Project category	Waste that is prevented or recycled in absolute amount
Pollution Prevention	0 tonnes



# Independent Limited Assurance Report

## To the Management Board of Polski Koncern Naftowy ORLEN S.A.

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### Scope of the engagement

We were engaged by the Management Board of Polski Koncern Naftowy ORLEN S.A. (hereinafter "PKN ORLEN") to report in the form of an independent limited assurance conclusion on the allocation of the Green Finance instrument proceeds to the portfolio of Eligible Green Projects and the impact of the Eligible Green Projects (hereinafter "allocation and impact indicators"), which are included in the Allocation and Impact Report of Polski Koncern Naftowy ORLEN S.A. for the year ended 31 December 2022 (hereinafter "A&I Report"). Allocation and impact indicators were prepared in accordance with

methodological guidance provided in the "Green Bond Principles Voluntary Process Guidelines for Issuing Green Bonds" (hereinafter "GBP") and the "Handbook, Harmonized Framework for Impact Reporting" (hereinafter "Handbook for Impact Reporting") published by International Capital Market Association in order to fulfil PKN ORLEN's obligation included in "PKN ORLEN SA Green Finance Framework" (chapter 6) to provide annual information on the expected output and environmental benefits of the selected projects.

### Responsibility of the Management Board

The Management Board of the PKN ORLEN is responsible for preparation and presentation of the allocation and impact indicators included in the A&I Report in accordance with GBP and Handbook for Impact Reporting.

This responsibility also includes design, implementation and maintenance of an internal control system enabling the preparation and presentation of the

allocation and impact indicators free from material misstatement, whether due to fraud or error.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the allocation and impact indicators included in A&I Report are properly trained and that any changes in reporting encompass all significant business units.

### Responsibility of the entity performing the assurance engagement

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements other than audit or review of historical financial

information issued by the International Auditing and Assurance Standards Board ("IAASB"). That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the allocation and impact indicators are free from material misstatement.

KPMG Advisory spółka z ograniczoną odpowiedzialnością sp.k.

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The firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements issued by IAASB and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied

### **Procedures performed**

The selection of procedures depends on our understanding of the allocation and impact indicators and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In obtaining an understanding of the allocation and impact indicators and other engagement circumstances, we have considered the process used to prepare the allocation and impact indicators, in order to design assurance procedures that are appropriate in the circumstances, but not to for the purposes of expressing a conclusion as to the effectiveness PKN ORLEN's process or internal control over the preparation and presentation of the allocation and impact indicators.

Our engagement also included: assessing the appropriateness of the allocation and impact indicators, the suitability of the criteria used by PKN ORLEN in preparing the of the allocation and impact indicators in the circumstances of the engagement, evaluating the appropriateness of methods, policies and procedures used in the preparation of the allocation and impact indicators and the reasonableness of estimates made by PKN ORLEN.

The scope of procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The performed procedures concerned the allocation and impact indicators included in

with the independence and ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

the A&I Report and did not relate to other information included in the A&I Report.

A limited assurance engagement on a report consists of making inquiries, primarily of persons responsible for the preparation of allocation and impact indicators presented in the A&I Report, and applying analytical and other evidence gathering procedures, as appropriate. Our procedures included in particular:

- Interviewing relevant staff responsible for preparing the allocation and impact indicators and obtaining, through inquiries, an understanding of the internal control system enabling the preparation of the allocation and impact indicators and presenting the allocation and impact indicators in A&I Report;
- Obtaining, through inquiries, an understanding of the methods of collecting source data and the assumptions used for the preparation of allocation and impact indicators;
- Verifying the completeness of information and assessing the presentation of the allocation and impact indicators with the GBP and Handbook for Impact Reporting;
- Comparison of allocation and impact indicators with the PKN ORLEN's relevant internal documentation, i.a. reports, invoices and protocols;
- Recalculation of the selected allocation and impact indicators;
- Reconciliation of the selected sample of the analytical data being basis for the preparation of allocation and impact indicators with the appropriate source data.



## Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions. Based on the procedures performed and evidence obtained, as described above, nothing has come to our

attention that causes us to believe that the allocation and impact indicators included in the A&I Report for the year ended 31 December 2022, are not prepared, in all material respects, in accordance with the GBP and Handbook for Impact Reporting.

## Restriction of use of our Report

Our report was prepared for the Management Board in order to fulfil PKN ORLEN obligation expressed in chapter 6 of the "PKN ORLEN SA Green Finance Framework" and should not be used for any other purpose. KPMG assumes no liability in connection with this report of any

contractual or non-contractual relationship (including negligence) to third parties in the context of this report. The above does not relieve us of liability where such release is excluded by law.

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**KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k.**

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**Warsaw, 27 June 2023**



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