1. About BGK

Bank Gospodarstwa Krajowego (BGK) is a Polish development bank – the only institution of this type in Poland. Our mission is to support sustainable social and economic growth. Our role in building a strong and stable economy is to develop the cooperation and activate the public and private sector in order to increase the potential of social and economic growth.

BGK operates under a strategic framework that emphasizes sustainable development, social commitment, international cooperation, digital transformation, and effective management. Its programs span various sectors including industrial development, healthcare, infrastructure, and housing, all aimed at improving the quality of life for Polish citizens and ensuring long-term economic stability.

BGK presents the methodology and results of its inaugural calculation of financed greenhouse gases (GHG) emissions, reflecting a commitment to environmental accountability and sustainability. The calculation was made for the purpose of fulfilment of the obligations as outlined in Article 449a of the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR Disclosure).

The disclosure report of environmental, social and governance (ESG) risks as of 30 June 2024 (Pillar 3) was prepared in accordance with the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards (ITS) with regard to public disclosures by institutions and can be found on the bank's website.

2. Methodology

In alignment with Table 1 of the ITS, BGK has disclosed its exposures and financed greenhouse gas emissions for the specified sectors covered by the disclosure requirements. These sectors, as defined in the ITS, are significant contributors to climate change, specifically those categorized under sections A-I and L according to the NACE classification:

- Agriculture;
- Mining and quarrying;
- Manufacturing;
- Electricity, gas, steam and air conditioning supply;
- Water supply; sewerage, waste management and remediation activities;
- Construction;
- Wholesale and retail trade; repair of motor vehicles and motorcycles;
- Transportation and storage;
- Accommodation and food service activities;
- Real estate activities.

Financed GHG emissions were calculated in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard.

The exposures and classification of transactions to PCAF asset classes were presented below.

Table 1. Classification of BGK's transaction to PCAF asset classes with a description of equations used for GHG emission calculation by BGK.

PCAF asset class	Class description	Number of transactions analysed*	PCAF data quality score*	Gross Carrying Amount [PLN]	PCAF equation used for GHG emissions calculation**
Class 2	Business loans and unlisted equity	2	Score 1 (option 1a)	333,975,558	**For business loans and unlisted equity:** $\sum_C \frac{Outstanding\ amount_C}{Total\ equity + debt_C}\ X\ Verified\ GHG\ emissions_C$
Class 2		34	Score 2 (option 1b)	4,909,401,578	**For business loans to listed companies:** $\sum_C \frac{Outstanding\ amount_C}{EVIC_C}\ X\ Unverified\ GHG\ emissions_C$
Class 2		369	Score 4 (option 3a)	9,189,302,919	**For business loans and unlisted equity:** $\sum_C \frac{Outstanding\ amount_C}{Total\ equity + debt_C}\ X\ Revenue_C\ X\ \frac{GHG\ emissions_S}{Revenue_S}$ **For business loans to listed companies:** $\sum_C \frac{Outstanding\ amount_C}{EVIC_C}\ X\ Revenue_C\ X\ \frac{GHG\ emissions_S}{Revenue_S}$
Class 2		447	Score 5 (option 3b)	741,795,209	$\sum_C Outstanding\ amount_C\ X\ \frac{GHG\ emissions_S}{Total\ assets_S}$
Class 3	Project finance	2,440	Score 5 (option 3b)	8,154,502,210	$\sum_P Outstanding\ amount_P\ X\ \frac{GHG\ emissions_S}{Total\ assets_S}$
Class 4	Loans to finance commercial real estate	11	Score 4 (option 2b)	4,478,005	$\sum_{B,E} \frac{Outstanding\ amount_B}{Property\ value\ at\ origination_B}\ X\ Estimated\ energy\ consumption\ based\ on\ statistical\ data_{B,E}\ X\ Floor\ area_B\ X\ Emissions\ factor_E$
Class 6	Motor vehicle loans	3	Score 5 (option 3b)	7,415,319	$\sum_{V,F} \frac{Outstanding\ amount_V}{Vehicle\ value\ at\ origination_V}\ X\ Distance\ travelled_L\ X\ Fuel\ consumption_{A,F} X\ Emission\ factor_F$
Total (transactions for which the calculation was made):		**3,306**	-	**23,340,870,798**	-

* in accordance with the data quality scoring system in the PCAF standard, Score 1 represents the highest quality data (acquired directly from the bank's counterparties), while Score 5 indicates the lowest quality data (derived from sector averages);

** where in the equations C denotes borrower, S – sector, B – building, E – energy source, V – vehicle or vehicle fleet, A – assumed average vehicle or vehicle fleet, F – fuel type, L – estimated distance travelled based on local or regional statistical data for a vehicle / vehicle fleet with average fuel consumption.

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Transactions subject to the disclosure obligation were classified into four out of seven asset classes according to PCAF, i.e.:

- 2 – business loans and unlisted equity;
- 3 – project finance;
- 4 – loans to finance commercial real estate;
- 6 – motor vehicle loans.

The first calculation excluded from the remaining three PCAF asset classes (1 – listed equity and corporate bonds, 5 – mortgages and 7 – sovereign debt) due to the fact that they are not subject to the CRR disclosure obligation.

Detailed definitions and data sources used for the first calculation were summarised below.

Table 2. Definitions and data sources used for GHG emission calculation by BGK.

PCAF standard term	Definition adopted by BGK	Data source	Date of data (as at)*
Outstanding amount (for a company, project, building, vehicle)	Gross carrying amount, GCA UNIT: PLN	BGK's banking systems	30 June 2024
Company equity + debt	The definition in accordance with the structure of liabilities and equity specified in Appendix I to the Accounting Act UNIT: PLN	Financial statements of companies	Accounts for 2022
EVIC (Enterprise Value Including Cash)	The total comprises of the market capitalisation of ordinary shares, preferred shares at fiscal year-end, and the book values of total debt and minorities' interests UNIT: PLN	Bloomberg	Data as at the end of 2022
Company's revenue	The definition of revenue (turnover) used by Eurostat – Turnover in industry (Europa.eu) UNIT: PLN	Financial statements of companies	Accounts for 2022
Revenue per sector	The definition of revenue according to the Polish Classification of Business Activity used by Statistics Poland (GUS) in "Balance sheet financial performance of non-financial companies for 2022" was adopted UNIT: PLN million	Statistics Poland	Data for 2022
Verified GHG emissions of a company	Reported GHG emissions reported by the company in Scope 1, 2, 3**, in line with the GHG Protocol, with verification by a third-party auditor UNIT: tonne of carbon dioxide equivalent (eCO_2)	Sustainable development reports from companies that are clients of BGK	reports for 2022

Unverified GHG emissions of a company	Reported GHG emissions reported by the company in Scope 1, 2, 3** (GHG Protocol), without verification by a third-party auditor UNIT: tonne of eCO_2	Sustainable development reports of companies which are clients of BGK	reports for 2022
GHG emissions per sector	Greenhouse gas and pollutant emissions to air by 64 sectors in accordance with "Air emissions accounts by NACE Rev. 2 activity". UNIT: tonne of eCO_2	Eurostat	Data for 2022
Total assets per sector	The definition of current and fixed assets according to the Polish Classification of Business Activity used by Statistics Poland (GUS) in "Balance sheet financial performance of non-financial companies" UNIT: PLN million	Statistics Poland	Data for 2022
Property value at origination	Value of developed property – as at the date of verification by BGK UNIT: PLN	BGK's banking systems	30 June 2024
Building floor area	Usable area UNIT: m^2	BGK's banking systems	30 June 2024
Emission factor for energy source	Emission factors for CO_2 for final consumers of electricity in Poland from database on GHG emissions and other substances managed by The National Centre for Emissions management (KOBiZE) for 2022. UNIT: kg of CO_2 per MWh	KOBiZE	Data for 2022
Estimated energy consumption based on statistical data	Definition and indicators adopted from PCAF's emission factor database for buildings – estimates based on own methodology. UNIT: MWh / m^2	BGK's analysis based on PCAF (CRREM Global Pathways)	2023 (estimate)
Vehicle value at origination	Value of vehicle / vehicle fleet – as at the date of verification by BGK. UNIT: PLN	BGK's banking systems	30 June 2024
Distance travelled estimated based on local or regional statistics for the vehicle / vehicle fleet with average fuel consumption	BGK's calculations based on data from "Transport – results of operations in 2022". UNIT: km	BGK's analysis based on Statistics Poland	Data for 2022
Vehicle-unspecific / vehicle fleet-unspecific fuel consumption with a specific fuel type	BGK's calculations based on data from the banking systems, data provided by vehicle manufacturers. UNIT: litres or kWh	BGK's analysis based on data from the banking systems and data provided by manufacturers.	30 June 2024

Fuel type-specific emission factor	Definition and indicators for fossil-fuel combustion vehicles adopted from database provided by Department for Environment, Food and Rural Affairs in United Kingdom (DEFRA). Definition and indicators for electric vehicles adopted from the database provided by KOBiZE. UNIT: tonne of eCO_2 per litre or kg of carbon dioxide per MWh	DEFRA/KOBiZE	Data for 2022

* For a substantial part of data used for the calculations, 2022 served as the most recent information source. To ensure the methodological consistency, 2022 was adopted as the effective year for external data collected outside BGK's systems;

** Taking into account the Scope 3 GHG emissions of bank's counterparties, in indicated sectors, is the requirement of ITS.

3. Results

The results of the inaugural calculation of financed GHG emissions in specified sectors and scope required by ITS are presented below.

Table 3. Results of the first GHG emission calculation (transaction data as of 30 June 2024).

Sector (NACE section)	**Gross carrying amount [mln EUR]**	**GHG financed emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty) [tons of eCO_2]**	
			of which Scope 3 financed emissions* [tons of eCO_2]
A – Agriculture	4.06	1,174.73	0.00
B – Mining and quarrying	518.98	229,288.51	10,485.66
C – Manufacturing	1,205.57	837,371.95	596,389.95
D – Electricity, gas, steam and air conditioning supply	1,287.97	11,754,986.58	5,152,236.41
E – Water supply; sewerage, waste management and remediation activities	181.13	37,293.96	0.00
F – Construction	582.25	24,620.40	15,333.02
G – Wholesale and retail trade; repair of motor vehicles and motorcycles	421.62	77,486.36	38,247.06
H – Transportation and storage	724.68	77,447.47	0.00
I – Accommodation and food service activities	73.23	176.46	0.00

L – Real estate activities	1,263.37	6,695.61	0.00
Exposures towards sectors that highly contribute to climate change	**6,262.86**	**13,046,542.04**	**5,812,692.09**
Exposures towards other sectors	**691.92**	**Not applicable for the calculation**	**Not applicable for the calculation**

* Scope 3 GHG emissions was included in the calculation only for counterparties that reported this indicator in their sustainable development reports. BGK did not estimate the Scope 3 GHG emissions of counterparties for the purpose for this calculation.

90% of financed GHG emissions originated from Sector D, which encompasses electricity, gas, steam and air conditioning supply. The remaining 10% were allocated to other sectors, in majority Sector C (Manufacturing) and Sector B (Mining and Quarrying). Overall, the total exposures towards sectors significantly contributing to climate change amounted to 6,262.86 mln EUR with total GHG emissions of 13,046,542.04 tons of eCO_2, including substantial Scope 3 emissions of 5,812,692.09 tons of eCO_2.

As of June 2024, the climate impact intensity of BGK exposure was 2,083.2 tons of eCO_2/mln EUR.

To effectively reduce its climate impact intensity, BGK is involved in numerous projects related to financing the energy transition, including the construction and modernization of energy networks, renewable energy sources (including offshore wind farms), energy storage, projects improving the energy efficiency of enterprises, and contributing to the green transformation of cities.