



POST-ISSUANCE CLIMATE BOND CERTIFICATION

Verification Report for Post-Issuance Certification
for the Green Bond Issued by ORLEN S.A.



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SCOPE OF WORK

ORLEN S.A (“the Issuer” or “ORLEN”) commissioned ISS-Corporate 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 Standard 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 3.0)
- Wind Sector Eligibility Criteria (Version 1.2)
- Solar Sector Eligibility Criteria (Version 2.1)
- Low Carbon Transport Sector Eligibility Criteria (Version 2.0)

ISSUER’S RESPONSIBILITY

ORLEN S.A.’s responsibility was to provide information and documentation on:

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

ISS-CORPORATE’S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, 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.

This independent Post-Issuance Verification of the green bond issued by ORLEN S.A. has been conducted based on the Climate Bonds Standard Version 3.0, and limited assurance procedures based on common market practices and voluntary guidelines, in accordance with relevant assurance standards such as the International Standard on Assurance Engagements, other than Audits or Reviews of Historical Financial Information (ISAE 3000).

The approach to assess whether the Issuer’s green bond meets the criteria of the Climate Bonds Standard Version 3.0. is as follows:

- The Issuer provided an overview of 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).

- The Issuer filled out a questionnaire that covers all criteria of the Climate Bonds Standard Version 3.0.
- The Issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- An assessment of the CBI criteria has been carried out using the questionnaire and background documents. In case any answers were unclear, the Issuer has been contacted for more details and clarification.

The engagement with ORLEN S.A. took place from June to August 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 ORLEN S.A. and the Climate Bonds Standard Board. The present document may be published by ORLEN S.A., the CBI and ISS-Corporate. The CBI and ISS-Corporate agree to publish the report with the consent of ORLEN S.A.

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 2021 green bond (XS2346125573) is not in conformance with the Climate Bonds Standard's post-issuance requirements.



MARIJA KRAMER
ISS Corporate Solutions Business
Rockville, MD, 29 August 2024

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About ISS-Corporate

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so that investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/>.

For more information on SPO services, please contact: SPOsales@iss-corporate.com.

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ANNEXES

Annex 1: Detailed Findings

Annex 2: Detailed Findings Solar Power

Annex 3: Detailed Findings Wind Power (Onshore)

Annex 5: Detailed Findings Low Carbon Transport

ANNEX 1: DETAILED FINDINGS

5. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
5.1	Net proceeds allocation to nominated projects	The full amount of the net proceeds has been allocated to nominated eligible assets. ¹ In 2023, the Baltic Power offshore wind project was removed from the allocation list, and three onshore wind farm projects were added to the allocation list. As such, there were no more offshore wind farms.	✓
5.2	Conformance with the bond's documented objectives and requirements of Part B of the CBI Standard	The allocated net proceeds have been used to finance/refinance the following projects, which conform with the relevant eligibility requirements under Part B of the Climate Bonds Standard: <ul style="list-style-type: none"> ▪ Solar farms ▪ Wind projects ▪ Low carbon transportation 	✓
5.3	Allocation of proceeds within 24 months of issuance of the bond	Since the issuance of the green bond in May 2021, 100% of the net proceeds were allocated by the end of 2023. The extension of the allocation period until the end of 2023, as agreed upon with the CBI, allowed for complete allocation beyond the standard 24-month timeframe from issuance.	✓
5.4	No double nomination of projects and assets	The Issuer confirms that the nominated assets have not been nominated to other CBI certified climate bonds.	✓

¹ Three different exchange rates were used as follows: exchange rate EUR/PLN as of Dec. 31, 2021, for expenses spent from 2018-2021 (4.5994), exchanged rate EUR/PLN as of Dec. 31, 2022, for expenses spent in 2022 (4.6899), exchanged rate EUR/PLN as of Dec. 31, 2023, for expenses spent in 2023 (4.348).

5.5	Share of financing vs. refinancing	The Issuer confirms that approximately 11% of the net proceeds were used for refinancing with lookback period from 2018-2020.	✓
5.6	Tracking of proceeds	The Issuer confirms that the net proceeds are tracked and managed in accordance with the process as stated in Chapter 5 of the Green Finance Framework .	✓
5.7	Size of net proceeds vs. investment exposure to nominated projects and assets	The Issuer confirms that the value of the nominated projects far exceeds the net proceeds of the issuance.	✓
5.8	Additional projects and assets	All nominated projects fall within the same Sector Criteria as in the pre-issuance certification.	✓

6. PROCESS FOR EVALUATION AND SELECTION OF PROJECTS AND ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
6.1	<p>Documented and maintained a decision-making process, including:</p> <p>A statement on the climate-related objectives of the bond</p> <p>Climate-related objectives of the bond in the context of the Issuer’s strategy</p>	<p>The Issuer confirms that the project selection and evaluation process are in accordance with the process as stated in Chapter 4 of the Green Finance Framework. ORLEN has an Investment Committee and a selection process to ensure only eligible and appropriate projects and assets are included for nomination and financing by the proceeds.</p> <p>An appropriate statement has been included in ORLEN’s Green Finance Framework, which incorporates all the necessary elements. The objective of the green finance instrument is to</p>	✓

	<p>Issuer’s rationale for issuance of the bond</p> <p>Process determining that the projects/assets meet the eligibility criteria</p>	<p>channel investments to projects that have demonstrated environmental benefits. The Framework aims to support ORLEN’s strategy and the transition to a low carbon economy. By issuing the green finance instruments, ORLEN intends to align its funding strategy with its mission, sustainability strategy and responsible investing objectives.</p>	
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7. MANAGEMENT OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
7.1	<p>Net proceeds are credited to a subaccount and documented</p>	<p>ORLEN confirms that the proceeds are managed as described in the pre-issuance certification. The net proceeds of the bonds are managed by ORLEN’s finance department, which verifies that the allocation of the bonds’ net funds coincides nominally with the disbursements made to the eligible green projects until the full allocation of funds.</p> <p>The finance department, in cooperation with Investment and Development Controlling Office, monitored the implementation of CapEx concerning green portfolio projects quarterly. For this purpose, there was an internal reporting system implemented, the Central Register of Initiatives and Projects (CRIP).</p>	<p>✓</p>
7.2	<p>Net proceeds are earmarked</p>	<p>ORLEN maintains an internal project register with all investment projects (CapEx and OpEx expenditures), including those related to the green bond portfolio, linked to an</p>	

		<p>identifier/tracker that is matched with the company's accounting system, SAP. ORLEN confirms that the earmarking process for the proceeds is the same as the one described in the pre-issuance certification.</p> <p>The finance department monitors the allocation of the net proceeds to the portfolio of eligible green projects through an asset register (CRIP) containing the eligible green projects. Additional projects are be added to the portfolio of eligible green projects to the extent required.</p> <p>Eligible green projects are selected by ORLEN's Investment Committee, comprising managing directors responsible for finance, controlling, strategy and innovations, development and technology, IT, M&A, property investments, procurement, and production, as well as its Strategy Committee, comprising the strategy director and all ORLEN board members except for the CEO. These committees verify the compliance of the selected eligible green projects with the eligibility criteria at least annually. The committees are also responsible for excluding projects that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best-efforts basis.</p>	<p style="text-align: center;">✓</p>
<p>7.3</p>	<p>Unallocated proceeds</p>	<p>The full amount of the net proceeds has been allocated.</p>	<p style="text-align: center;">✓</p>

8. REPORTING

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
8.1	Timing and availability of Update Reports	ORLEN publishes the Allocation & Impact Report annually (2021, 2022 and 2023) on its website and will report publicly until maturity.	✓
8.2	Allocation Report, Eligibility Report, Impact Report	ORLEN will publish details on the allocation, eligibility and impact of the projects financed by this bond in its Allocation & Impact Reports that will be available on its website.	✓
8.3	Allocation Reporting	<p>The allocation reporting details are available in the Allocation & Impact Report on ORLEN’s website.</p> <p>ORLEN confirms that the bond issued under the Green Bond Framework is aligned with the Climate Bonds Standard. Approximately 11% of the bond proceeds have refinanced the historical CapEx.</p> <p>The list of projects include²:</p> <ul style="list-style-type: none"> ▪ Gryf solar farm ▪ Mitra solar farm ▪ Small solar farms ▪ Wloclawek solar farm ▪ Photovoltaics program ▪ Hydrogen charging stations ▪ EV charging stations ▪ Chopin II wind farms project <p>The objective of the green bond issued is to support ORLEN’s sustainable development in renewable energy, clean transportation, and pollution</p>	✓

² Please refer to ORLEN’s 2023 Allocation and Impact Report for full details on the allocation throughout the lifetime of the bond.

		<p>prevention and control. The Issuer includes in the report the amount of proceeds allocated in 2021, 2022 and 2023, with the breakdown by project category. Moreover, the Issuer has included project information such as project type and name, capacity, location and year of coming into service.</p>	
8.4	Eligibility Reporting	<p>The eligibility reporting details will be available in the Allocation & Impact Report on ORLEN’s website.</p> <p>The Issuer confirms that the eligibility of nominated projects for financing are determined in accordance with the eligibility criteria referenced in the Green Finance Framework. The project type is also included in the reporting.</p> <p>The Issuer also confirms that the pollution prevention project included in the 2021 Allocation & Impact Report has been removed from the portfolio, namely PIGOZ, a project involving the construction of mechanical recycling plants. Compared to the 2022 A& I report, the Baltic Power offshore wind project was removed from the allocation list, and three onshore wind farm projects were added to the allocation list. As such, there were no more offshore wind farms in 2023 A&I report.</p>	
8.5	Reasons for confidentiality	<p>Public disclosure of the nominated projects and assets will be available on the website.</p>	✓
8.6	Impact Reporting	<p>The impact reporting details are available in the Allocation & Impact Reports on ORLEN’s website.</p>	

		<p>The Issuer has reported on the following impacts and its relevant estimation assumptions:</p> <ul style="list-style-type: none"> ▪ Installed renewable energy capacity built under each project (in MW) ▪ Renewable energy produced per year ▪ Number of EV charging station units installed ▪ Amount of charged vehicles/charging hours ▪ The estimated CO₂ emissions avoided (Mg CO₂) ▪ Number of hydrogen charging stations units installed ▪ Amount of distributed quantities of H₂ <p>Qualitative performance indicators have not been used in the reporting.</p>	
8.7	Public Verifier Reports	The Issuer confirms that the CBI Pre-Issuance Verification Report is available on ORLEN's website and that this CBI Post-Issuance Verification Report will be published on ORLEN's website.	
8.8	Availability of information provided to verifier	Relevant information has been provided to ISS-Corporate.	✓

9. CLIMATE BOND TAXONOMY

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
9.1	Matching of climate bond category	The full amount of the net proceeds has been allocated as of December 2023 to eligible assets that fall within the areas included in the Climate Bonds Taxonomy.	✓

10. TECHNICAL CRITERIA

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
10.1	Sector-specific eligibility criteria	The full amount of the net proceeds has been allocated to eligible assets related to the aforementioned categories and conform with the relevant eligibility requirements under Part B of the Climate Bonds Standard.	✓

ANNEX 2: DETAILED FINDINGS SOLAR POWER

✓	<p>The green bond(s) asset pool complies with the Solar Criteria of the Climate Bonds Initiative.</p> <p>The proceeds were used to finance the construction of the following solar assets:</p> <ul style="list-style-type: none"> ▪ Solar Facility 1, 19.8 MW — Poland ▪ Solar Facility 2, 5.2 MW — Poland ▪ Solar Facility 3, 65.6 MW — Poland ▪ Solar Facility 4, 62 MW — Poland ▪ Solar Facility 5, 3.5 MW — Poland ▪ Solar Facility 6, 2 MW — Poland ▪ Solar farms program, up to 16.2 MW — Poland <p>These facilities meet the eligibility criteria and are therefore eligible for the Climate Bonds Initiative (please see below for further details).</p>
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Eligibility Criteria

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
A minimum of 85% of electricity generated	The Issuer has onshore solar electricity generation facilities, which does not involve fossil fuel back-up and	✓

from solar energy resources

therefore fulfills the criteria of a minimum of 85% of electricity being generated from solar energy resources.

ANNEX 3: DETAILED FINDINGS WIND ENERGY (ONSHORE)

	<p>The green bond(s) asset pool complies with the Wind Criteria of the Climate Bonds Initiative.</p> <p>The proceeds were used to finance the acquisition or operation of the following wind assets:</p> <ul style="list-style-type: none"> ▪ Generation Facility 1, 20 MW — Poland ▪ Generation Facility 2, 89.4 MW — Poland ▪ Generation Facility 3, 31 MW — Poland ▪ Generation Facility 4, 142 MW — Poland <p>These facilities meet the eligibility criteria and are therefore eligible for the Climate Bonds Initiative (please see below for further details).</p>
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Eligibility Criteria

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
A minimum of 85% of electricity generated from wind energy resources	The Issuer has onshore wind electricity generation facilities, which do not involve more than 15% of fossil fuel back-up, therefore fulfilling the criteria of a minimum of 85% of electricity being generated from wind energy resources.	✓

ANNEX 4: DETAILED FINDINGS LOW CARBON TRANSPORT

✓	<p>The green bond(s) asset pool complies with the Low Carbon Transport Criteria of the Climate Bonds Initiative.</p> <p>The proceeds were used to finance the construction and operation of the following low carbon transport assets:</p> <ul style="list-style-type: none"> ▪ Hydrogen filling stations — Czech Republic ▪ Electric charging stations — Poland ▪ Alternative fuel infrastructure (separate from fossil fuel filling stations) — Germany <p>These facilities meet the eligibility criteria and are therefore eligible for the Climate Bonds Initiative (please see below for further details).</p>
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Eligibility Criteria

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
Infrastructure related to electric of passengers and freight stations and hydrogen fueling stations	The Issuer financed hydrogen filling stations, electric charging stations, and alternative fuel infrastructure (separate from fossil fuel filling stations), therefore fulfilling the criteria.	✓