



Ministry
of Finance

Republic
of Poland



Sovereign Green Bonds in Poland.

October 2018

4 pillars of the Green Bond Framework



- Republic of Poland's Green Bond Framework and subsequent Green Bonds align with the ICMA Green Bond Principles issued in June 2016, as confirmed by an independent external review process carried out by Sustainalytics
- The Green Bond Framework has been developed to demonstrate how the State Treasury of the Republic of Poland will issue Green Bonds to fund new financing or the re-financing of Eligible Projects
- The Green Bond Framework has been prepared according to Green Bond Principles and includes:
 - Use of Proceeds
 - Project Evaluation and Selection
 - Management of Proceeds
 - Reporting



- The Green Bond Framework and Second Opinion are available on the website*

Use of Proceeds - Eligible Sectors



- The Green Bond Framework details Eligible Sectors, these are outlined below:

Renewable Energy



Sustainable Agricultural Operations



Afforestation



National Parks



Clean Transportation



Reclamation of Heaps



Ineligible sectors



To provide as much transparency as it is possible, Green Bond Framework assumes specific projects that are **explicitly excluded** from Green financing

Such ineligible projects include:

- ✘ Burning of fossil fuel for power generation and transportation
- ✘ Rail infrastructure dedicated for transportation of fossil fuels
- ✘ Nuclear power generation
- ✘ Palm oil operations
- ✘ Production/provision of weapon/alcohol/gambling/adult entertainment
- ✘ Large scale hydro projects (over 20MW of electricity generation)
- ✘ Transmission infrastructure and systems where 25% or more of electricity to the grid is fossil-fuel-generated
- ✘ Use of biomass for generation in coal plants



Project selection, management of proceeds and reporting commitment



- Ministry of Finance identifies potential projects based on budgetary expenditure plan - underlying projects are tested for eligibility according to the Green Bond Framework
- Approved spendings from the budget to be funded/refunded by the Green Bond proceeds kept on a dedicated account
- Reconciliation between annual budget and Green Bond allocation is performed and confirmed in annual report to ensure no double counting of Eligible Projects across multiple Green Bond issuance
- Annual reporting presenting utilisation of proceeds until full allocation is published on the website



Green Bond
proceeds



Dedicated
EUR „Green”
Account



State
Budget

Second Party Opinion



- *„Sustainalytics is of the opinion that the Poland Green Bond Framework is robust, credible, and transparent”*
- *„Issuance of green bonds under the Poland Green Bond Framework is a step that will help Poland achieve its objective of transitioning to a low-emissions economy,,*
- *„Proceeds from the bond will have clear positive environmental impacts and contribute to achieving Poland’s environmental targets,,*



Inaugural Green Bond – execution



- On December 12, 2016 Poland issued inaugural Green Bond as the first-ever sovereign issuer
- The issuance followed 3-day European roadshow

Terms of the issue

Issuer rating	A-/A2/A- (Fitch/Moody's/S&P)
Pricing date	12 December 2016
Settlement date	20 December 2016
Maturity	20 December 2021
Size	EUR 750m
Tenor	5 years
Coupon	0.5%
Re-offer yield	0.634%
Documentation	Euro EMTN programme

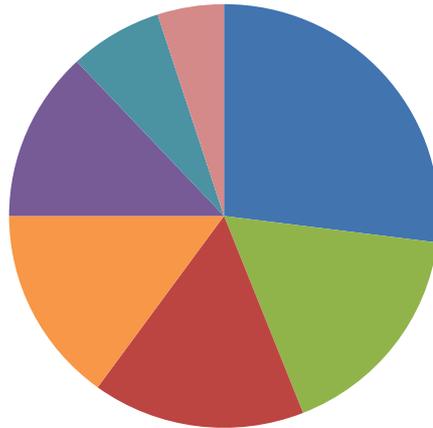
Key execution highlights:

- On 12 December 2016, based on supportive market backdrop, MoF decided to issue Green bonds
- Transaction has been launched with IPT – MS+60bps area
- Following remarkable build-up of the orderbook price guidance was revised to MS+50-55bps
- While orderbook reached EUR 1.4bn spread was tightened further to MS+48-50bps and then transaction was priced at the tight end at MS+48bps
- Final pricing was 12bps inside of IPTs with only 8bps NIP compared to pre-announcement levels

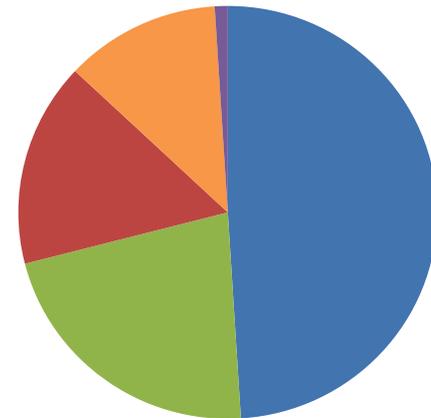
Inaugural Green Bond structure of investors



- Demand from investors' side amounted to EUR 1.5bn
- In light of strong demand, size of the transaction was raised to EUR 750m from initially planned EUR 500m.
- The structure of buyers was well diversified both geographically and institutionally
- **61% of the final allocation went to designated green accounts**



- Germany / Austria (27%)
- UK / Ireland (16%)
- France (13%)
- Others (5%)
- Benelux (17%)
- Nordics (15%)
- Poland (7%)

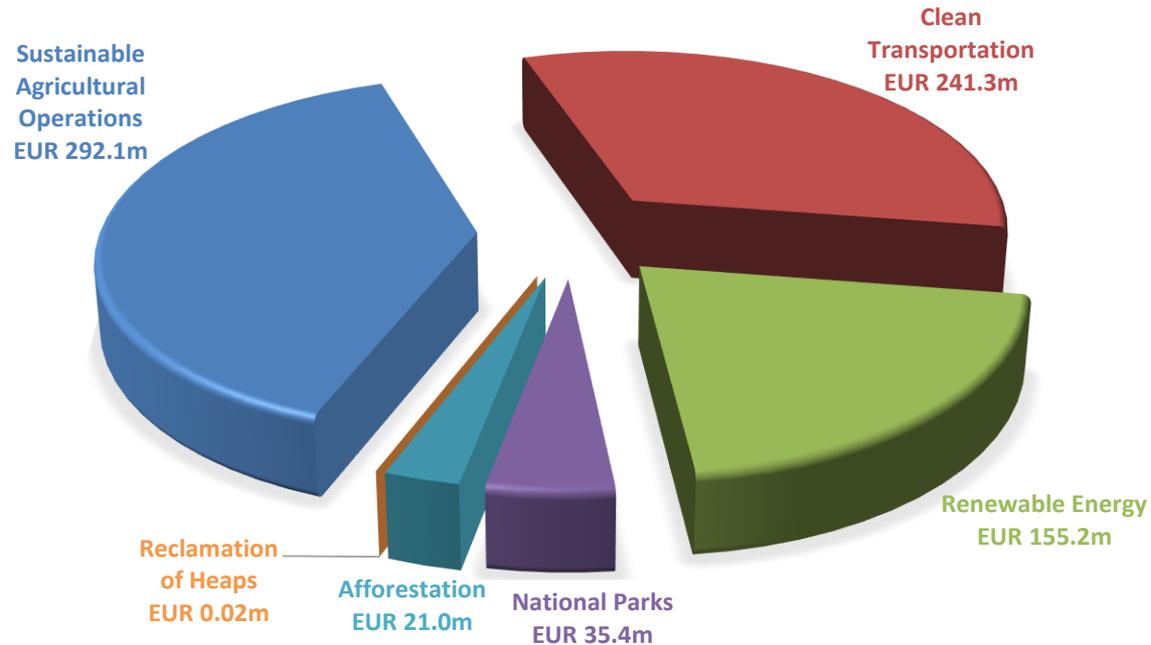


- Fund Managers (49%)
- Banks (22%)
- Pension Funds / Insurance companies (16%)
- Central Banks / Public Institutions (12%)
- Others (1%)

Green Bond Report on the Use of Proceeds



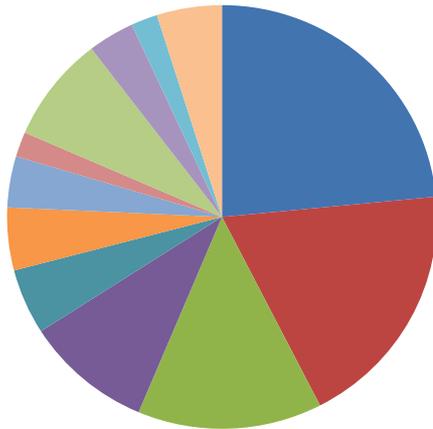
- In December 2017, Poland fulfilled its obligation to present the report on the use of proceeds from a Green Bond
- It contains comprehensive information on the inaugural Green Bond issuance
- In particular, it presents detailed data on the use of proceeds in different dimensions



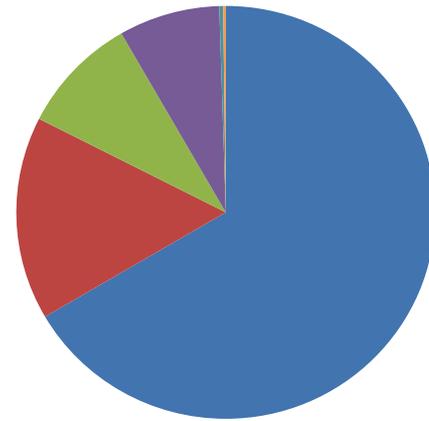
Second Green Bond – case study



- On February 7, 2018 Poland issued its second Green Bond following inaugural transaction from December 2016
- 8.5-year EUR denominated bonds were priced at 23bp over mid-swap curve yielding 1.153%
- Demand at EUR 3.25bn allowed to issue EUR 1bn
- The structure of buyers was well diversified, with 41% of allocation going to dedicated green accounts



- France (23.5%)
- UK (13.9%)
- Switzerland (5.0%)
- Austria (3.9%)
- other Europe (8.1%)
- Middle East (2.0%)
- Germany (19.0%)
- Poland (9.6%)
- Nordics (4.8%)
- Benelux (1.9%)
- US offshore (3.5%)
- others (4.9%)



- Fund Managers (66.5%)
- Banks (15.9%)
- Central Banks / Public Institutions (9.2%)
- Pension Funds / Insurance companies (7.8%)
- Hedge Funds (0.3%)
- others (0.2%)

Moody's Assessment



In June 2018 Moody's Investors Service has assigned Green Bond Assessment at GB2 (Very Good) to the Government of Poland's senior unsecured fixed-rate green notes.

Moody's comments:

- (...) the Government of Poland has provided a strong signal that it intends to build a green bond curve to meet its environmental expenditure objectives,
- The GB2 reflects the issuer's explicit guidelines on project eligibility and exclusion criteria, which enhances transparency on the use of proceeds (...),
- Further supporting the GB2 grade is the issuer's transparent organisational approach that exhibits effective collaboration and engagement across ministries and departments.





Thank you for your attention

Ministry of Finance
www.mf.gov.pl
Bloomberg: PLMF <GO>
Reuters: PLMINFIN

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