Second-Party Opinion

Grupa Polsat Plus Sustainability-Linked Financing Framework

Second-Party Opinion
Reviewed by:
MORNINGSTAR | SUSTAINALYTICS

Evaluation Summary

Sustainalytics is of the opinion that the Grupa Polsat Plus Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 (SLBP) and the Sustainability-Linked Loan Principles 2022 (SLLP). This assessment is based on the following:

- **Selection of Key Performance Indicators** The Grupa Polsat Plus Sustainability-Linked Financing Framework includes four KPIs: (i) Absolute scope 1 and 2 GHG emissions (tCO_2e); (ii) Renewable energy generation (GWh); (iii) Green hydrogen production (tonnes); and iv) share of zero-emissions energy in total energy mix (%) (see Table 1). Sustainalytics considers KPI 1 to be very strong, KPI 2 and KPI 3 to be adequate, and KPI 4 to be strong based on their materiality, relevance, scope of applicability and adequacy to external benchmarking.
- **Calibration of Sustainability Performance Targets** Sustainalytics considers SPT 1, SPT 2, SPT 3 and SPT 4 to be aligned with Grupa Polsat Plus' sustainability strategy. Sustainalytics considers SPT 1 to be highly ambitious, SPT 2, SPT 3 and SPT 4 to be ambitious, based on comparison with past performance, peer performance and science-based trajectories.
- **Bond and Loan Characteristics** Grupa Polsat Plus will link the financial characteristics of the instruments issued and obtained under the Grupa Polsat Plus Sustainability-Linked Financing Framework to the achievement of the SPTs. For sustainability-linked bonds and loans issued or obtained, a coupon or interest rate step-up, or premium payment will apply when the relevant SPT has not been achieved by its observation date. The financial instrument characteristics are aligned with the SLBP and the SLLP.
- **Reporting** Grupa Polsat Plus commits to report, at least on an annual basis, and within four months after the observation date, on its progress on the KPIs and the achievement or non-achievement of the SPTs on its website. Grupa Polsat Plus commits to disclosing relevant information to enable investors to monitor the progress towards the SPTs, information regarding SPT baselines, the impact of the progress on the KPIs and the timing of such impact on financial instrument performance. The reporting commitments are aligned with the SLBP and the SLLP.
- **Verification** Grupa Polsat commits to having an external verifier provide limited assurance on the progress on the KPIs annually. The verification commitments are aligned with the SLBP and the SLLP.

Evaluation Date	September 30, 2022
Issuer/Borrower Location	Warsaw, Poland

The SPTs contribute to the following SDGs:

Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2)	2019	Very Strong	Reduce absolute scope 1 and 2 GHG emissions by 75% by 2025 and 80% by 2030 relative to a 2019 baseline	Highly Ambitious
KPI 2: Renewable energy generation (GWh)	2021	Adequate	Increase renewable energy generation to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline	Ambitious
KPI 3: Green hydrogen production (tonnes)	2021	Adequate	Increase green hydrogen production to 1,500 tonnes a year by 2025 and 3,000 tonnes a year by 2030 relative to a 2021 baseline	Ambitious
KPI 4: Share of zero-emissions energy in total energy mix (%)	2019	Strong	Increase the share of zero-emissions energy in the total energy mix to 25% by 2025, 30% by 2026 and 50% by 2030 relative to a 2019 baseline	Ambitious

Table of Contents

Scope of Work and Limitations

Grupa Polsat Plus has engaged Sustainalytics to review the Grupa Polsat Plus Sustainability-Linked Financing Framework dated September 2022 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020[1] and Sustainability-Linked Loan Principles 2022.[2]

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[3] opinion on the alignment of the Framework with the SLBP and SLLP, as administered by ICMA and LMA.

As part of this engagement, Sustainalytics exchanged information with various members of Grupa Polsat Plus' management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Grupa Polsat Plus' representatives have confirmed that:

(1) They understand it is the sole responsibility of Grupa Polsat Plus to ensure that the information provided is complete, accurate and up to date;

(2) They have provided Sustainalytics with all relevant information; and

(3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Grupa Polsat Plus. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.[4] The measurement and reporting of the KPIs are the responsibility of Grupa Polsat Plus. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Grupa Polsat Plus has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

(1) A material change to the external benchmarks[5] against which targets were set;

(2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For inquiries, contact the Corporate Solutions project team:

Jose Yakoubian (Toronto)
Project Manager
jose.yakoubian@sustainalytics.com
(+31) 202 050 053

Ananth Eragam (Amsterdam)
Project Support
ananth.eragam@morningstar.com

Diego Gomez (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3107 0056

Ashok Yashwant (Mumbai)
Project Support
ashok.yashwant@morningstar.com

Sumaiya Waheed (Mumbai)
Project Support
sumaiya.waheed@morningstar.com

[1] The Sustainability-Linked Bond Principles were launched by ICMA in June 2020. They are administered by ICMA and are available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf

[2] The Sustainability-Linked Loan Principles were launched by LSTA in March 2022. They are administered by the LSTA and are available at: https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#

[3] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

[4] Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

[5] Benchmarks refers to science-based benchmarks

Introduction

Grupa Polsat Plus ("GPP" or the "Group") is a media and telecommunications group headquartered in Warsaw, Poland. The Group offers several services such as television production and broadcasting, internet media, telecommunication, pay television, online video streaming, and other bundled multimedia services. GPP had approximately six million business-to-business and business-to-consumer contract customers, provided more than 20 million active services and employed approximately 7,500 personnel as of 2021. The Group is in the process of launching a new business segment that will focus on clean energy generation; green hydrogen production, storage and transportation, construction of hydrogen refuelling stations: and production of hydrogen-powered buses.

GPP intends to issue and/or obtain sustainability-linked bonds, sustainability-linked loans and other financial instruments[6] whose financial characteristics are tied to the achievement of SPTs for four KPIs.

GPP has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the SLBP and SLLP. The Framework will be published in a separate document on GPP's corporate website.[7]

GPP has defined the following KPIs and SPTs:

Table 1: KPI Definitions

KPI	Definition
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2e)	KPI 1 measures the absolute scope 1 and 2 GHG emissions in tonnes of CO_2 equivalent (tCO_2e) from four operating companies of GPP's technology, media and entertainment, and telecommunications business: Cyfrowy Polsat, Telewizja Polsat, Polkomtel and Netia, which represent more than 90% of GPP's energy consumption as of 2021. GPP reports on and calculates its scope 1 and 2 GHG emissions in line with the GHG Protocol. Scope 1 GHG emissions include those from mobile operations, combustion and cooling activities. Scope 2 GHG emissions include indirect emissions from purchased electricity and heat.
KPI 2: Renewable energy generation (GWh)	KPI 2 is defined as the energy produced per year from renewable energy sources, measured in GWh, by entities in which GPP: (i) holds a controlling stake and are therefore fully consolidated; or (ii) intends to hold a controlling stake and will be fully consolidated on completion of the transaction. Acquisitions are taken into account on a pro-forma basis as of the 1st of January of the current year to the extent possible or as of the following year. Renewable energy sources defined by GPP include solar, wind and biomass facilities. Biomass feedstock for energy the production will meet the current requirements of the Directive (EU) 2018/20018. Future amendments to the directive will not affect the KPI calculation methodology. Biomass feedstock will only be from second-generation sources, and feedstock from primary sources or vegetable oils will be excluded from operational use in GPP's biomass plants.
KPI 3: Green hydrogen production (tonnes)	KPI 3 is defined as the quantity of green hydrogen produced per year, measured in tonnes, by entities in which GPP: (i) holds a controlling stake and are therefore fully consolidated; or (ii) intends to hold a controlling stake and will be fully consolidated on completion of the transaction. Acquisitions are taken into account on a proforma basis as of the 1st of January of the current year to the extent possible or as of the following year. Green hydrogen is defined as hydrogen produced through electrolysis using electricity generated from solar, wind, bioenergy (biomass and biogas), geothermal, hydropower and tidal sources.
KPI 4: Share of zero-emissions energy in total energy mix (%)	KPI 4 is defined as the ratio of zero-emission energy to the total energy used, expressed in percentage. The scope of the KPI includes four operating companies of GPP's TMT business: Cyfrowy Polsat, Telewizja Polsat, Polkomtel and Netia, which represent more than 90% of GPP's energy consumption as of 2021. GPP has communicated to Sustainalytics that zero-emissions energy is defined as the electricity used, sourced from solar, geothermal, tidal and wind power facilities.

[6] Sustainalytics has not reviewed the other financial instruments that may be issued and/or obtained under the Framework.
[7] Grupa Polsat Plus, at: www.grupapolsatplus.pl
[8] European Union, "Directive (EU) 2018/2001 of the European Parliament and of the council", (2018), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001

Table 2: SPTs and Past Performance

KPI	2019	2020	2021	SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2e)	(Baseline) 286,240	122,106	77,538	Reduce absolute scope 1 and 2 GHG emissions by 75% by 2025 and 80% by 2030 relative to a 2019 baseline
KPI 2: Renewable energy generation (GWh)	-	-	(Baseline) 0	Increase renewable energy generation to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline
KPI 3: Green hydrogen production (tonnes)	-	-	(Baseline) 0	Increase green hydrogen production to 1,500 tonnes a year by 2025 and 3,000 tonnes a year by 2030 relative to a 2021 baseline
KPI 4: Share of zero-emissions energy in total energy mix (%)	(Baseline) 0%	0%	11.9%	Increase the share of zero-emissions energy in the total energy mix to 25% by 2025, 30% by 2026 and 50% by 2030 relative to a 2019 baseline

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Grupa Polsat Plus Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Grupa Polsat Plus Sustainability-Linked Financing Framework aligns with the five core components of the SLBP and SLLP and has detailed this assessment below.

Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: (i) whether an indicator speaks to a material impact of GPP's business on environmental or social issues; and (ii) to what extent the KPI is applicable.

KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2e)

Sustainalytics' Industry Reports on the Telecommunication Services[9] industry identify Carbon-Own Operations[10] as a material ESG issue. On this note, the largest share of GHG emissions is derived from the energy used to run data centres, base stations, telephone exchanges and core networks. The rapid expansion of international telecommunications infrastructure, including 5G technology deployment and growing customer demand, is expected to increase the industry's energy requirements substantially over the next few years.[11] Furthermore, the International Telecommunication Union has highlighted that the ICT sector needs to achieve a 45% GHG emissions reduction between 2020 and 2030 to meet the Paris Agreement's climate goals.[12]

Regarding applicability, KPI 1 covers scope 1 and 2 GHG emissions from four operating companies of GPP's TMT business: Cyfrowy Polsat, Telewizja Polsat, Polkomtel and Netia, totalling 77,538 tCO_2e, which represented 64.4%

[9] Sustainalytics, "Industry Report – Telecommunication Services", (2021)
[10] Carbon – Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of scope 3 GHG emissions
[11] Ibid.
[12] International Telecommunication Union, "ICT industry to reduce greenhouse gas emissions by 45 per cent by 2030", (2020), at: https://www.itu.int/en/mediacentre/Pages/PR04-2020-ICT-industry-to-reduce-greenhouse-gas-emissions-by-45-percent-by-2030.aspx

of the Group's total GHG emissions (scope 1, 2 and 3) in 2021. Scope 1 GHG emissions covered by the KPI amounted to 8,055 tCO_2e, which represented 6.7% of the Group's total emissions while scope 2 GHG emissions covered by the KPI equalled 69,484 tCO_2e, which represented 57.7% of GPP's total emissions, in 2021.

Based on the above, Sustainalytics considers KPI 1 to be material and have a high scope of applicability.

KPI 2: Renewable energy generation (GWh)

Sustainalytics considers KPI 2 to be material given the strategic importance of expanding renewable electricity generation in Poland to reduce GHG emissions from coal-fired electricity generation, which accounted for 80% of the country's energy supply in 2021.[13] Renewable energy accounted for 18% of Poland's electricity generation in 2020, up from 7% in 2010 but short of the country's 20% target for the year. Poland is expected to increase its 2030 target of 23% renewable energy in gross final energy consumption, to meet the current EU-wide renewable energy target of 32% by 2030.[14] Based on the above and also on Sustainalytics' Industry Report on the Utilities sector,[15] which identifies Carbon - Own Operations as a material ESG issue, Sustainalytics is of the opinion that KPI 2 is material and relevant to GPP's business given its new clean energy generation operations.

Regarding applicability, KPI 2 covers all renewable energy production by GPP's current and future business entities. Based on the above, Sustainalytics considers the KPI to have a high scope of applicability.

KPI 3: Green hydrogen production (tonnes)

Poland was the third-largest manufacturer of hydrogen in Europe in 2020, producing 1.3 million tonnes, with consumption expected to triple by 2050. However, 95% of hydrogen produced by the country relied on fossil fuel-dependent processes.[16] The Polish government adopted the Polish Hydrogen Strategy until 2030 with a perspective until 2040 with the intention to support the manufacture of low-carbon and renewable hydrogen to decarbonize energy-intensive industries, as an alternative fuel for transport and for power and heat generation.[17] The production, storage, transport and use of green hydrogen is viewed by the Polish government as crucial to decarbonize the country's economy.[18] Based on the above, Sustainalytics considers KPI 3 to be material to GPP's future green hydrogen production business.

Regarding applicability, KPI 3 covers all hydrogen production by GPP's current and future business entities. Considering that the Group intends to produce only green hydrogen, Sustainalytics considers the KPI to have a high scope of applicability.

KPI 4: Share of zero-emissions energy in total energy mix (%)

Sustainalytics considers KPI 4 to be material and relevant given that Sustainalytics' Industry Reports on the Telecommunication Services[19] and Utilities[20] industries identify Carbon - Own Operations as a material ESG issue. Furthermore, the Sustainability Accounting Standards Board identifies energy management as a relevant issue to monitor and disclose for the telecommunication services industry[21] based on the amount of energy use associated with its infrastructure and operations.

Regarding applicability, KPI 4 covers approximately 95% of the total energy consumed by GPP. The scope of the KPI includes energy used by four operating companies of GPP's TMT business: Cyfrowy Polsat, Telewizja Polsat, Polkomtel and Netia. These companies accounted for 117 GWh of GPP's total energy consumption of 123 GWh in 2021, representing a 95% share. Therefore, Sustainalytics considers the KPI to be highly applicable.

[13] IEA, "Poland 2022 Energy Policy Review" (2022), at: https://iea.blob.core.windows.net/assets/b9ea5a7d-3e41-4318-a69e-f7d456ebb118/Poland2022.pdf
[14] Ibid.
[15] Sustainalytics, "Industry Report – Utilities October 2021" (2021)
[16] Ministry of Climate and Environment Poland, "polish hydrogen strategy until 2030 with an outlook until 2040" (2021), at: https://www.gov.pl/attachment/06213bb3-64d3-4ca8-afbe-2e50dadfa2dc
[17] International Trade Administration, "Poland Green Hydrogen", at: https://www.trade.gov/market-intelligence/poland-green-hydrogen
[18] IEA, "Poland 2022 – Energy Policy Review' (2022), at: https://iea.blob.core.windows.net/assets/b9ea5a7d-3e41-4318-a69e-f7d456ebb118/Poland2022.pdf
[19] Sustainalytics' Industry Report, Telecommunication Services, (2020).
[20] Sustainalytics' Industry Report, Utilities, (2021).
[21] SASB, "Materiality Finder, Telecommunication Services", at: https://www.sasb.org/standards/materiality-finder/find/?industry[]=TC-TL

KPI Characteristics

In its assessment of the KPI's characteristics, Sustainalytics considers: (i) whether it uses a clear and consistent methodology; (ii) whether it follows an externally recognized definition; (iii) whether the KPI is a direct measure of the GPP's performance on a material environmental or social issue; and (iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.[22]

KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2e)

Sustainalytics considers GPP's definition and methodology to calculate the progress on KPI 1 to be clear and consistent with the Group's historical reporting. GPP calculates and reports on scope 1 and 2 GHG emissions in accordance with the GHG Protocol, which is considered an industry standard. Sustainalytics considers that KPI 1 directly measures the performance of the Group on a material environmental issue. Furthermore, as the KPI represents an absolute emissions metric, Sustainalytics is of the opinion that it is well suited to be benchmarked against the SBTi's absolute contraction approach.[23]

KPI 2: Renewable energy generation (GWh)

Sustainalytics considers the Group's definition and methodology to calculate KPI 2 to be clear based on the ease of calculation and replicability. Since the Group expects to start its renewable energy generation operations in 2023, GPP has not calculated or reported on the KPI historically.

As the KPI measures absolute renewable energy generated, Sustainalytics considers the KPI to be an indirect measure of the Group's sustainability performance based on its potential to enable GPP's customers to reduce their GHG emissions. Furthermore, Sustainalytics is of the opinion that KPI 2 does not lend itself to be compared against an external contextual benchmark in the absence of an appropriate trajectory.

KPI 3: Green hydrogen production (tonnes)

Sustainalytics considers GPP's definition and methodology to calculate KPI 3 to be clear based on the ease of calculation and replicability. The Group expects to initiate its green hydrogen production in 2023 and hence, has not calculated or reported on the KPI historically.

Sustainalytics considers the KPI to be an indirect measure of the Group's sustainability performance based on its potential to enable GPP's customers to reduce their GHG emissions. Furthermore, Sustainalytics is of the opinion that KPI 3 does not lend itself to be compared against an external contextual benchmark in the absence of a suitable trajectory.

KPI 4: Share of zero-emissions energy in total energy mix (%)

Sustainalytics considers GPP's definition and methodology to calculate KPI 4 to be clear based on its ease of calculation and replicability. Sustainalytics considers the KPI to be an indirect measure of GPP's environmental performance given that it does not directly measure the GHG emissions reduction of the Group. Furthermore, Sustainalytics considers that the KPI follows an externally defined methodology and supports benchmarking against external science-based trajectories, such as the SBTi's renewable electricity sourcing targets.[24]

Overall Assessment

Sustainalytics considers KPI 1 to be very strong given that it: (i) is a direct measure of performance on a material environmental issue; (ii) follows a clear and consistent methodology that is externally verifiable; (iii) has a high scope of applicability; and (iv) supports benchmarking against an emissions reduction trajectory.

Sustainalytics considers KPI 2 to be adequate given that it: (i) is an indirect measure of the Group's sustainability performance on a material environmental issue; (ii) follows a clear methodology; (iii) has a high scope of applicability; and (iv) does not support benchmarking against emissions reduction trajectories.

[22] External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.
[23] The SBTi uses two target setting methods: the Absolute Contraction Approach, a one-size-fits-all method that ensures companies setting targets deliver absolute emissions reductions in line with global decarbonization pathways; and the Sectoral Decarbonization Approach, an alternative method that allows targets to be derived from global mitigation pathways for some of the most carbon-intensive activities, such as road transportation, aviation, the generation of electricity or the production of basic materials.
[24] SBTi, "SBTi Criteria and Recommendations", at: https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf

Sustainalytics considers KPI 3 to be adequate given that it: (i) is an indirect measure of the Group's sustainability performance on a material environmental issue; (ii) follows a clear methodology; (iii) has a high scope of applicability; and (iv) does not support benchmarking against emissions reduction trajectories.

Sustainalytics considers KPI 4 to be strong given that it: (i) is an indirect measure of performance on a material environmental issue; (ii) has a high scope of applicability; (iii) follows a clear methodology that is externally defined; and (iv) can be benchmarked against an external contextual benchmark.

KPI(s)	Strength of KPI(s)			
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2e)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Renewable energy generation (GWh)	Not Aligned	Adequate	Strong	Very strong
KPI 3: Green hydrogen production (tonnes)	Not Aligned	Adequate	Strong	Very strong
KPI 4: Share of zero-emissions energy in total energy mix (%)	Not Aligned	Adequate	Strong	Very Strong

Calibration of Sustainability Performance Targets

Alignment with GPP's Sustainability Strategy

GPP has set the following SPTs for its KPIs:

- SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 75% by 2025 and 80% by 2030 relative to a 2019 baseline
- SPT 2: Increase renewable energy generation to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline
- SPT 3: Increase green hydrogen production to 1,500 tonnes a year by 2025 and 3,000 tonnes a year by 2030 relative to a 2021 baseline
- SPT 4: Increase the share of zero-emissions energy in the total energy mix to 25% by 2025, 30% by 2026 and 50% by 2030 relative to a 2019 baseline

Sustainalytics analyzed GPP's sustainability strategy and notes that the Group has identified climate action as a key commitment. As highlighted in its 2021 Sustainability Report, GPP's strategy is guided by three pillars: (i) Connectivity, (ii) Content, and (iii) Clean Energy.[25] GPP has identified GHG emissions reduction and clean energy as material topics under its Strategy 2023+.[26] The Group has communicated to Sustainalytics that it commits to using 90% renewable energy by 2023, with wind and solar energy accounting for 50% by 2030. To achieve this, GPP intends to invest more than EUR 1 billion between 2022 and 2026, with a target to generate more than 2 TWh of low- or zero-emission renewable energy from 2026 onwards, resulting in a GHG emissions reduction of approximately 2 $MtCO_2e$, on a yearly basis in Poland.

Based on the above, Sustainalytics considers SPT 1, SPT 2, SPT 3 and SPT 4 to be aligned with GPP's sustainability strategy.

Strategy to Achieve the SPTs

GPP intends to achieve the SPTs through the following strategy:

SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 75% by 2025 and 80% by 2030 relative to a 2019 baseline

GPP intends to achieve SPT 1 through the following strategies:

[25] Grupa Polsat Plus, "Sustainability Report for Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[26] Grupa Polsat Plus, "Strategy 2023+ Polsat Plus Group", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/strategy_of_gpp_2021_fv.pdf

- Increase the share of renewable energy used. The Group has long-term targets to source 100% of its energy from renewable sources.[27] As of 2021, more than 60% of GPP's overall consumption is covered by renewable energy including solar, wind and biomass energy.[28]
- Energy efficiency initiatives. The Group intends to invest in energy efficient technologies and reduce energy consumption in its operations. This includes retrofitting and replacing outdated network infrastructure such as replacing copper-based technology with fibre optic technology, investing in technologies that support free cooling systems, installing intelligent lighting and optimizing power storage.[29]
- Green fleet transition. GPP aims to increase the share of low-emissions cars in its fleet and is currently increasing its share by 5% each year. The Group has acquired 100 hydrogen cars as of 2021 and aims to purchase low or zero-emissions vehicles, including hydrogen cars, and install chargers for electric cars at all its facilities.[30]

SPT 2: Increase renewable energy generation to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline

GPP intends to achieve SPT 2 through the following strategies:

- GPP intends to expand into the renewable energy generation market through its new business vertical by producing energy from wind, biomass, solar and thermal waste treatment sources.
- GPP, along with ZE PAK Group installed a photovoltaic farm in Brudzew commune with 70 MWp electricity-generation capacity in 2021, which produced 42.9 GWh of energy in H1 2022.
- The Group has started investing in more than 190 MW of wind energy capacity at five locations: Kazimierz Biskupi, Miłosław, Przyrów, Człuchów and Drzeżewo.

SPT 3: Increase green hydrogen production to 1,500 tonnes a year by 2025 and 3,000 tonnes a year by 2030 relative to a 2021 baseline

GPP intends to achieve SPT 3 through the following strategies:

- GPP intends to expand into a new operating area of clean energy production, which includes developing hydrogen production, storage, distribution and consumer applications.
- GPP has invested in a 2.5 MW hydrogen electrolyzer and has started to invest in zero-emission energy generation to produce green hydrogen.
- The Group intends to stimulate end-user demand for green hydrogen through initiatives such as the construction of hydrogen refuelling stations and the production of hydrogen buses.

SPT 4: Increase the share of zero-emissions energy in the total energy mix to 25% by 2025, 30% by 2026 and 50% by 2030 relative to a 2019 baseline

GPP intends to achieve SPT 4 through the following strategies:

- The Group plans to implement its Strategy 2023+ with clean energy as one of its key pillars.[31] GPP intends to invest more than EUR 1 billion in green energy initiatives, between 2022 and 2026 to achieve, among others, a solar and wind power generation capacity of 850 MW.[32]

[27] Ibid.
[28] Ibid.
[29] Polsat Plus Group, "Sustainability Report", (2021), at:
https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf?bcsi_scan_8054fc660bbe0c10=0&bcsi_scan_filename=sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[30] Polsat Plus Group, "Sustainability Report", (2021), at:
https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf?bcsi_scan_8054fc660bbe0c10=0&bcsi_scan_filename=sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[31] Grupa Polsat Plus, "Strategy 2023+ Polsat Plus Group", (2021), at:
https://grupapolsatplus.pl/sites/default/files/documents/2021/strategy_of_gpp_2021_fv.pdf
[32] Grupa Polsat Plus, "Sustainability Report for Polsat Plus Group for 2021", (2021), at:
https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf

- The Group intends to launch at least five on-shore wind power plants with 190 MW of capacity in 2023 and 2024.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: (i) whether the SPTs go beyond a business-as-usual trajectory; (ii) how the SPTs compare to targets set by peers; and (iii) and how the SPTs compare with science.[33]

SPT 1: GPP has set the baseline for SPT 1 at 2019 as it was the year that the Group began making efforts to change its energy mix to address its GHG emissions.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science.

Regarding past performance, Sustainalytics notes that the Group achieved an absolute reduction of its scope 1 and 2 GHG emissions of 72.9% between 2019 and 2021, which represents an annual average reduction of 24.3%. Sustainalytics notes that the achievement of the SPT in 2025 and 2030 would result in a decrease in absolute scope 1 and 2 GHG emissions of approximately 8% and 26%, respectively, relative to 2021 levels. This absolute reduction represents an average annual rate reduction of approximately 2% between 2021 and 2025 and 3% between 2021 and 2030. Sustainalytics considers the SPT to be below the Company's past performance.

Analyzing the performance of seven of GPP's peers in the telecommunications industry, Sustainalytics notes that achieving SPT 1 implies an average annual decrease in absolute scope 1 and 2 GHG emissions, which is above similar targets set by its peers. Therefore, Sustainalytics considers SPT 1 to be above peer performance.

Regarding comparison with science, Sustainalytics notes that GPP must realize an average annual reduction of its absolute scope 1 and 2 GHG emissions of 12.5% between 2019 and 2025 and 7.3% between 2019 and 2030, to achieve the SPT. This reduction is aligned with the SBTi's 1.5°C scenario using an absolute contraction approach.[34]

SPT 2: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

As GPP is scheduled to start generating renewable energy in 2022, there is a lack of historical data on the progress on the KPI. However, based on the targets the Group has set for 2025 and 2030, Sustainalytics considers SPT 2 to be above historical performance.

In its assessment of 10 of GPP's peers in the diversified technology, media and telecommunications sector, Sustainalytics did not identify peers that have established comparable targets for renewable energy generation. Based on its targets, Sustainalytics is of the opinion that GPP is a precursor in the industry and considers SPT 2, which is aimed at increasing renewable energy generation, to be above peer performance.

Regarding comparison with science, Sustainalytics is of the opinion that SPT 2 cannot be compared against an external contextual benchmark in the absence of a suitable trajectory.

SPT 3: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

As GPP is scheduled to start producing green hydrogen in 2022, there is a lack of historical data on the progress on the KPI. However, based on the targets the Group has set for 2025 and 2030, Sustainalytics considers SPT 3 to be above historical performance.

In its assessment of 10 of GPP's peers in the diversified technology, media and telecommunications sector, Sustainalytics did not identify peers that have established comparable targets for green hydrogen production. Based on its targets, Sustainalytics is of the opinion that GPP is a precursor in the industry and considers SPT 3, which is aimed at increasing green hydrogen production, to be above peer performance.

Regarding comparison with science, Sustainalytics is of the opinion that SPT 3 cannot be compared against an external contextual benchmark in the absence of a suitable trajectory.

[33] We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.
[34] The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global, annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

SPT 4: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science.

GPP has set SPT 4's baseline at 2019 as it was the year the Group decided to source low or zero-emission energy for its operations. Regarding GPP's past performance, the Group did not use any zero-emission energy until 2020, and in 2021, had a one-off purchase that resulted in a wind energy share of approximately 12% in its total energy mix. Due to a lack of historical data, Sustainalytics could not accurately analyze GPP's targeted performance against its past performance. However, Sustainalytics notes that the Group would need to increase its share of zero-emissions energy in the total energy mix by 110% by 2025, 152% by 2026 and 320% by 2030 to achieve its SPT. Based on the above, Sustainalytics considers SPT 4 to be above historical performance.

Sustainalytics analyzed the performance of eight of GPP's industry peers and found that the Group's targets are in line with those set by its peers. Sustainalytics considers the SPT to be aligned with peer performance.

The Group has set SPT 4 in the context of a broader commitment to procure 90% of its electricity from renewable sources by 2023. Renewable energy sources, as defined by GPP, include solar, wind and biomass. Biomass feedstock for energy production will meet the current requirements of the Directive (EU) 2018/200135 and will only be from second generation sources. Feedstock from primary sources or vegetable oils will be excluded.

Coal-fired electricity generation accounted for approximately 80% of total electricity generation in Poland in 2021. In its Energy Policy of Poland until 2040, the Government of Poland has set goals to reduce the share of coal in electricity generation to a range of 37.5-56% by 2030. The Polish Government has also set a goal for electricity from renewable sources, primarily generated by wind and solar PV, to account for 32% of net national electricity consumption by 2030.[36,37]

Given the above, Sustainalytics notes that SPT 4 is comparable to the SBTi's 1.5°C climate scenario-aligned thresholds, particularly in the broader context of the Group's renewable energy sourcing commitment.

Overall Assessment

Sustainalytics considers SPT 1, SPT 2, SPT 3 and SPT 4 to be aligned with GPP's sustainability strategy and SPT 1 to be highly ambitious given that it is aligned with past performance, is above peer performance and is aligned with the SBTi's 1.5°C climate scenario.

Sustainalytics considers SPT 2 to be ambitious given that it is above past performance and peer performance.

Sustainalytics considers SPT 3 to be ambitious given that it is above past performance and peer performance.

Sustainalytics considers SPT 4 to be ambitious given that it represents an improvement over past performance, is aligned with peer performance and is comparable with the SBTi's 1.5°C climate scenario-aligned thresholds for renewable electricity sourcing.

SPT(s)	Ambitiousness of SPT(s)			
SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 75% by 2025 and 80% by 2030 relative to a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2: Increase renewable energy generation to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3: Increase green hydrogen production to 1,500 tonnes a year by 2025 and 3,000 tonnes a year by 2030 relative to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 4: Increase the share of zero-emissions energy in the total energy mix to 25% by 2025, 30% by 2026 and 50% by 2030 relative to a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

[35] European Union, "Directive (EU) 2018/2001 of the European Parliament and of the council", (2018), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001

[36] IEA, "Poland 2022 Energy Policy Review" (2022), at: https://iea.blob.core.windows.net/assets/b9ea5a7d-3e41-4318-a69e-f7d456ebb118/Poland2022.pdf

[37] Government of Poland, "Energy policy of Poland till 2040" (2021), at: https://www.gov.pl/attachment/62a054de-0a3d-444d-a969-90a89502df94

Bond/Loan Characteristics

GPP intends to issue and/or obtain sustainability-linked bonds, sustainability-linked loans and other financial instruments[38] under the Framework. The financial characteristics of the instruments issued or obtained will be linked to one or more of the KPIs and their SPTs, as defined in the Framework. The financial characteristic adjustments include a coupon or interest rate step-up or premium payment in case the relevant SPT has not been achieved by its observation date.

The KPIs, SPTs, step-up amount, margin adjustment and premium payment amount will be specified in the relevant documentation of the transaction. Sustainalytics recognizes that the financial characteristics of the sustainability-linked bonds and loans are aligned with the SLBP and the SLLP.

Reporting

GPP commits to report, at least annually and within four months of the observation date, on its progress on the KPIs and the achievement or non-achievement of the SPTs on its website. In the case of the sustainability-linked bonds, GPP commits to publicly reporting within four months of each observation date. Furthermore, the Group commits to disclosing relevant information to enable investors to monitor the progress towards the SPT, information regarding SPT baselines, the impact of the progress on the KPI and the timing of such impact on financial instrument performance. Where feasible GPP intends to report on qualitative and quantitative information relevant to the progress on the KPIs, the sustainability impacts of performance improvement, and updates on new or proposed regulations relevant to the KPIs and SPTs and the potential impact on their baselines. The reporting commitments are aligned with the SLBP and the SLLP.

Verification

GPP commits to having an external verifier provide limited assurance on the progress on the KPIs annually. For KPIs whose annual performance is calculated by an independent qualified external party, the calculation will be used for verification post each observation date, as specified in the respective documentation. For KPIs whose annual performance is calculated internally by GPP, independent verification will be conducted annually and after within four months of the observation date, as specified in the respective documentation. The verification commitments are aligned with the SLBP and the SLLP.

Section 2: Assessment of GPP's Sustainability Strategy

Credibility of GPP's Sustainability Strategy

GPP established its Strategy 2023+ (the "Strategy") in 2021, which outlines three key pillars to achieve its objectives, including Clean Energy.[39] The Group has also established its ESG strategy, which outlines its commitment to mitigating climate change, contribute to the development of Polish society and operate its business in a transparent manner.[40]

Regarding the Clean Energy pillar of its Strategy, the Group focuses on four goals, including providing clean energy and reducing CO_2 emissions. To realize these goals, GPP plans to invest approximately PLN 5 billion (EUR 1.04 billion) in clean electricity generation capacity between 2022 and 2026, with a target of achieving 1,000 MW of installed solar, wind, biomass and waste incineration capacity by 2026.[41] The Group projects that its clean-energy facilities are expected to generate more than 2 TWh of

[38] Sustainalytics has not reviewed the other financial instruments that may be issued and/or obtained under the Framework.
[39] GPP, "Strategy 2023+ Polsat Plus Group", (2021), at:
https://grupapolsatplus.pl/sites/default/files/documents/2021/strategy_of_gpp_2021_fv.pdf
[40] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at:
https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[41] Ibid.

low- or zero-emission electricity resulting in a GHG emissions reduction of approximately 2 $MtCO_2$ per year in Poland.[42] To decarbonize its own operations, the Group aims to source 100% of the energy for its TMT business units from low- and zero-emission sources by 2023.[43] Furthermore, GPP intends to enhance its energy performance through initiatives such as refarming of 900 MHz and 2,100 MHz bands, modernizing telecommunication power plants and installing software with energy-saving features that have the potential to reduce approximately 4 $KtCO_2$ yearly.[44] GPP also plans to transition its fleet to zero-emissions vehicles and currently operates 100 hydrogen-powered cars.[45] In addition, GPP intends to invest approximately PLN 500 million (EUR 110 million) between 2022 and 2026 in assets across the green hydrogen value chain.[46] The Group targets the installation of a 100 MW hydrogen electrolysis plant with the capacity to produce 40 tonnes of hydrogen per day, storage and transportation facilities for the equivalent amount of hydrogen, the construction of 30 hydrogen refuelling stations and the production of more than 100 hydrogen-powered buses per year.[47]

GPP has communicated to Sustainalytics that it has been reporting on its sustainability performance in accordance with the Global Reporting Initiative Standards since 2017.[48] The Group has also conducted a climate risk assessment in accordance with the recommendations of the TCFD. The Group is a member of the Clean Poland Program Association, which focuses on improving the quality of air, water and the natural environment in Poland and aims to educate society on ecology and environmental protection.[49]

Sustainalytics considers GPP's sustainability strategy to be strong and expects the instruments issued under the Framework to further support the Group's sustainability strategy.

GPP's Environmental and Social Risk Management

Sustainalytics recognizes that GPP's defined targets are impactful but acknowledges that achieving the SPTs may bear environmental and social risks related to product governance,[50] data privacy and security,[51] occupational health and safety,[52] and emissions, effluents and waste.[53] On topics not covered under GPP's policies, the Group abides by the policies of Cyfrowy Polsat, its controlling company. Sustainalytics comments below on GPP's ability to mitigate potential risks:

- To address risks pertaining to product governance, GPP adheres to its Business Continuity Plan, which examines and detects risks in the Group's processes and services and recommends risk mitigation and remediation measures. The Group aims to improve the quality of its products by developing systems and services in-house, such as manufacturing set-top boxes and centralization of back-office processes. GPP provides 5G at a 2.6 MHz band to ensure better coverage and speed. Furthermore, the Group is compliant with the ISO 9001:2015[54] certification, which aims to maintain the quality of services offered by the Group.[55] GPP abides by Cyfrowy Polsat's Business Contingency Plan, which complies with PN-EN ISO 22301:2014[56], which covers processes and critical services executed and provided by the Group.[57]

[42] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[43] GPP, "Strategy 2023+ Polsat Plus Group", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/strategy_of_gpp_2021_fv.pdf
[44] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[45] Ibid.
[46] Ibid.
[47] GPP, "Strategy 2023+ Polsat Plus Group", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/strategy_of_gpp_2021_fv.pdf
[48] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[49] GPP, "Clean Poland Program Association", (2020), at: https://raportspoleczny2020.grupapolsatplus.pl/en/clean-poland-program-association
[50] Sustainalytics' material ESG issue 'Business Ethics' focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.
[51] Sustainalytics' material ESG issue 'Data Privacy and Security' focuses on Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.
[52] Sustainalytics' material ESG issue 'Occupational Health and Safety' focuses on the management of workplace hazards affecting a company's own employees and on-site contractors. Where relevant, it may also include HIV/AIDS programmes.
[53] Sustainalytics' material ESG issue 'Product Governance' focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.
[54] ISO, "ISO 9001:2015 Quality Management Systems", at: https://www.iso.org/standard/62085.html
[55] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[56] ISO, "ISO 22301:2012 Societal Security- Business Continuity Management Systems Requirements", at: https://www.iso.org/standard/50038.html
[57] "Cyfrowy Polsat S.A. Annual Report for the financial year ended December 31, 2021", (2022), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/cyfrowy_polsat_standalone_annual_raport_2021.pdf

- To address risks pertaining to data privacy and security, the Group adopted Cyfrowy Polsat's Privacy Policy, established in 2018 and regulated by the General Data Protection Regulation (EU) 2016/679[58] of the European Parliament.[59] The policy describes rules for personal data collection in compliance with the Polish Personal Data Protection Act.[60] GPP provides mandatory training to its employees on information security and personal data protection as part of its onboarding plan, and 349 employees received this training in 2021. The Group complies with ISO 27001[61] with the aim to achieve data security and protection for its employees and customers.[62]

- To evaluate, identify and regulate issues affecting health and safety in the workplace, the Group operates occupational health and safety units in each of its companies. Work Safety Committees appointed in the Group's companies carry out regular assessments of health and safety standards in the workplace, review the safeguards implemented to prevent workplace accidents and occupational diseases, and formulate guidelines to improve the working conditions and employer's obligations on workplace health and safety. Both employers and employees have equal representation in each Work Safety Committee. GPP mandates general and position-specific introductory health and safety and fire safety training for all employees joining the Group.[63]

- To address risks pertaining to emissions, effluents and waste, GPP abides by the Polish Environmental Protection Act of 2001, which mandates obtaining necessary environmental permits, approvals and authorizations from the regulatory authorities for all projects falling under the purview of environmental clearance.[64] In 2021, more than 654 tonnes of electrical and electronic device waste, 175 tonnes of cardboard and paper and more than 51 tonnes of plastic film were recycled in specialized recycling plants.[65] The Group complies with the Polish Waste Management Act of 2012, Waste Electrical and Electronic Equipment Act of 2015, Packaging Waste Management Act of 2013 and Waste Batteries and Accumulators Act of 2009 with the aim to minimize, recycle and dispose waste generated. GPP also complies with ISO 14001:2015[66] to enhance its environmental performance.[67]

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to the Group. Overall, Sustainalytics considers that GPP has strong management programmes and policies to mitigate risks that could arise from its operations.

Section 3: Impact of the SPTs

Importance of reducing GHG emissions in the telecommunication industry

The ICT industry accounted for an estimated 1.8-2.8% of global GHG emissions in 2020.[68] The main contributors to the sector's GHG emissions include: (i) user devices such as mobile phones, tablets, routers and computers; (ii) network operations such as mobile networks and fixed broadband networks; and (iii) data centres and enterprise networks including telecom service providers.[69] Regarding electricity consumption, data transmission networks used 1.1-1.4% of electricity produced globally in 2020.[70] Global internet traffic grew by 40% between 2019 and 2020, and has increased by 1,500% since 2010.[71] Furthermore, the COVID-19 pandemic, technological advancements in areas such as AI, VR, 5G, and media streaming are expected to further

[58] Official Journal of the European Union, "Regulation (EU) 2016/679 of the European Parliament and of the Council", (2016), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0679
[59] Cyfrowy Polsat, "Privacy Policy of Cyfrowy Polsat Services", (2018), at: https://raportniefinansowy2019.grupapolsat.pl/en/privacy-policy/
[60] Journal of Laws of the Republic of Poland, "Act on the Protection of the Personal Data", (2018), at: https://uodo.gov.pl/en/file/307
[61] ISO, "ISO 27001 Information Security Management", at: https://www.iso.org/isoiec-27001-information-security.html
[62] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[63] Ibid.
[64] United Nation Environment Programme, "Environment Protection Act- Poland", (2020), at: https://leap.unep.org/countries/pl/national-legislation/environment-protection-act
[65] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[66] ISO, "ISO 14001:2015 Environment Management Systems", at: https://www.iso.org/standard/62085.html
[67] GPP, "Sustainability Report of Polsat Plus Group for 2021", (2021), at: https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainability_report_of_polsat_plus_group_2021_pdf.pdf
[68] Freitag, C. et al. (2021), The real climate and transformative impact of ICT: A critique of estimates, trends and regulations", Patterns, at: https://www.sciencedirect.com/science/article/pii/S2666389921001884
[69] Freitag, C. et al. (2021), The real climate and transformative impact of ICT: A critique of estimates, trends and regulations", Patterns, at: https://www.sciencedirect.com/science/article/pii/S2666389921001884
[70] IEA, "Data centres & networks", at: https://www.iea.org/fuels-and-technologies/data-centres-networks#reports
[71] IEA, "Data Centres and Data Transmission Networks", (2021), at: https://www.iea.org/reports/data-centres-and-data-transmission-networks

increase data usage and electricity demand.[72] The rollout of the 5G ecosystem alone is expected to increase energy demand by up to 160% by 2030.[73] McKinsey & Company has projected that by 2023, the number of Internet of Things-connected devices will grow to 43 billion, a three-fold increase from 2018.[74] In addition, the European market for VR and AR is expected to grow at 35% per year between 2018 and 2026, reaching a value of around EUR 43 billion in 2026 from EUR 3.8 billion in 2018.[75]

The above scenarios highlight the need for the ICT sector to invest in energy efficiency measures to meet the targets of the Paris Agreement.[76] In 2020, the International Telecommunication Union (ITU) released a new pathway in line with the Paris Agreement, encouraging the telecommunication sector to achieve a 45% reduction in its GHG emissions by 2030 relative to a 2020 baseline.[77] To facilitate this, the SBTi, together with the ITU, the Global Enabling Sustainability Initiative (GeSI) and the GSM Association (GSMA), published guidance for science-based targets (SBTs) in the ICT sector, allowing companies to set targets in line with the most recent climate science. Continued implementation of energy-efficiency plans, the switch to a low-carbon energy supply and the encouragement of carbon consciousness among end users have been identified as the primary means to decarbonize the ICT sector between 2020 and 2030. To follow the emissions reduction trajectory set by the industry, both mobile network and fixed network operators would have to reduce their GHG emissions by 45% and 62%, respectively. Separate pathways have been developed for each ICT subsector, given the diversity of applications and devices covered by the sector.[78]

Based on the above, Sustainalytics is of the opinion that GPP's efforts to reduce its GHG emissions are expected to positively contribute to reducing the environmental footprint of the telecommunications services industry in Poland, and in Europe more broadly, and support the ambitions of the Paris Agreement's goals.

Importance of renewable energy in Poland's transition to a low-carbon economy

The share of electricity generated from coal in Poland declined from 88% in 2010 to 80% in 2021.[79] Despite that, Poland had the highest share of electricity generated from coal in the EU in 2019.[80] To reduce its dependence on electricity generated from coal-fired power plants, the Government of Poland has set targets to reduce the share of coal-fired electricity generation to 60% by 2030.[81] Furthermore, approximately two-thirds of the country's coal power plants are more than 30 years old, with a possible life span of up to 60 years, and would need to be replaced by 2050. To meet the increased demand for electricity consumption in Poland, the country will need to invest in new power generation plants, creating an opportunity to replace fossil-based power generation with renewable energy.[82] The Government of Poland has established a target for renewables to represent 23% of electricity generated by 2030 as compared to 17% in 2021.[83,84] The Government has also set long-term targets to fulfil 11 GW of electricity production potential from offshore wind energy and 10-16 GW from solar energy by 2040.[85] These renewable energy

[72] IEA, "Data Centres and Data Transmission Networks", (2021), at: https://www.iea.org/reports/data-centres-and-data-transmission-networks
[73] Datacenter forum, 5G will prompt energy consumption to grow by staggering 160% in 10 years', (2021), at: https://www.datacenter-forum.com/datacenter-forum/5g-will-prompt-energy-consumption-to-grow-by-staggering-160-in-10-years
[74] McKinsey & Company, "Growing opportunities in the Internet of Things", (2019), at: https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/growing-opportunities-in-the-internet-of-things
[75] CBI, "The European market potential for VR and AR services", (2021), at: https://www.cbi.eu/market-information/outsourcing-itobpo/virtual-and-augmented-reality-services/market-potential
[76] United Nations Climate Change, "Key Aspects of the Paris Agreement", at: https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/key-aspects-of-the-paris-agreement#:~:text=The%20Paris%20Agreement%27s%20central%20aim,further%20to%201.5%20degrees%20Celsius.
[77] ITU, "ICT industry to reduce greenhouse gas emissions by 45 per cent by 2030", (2020), at: https://www.itu.int/en/mediacentre/Pages/PR04-2020-ICT-industry-to-reduce-greenhouse-gas-emissions-by-45-percent-by-2030.aspx
[78] Science Based Targets initiative, "Guidance for ICT companies setting science based targets", at: https://sciencebasedtargets.org/resources/legacy/2020/04/GSMA_IP_SBT-report_WEB-SINGLE.pdf
[79] IEA, "Poland 2022: Energy Policy Review" (2022), at: https://iea.blob.core.windows.net/assets/b9ea5a7d-3e41-4318-a69e-f7d456ebb118/Poland2022.pdf
[80] Notes from Poland, "Polish coal plant was EU's biggest CO_2 emitter in 2020", (2021), https://notesfrompoland.com/2021/04/13/polish-coal-plant-was-eus-biggest-co2-emitter-in-2020/.
[81] International Energy Agency (IEA), "Poland 2022: Energy Policy Review", (2022), at: https://iea.blob.core.windows.net/assets/b9ea5a7d-3e41-4318-a69e-f7d456ebb118/Poland2022.pdf
[82] McKinsey & Company, "Carbon-neutral Poland 2050: turning a challenge into an opportunity", (2020), at; https://www.mckinsey.com/industries/electric-power-and-natural-gas/our-insights/carbon-neutral-poland-2050-turning-a-challenge-into-an-opportunity
[83] International Trade Administration, "Poland – Country Commercial Guide", (2022), at: https://www.trade.gov/country-commercial-guides/poland-energy-sector
[84] "Executive Summary of Poland's National Energy and Climate Plan for the years 2021-2030 (NECP PL)", (2019), at: https://ec.europa.eu/energy/sites/default/files/documents/pl_final_necp_summary_en.pdf.
[85] Ministry of Climate and Environment, "Energy Policy of Poland until 2040", (2021), at: https://www.gov.pl/attachment/62a054de-0a3d-444d-a969-90a89502df94.

targets will also support the EU's targets to increase the share of total energy used from renewable energy sources to at least 32% by 2030.[86]

Sustainalytics is of the opinion that GPP's investments in renewable energy facilities are expected to contribute to reducing Poland's carbon footprint and supporting the country's clean energy transition.

Importance of green hydrogen to accelerate Poland's transition towards a low-carbon economy

Poland is the third-largest hydrogen manufacturer in the world, producing around 1.3 million tonnes of hydrogen per year.[87] However, approximately 95%[88] of the hydrogen produced in 2020 used coal and natural gas as inputs, which generate approximately 10 $kgCO_2$/kg and 5.8 $kgCO_2$/kg respectively.[89] The demand for hydrogen is expected to increase in the future, driven by an increase in energy consumption and demand from industrial users and the transport sector.[90] Therefore, an increase in green hydrogen production is essential for Poland to reduce its carbon footprint.[91]

To reduce its dependence on fossil fuels to produce hydrogen, the Polish Government announced its "Polish hydrogen strategy until 2030 with an outlook until 2040" in 2021, which sets forth objectives for the development of the hydrogen economy in Poland.[92] The objectives include the use of low-carbon hydrogen to support the decarbonization of energy-intensive industries like steel, refining and chemicals and to develop low- and zero-emission hydrogen production facilities, with the aim to achieve a total electrolysis capacity of 50 MW by 2025 and 2 GW by 2030.[93]

Based on the above, Sustainalytics is of the opinion that GPP's investments in green hydrogen production have the potential to support the Polish hydrogen strategy and contribute to Poland's transition to a low-carbon economy.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked bonds and/or loans issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2e)	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
KPI 2: Renewable energy generation (GWh)	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
KPI 3: Green hydrogen production (tonnes)	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
KPI 4: Share of zero-emissions energy in total energy mix (%)	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

[86] European Commission, "Renewable energy targets", at: https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-targets_en#:~:text=Building%20on%20the%2020%25%20target,possible%20upwards%20revision%20by%202023
[87] Allen & Overy, "Polish hydrogen strategy", (2022), at: https://www.allenovery.com/en-gb/global/news-and-insights/publications/polish-hydrogen-strategy
[88] International Trade Administration, "Poland green hydrogen", at: https://www.trade.gov/market-intelligence/poland-green-hydrogen
[89] Energies, "Analysis of the Polish hydrogen strategy in the context of the EU's strategic documents on hydrogen", at: https://www.mdpi.com/1996-1073/14/19/6382/pdf#:~:text=Currently%2C%20Poland%20produces%20almost%20conventional,%2Fkg%20H2%20%5B7%5D.
[90] International Trade Administration, "Poland green hydrogen", at: https://www.trade.gov/market-intelligence/poland-green-hydrogen#:~:text=Annual%20demand%20for%20hydrogen%20in,with%20dedicated%20electrolyzers%20and%203
[91] Energies, "Analysis of the Polish hydrogen strategy in the context of the EU's strategic documents on hydrogen", at: https://www.mdpi.com/1996-1073/14/19/6382/pdf#:~:text=Currently%2C%20Poland%20produces%20almost%20conventional,%2Fkg%20H2%20%5B7%5D.
[92] Ministry of Climate and Environment, "Polish Hydrogen Strategy Until 2030 with an outlook until 2040", at: https://www.gov.pl/attachment/06213bb3-64d3-4ca8-afbe-2e50dadfa2dc
[93] Ministry of Climate and Environment, "Polish Hydrogen Strategy Until 2030 with an outlook until 2040", at: https://www.gov.pl/attachment/06213bb3-64d3-4ca8-afbe-2e50dadfa2dc

Conclusion

GPP has developed the Grupa Polsat Plus Sustainability-Linked Financing Framework, under which it intends to issue and/or obtain sustainability-linked bonds, sustainability-linked loans and other financial instruments tying the coupon, interest rate or premium payment to the achievement of the following SPTs:

(1) Reduce absolute scope 1 and 2 GHG emissions by 75% by 2025 and by 80% by 2030 relative to a 2019 baseline;

(2) Increase renewable energy generation to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline;

(3) Increase green hydrogen production to 1,500 tonnes a year by 2025 and 3,000 tonnes a year by 2030 relative to a 2021 baseline;

(4) Increase the share of zero-emissions energy in the total energy mix to 25% by 2025, 30% by 2026 and 50% by 2030 relative to a 2019 baseline.

Sustainalytics considers KPI 1 to be very strong given that it is a direct measure of GPP's performance on a relevant and material environmental issue, follows a clear and consistent calculation methodology that is externally verifiable, has a high scope of applicability and supports benchmarking against external emission reduction trajectories. Sustainalytics considers KPI 2 to be adequate given that it is an indirect measure of the Group's sustainability performance on a material environmental issue, follows a clear methodology, has a high scope of applicability, and does not support benchmarking against emissions reduction trajectories. Sustainalytics considers KPI 3 to be adequate given that it is an indirect measure of the Group's sustainability performance on a material environmental issue, follows a clear methodology, has a high scope of applicability, and does not support benchmarking against emissions reduction trajectories. Sustainalytics considers KPI 4 to be strong given that it is an indirect measure of the Group's sustainability performance on a material environmental issue, has a high scope of applicability, follows a clear methodology that is externally defined and supports benchmarking against an external contextual benchmark.

Sustainalytics considers SPT 1, SPT 2, SPT 3 and SPT 4 to be aligned with GPP's sustainability strategy and SPT 1 to be highly ambitious given that it is aligned with past performance, is above peer performance and aligned with the SBTi's 1.5°C climate scenario. Sustainalytics considers SPT 2 and SPT 3 to be ambitious given that they are above past performance and peer performance. Sustainalytics considers SPT 4 to be ambitious given that it represents an improvement over past performance, is aligned with peer performance and is comparable with SBTi's 1.5°C climate scenario-aligned thresholds for renewable electricity sourcing.

Furthermore, Sustainalytics considers the reporting and verification commitments to be aligned with the SLBP and the SLLP.

Based on the above, Sustainalytics considers the Grupa Polsat Plus Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022.

Appendix 1: Sustainability-Linked Financing - External Review Form

Section 1. Basic Information

Issuer name: Grupa Polsat Plus

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: September 30, 2022

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

☒ a step-up structure

☒ a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

☒ assessed all the following elements (complete review)

☐ only some of them (partial review):

- ☐ Selection of Key Performance Indicators (KPIs)
- ☐ Calibration of Sustainability Performance Targets (SPTs)
- ☐ Verification
- ☐ Bond characteristics (acknowledgment of)
- ☐ Reporting

☒ and confirmed their alignment with the SLBP and SLLP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- ☒ Second Party Opinion
- ☐ Verification
- ☐ Certification
- ☐ Scoring/Rating

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

GPP has developed the Grupa Polsat Plus Sustainability-Linked Financing Framework, under which it intends to issue sustainability-linked bonds and/or sustainability-linked loans tying the coupon, interest rate or premium payment to the achievement of the following SPTs:

1) Reduce absolute scope 1 and 2 GHG emissions by 75% by 2025 and by 80% by 2030 relative to a 2019 baseline;

2) Increase renewable energy generation to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline;

3) Increase green hydrogen production to 1,500 tonnes/year by 2025 and 3,000 tonnes/year by 2030 relative to a 2021 baseline;

4) Increase the share of zero-emissions energy in the total energy mix to 25% by 2025, 30% by 2026 and 50% by 2030 relative to a 2019 baseline.

Sustainalytics considers KPI 1 to be very strong given that it is a direct measure of GPP's performance on a relevant and material environmental issue, follows a clear and consistent calculation methodology that is externally verifiable, has a high scope of applicability and supports benchmarking against external emission reduction trajectories. Sustainalytics considers KPI 2 to be adequate given that it is an indirect measure of the Group's sustainability performance on a material environmental issue, follows a clear methodology, has a high scope of applicability, and does not support benchmarking against emissions reduction trajectories. Sustainalytics considers KPI 3 to be adequate given that it is an indirect measure of the Group's sustainability performance on a material environmental issue, follows a clear methodology, has a high scope of applicability, and does not support benchmarking against emissions reduction trajectories. Sustainalytics considers KPI 4 to be strong given that it is an indirect measure of the Group's sustainability performance on a material environmental issue, has a high scope of applicability, follows a clear methodology that is externally defined and supports benchmarking against an external contextual benchmark.

Sustainalytics considers SPTs 1, 2, 3 and 4 to be aligned with GPP's sustainability strategy and SPT 1 to be highly ambitious given that it is aligned with past performance, is above peer performance and aligned with the SBTi's 1.5°C climate scenario. Sustainalytics considers SPTs 2 and 3 to be ambitious given that they are above past performance and peer performance. Sustainalytics considers SPT 4 to be ambitious given that it represents an improvement over past performance, is aligned with peer performance and is comparable with SBTi's 1.5°C climate scenario-aligned thresholds for renewable electricity sourcing.

Furthermore, Sustainalytics considers the reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the Grupa Polsat Plus Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIS)

Overall comment on the section *(if applicable)*:
The Grupa Polsat Plus Sustainability-Linked Financing Framework includes four KPIs: i) absolute scope 1 and 2 GHG emissions (tCO_2e); ii) renewable energy generation (GWh); iii) green hydrogen production (tonnes); and iv) share of zero-emissions energy in total energy mix (%) (See Table 1). Sustainalytics considers KPI 1 to be very strong, KPIs 2 and 3 to be adequate, and KPI 4 to be strong based on their materiality, relevance, scope of applicability and adequacy to external benchmarking.

List of selected KPIs:

- Absolute scope 1 and 2 GHG emissions (tCO_2)
- Renewable energy generation (GWh)
- Green hydrogen production (tonnes)
- Share of zero-emissions energy in total energy mix (%)

Definition, Scope, and parameters

☒ Clear definition of each selected KPIs
☒ Clear calculation methodology
☐ Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

☒ Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy.
☒ Evidence that the KPIs are externally verifiable
☒ Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
☐ Evidence that the KPIs can be benchmarked
☐ Other (*please specify*):

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (*if applicable***):**
Sustainalytics considers SPTs 1, 2, 3 and 4 to be aligned with Grupa Polsat Plus' sustainability strategy. Sustainalytics considers SPT 1 to be highly ambitious, SPTs 2 and 3 to be ambitious, and SPT 4 to be ambitious based on comparison with past performance, peer performance and science-based trajectories.

Rationale and level of ambition

☒ Evidence that the SPTs represent a material improvement
☒ Credentials on the relevance and reliability of selected benchmarks and baselines
☒ Evidence that SPTs are consistent with the issuer's sustainability and business strategy
☒ Credentials that the SPTs are determined on a predefined timeline
☐ Other (please specify):

Benchmarking approach

☒ Issuer own performance
☒ Issuer's peers
☒ reference to the science
☐ Other *(please specify):*

Additional disclosure

☒ potential recalculations or adjustments description
☒ issuer's strategy to achieve description
☐ identification of key factors that may affect the achievement of the SPTs
☐ Other (please specify):

3-3 BOND/LOAN CHARACTERISTICS

Overall comment on the section (*if applicable***):**
Grupa Polsat Plus will link the financial characteristics of the instruments issued and obtained under the framework to the achievement the SPTs. For sustainability-linked bonds and loans issued or obtained, a coupon or interest rate step-up, or premium payment will apply when the relevant SPT has not been achieved by its observation date. The financial instrument characteristics are aligned with market expectations.

Financial impact:

☒ variation of the coupon

☒ Premium payment

☒ Other (*please specify*): Interest rate margin variation

Structural characteristic:

☐ …

☐ …

☐ Other (*please specify*):

3-4 REPORTING

Overall comment on the section (*if applicable*):
Grupa Polsat Plus commits to report, at least on an annual basis, and within four months after the observation date, on its progress on the KPIs and the achievement or non-achievement of the SPTs on its website. Grupa Polsat Plus commits to disclosing relevant information to enable investors to monitor the progress towards the SPTs, information regarding SPT baselines, the impact of the progress on the KPIs and the timing of such impact on financial instrument performance. The reporting commitments are aligned with market practice.

Information reported:

☒ performance of the selected KPIs

☐ level of ambition of the SPTs

☒ verification assurance report

☐ Other (*please specify*):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify): information published on website in an annual report, sustainability report or a separate reporting document.

☐ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review)*:

Where appropriate, please specify name and date of publication in the "useful links" section.

Level of Assurance on Reporting

☒ limited assurance

☐ reasonable assurance

☐ Other *(please specify)*:

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)

www.grupapolsatplus.pl

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- ☐ limited assurance
- ☐ reasonable assurance
- ☐ Other (please specify):

Frequency:

- ☐ Annual
- ☐ Semi-annual
- ☐ Other (please specify):

Material change:

- ☐ Perimeter
- ☐ KPI methodology
- ☐ SPTs calibration

Disclaimer

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

Climate Bonds Initiative
6TH CLIMATE BONDS AWARDS
Largest Verifier for Certified Climate Bonds in Deal volume in 2020 & Largest External Review Provider in 2020

2021 GlobalCapital Bond Awards
Most Impressive Second Opinion Provider or Rating Agency
WINNER

CLIMATE BONDS STANDARD
APPROVED VERIFIER

Environmental Finance
Bond Awards 2021
Winner
External assessment provider of the year