



Principles for Responsible Banking

mBank

First Report

March 31, 2023

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

mBank Group conducts business based on a universal banking model, specialising in servicing all client groups. It offers retail, corporate and investment banking as well as other financial services such as leasing, factoring, financing of commercial real estate, brokerage operations, wealth management, corporate finance and advisory in the scope of capital markets.

mBank Group's activities are based on its model of values [Authenticity, Empathy, Courage, Responsibility, Cooperation] focused on the benefit of customers, shareholders, employees and other stakeholders. We identify their real needs and implement appropriate solutions in order to meet the existing and future requirements.

mBank's widely recognised operational excellence is based on the state-of-the-art user interface for online banking, next-generation mobile application, video banking, as well as real-time, event-driven customer relationship management (CRM) based on customer behaviour patterns. The whole product offer is centred around the current account with a broad spectrum of financial services accessible in just "one click", as the strategic aim of mBank is to be the most convenient transactional bank on the market. Our internet platform for customers is modern, convenient, easy-to-access and user-friendly. We have also been systematically expanding our mobile application to provide customers with the possibility of managing their finances wherever they are.

mBank Group geographical presence

mBank offers its services in Poland and to retail customers also in the Czech Republic and Slovakia. Its leading role of mobile and internet banking provider is supplemented by comprehensive service in the branches. In Poland, retail branch network covers 319 outlets, whereas corporate network comprises 43 points of service, additionally supplemented by branches of mBank Group subsidiaries. When contacting the consultants in the branches, customers not only can use products and services of mBank Group, but also install and learn how to use mobile and internet banking.

You can read more in the mBank Group Annual Report, Management Board Report on Performance of mBank S.A. Group in 2022, chapters 1.1, 1.3, 4.1, 6.2, 7

<https://www.mbank.pl/en/investor-relations/financial-results/>

You may also take a look at a one pager "mBank Group in a snapshot"

https://www.mbank.pl/pdf/relacje-inwestorskie/factsheet_mbankgroup_eng.pdf

Retail network in Poland:

- 84 mBank branches
- 31 light branches
- 15 advisory centres
- 149 mKiosks
- 40 Financial centres and agency service points of mFinanse

Czech Republic

- 13 financial centres and light branches
- 18 mKiosks

Slovakia:

- 6 financial centres and light branches
- 9 mKiosks

Corporate branches in Poland:

- 29 corporate branches
- 14 corporate offices

Depending on their needs, our customers can take advantage of full product offering and cash services in traditional mBank branches. Comprehensive portfolio of more sophisticated financial products, such as mortgage loans and corporate funding, is also available in financial centres and agency service points of mFinanse subsidiary. In the advisory centres, both individual and corporate clients are served, who can also use the services of mBank Group's subsidiaries. The light branches are dedicated to distribute basic financial products and provide clients with cash services up to defined limits. mKiosks, located in shopping malls, allow customers to familiarize with mBank's offer, open an account and obtain a non-mortgage loan.

Contribution of business lines to the financial results

Contribution of business segments and business lines to the financial results

A summary of financial results of individual business lines of mBank Group is presented in the table below.

PLN million	2021	2022	Change in PLN M	Change in %	Share in income (in %)
Retail Banking	3,758.8	4,027.1	268.3	7.1%	51.4%
Corporate and Investment Banking	2,307.4	3,459.3	1,151.9	49.9%	44.1%
Treasury and Other	-19.1	339.9	358.9	-/+	4.3%
Core business income	6,047.1	7,826.3	1,779.2	29.4%	99.8%
FX Mortgage Loans	64.0	15.8	-48.2	-75.3%	0.2%
Income of mBank Group	6,111.1	7,842.1	1,731.0	28.3%	100.0%

Number of retail customers

(refers to mBank & mBank Hipoteczny [mortgage bank])

('000)	31.12.2020	31.12.2021	31.12.2022	Annual change
Number of retail clients, including¹:	5,661.8	5,514.6	5,642.8	2.3%
Poland	4,658.5	4,487.8	4,590.1	2.3%
Foreign branches	1,003.4	1,026.9	1,052.7	2.5%
The Czech Republic	702.7	717.8	732.3	2.0%
Slovakia	300.7	309.0	320.4	3.7%
Mobile application users	2,577.3	2,959.8	3,338.5	12.8%
Poland	2,274.3	2,587.9	2,920.0	12.8%
Foreign branches	303.0	371.9	418.5	12.5%

Number of corporate clients

	31.12.2020	31.12.2021	31.12.2022	Annual change in %
Number of corporate clients	29,083	31,315	33,025	5.5%
K1	2,358	2,272	2,218	-2.4%
K2	8,862	9,740	10,329	6.0%
K3	17,863	19,303	20,478	6.1%

The Corporate and Investment Banking segment serves 33,025 corporate clients including large enterprises (K1 - annual sales exceeding PLN 1 billion), mid-sized enterprises (K2 - annual sales of PLN 50 million – PLN 1 billion) and small enterprises (K3 - annual sales below PLN 50 million, full accounting) through a network of dedicated 43 branches. mBank Group's offer of products and services for corporate clients focuses on traditional banking products and services (including corporate accounts, domestic and international money transfers, payment cards, cash services, and liquidity management products), corporate finance products, hedging instruments, equity capital market (ECM) services, debt capital market (DCM) instruments, mergers and acquisitions (M&A), leasing and factoring.

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

The Strategy of mBank Group for 2021-2025 entitled "From an icon of mobility, to an icon of possibility" was adopted by the management board and approved by the supervisory board in autumn 2021. It was developed to leverage on our current competitive strengths, successfully adapt to new environment, address the weaknesses and as a result establish a bank that will continue to be ranked among top financial players in Poland, whilst reaching better market valuation.

The process of developing the strategy has begun in late summer 2020. The Supervisory and Management Boards decided that ESG is to become one of the most important pillars of the new business strategy. The ESG stream engaged more than 70 people from across the bank, including all divisions and various positions held. We started with familiarizing the whole team with the 10 Principles of UN Global Compact, the Paris Agreement and UN Sustainable Development Goals, all of which guided us in our work.

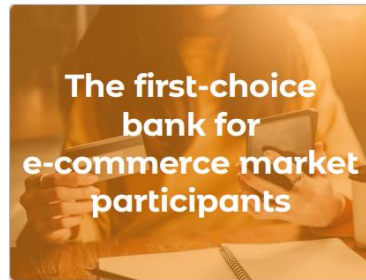
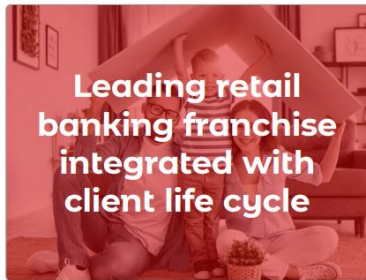
When defining our new aspirations, goals and initiatives, we also took into account the expected economic and market prospects, regulatory requirements, technological progress, evolution of consumer behaviour, local constraints and internal conditions. In the increasingly competitive operating environment, attacking by new entrants, fintechs and internet giants, we believe that we can further build our advantage around fundamental banking values such as stability, security and secrecy. They are hard to be appropriated by non- or scarcely-regulated entities. Our customers should have strong conviction that they can trust our services because we comply with much more demanding rules and standards.

Our mission is:
"Convenient, secure, focused on your future... mBank – more than a mobile bank."

In [mBank Group's strategy for 2021-2025](#), we are focusing on 5 areas:

Pillars of new mBank Group's strategy for 2021-2025

We will focus on 5 areas of our interest



mBank Group's Strategy for 2021-2025

ESG in the strategy of mBank Group

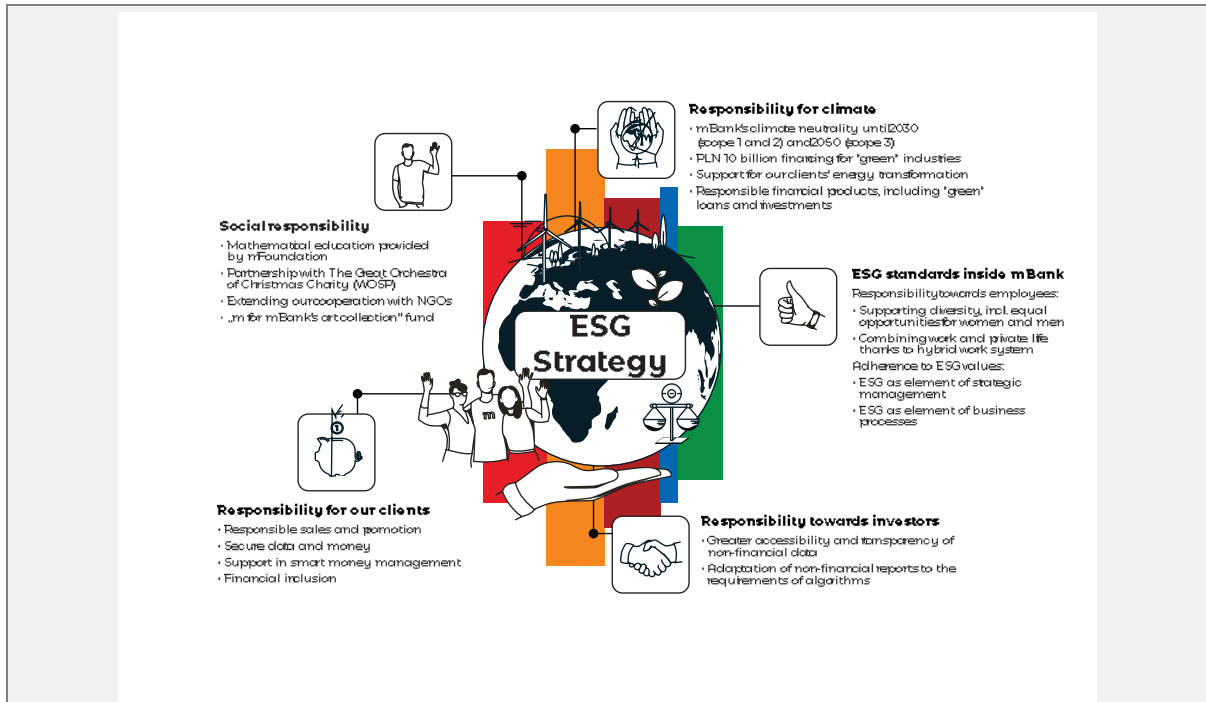
Our new ESG agenda for mBank Group is an integral part of our activity.

We want to remain a leader of sustainable banking in Poland.

We are aware of our responsibility for climate, society, financial health of our clients and being in line with our declared ESG values. We intend to systematically reduce our environmental footprint, support energy transition of our clients and reach climate neutrality in scope 1 and 2 by 2030.

Our ambition is to become a fully climate neutral organisation (scope 3) by 2050 at the latest. We will use Science Based Targets initiative methods to calculate and limit the CO2 emissions associated with our credit portfolio. Having integrated ESG standards into our business and risk processes, we will conduct responsible sale accompanied by clear and precise communication, transparently present the risks associated with specific financial products and continue educational campaigns on safe online banking and personal data protection.

We want to build an ESG-oriented working environment and promote gender equality. We will contribute to social well-being through further cooperation with the Great Orchestra of Christmas Charity (WOŚP) and activities of mBank Foundation (mFundacja). We strive to enhance our ESG disclosure to be recognized by our shareholders and broader investment community as market leader and reference point among financial institutions in the region.



Vision for mBank Group, pillars of the strategy and main directions of development

Based on its advanced transactional solutions and expertise in financing and servicing certain market segments, mBank will continue to attract individual and corporate customers who are seeking the easiest ways to move, manage and invest their money or address their liquidity needs. We will aspire to be not only the bank of first choice for our customers but the place where they will concentrate all their financial-related activities.

We anchor the future of mBank on the following principles:

- understanding of customer needs in their life cycle and calibrating products adequately to support them in most effective way
- helping clients to keep their finances in order by providing them with advanced financial management capabilities
- mobile access being the core medium/channel for interaction with the client
- security of clients' payments and assets placed with mBank
- banking secrecy and firm promise to protect customer information, personal data and financial profile of their activities
- offering a premier experience for our clients in the e-commerce universe
- executing ESG agenda focused on our responsibility for climate, society and financial health of our clients.

ESG strategy goals and accomplishments in 2022

Environmental, social and ethical aspects play a crucial role in the way we manage our company. We want to make a progress with our ESG agenda and stand out of our peer group. We will be more responsible and inclusive bank and expect it from our employees, clients and commercial partners. We will continue to contribute to the sustainable growth and well-being of the society.

Below please find a list of our accomplishments in fulfilling mBank’s strategy in 2022, in particular pillars.

Responsibility for climate

Our promise: By 2050 we will become a fully climate-neutral bank. By 2030 we will reach climate neutrality in scope 1 and 2.

Goal	Completion
<p>Reduce direct environmental footprint of mBank Group by:</p> <ul style="list-style-type: none"> ▪ development of data aggregation system concerning direct emissions ▪ defining a timetable and milestones (2025, 2030, 2050) for reducing the carbon footprint and achieving climate neutrality in line with the Paris Agreement goals ▪ conducting an external audit of our carbon footprint by 2022 ▪ setting the example for sustainable cities and communities through resource-efficient new mBank’s headquarter ▪ no new diesel-powered vehicles in mBank’s fleet starting from 2023 ▪ 80% of consumed energy from renewable sources by 2023 ▪ 100% of no longer used, well-functioning equipment to be reused ▪ having 100% of mBank’s debit cards for individual clients with a digital equivalent (mobile card) by 2025 	<ul style="list-style-type: none"> ▪ We joined the Science Based Targets Initiative (SBTi) – direct and indirect impact. ▪ In 2022, mBank’s calculations of its carbon footprint in scope 1 and 2 have been audited by the Foundation Climate Strategies Poland. ▪ 2022 was the first year when we published our greenhouse gas emissions in scope 3 (categories 1-3). In 2023 we plan to additionally calculate emissions originated from our employees’ commuting to work (category 7 of scope 3). ▪ mBank’s headquarters in Warsaw and Łódź are certified with BREEAM International 2013 New Construction at the „Excellent” level. ▪ In cooperation with the company Zero Waste we give second life to furniture and appliances no longer used at mBank. ▪ In 2022 mBank stopped buying diesel cars. ▪ As at the end of 2022, 100% of electric energy used by mBank was generated by RES. ▪ In 2022 we extended SME offering by introducing secured eco-loans and eco-advances for companies. ▪ In 2022 we provided our clients with new offer for photovoltaics leasing and electric cars leasing subsidized from the programme “My electric car” (“Mój elektryk”). ▪ In 2022 we started granting eco mortgages. Clients applying for financing of house or apartment characterized with adequately low energy consumption are entitled to lower borrowing costs. ▪ In 2022 mBank, as the first Polish bank, joined the Partnership for Carbon Accounting Financials (PCAF).

	<ul style="list-style-type: none"> ▪ In April 2022 mBank clients received first cards made in 85% from recycled plastic. We issued over 695 000 such cards so far.
<p>Be a leading bank supporting energy transition of our clients by (indirect impact):</p> <ul style="list-style-type: none"> ▪ providing PLN 10 billion of funds for RES segment in the strategic horizon, of which: <ul style="list-style-type: none"> ▪ PLN 5 billion of direct funding of RES, waste management, electromobility and similar projects ▪ PLN 5 billion from other sources, such as consortia and green bonds issuances of our clients ▪ increasing the share of corporate clients with ESG products to 5% of total portfolio by 2023 ▪ identifying carbon-intensive sectors within our portfolio and determining the level of CO2 pollution that may be attributed to them ▪ rising share of SME's investments backed by eco-compliant real estate to 10% by 2025 ▪ granting PLN 25 billion of housing loans collateralized on residential buildings that meet CO2 emission reduction norms resulting from the low carbon trajectory in 2022-2025 ▪ selling PLN 1 billion of eco-mortgage loans for real estates that meet the increased emission requirements confirmed by the Nearly Zero Energy Building Certification (NZEB) in 2022-2025 ▪ financing PLN 1.7 billion of eco-investments of retail small firms by 2025 ▪ achieving at least 50% of our clients' assets under mBank's management invested in products compliant with ESG guidelines by 2025 ▪ having no new products with a low ESG rating among third-party investment funds offered by mBank 	<ul style="list-style-type: none"> ▪ In 2022, in the corporate clients segment, we provided nearly PLN 878 million funding for new RES installations. ▪ In 2022 we signed two contracts for conducting green bonds issuance for the clients and one contract for issuance of bonds with ESG profile. We also conducted four green bonds issuances totaling PLN 275 million. ▪ In 2022 we extended SME offering by introducing secured eco-loans and eco-advances for companies. ▪ In 2022 we provided our clients with new offer for photovoltaics leasing and electric cars leasing subsidized from the programme "My electric car" ("Mój elektryk"). ▪ In 2022 we started granting eco mortgages. Clients applying for financing of house or apartment characterized with adequately low energy consumption are entitled to lower borrowing costs. ▪ In 2022 mBank, as the first Polish bank, joined the Partnership for Carbon Accounting Financials (PCAF). ▪ In April 2022 mBank clients received first cards made in 85% from recycled plastic. We issued over 695 000 such cards so far.

Responsibility for financial health of our clients

Our promise: We support customers in safe and convenient banking as well as making conscious financial decisions.

Goal	Completion
Develop the personal finance management (PFM) functionalities	<ul style="list-style-type: none"> ▪ In December 2022, we signed the ' UNEP-FI Commitment to Financial Health and Inclusion', part of the UNEP-FI. ▪ We are developing a personal finance manager service (PFM) in an app that helps to responsibly manage the household budget. It allows customers to analyse their expenses and receipts over the past months, broken down into different categories. At the end of 2022, more than 1.5 million users per month were already using this function. ▪ In December we have launched www.twojaspokojnasglowa.pl, a new educational website on healthy personal finance, which helps the clients to improve their financial condition.
Continue educational campaigns on safe finances, including one cybersecurity campaign in each year of strategy implementation	<ul style="list-style-type: none"> ▪ mBank conducts regular educational activities on cyber-security. In 2022, as part of the “People are incredible” campaign, we highlighted the most common mistakes people make online, which can lead to the loss of data and money. The campaign reached almost 17 million unique users.
Use clear communication and plain language	<ul style="list-style-type: none"> ▪ In our external and internal communication, we use mKanon, a communication standard that consists of 7 principles. Communication according to mKanon is: short, comprehensive, clear, sincere, empathetic, 'we' type and linguistically correct. ▪ We are supported in our activities by the Foundation of the Polish Language (FJP). In 2022, the foundation certified another group of mKanon ambassadors. These are people from different units of the bank who ensure that our communications are in line with mKanon. In total, we have 34 people in this group. The FJP also awarded a ‘Language Quality Mark’ certificate to our debt collection help page. We are an active member of the Simple Communication Working Group, which has been at the Polish Bank Association since 2020.
Have all newly opened branches accessible to people with disabilities	<ul style="list-style-type: none"> ▪ In the area of eliminating barriers for people with health conditions or impairment, we cooperate with an experienced partner - the

	<p>Integration (Integracja) Foundation. In 2022, we signed agreements covering an architectural audit of selected bank branches and a survey of customer contact channels with the bank using the mystery shopper method.</p> <ul style="list-style-type: none"> ▪ In the area of digital accessibility, in 2022 we started cooperation with the Visible (Widzialni) Foundation, which, together with the Integration Foundation, forms a consortium appearing on the list of entities performing accessibility certification referred to in Article 17 of the Act of 19 July 2019 on ensuring accessibility for persons with special needs. In 2022, the Widzialni Foundation carried out accessibility audits of digital services for us. Their results are comprehensive reports on the accessibility status of our mobile application, transaction service, application system, system design and websites. Certify our buildings, customer service and internet websites by 2023.
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Responsibility for being an organisation in line with ESG values

Our promise: We walk the talk. We first accomplish and then communicate. We build corporate culture based on values and incorporate ESG into our daily life.

Goal	Completion
Set 10% of TOP 100 managers' OKR (Objective and Key Results) goals related to ESG	In 2022, we defined ESG targets with a weighting of 10% for TOP 100 mBank managers. Each manager has also defined the tasks he or she intends to complete in the ESG area and metrics to measure progress quarterly.
Ensure gender balance in the succession programme, with a proportion of participants of a given gender at minimum 45%.	In 2022, we have defined a succession list for managerial and director positions in line with the gender ratio. We report on an ongoing basis on the percentage ratio of women and men in leadership recruitment.
Preserve a gender diversity of the candidates in the final stage of the recruitment process (for managerial positions)	In 2022, we achieved our goal of equal gender representation in hiring and promotion processes (52% of recruited or promoted managers are women).
Implement a hybrid work system that will meet the needs of the employer and employees.	<ul style="list-style-type: none"> ▪ In May 2022, mBank employees returned to the offices in a hybrid working mode. In mBank's head offices, the new mode consists of 40%-60% remote working time. In sales, contact center, operations and IT networks,

<p>Have 90% of employees with a possibility to fulfil their jobs in a flexible manner by 2023</p>	<p>the model as been adapted to the specifics of these areas.</p> <ul style="list-style-type: none"> ▪ According to the Pulse Check survey (Q4 2022), employees rate the hybrid work model well (83% positive perception on the question "the hybrid working arrangement allows me to manage work and personal commitments flexibly").
<p>Implement Taxonomy in processes (including the credit process), procedures and products</p>	<ul style="list-style-type: none"> ▪ In 2022, we published indicators related to the EU Taxonomy for the first time. These are the Taxonomy eligibility data required during the transition period. ▪ In 2022, we started work on a data collection system to be able to fully fulfil our reporting requirements from 2024. ▪ EU taxonomy is one of the benchmarks we consider when assessing the impact of banking products on ESG factors.
<p>Develop each new banking product along with its ESG evaluation from 2022</p>	<p>When introducing or modifying financial products and services, we assess their impact on 5 environmental issues and 6 social objectives, including those related to clients' financial health.</p>
<p>Expand responsible offer by launching at least one eco-product in every business line each year starting from 2021.</p>	<p>In 2022, we implemented new eco-friendly products to our range. These included an eco-mortgage for an energy-efficient house or flat, payment cards made from recycled plastic or photovoltaic leasing.</p>
<p>Cooperate only with partners and suppliers fulfilling ESG standards (in line with a code) by 2025</p>	<p>Since 2022, mBank and mLeasing have been applying the "Sustainability Code for suppliers and partners". Every contractor that wishes to enter into a purchasing procedure is required to submit a statement of compliance with this code. We also collect signed statements from existing suppliers. We have also published the "Guide for mBank Group suppliers on sustainability".</p>
<p>Proactively promote the proper segregation of litter and organise a Clean Day event for employees once a year (a day dedicated for cleaning the Earth)</p>	<ul style="list-style-type: none"> ▪ We conduct ongoing information activities for employees on proper waste segregation at our offices in Warsaw and Łódź. ▪ In 2022, a group of mBank employees together with the City Forestry in Łódź organised the first forest cleaning action.

Responsibility for society

Our promise: We will contribute to social well-being. We will be a responsible corporate citizen.
Responsibility for society

Goal	Completion
<p>Support the development of mathematical education in Poland through the activities of mBank Foundation (mFundacja), including grant programmes and competitions of national range.</p>	<ul style="list-style-type: none"> ▪ In 2022, the mFoundation allocated more than PLN 2.7 million for statutory activities related to mathematics education and promotion of mathematics (grant programmes “mPower” („mPotęga”) and “Growing with Maths” („Rosnę z matematyką”), a contest “A Step in the Future” („Krok w przyszłość”) for the best student work in mathematics, scholarship programme „Masters of Mathematics” (“Mistrzowie matematyki), and others. ▪ On 22 April 2022, Earth Day, the mBank Foundation presented its latest book, Matematyka na zielono. We printed it in a limited edition of 50,000 copies, on FSC®-certified paper. More than 30,000 free copies of the book were distributed to readers. The remainder of the print run is being distributed to schools, libraries and other educational entities. It can also be downloaded free of charge from www.mjakmatematyka.pl.
<p>Cooperate with the Great Orchestra of Christmas Charity (WOŚP)</p>	<ul style="list-style-type: none"> ▪ In 2022, mBank was a partner of the WOŚP Final for the fifth time. Two WOŚP headquarters in Łódź and Warsaw were joined by 170 mBank employees. In addition, around 1,000 employees from mBank branches across Poland joined the 30th WOŚP Final. Moreover, mBank, as every year, conducted numerous campaigns mobilising its clients to donate to the WOŚP. ▪ Retail customers can support the WOŚP all year round by donating a set amount to a special savings goal. They set it up in the app or the transaction service. In total, customers donated more than PLN 1.6 million to the WOŚP this way, thanks to regular contributions in 2022. From January to the end of February 2022, we ran a campaign for new corporate customers with full accounting "W rytmie WOŚP", during which we managed to raise PLN 226,000. ▪ Over the last five years we donated more than PLN 16.7 million to WOŚP. At the same time, our clients' donations amounted to nearly PLN 76 million. Together this totals over PLN 90 million.

<p>Create a collection of paintings by young artists, which will be open to the public</p>	<ul style="list-style-type: none"> ▪ Thanks to a special fund launched in 2020, we are creating a collection consisting of works by the most interesting and promising young Polish artists. ▪ Between 2020 and 2022, mBank has purchased 98 works by 62 contemporary Polish painters. The works are selected on behalf of mBank by a committee comprising prominent representatives of the contemporary art market and a representative of the funder.
<p>Encourage to active participatory citizenship by launching an option to easy support NGOs and foundations directly from mBank's mobile application, allowing our clients to contribute and support the civil society.</p>	<p>In March mBank launched a fundraiser for the Polish Centre for International Aid (PCPM) Foundation, and enabled customers to easily donate via a mobile app to help victims of the war in Ukraine. By the end of 2022, mBank customers donated nearly PLN 13.8 million to PCPM.</p>

A reliable partner for investors

Our promise: We will continuously enhance our ESG disclosure standards to be favourably viewed by our shareholders and broader investment community.

Goal	Completion
<p>Expand ESG disclosure in mBank Group's materials, including those dedicated to investors: management reports, presentations, as well as on the corporate website</p>	<ul style="list-style-type: none"> ▪ In 2022, in addition to interactions with the rating agencies Sustainalytics and MSCI, we completed the full version of the CDP survey on our climate impact for the first time. ▪ In December 2022, we launched a new, more extensive page about our ESG activities. It has two language versions (Polish and English) and provides a comprehensive source of information for various stakeholder groups, including investors. ▪ We have expanded the ESG section in the quarterly performance presentation.
<p>Increase availability, adjust terminology and categorization of non-financial data in accordance with the requirements of the leading analysts and the algorithms they use</p>	<ul style="list-style-type: none"> ▪ We are following the legislative process related to the implementation of the CSRD and are preparing to report according to its requirements, including the use of iXBRL content tags.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

<https://www.mbank.pl/pdf/esg/standardy-esg-prawa-czlowieka-en.pdf>

<p><input checked="" type="checkbox"/> UN Global Compact https://www.mbank.pl/pdf/esg/standardy-esg-prawa-czlowieka-en.pdf</p> <p><input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples</p> <p><input checked="" type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: EU Taxonomy https://www.mbank.pl/pdf/relacje-inwestorskie/pozostale/information-on-esg-strategy.pdf page 4</p> <p><input type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----</p> <p><input type="checkbox"/> None of the above</p>	
<p>We are aware of our responsibility for the environment, society and governance (ESG). Corporate social responsibility and sustainable development form the foundation of mBank Group's activity. Our business benefits clients, employees, shareholders, business partners, and society as a whole. We are guided by the UN Sustainable Development Goals. We aspire to be a leader of responsible banking in Poland.</p> <p>We work on reducing the greenhouse gas emissions generated by our business. We pledged to reach net climate neutrality in all three scopes by 2050.</p> <p>In March 2022 mBank, as the first Polish bank, joined the Partnership for Carbon Accounting Financials (PCAF). This alliance helps us to determine the carbon footprint of our credit portfolio as the organisation has developed a harmonised global approach for the financial sector to assess and disclose the greenhouse gas (GHG) emissions. The PCAF methodology measures the GHG emissions associated with corporate loans, securities, mortgages and motor vehicle loans.</p> <p>In October 2022 mBank joined the Science Based Targets initiative (SBTi). Membership in SBTi shall allow mBank to check whether its decarbonisation path aligns with the current scientific knowledge on climate change. By joining the initiative we obliged ourselves to determine a path for the next 5 to 15 years within the next two years. Our plan shall support the Paris Climate Agreement targets. It means that the progress in reducing our own carbon footprint and footprint of our clients, whom we finance, shall be consistent with the pace the whole world should maintain in order to keep the global temperature increase under 1.5 Celsius degrees.</p>	<p>You can find more details in the following documents:</p> <p>https://www.mbank.pl/en/about-us/corporate-social-responsibility/main-page</p> <p>https://www.mbank.pl/pdf/relacje-inwestorskie/pozostale/information-on-esg-strategy.pdf page 2</p> <p>https://www.mbank.pl/pdf/esg/standardy-esg-ochrona-klimatu-srodowiska-en.pdf page 2</p> <p>https://www.mbank.pl/en/investor-relations/financial-results/</p> <p>mBank S.A. Group Management Board Report on Performance of mBank S.A. Group in 2022, page 24</p>



Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

We performed our first impact analysis using the last full year audited data, i.e. for 2021. While we were conducting our analysis, UNEP FI launched new tools: Context Module, Consumer Banking Identification Module and Institutional Banking Identification Module and we decided to use them.

We were able to analyze:

- **in retail banking** – individual customers in our primary market – Poland (80% of retail customers served)

		Q1 2021	Q2 2021	Q3 2021	Q4 2021
Retail Banking Business Line					
Total number of customers	<i>thou.</i>	5 517,3	5 464,3	5 480,4	5 514,6
Poland	<i>thou.</i>	4 505,1	4 449,1	4 457,7	4 487,8
Foreign branches	<i>thou.</i>	1 012,1	1 015,2	1 022,7	1 026,9
Retail Banking in Poland					
Number of customers	<i>thou.</i>	4 505,1	4 449,1	4 457,7	4 487,8
of which: Microfirms	<i>thou.</i>	552,4	538,8	541,9	545,3
of which: Private Banking	<i>thou.</i>	6,8	6,8	6,9	7,0

- **in institutional banking** - our corporate banking loan portfolio (segments: K1 - large enterprises [>PLN 1 billion annual sales], K2 Mid-sized enterprises [PLN 50 million – PLN 1 billion annual sales], K3 Small enterprises [<PLN 50 million annual sales, full accounting]) .

For background details you may want to look at: <https://www.mbank.pl/en/investor-relations/>
Investor Kit – Financial & Business Spreadsheet, content business report

- Retail Banking;
- Corpo&Invest Banking

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

data as at the end of quarter		Q1 2021	Q2 2021	Q3 2021	Q4 2021
Corporate and Investment Banking					
Number of Corporate Customers					
K1	pcs.	2 346	2 347	2 305	2 272
K2	pcs.	9 132	9 335	9 492	9 740
K3	pcs.	18 184	18 735	19 119	19 303
		29 662	30 417	30 916	31 315
Loans to Corporate Customers					
K1	PLN M	6 833	6 852	6 574	6 058
K2	PLN M	19 196	19 282	19 718	18 983
K3	PLN M	2 719	2 891	3 033	2 960
Repo	PLN M	1 441	1 558	1 084	188
Corporate Customers' Deposits					
K1	PLN M	12 987	13 810	14 788	9 892
K2	PLN M	20 869	21 078	24 344	21 602
K3	PLN M	10 402	10 581	11 660	11 814
Repo	PLN M	151	219	61	88

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Yes, we have considered the composition of our portfolio in the Impact analysis.

mBank's main market is Poland. In the retail banking segment, it also operates in the Czech Republic (717.8 thou. customers – 13%) and Slovakia (309.0 thou. customers – 6%). In our first impact analysis we concentrated on our activity in Poland.

1. Corporate clients

We have used the UNEP FI tool - Institutional Banking Identification Module, where we have entered data covering 100% of our corporate clients loan portfolio. Below please find the top 50 sectors, i.e. those that are analyzed by the tool.

Proportional composition of the corporate banking loan portfolio (top 50)

1	68.20	Rental & operating of own or leased real estate	11.90%
2	41.10	Development of building projects	7.02%
3	47.11	Retail sale in non-specialised stores with food, beverages or tobacco predominating	3.03%
4	46.90	Non-specialised wholesale trade	2.40%

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

5	35.114	On-shore wind electric power generation	2.29%	
6	41.20	Construction of residential and non-residential buildings	2.12%	
7	45.11	Sale of cars and light motor vehicles	1.83%	
8	68.10	Buying and selling of own real estate	1.71%	
9	45.31	Wholesale trade of motor vehicles parts and accessories	1.53%	
10	62.01	Computer programming activities	1.39%	
11	64.91	Financial leasing	1.35%	
12	35.112	On-shore solar electric power generation	1.30%	
13	46.75	Wholesale of chemical products	1.19%	
14	61.20	Wireless telecommunication activities	1.18%	
15	21.20	Manufacturing of pharmaceutical preparations	1.18%	
16	70.22	Business & othe management consultancy activities	1.09%	
17	46.73	Wholesale of wood, construction matarials and sanitary equipment	1.09%	
18	63.12	Web portals	1.00%	
19	23.61	Manufacture of concrete products for construction purposes	0.95%	
20	53.20	Other postal & courier activities	0.93%	
21	46.71	Wholesale of solid, liquid & gaseous fuels & related products	0.89%	
22	46.21	Wholesale of grain, unmanufactured tobacco, seeds & animal feeds	0.88%	
23	90.02	Support activities to performing arts	0.84%	
24	29.10	Manufacture of motor vehicles	0.79%	
25	46.77	Wholesale of waste & scrap	0.79%	
26	20.13	Manufacture of other inorganic basic chemicals	0.79%	
27	52.21	Service activities incidental to land transportation	0.79%	
28	10.39	Other processing & preserving of fruit & vegetables	0.75%	
29	23.31	Manufacture of ceramic tiles & flags	0.74%	
30	52.10	Warehousing & storage	0.73%	
31	46.38	Wholesale of other food, including fish, crustaceans and molluscs	0.72%	
32	16.21	Manufacture of veneer sheets & wood-based panels	0.72%	
33	25.61	Treatment & coating of metals	0.70%	

34	27.51	Manufacture of electric domestic appliances	0.69%	
35	46.72	Wholesale of metals & metal ores	0.69%	
36	24.42	Aluminium production	0.67%	
37	47.72	Retail sale of footwear & leather goods in specialised stores	0.66%	
38	46.74	Wholesale of hardware, plumbing & heating equipment & supplies	0.66%	
39	70.10	Activities of head offices	0.64%	
40	66.19	Other activities auxiliary to financial services, except insurance and pension funding	0.64%	
41	22.22	Manufacture of plastic packing goods	0.62%	
42	49.41	Freight transport by road	0.62%	
43	25.62	Machining	0.56%	
44	31.09	Manufacture of other furniture	0.56%	
45	43.21	Electrical installation	0.54%	
46	60.20	Television programming & broadcasting activities	0.53%	
47	10.42	Manufacture of margarine & similar edible fats	0.53%	
48	46.52	Wholesale of electronic & telecommunications equipment & parts	0.50%	
49	25.11	Manufacture of metal structures and parts of structures	0.49%	
50	20.42	Manufacture of perfume & toilet preparations	0.49%	

2. Retail customers

We analysed the individual customers portfolio using the UNEP FI tool - Consumer Banking Identification Module.

Retail banking portfolio composition by products & services (consumers)

Current accounts with payment services	41.99%
Savings	5.86%
Savings accounts	21.53%
Credit cards	1.39%
Consumer loans and overdrafts	11.75%
Home loans/mortgages	16.89%
Vehicle-related loans	0.59%

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

We have used the UNEP FI tool - Context Module to determine the main challenges and priorities for Poland and also our expertise. We are engaged with organisations such as United Nations Global Compact Poland. We participate in working groups grouping representatives of various branches, NGO's and academics, such as "Climate Positive" and "Business and Human Rights" programmes. We also actively participate in meetings and workshops led by the Polish Banks' Association, including "The Sustainable Banking & Taxonomy Working Group".

<https://unglobalcompact.org/what-is-gc/participants/71651-mBank-S-A->

The determined main country priorities are: climate stability, circularity, availability, accessibility, affordability, quality of resources & services and infrastructure.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

In the **corporate banking portfolio**, all positive associations have been identified in the: health and safety, accessibility, affordability, quality of resources & services, livelihood, healthy economies and infrastructure areas. Key associations are in affordability, quality of resources & services and infrastructure. Negative impact areas have been identified in climate stability, circularity, biodiversity & healthy ecosystems, livelihood, health & safety, availability, accessibility, affordability, quality of resources & services (all associations). Out of these, climate stability, circularity, biodiversity & healthy ecosystems are the the key associations with country priorities.

In **retail banking**, very strong positive impact has been identified in the availability, accessibility, affordability, quality of resources & services area which is also the key association and country priority. Some negative impacts have been identified in climate stability, circularity, equality and justice areas and in availability, accessibility, affordability, quality of resources & services areas. Having this outcome, we have prioritized **climate stability** and **equality and justice** for further analysis.

d) For these (min. two prioritized impact areas): Performance measurement. Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

<p>In addition to performing our impact analysis using the UNEP FI identification tools, in 2022 we have joined Partnership for Carbon Accounting Financials (PCAF) and used their methodology to assess our financed emissions.</p> <p>Currently we are analysing the outcomes of the Impact Analysis and our financed emissions accounting, in order to prepare our decarbonization strategy and set targets for PRB and SBTi purposes.</p> <p>We have also made an analysis of our portfolio for the purpose of Taxonomy eligibility reporting.</p> <p>We report information on mBank Group's exposures to economic activities that are Taxonomy-eligible and Taxonomy non-eligible. When calculating the values of these indicators, we take into consideration financing for both corporate and individual clients.</p> <p>We have not yet conducted an in-depth performance measurement,</p>	<p>The Taxonomy eligibility analysis process and indicators we described in the annual report for 2022: mBank S.A. Group Management Board Report on Performance of mBank S.A. Group in 2022, chapter: 12.6. Indicators required under the EU Taxonomy, pages 161-163</p> <p>https://www.mbank.pl/en/investor-relations/financial-results/</p>
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Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input checked="" type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution.

How recent is the data used for and disclosed in the impact analysis?

Up to 6 months prior to publication

Up to 12 months prior to publication

Up to 18 months prior to publication

Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

⁶ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁷ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

In October 2022 we joined the Science Based Targets initiative and have up to two years to prepare the decarbonization strategy.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Baseline for climate change mitigation is to be determined in 2023. This will be the outcome of the SBTi preparation.

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

<p>c) <u>SMART targets</u> (incl. key performance indicators (KPIs)⁹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p>	
<p>To be determined in 2023. After baseline identification we will presumably set first targets.</p>	
<p>d) <u>Action plan:</u> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p>This will be done following target setting.</p>	

<p>Self-assessment summary</p> <p>Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...</p>			
	<p>... first area of most significant impact: ... (please name it)</p>	<p>... second area of most significant impact: ... (please name it)</p>	<p>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)</p>
Alignment	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

2.3 Target implementation and monitoring (Key Step 2)

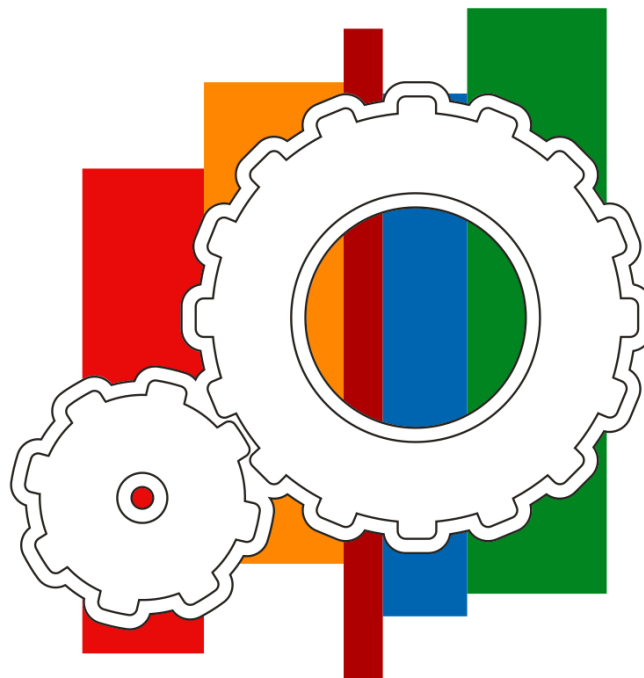
For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank’s progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

This will be done following target setting.



Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹⁰ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

**The mBank reputation risk sensitive industries handling policy.
Credit Policy for Industries Relevant to EU Climate Policy.**

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹¹). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Healthy finances of individual customers

mBank aims to promote healthy finances of its clients and wants to help address financial exclusion. At the end of 2022 we released a new, educational website www.twojaspokojnaglowa.pl (your peace of mind). It serves customers to determine their priorities in scope of healthy finance. Readers can use guidance materials and easily access mBank's website to familiarise themselves with financial services offer suited for taking care of their financial condition. The website presents six rules what comprehensively cover customers' perspective. They assume that a person who has healthy finances:

- first: uses Internet safely,
- second: consciously spends his/her money,
- third: keeps a financial cushion,
- fourth: indebts himself/herself only for absolutely necessary things,
- fifth: cares for his/her own and relatives' safety, insures what's the most precious for him/her,
- six: invests for the future.

Supporting charities and fostering fundraising

- **The Great Orchestra of Christmas Charity (WOŚP)**

Since 2018 mBank has been the main partner and banker of WOŚP, the biggest charity movement in Poland, uniting Poles all over the world. Each Grand Finale fundraiser has been held to aid a specific

mBank S.A. Group Management Board Report on Performance of mBank S.A. Group in 2022, pages: 22, 23, 24, 25, 139, 143

<https://www.mbank.pl/en/investor-relations/financial-results/>

Please find out about the codes, internal policies and procedures, which define our ESG standards here:

<https://www.mbank.pl/en/about-us/corporate-social->

medical objective. The 2022 fundraising was held to ensure the best standards of diagnostics and treatment of children's eye diseases and disorders. mBank's customers could order occasional collectible payment cards, including fully mobile eco-cards. As always, mBank made a financial contribution to increase the donations of customers. A dedicated heart-shaped icon was added in the mobile app available on Android and iOS enabling its users to make quick donations. All those willing to support WOŚP could also make donations at terminals in our branches and mKiosks. **So far, mBank has donated nearly PLN 17 million and PLN 90 million together with our customers.**

Also mLeasing prepared a special offer supporting the WOŚP fundraising. The subsidiary donated PLN 10 to WOŚP for every picture posted on Instagram or Facebook with a dedicated filter and the hashtag #GramyRazem2022 (we play together 2022). In addition, mBank and Paynow, an innovative payment services provider, set up an online payment gateway at mBank.pl/WOŚP enabling various forms of payments.

- **mBank and its customers support victims of war in Ukraine**

Immediately after the outbreak of war in Ukraine, mBank and its employees actively supported the victims of the war. In March 2022, mBank facilitated donations to the Polish Center for International Aid Foundation (PCPM). mBank customers could make a quick donation in the online transactional service and in the mobile application to aid Ukrainians fleeing the war. The bank, in cooperation with Paynow payment operator, also launched a special "Pomagam" ("I help") button on a dedicated website www.mbank.pl/ukraina. **By the end of 2022, mBank customers raised nearly PLN 13.8 million.** The PCPM Foundation allocated these funds to humanitarian aid in Ukraine and to refugees in Poland. The funds are also used to support Ukrainian children in education, as well as for the future reconstruction of destroyed Ukrainian cities, schools, hospitals and other critical infrastructure.

At mBank, we immediately exempted from fees the transferring of funds to Ukrainian banks. Transfer fees were returned automatically, up to two weeks after the transaction was completed. In April, mBank launched the eKonto UA personal account for citizens of Ukraine. A simplified procedure for opening an account based on an Ukrainian ID card or passport was introduced. Both the account and the card attached are free-of-charge. In addition, mBank launched a special helpline where it assists clients in the Ukrainian language.

Initiatives for SME's

Digital Revolutions

Digital Revolutions (Cyfrowe Rewolucje) is a campaign for helping SMEs move their business online. It originated upon the COVID-19 pandemic. In June 2022 mBank launched the campaign's third edition. The focal point of the campaign is the website cyfrowerewolucje.pl, which is a comprehensive step-by-step guide on how to move a business online. The website offers entrepreneurs a free tutorial on effective sales and inspiring case studies of companies that are already successful on the Internet. All free materials have been

[responsibility/our-standards/](#)

¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

prepared by e-commerce experts. Access to the materials is not restricted to mBank clients only, they are available to anyone who is interested in the topic.

Another component of our educational campaign is a digital revolution contest, in which the contestants can win prizes worth PLN 400,000 in total. The aim of the contest is to help the winning companies carry out a digital revolution. The award package includes tools necessary to thrive in e-commerce, which will help the winners set up an online store, master email marketing, tackle legal issues, reach customers, deal with logistics and online payments. The winning companies will also be offered expert knowledge during training courses and mentor support.

Support for women entrepreneurs

In 2022, together with our partner, Visa, we started working on an extensive campaign aimed at supporting enterprising women. As part of the initiative, we are preparing a series of TV programmes centered on successful businesswomen. The aim of the “Business full of passion” series is to inspire and motivate women to start their own business.

Corporate banking clients

We promote sustainable practices mainly by providing our corporate clients with various banking products and services.

They range from investment loans, through sustainability-linked loans, to green bonds. From among industries, which support eco-transformation, we provide most financing to the renewable energy sector.

Since 2018, we have applied our **Credit Policy for Financing Renewable Energy Sources (RES)**. It now provides for the allocation of PLN 4 billion to the financing of wind farms and photovoltaics (originally the figure was PLN 0.5 billion but we increased it in 2019 and 2020).

We also mitigate our climate impact through lending policies which govern our approach to the financing of industries with positive and negative climate impact.

Since 2019, we have applied the **Credit Policy for Industries Relevant to EU Climate Policy**. It covers energy-intensive and high-emission industries. In 2022, we tightened the policy’s criteria. In its current form, it excludes, i.a. the financing of coal and lignite mines, shale gas exploration and nuclear energy and restricts the financing of coal-fired power generation in the broadest sense. Moreover, the policy regulates the possibility of financing projects from the fuel sectors (e.g. fuel trade) and indicates preferred areas for investment, such as projects supporting biodiversity and water management. The policy complements other sectoral policies, covering sectors such as agriculture, food, automotive, metals, broadly defined construction, real estate and healthcare. We keep abreast of market trends and exposure to new and existing risks in individual industries (including those related to the transition to a zero-carbon economy) and regularly publish sector analyses. Regardless of the sector, we conduct an expert assessment of the sustainable development risk, with a particular focus on the level of direct and indirect emissions of greenhouse gases generated by business.

These credit policies were approved by mBank’s Corporate and Investment Banking Risk Committee, which includes two members of mBank’s Management Board. We update the credit policies on a

regular basis and review them at least once a year. The updates are made based on analyses of scientific research and latest decisions of the European Commission regarding sustainable development.

We promote clients' transition also by digitizing the corporate clients' service, which we have begun several years ago.

- The remote corporate client onboarding process allows companies to sign the account agreement completely online. In 2022 it enabled us to save 145,920 sheets, i.e. 292 reams of paper.
- The Virtual Branch is an integral part of the mBank CompanyNet system. Clients can use it to submit electronic applications pertaining to the key areas of cooperation with the bank and handle most of their matters. We want our clients to be able to do as much as possible on their own, not needing to visit the branch and filling in paper-forms. Digitalising and automating mass processes, we together protect the natural environment by reducing paper use, and save time and other resources. Our system, mBank CompanyNet, is constantly expanded with new modules and functions.

The remote processes already available to our clients are growing in popularity; at the same time, we are digitalising further solutions. In 2022, the number of issues handled digitally increased by 22% compared to 2021. In 2022, we digitalised an additional six of the most labour-intensive processes in the Virtual Branch. Currently, more than 40% of key client-bank processes are fully digital. Simultaneously, we significantly reduced labour intensity and streamlined the bank's internal processes. The changes not only generated savings, but above all, increased satisfaction of clients, who are served immediately.

Reputational risk sensitive branches

We assume that entities from selected industries or countries are characterised by higher risk of violating human rights. Therefore, in 2016 we have introduced "The mBank reputation risk sensitive industries handling policy". It prohibits our cooperation with the entities and individuals who:

- use child labour, forced labour or otherwise grossly violate human rights in their activities,
- economically exploit environmentally valuable areas,
- threaten the global cultural heritage.

Regardless of the sector, we also do not establish business relationships with: entities which operate in countries subject to UN sanctions, persons and entities which engage in harmful tax competition.

ESG risks in investment services

In 2021, we implemented the "Strategy on risks for sustainable development in the investment advisory and portfolio management service of mBank Brokerage Office", as well as an accompanying document containing the information required by SFDR regulation.

These documents describe how, in providing portfolio management and investment advisory services, we consider the impact of investment decisions on sustainable development.

<p>Evaluating investments from this perspective is intended to help us meet these objectives and achieve the best possible investment outcomes for our clients.</p> <p>At mBank Brokerage Office, we have established committees which select financial instruments for investment portfolios. They assess the impact of investments on the achievement of sustainable development goals, which allows us to:</p> <ul style="list-style-type: none"> ■ exclude the most harmful assets from an ESG perspective, ■ apply positive asset selection (“best-in-class” approach). <p>We believe that ESG factors significantly influence our clients’ investment performance. To the greatest extent possible, we aim to incorporate them into the financial analysis and asset allocation of our investment decisions and recommendations.</p>	
<p>3.2 Business opportunities</p> <p>Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p>Climate change provides not only risks but also opportunities for mBank. The key opportunity related to climate protection is the ability to create new banking products and services addressing the evolving needs of our clients.</p> <p>Retail banking</p> <p>Eco mortgage loan</p> <p>It has been introduced in Q4 2021. Customers can apply for this loan to finance a house, apartment in block of flats, or single-family housing with low energy use. The offer attracts clients with zero provision for granting a loan as well as for earlier partial repayment, and lower margin. Customers who choose eco mortgage loan care both for the environment and the economic considerations. Eco loan is not only more attractive than a standard offer, but at the same time it allows to buy a real estate that is cheaper in maintenance.</p> <p>The loan has been highly popular among clients, with the total volume of granted loans reaching PLN 300 million in 2022.</p> <p>Eco cash loan for companies</p> <p>In June 2022 mBank offered its SME clients preferential conditions for cash loans dedicated to ecological purposes. This product is characterised with no fee and lowered margin for loans from PLN 30,000 to PLN 200,000. The condition to obtain preferential loan is to provide to the bank documentation which proves that money has been spent on environmentally-friendly purposes. Business entities can get the money within 15 minutes from signing an agreement. They can use the loan, amongst others, to purchase renewable energy sources, electric cars and bicycles, materials and systems for thermo-modernisation of buildings. Installation of heat recuperation, energy-saving lightening and household appliances of water-saving fittings also fall into scope of the offer.</p> <p>Cards from recycled plastic and virtual</p> <p>mBank consequently moves on to cards manufactured from recycled plastic. Over half a million cards have already been delivered to our</p>	<p>mBank S.A. Group Management Board Report on Performance of mBank S.A. Group in 2022, pages: 23, 155-163 https://www.mbank.pl/en/investor-relations/financial-results/</p>

customers. They consist of 85% waste-originated material. Thanks to this change, mBank saved over 2 tons of plastic for the environment. In 2023 mBank plans to issue cards made totally from recycled materials. At the same time, the bank expands its offer of cards issued exclusively in a virtual form.

Investment services

mBank private banking clients have been given the opportunity to invest responsibly in line with the ESG standards already since 2019. As part of our financial instrument portfolio management service, we offer ESG model investment strategies. These enable private banking clients to invest in portfolios of shares and bonds of issuers who lead with their positive environmental and social impact. Every model investment strategy in the portfolio management service is based on the assumption that sustainable financial instruments comprise at least half of the assets included in the portfolios under management. In addition to the investment limits set in investment strategy documents, we set ESG limits for ESG investment strategies, which determine the expected exposure to financial instruments assigned a specific ESG Score or ESG Fund Score. On a semi-annual basis, we inform clients of the actual exposure to such instruments on our official website.

We also broadly promote ESG factors in other mBank’s investment services, including not only the management service but also the investment advisory service, with webinars for clients and continuous training for front-line employees. Just like in the case of model investment strategies in the portfolio management service, our investment advisory service is based on the assumption that sustainable financial instruments comprise at least half of the assets recommended by us.

We believe that ESG factors significantly influence our clients’ investment performance. To the greatest extent possible, we aim to incorporate ESG factors into financial analysis and asset allocation of our investment decisions and recommendations.

Results of policies implemented:

In 2022, the value of assets in the management service in ESG model investment strategies, designed for mBank’s private banking clients, decreased by 20% to PLN 153 million as of end of the year. At the same time the share of the above-mentioned strategies in the total assets in model investment strategies for this group of clients increased from 29% to 32%. [page 139, 157]

Corporate banking

mBank has been one of the first banks to finance wind energy. Currently, due to the pressing need to ensure energy security and foster the energy transformation in Poland, under the new strategy, we have upped the limit for the financing of green investments to PLN 10 billion. This includes PLN 5 billion of mBank’s own funding for its clients and PLN 5 billion from other sources, such as bank syndicates or green bonds issues by our clients.

We will finance promising sectors, such as renewable energy sources, recycling, waste management and electromobility, and support clients from traditional sectors in their ecological transformation.

We give due recognition to the increasingly important role of photovoltaics. We also expect that the offshore wind energy will continue to grow in importance. We are working on projects based on PPA (Power Purchase Agreements).

In 2022, we continued to develop further RES financing options in the bank's corporate branches for photovoltaic and wind projects of up to 5 MW and 10 MW, respectively. The opening up of RES financing in the corporate branches is expected to enable better diversification of the RES portfolio and support the development of a higher number of companies.

Over the last several years, mBank has been consistently increasing its share in the financing of RES projects. When introducing its credit policy on the financing of RES installations in December 2018, mBank earmarked PLN 500 million for this purpose. Since then this amount has been raised several times to reach PLN 4 billion in 2020. At the end of December 2022, mBank's RES portfolio reached PLN 3.4 billion, with 85% utilisation of the RES limit. In 2022 alone, mBank financed seven investments in photovoltaics and four investments in wind farms. Almost PLN 636.5 million was allocated to this purpose.

In August 2022, Corporate Banking at mBank introduced a **loan for the financing of sustainable growth**. We have worked out the purposes of the loan and the conditions, that must be met by applicants based on the Taxonomy and market standards (including the Sustainability-Linked Loan Principles developed by Loan Syndications & Trading Association). Moreover, it is noteworthy that all sustainable loans must comply with the bank's internal policies.

mBank's offer is supplemented by that of a daughter company mLeasing, which has been offering **the financing of photovoltaic installations** since 2019. Initially, the subsidiary financed only micro-installations with a capacity of up to 50kW. Since September 2022, mLeasing has been financing photovoltaic installations regardless of their capacity, provided that the generated electricity is used for internal purposes of the company. The maximum financing period is seven years and the minimum contribution of the company is 10% of the investment value, provided that the financing is granted under a simplified procedure. In Q3 2022, the subsidiary added **the financing of energy storage and heat pumps**. Throughout 2022, mLeasing financed a total of 368 installations and devices in this market segment worth jointly PLN 61 million. In 2022, the subsidiary continued to enrich its offering of green assets financing solutions, and consequently, it will launch **the financing of electric vehicle charging infrastructure** in Q1 2023.

Compared with the previous year, zero or low emission cars (electric and hybrid cars) accounted for 22.5% of the total number of financed vehicles in 2022, which represents an increase by 1 p.p. In value terms, it marks a hike by 7 p.p. (up to 26.5%). The number of **financed electric (zero emission) cars** more than doubled, with their value up by 2.6 times compared with 2021. Also in 2022, mLeasing joined the "Mój elektryk" programme ("My Electric Car"), which offers subsidies on electric cars of up to PLN 70,000 to business clients.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

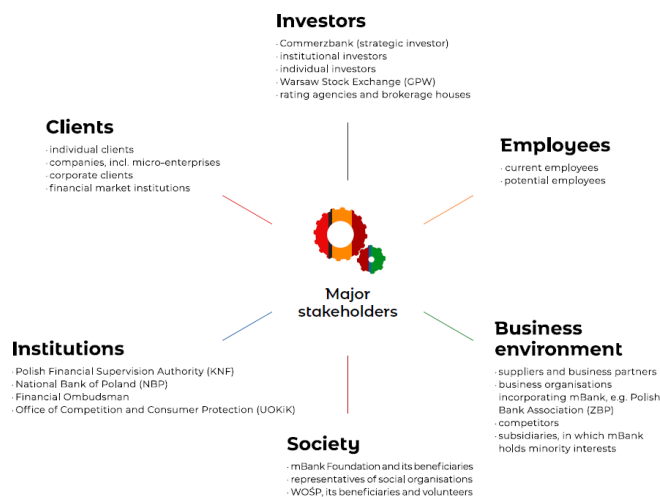
Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

We maintain a dialogue with our stakeholders. We talk to them honestly and frankly, which this is the only way to know their needs, expectations and opinions about mBank. We communicate fairly and clearly.

The graph below presents our main stakeholders.

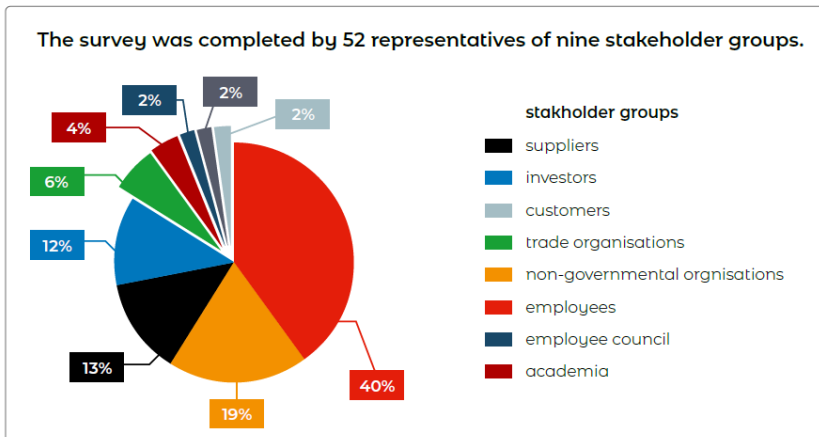


In 2021, we held a dialogue session for our key stakeholder groups. We asked them for feedback on the most material topics related to our sustainability, both in terms of our organisation's impact on the topic and its impact on the organisation.

Integrated report 2021, Chapter 1.3.2 mBank's stakeholders page 23; chapter 5.1. Materiality analysis – stakeholder dialogue pages 156 – 157 https://www.mbank.pl/pdf/CSR/mbank_rapor_tzintegrowany_2021_enq.pdf

¹² Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

At the first stage, we conducted a survey. It was followed by an open discussion workshop.



Material ESG topics indicated by our stakeholders:

TOPIC	Impact	Materiality
Responsible promotion and sales (responsible financial products which are understandable and tailored to needs, responsible communication and marketing, no misselling)	5.00	4.40
Cyber-security	4.70	4.60
Security of customers' money	4.68	4.53
Security of customers' personal data	4.55	5.00
Employee rights	4.28	3.94
Sustainable finance (financing of investments in line with social/ environmental objectives)	4.26	3.96
Employee education and development	4.26	4.19
Employee wellbeing	4.25	4.02
New forms of working (remote working, etc.)	4.23	4.15
Diversity and equal treatment	4.19	3.94

Based on the responses, we have prepared a materiality matrix of the topics raised by stakeholders.

We conduct a materiality identification and analysis every 2-3 years.

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The Sustainable Development Committee of mBank Group has been founded in December 2020. It is a platform for making decisions, issuing recommendations and dialogue on sustainable development. The Committee shapes, promotes and monitors sustainable development in the mBank Group. These tasks comprise analysis of the impact of ESG factors.

The Committee supervises the implementation of the new ESG strategy. The Committee is chaired by Vice-President of the Management Board, Chief Risk Officer and includes senior-level representatives from all mBank business lines and Group subsidiaries.

The ESG strategy is implemented by the **“ESG Programme”**, which coordinates the work of various organisational units of mBank Group. One of the programme’s streams is the “Responsible Bank” stream directly responsible for the implementation of the UNEP FI Principles for Responsible Banking.

The Committee meets on a quarterly basis, or more frequently if necessary. In 2022 there have been seven sittings of the Committee. The Committee approved, i.a. a map of ESG goals for the organization, classification criteria and a pool of contracts financing RES for the purpose of green bonds issuance, criteria for a marketing ecosymbol, criteria for sustainable financing for corporate clients transactions, mBank’s ethical programme, ESG criteria in a product process. During the meetings, committee members also discussed the objectives of mBank’s ESG strategy for 2023, the results of greenwashing risk scenario, the UNEP FI "Commitment to Financial Health and Inclusion" declaration and ESG standards for investment funds.

The ESG issues are an essential part of business processes in mBank Group, such as risk management, introduction and sale of new financial products, recruitment and development of employees or relations with suppliers.

mBank S.A. Group Management Board Report on Performance of mBank S.A. Group in 2022, pages: 145, 180, 181

10.3. mBank Group’s incentive programme
10.4. Management by Objectives (MbO/OKR) – planning and appraisal system pages 118-121

<https://www.mbank.pl/en/investor-relations/financial-results/>

<p>ESG issues are one of the elements that we take into account when we assess the performance of the management staff, including the members of the management board.</p> <p>In 2022, we defined ESG goals with a weight of 10% for TOP 100 mBank managers. Each of the directors also defined tasks to complete in scope of ESG and metrics to measure progress on a quarterly basis.</p> <p>The remuneration principles applicable to members of the Management Board are laid down in the Remuneration Policy for Employees Having a Material Impact on the Risk Profile of mBank S.A. (Risk Takers Remuneration Policy).</p> <p>mBank Group's incentive system is based on the Remuneration Rules, Remuneration Policy for Employees with Significant Influence on the Risk Profile of mBank S.A. and intangible elements (e.g. career development opportunities). The incentive system plays a key role in developing our corporate culture and builds our competitive advantage by acquiring and retaining competent employees.</p>	
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5.2 Promoting a culture of responsible banking:
 Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

<p>Our ESG activities oriented at combating climate change include raising awareness among our employees and clients. In 2022, in cooperation with an advisory firm, we organised workshops for our clients on the impact of climate risk on the credit risk of a company.</p> <p>We want responsible lending to be founded upon our employees' knowledge on the ESG factors. This is why we are developing and strengthening the industry expertise at the bank through the initiatives of the sector analysis team. They prepare materials and organise workshops to support the bank's employees in taking responsible credit decisions. This way they help build a credit portfolio with an adequate level of security.</p> <p>Internal initiatives promoting knowledge carried out in 2022 also included workshops for analysts and sales representatives on the importance of environmental, social and governance factors in the context of credit risk. In addition to training initiatives, educational materials are created in-house, and made available to employees to outline regulatory developments, the United Nations Sustainable Development Goals and climate stress testing, among others.</p> <p>We organise internal meetings for our employees on environmental issues, especially those related to the climate. This way we want to help them obtain the necessary knowledge and encourage them to take an active part in implementing the strategic ESG objectives of the entire bank.</p> <p>We also carry out many engaging initiatives such as lectures, workshops and intranet publications regarding social issues, especially promoting diversity and inclusion. E.g. in 2022 we had a Commemoration of the International Day of People with Disabilities. We organised activities aimed to educate people about disabilities. They included the webinar "How to build organisational culture that includes people with disabilities?" with guests from the Leżę i Pracuję (Work from Bed) Foundation. The event was dedicated to overcoming</p>	<p>mBank S.A. Group Management Board Report on Performance of mBank S.A. Group in 2022, pages: 114-117, 156 https://www.mbank.pl/en/investor-relations/financial-results/</p>
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<p>obstacles in building a disability-inclusive culture. The activities also included a workshop on communicating with deaf people, during which the participants learned a few basic signs from the Polish Sign Language (PJM). Additionally, we carried out a communication campaign.</p> <p>In September 2022 we introduced a mandatory training course in diversity and inclusion for all mBank employees. It was completed by 1,465 employees in 2022. The training, available on the e-learning platform, presents the dimensions of diversity and provides examples of day-to-day practices that strengthen inclusion in the organisation. During the course employees learn about unconscious biases, inclusive communication and microaggressions. The training encourages its participants to practice self-reflection and check their knowledge about diversity.</p> <p>ESG issues are present every month during “Development Fridays”. It is a project addressed to all employees of mBank and its subsidiaries. It includes cyclical events taking place each Friday. We offer a number of different activities: presentations, lectures, workshops, webinars, consultations, remote courses. They are run by both external experts and our own employees following the concept of knowledge sharing. In 2022, we organised over 500 different activities.</p> <p>We are planning to train all our employees in ESG issues in the coming years.</p>	
<p>5.3 Policies and due diligence processes</p> <p>Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ Please describe.</p> <p>Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.</p>	
<p>mBank has many policies in place to address issues relevant to sustainable development. These relate to areas such as corporate governance, data security and privacy, customer relations, employee relations, ethical business and responsible investment financing. Further details about these documents can be found at our website and in section 12.3. Policies, due diligence and their outcomes in our annual report.</p> <p>mBank Group mitigates its climate and social impact mainly through lending policies which govern our approach to the financing of industries with positive and negative impact. e.g. Policy of servicing sectors sensitive to mBank's reputation risk, Credit policy regarding industries relevant to the EU climate policy – described in section 3.1. Client engagement.</p> <p>We keep abreast of market trends and exposure to new and existing risks in individual industries (including those related to the transition to a zero-carbon economy) and regularly publish sector analyses. Regardless of the sector, we conduct an expert assessment of the sustainable development risk, with a particular focus on the level of</p>	<p>mBank S.A. Group Management Board Report on Performance of mBank S.A. Group in 2022</p> <p>12.3. Policies, due diligence and their outcomes pages 128-144 https://www.mbank.pl/en/investor-relations/financial-results/</p>

¹³ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

direct and indirect emissions of greenhouse gases generated by business.

Threats arising from adverse environmental change (mainly climate change) and their long-term impact are analysed at mBank Group horizontally. It implies that we review their impact on the bank's operations across the broadest possible spectrum. In particular we refer it to the other risks categories, including reputational risk and credit risk.

Environmental change, fast technological development, and resulting legal changes increasingly impact more and more business sectors. As a result, many clients have to redirect or align the profile of their activity. Reorganisation or alignment of clients' businesses affects their relationship with the Group, which is exposed to client transition risk. We regularly monitor regulatory changes which address climate change and we assess their potential impact on the Group.

We have analysed the risk of mBank's adverse impact on the climate and the risk of adverse impact of the climate on the bank. Our analysis was prepared on the best effort basis and with the use of currently available interpretation of the new regulations. We have prepared these disclosures with use of the non-binding EU Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01),

mBank's impact is mainly indirect through financing provided to clients. The bank's impact on the climate derives from decisions to grant financing to clients in different industries. We can reduce the impact mainly by reducing financing for clients in high-emission industries. Additionally, we take action to minimise use of paper, plastic and CO2 emissions resulting from digitalisation of sales and client servicing processes.

According to the Supplement on reporting climate-related information, the risk of adverse impact of the climate on a company is either physical risk or transition risk (in other words risk of transition to low-emission economy).

Physical risks are risks to the company that arise from the physical effects of climate change, e.g. weather-related events or longer-term changes in the climate, such as rising sea levels. Thanks to mBank's business model, where the key customer service channels are remote channels, i.e. online and mobile banking, mBank is exposed only to the minor extent to direct impact of physical risks, which are typical rather for the manufacturing companies. Energy blackouts constitute potential physical risk identified. At mBank we manage this risk with use of adequate technical solutions, meaning redundancy of power supply and generators. For data centre objects, mBank applies requirements of at least TIER III level, ensuring constant energy delivery from two independent sources, also linked to the generator. We manage this risk at mBank according to the Business Continuity Management System.

The geographic location of our offices and branches in Poland, the Czech Republic and Slovakia, in a moderate climate, limits the physical risk to a service provider's operations. This implies an insignificant risk to the functioning of the bank's branches and head offices. Physical risk may affect the Bank indirectly, through financial exposure to our clients, who are directly exposed to climate change effects. Developments which pose an indirect risk to the Bank include among others:

<https://www.mbank.pl/en/about-us/corporate-social-responsibility/our-standards/>

12.4. Key risks and risk management pages 145-159

<https://www.mbank.pl/en/investor-relations/financial-results/>

- floods, fires and sustained sea level rise causing: impairment of assets and interruption of clients' operations which may result in an increase in their credit risk,
- damage to transmission infrastructure and interruption or temporary disruption of supply chains preventing or delaying the supply of components, products and services,
- extended periods of hot weather restricting clients' operational productivity (adverse impact on employees' physical and mental performance),
- temporary difficulties in electricity supply caused by strong winds or other violent weather phenomena.

Our analysis shows that the exposure of mBank's corporate and retail portfolio to physical risk related to the geographical location of corporate clients and location of real estate being collateral to the loans is very low.

While the analyses in this area will be refined in terms of methodology, the obtained preliminary results indicating a slight threat to the corporate loan portfolio related to the negative effects of climate change are consistent with the expectations and modelling of potential climate changes for Poland in the perspective of the next few decades.

According to our analysis it also appears that the bank is mainly exposed to transition risks. Our analysis uses the definition of transition risk provided in the Supplement on reporting climate-related information. According to the Supplement, transition risks are risks to the company that arise from the transition to a low-carbon and climate-resilient economy. mBank's transition risks mainly include climate risks related to our clients, particularly the corporate segment that we finance mainly with loans, leasing, and debt origination and investment.

Companies in industries with a significant impact on the climate may carry higher credit risk, i.e.:

- the risk of loss caused by counterparty default and
- the risk of impairment of credit exposures due to the counterparty's deteriorating financial position, for instance, driven by rising costs of mandatory environmental investments.

Risks related to financing of companies in industries relevant to the EU climate policy may involve mainly higher impairment on loans and advances at amortised cost and negative value change of loans and advances measured at fair value through profit or loss, as well as attrition of some income.

The first step towards limiting the bank's exposure to high-carbon industries was the decision of the Corporate and Investment Banking Risk Committee of April 2019. It excluded, among others, the possibility of financing the construction of a coal mine and limited the possibilities of financing coal energy. An extension of this decision was the introduction, since November 1, 2019, of the "Credit policy for industries relevant to the EU climate policy". This policy further limited the possibility of financing high-emission projects and indicated areas preferred for financing at the bank. Given the importance of mBank's ESG strategy assumptions, it gained importance in the credit granting process.

Following the changes introduced in 2022, we focus mainly on financing projects supporting biodiversity and water management in energy-intensive industries (e.g. production of pulp, paper and paperboard, production of ceramics and glass and production of

cement and lime) and projects for the construction of electric vehicle charging stations.

mBank's climate policy defines the rules under which we determine and assess climate risk in industries related to conventional power and heat production, in the mining and mining-related sectors, and in the petroleum and transport industries.

Our climate policy explicitly prohibits the financing of construction of hard coal and lignite mines and expansion of the production capacity of the existing mines. Additionally, the policy prohibits us from financing coal-fired power stations, nuclear power plants, and production of and trade in radioactive materials (except for the healthcare sector). Our climate policy also bans the financing of entities whose core activity involves shale gas exploration and extraction. In the energy and heating industry, we are additionally not allowed to finance entities operating coal-fired power generating units or modernisation projects connected with coal-fired boilers and power units, as well as new clients whose share of electricity from hard coal or lignite (measured by production capacity) is more than 50%.

The financing rules applicable to carbon-intensive projects and industries are complemented by a holistic tool, introduced in 2021 and expanded in 2022, for analysing and quantifying the ESG risk at the level of an industry on the basis of a standardised set of criteria. It also serves as a repository of ESG information enabling us to build up in-depth knowledge about our clients' needs among the bank's employees. ESG assessment is a mandatory element of the credit process, which allows us to consciously build exposure and monitor the ESG profile of the corporate portfolio and set directions of our clients' transformation more efficiently. At the end of 2022, more than two-thirds of the carrying amount of exposure in the corporate portfolio was characterised by marginal, very low and low environmental risk, and less than one-third of the exposure posed medium and high risk. Very high environmental risk was identified for less than 0.1% of the carrying amount of exposure in the corporate portfolio.

In 2022, we carried out climate **risk stress tests of the European Central Bank (EBC)**, which were the first such tests carried out at the European level. We worked together with Commerzbank guided by the ECB guidelines and methodology. We focused on credit, market, operational and reputational risks. We analysed scenarios provided by the ECB based on the NGFS (Network for Greening the Financial System) scenarios:

- short-term and long-term greenhouse gas emission reduction scenarios,
- drought and flood scenarios.

This pioneering exercise improved our knowledge and skills in the area of climate risk assessment. The stress tests helped us build greater awareness of climate risk and determine our vulnerability and resilience to its materialisation.

We analysed forecasts about the bank's income from high-emission industries. The analysis showed that if the adverse climate change scenario unfolds, mBank's exposure to large fluctuations in income generated from high-emission industries will be low. This is a consequence of the bank's former strategic decisions to reduce exposures to high-emission industries.

In the operational and reputation risk area we focused on scenario analysis. We developed 11 risk scenarios, including a flood scenario, climate activists scenario and a sanctions scenario. The greenwashing scenario proved to be the only material scenario. In this scenario we assumed that the lack of a uniform market approach may lead to the simultaneous use of varying definitions and/or interpretations in assessing the sustainability of investment products. This, in turn, elevates the risk that “green” investment products may be perceived differently by different interested parties or that their perception may change over time. Our analysis looked into potential threats posed by the fact that the ESG compliance of the investment products or bonds offered by the bank or our partners may be put into question. In addition, we took into account the risks arising from non-compliance with the law, unreliable classification of products, inappropriate marketing, fraud or errors committed by our partners.

We continue working on a set of essential data, that will enable us to more precisely estimate the potential consequences of energy transition and predict the financial effects of the adverse consequences of extreme weather events. We have started collecting data on energy performance certificates of our client's real estate and information on their greenhouse gas emissions (in scope 1 and 2 in accordance with the GHG Protocol). We will use the data in climate stress test analyses and other internal analyses.

In 2022, we continued analyses of the potential impact of selected aspects related to the transition risks of our corporate clients. The analyses used, among other things, the ESG assessment system implemented at the bank. One of the aspects covered by our analyses was the impact of the integrated macroeconomic scenario on earnings and the capital position; the scenario assumed, among others:

- high inflation,
- significant interest rate hikes.

The macroeconomic assumptions were supplemented to include also sector-specific assumptions. Due to the short time horizon (two years), our analysis took into account issues which may have an impact on clients in the nearest future.

From among the aspects related to energy transition, we focused on the impact of energy prices on the solvency of companies operating in energy-intensive industries.

EU Taxonomy

Implementation of the EU Taxonomy in our processes (incl. crediting), procedures and financial products is one of the objectives of mBank Group's business strategy for 2021-25.

In striving to meet the goals of the EU Taxonomy we adjust our credit process and the IT systems supporting it. We want to be able to verify the Taxonomy-alignment of a given activity at the time of granting financing and record the results of the verification in our systems for reporting purposes.

In 2022, we introduced the EU Taxonomy as a reference point when examining the environmental impact of banking products that we introduce to the market, or modify. We assess their impact on ESG factors, and in the environmental area we check how they can affect the objectives included in the EU Taxonomy. Moreover, in 2022 we were conducting a pilot launch of ESG-linked corporate loans. In this case, the EU Taxonomy was one of the reference points to determine

the criteria according to which we qualify a loan as supporting environmental objectives.

At the end of 2022, more than two-thirds of the carrying amount of exposure in the corporate portfolio was characterised by marginal, very low and low environmental risk, and less than one-third of the exposure posed medium and high risk. Very high environmental risk was identified for less than 0.1% of the carrying amount of exposure in the corporate portfolio.

As for social risk, more than two-thirds of the value of the balance-sheet exposure in the corporate portfolio was characterised by very low and low risk, and slightly more than one-fourth of the exposure posed medium risk. High social risk was identified for only 1% of the balance-sheet exposure at the end of 2022. Our corporate portfolio does not contain any exposures posing higher-than-medium corporate governance risk: all existing exposures of mBank are characterised by marginal or very low risk of this type.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No



Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

This is our first report. It has not yet been assured.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other:

We publish integrated reports following the GRI standard. Since 2021 we have been reporting to CDP.

[mBank integrated reports](#)
[CDP](#)

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.

During the next reporting period we plan to improve our impact analysis by adding additional customer and product segments and determine the baseline for climate change mitigation as an outcome of the SBTi preparation. In December 2022 we have signed the Commitment to Financial Health and Inclusion and will continue the work in that field.

¹⁴ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement
¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|---|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input checked="" type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input checked="" type="checkbox"/> Conducting an impact analysis | <input checked="" type="checkbox"/> Data quality |
| <input checked="" type="checkbox"/> Assessing negative environmental and social impacts | <input checked="" type="checkbox"/> Access to resources |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

