



# mBank's sustainability standards



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# ESG principles as a basis for mBank Group's activities



Corporate social responsibility and sustainable development form the foundation on which we build mBank Group's business. Environmental, social and governance (ESG) aspects play a key role in the way we run our company. They are one of the pillars of our business strategy and an important element of our organisational culture. Our goal is to be among the leaders of responsible banking in Poland, going beyond what is required by law.

We are aware of our responsibility for the environment, society, the financial health of our clients and compliance with our stated ESG values. We are committed to ensuring that our business benefits all stakeholders: clients, investors, employees, business partners and society as a whole.

We provide our clients with fair and professional advice, we continuously reduce our environmental impact, we want to be an employer of choice for our employees and create added value for society. For our investors, we are a reliable partner, who follows the highest standards of corporate governance and transparent reporting. We are a public trust institution, which complies with all laws, rules and standards applicable in business.

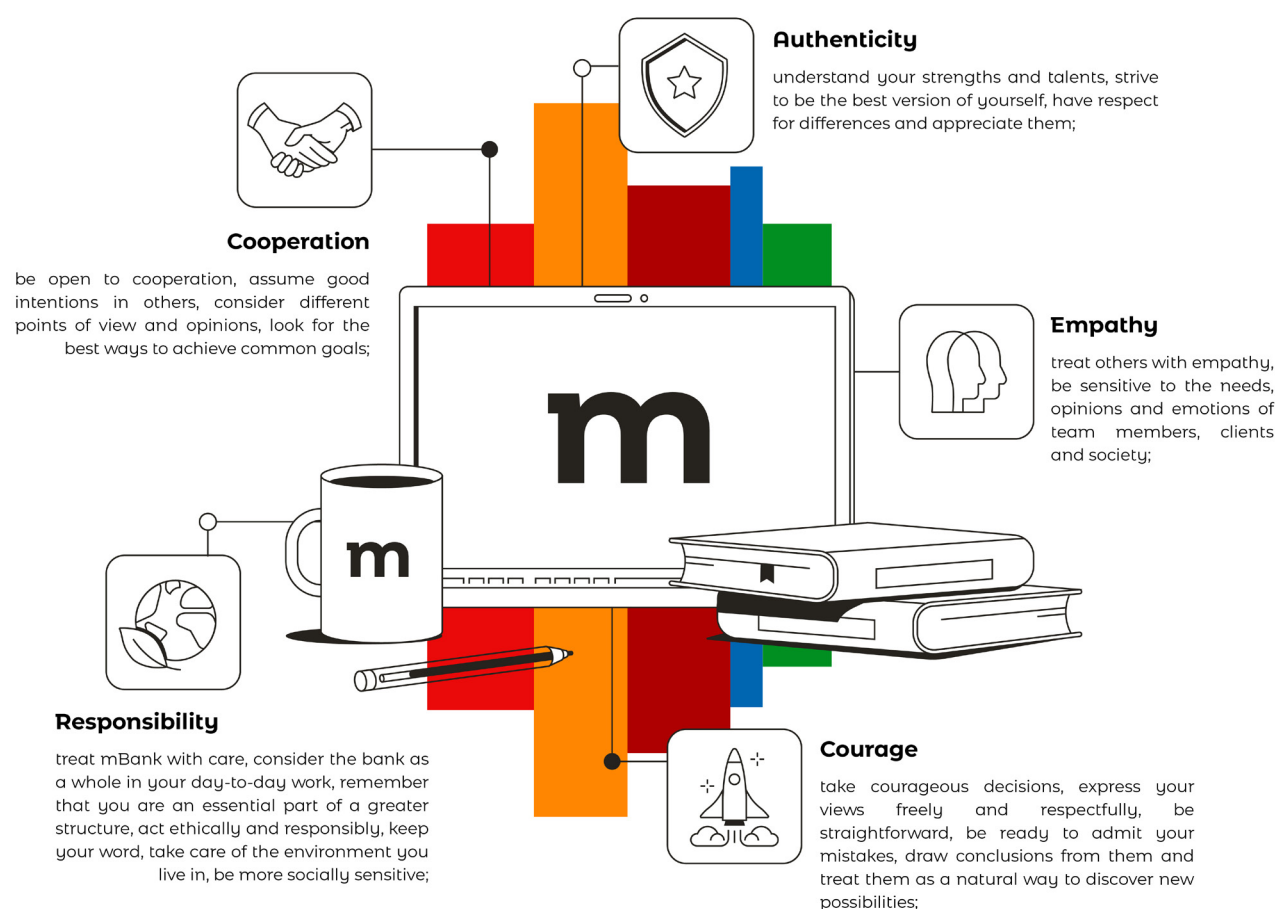
At the same time, we want to have a positive impact on the reality around us: we are guided by the UN Sustainable Development Goals. As part of mBank Group's strategy for 2021-2025, we pursue 13 out of the 17 Goals:



# Values and Code of Conduct of mBank Group

All our employees, managers and Management Board members are obliged to follow our Code of Conduct. It forms the basis for our internal relations and interactions with external partners and suppliers. They define permitted and prohibited business practices, appropriate behaviour in the workplace and mBank's social responsibility.

**In our every-day work we are guided by the following values:**



In 2018, we appointed an ethics officer who co-creates mBank's ethical standards, coordinates their implementation and supervises the compliance of our activities with the standards. The ethics officer represents mBank in the Ethics Committee at the Polish Bank Association. We treat violations of ethical rules as abuse and analyse such reports on a par with regulatory abuses.

Integrity and responsibility are important in our corporate culture. We strive to raise awareness of them among our employees. We conduct educational activities such as mandatory online compliance training for all employees and thematic publications on the intranet.



# Sustainable development strategy 2021-2025

Sustainability and social responsibility issues are key elements of the mBank Group's business strategy for 2021-25. They are discussed at the highest level of management: the Supervisory Board, the Management Board, as well as within the Sustainable Development Committee chaired by the Vice-President of mBank. Within the horizon of the 2021-25 strategy, we want to make significant progress on ESG and stand out positively from the banking sector in Poland.

**Our sustainability strategy is based on 5 pillars:**



Details of our 2021-25 strategy can be found [here](#).

# Sustainability commitments



## 1. UN Global Compact principles

We have been a [signatory](#) to the [Ten Principles of the UN Global Compact](#) since 2016. We are committed to supporting and implementing values concerning human rights, labour standards and environmental practices wherever we have influence.

## 2. UN Principles for Responsible Banking

Since 2021, we have been a member of UNEP-FI, the United Nations Environment Programme Finance Initiative, and a signatory to [The Principles of Responsible Banking](#). We joined the initiative as the first bank in Poland. The six Principles, which we apply in our business, confirm that we pursue the UN Sustainable Development Goals and the goals of the Paris Climate Agreement. We analyse our impact on society and the environment in line with these principles. We set ambitious targets with regard to such impact and then regularly report our progress in achieving them.

## 3. Diversity Charter

Since 2018, we have been a signatory of the [Diversity Charter](#) an international initiative for social cohesion and equality, led in Poland by the Responsible Business Forum. As participants of the initiative, we are committed to supporting diversity and counteracting discrimination in the workplace.

We have established a team responsible for building a diverse work environment and implementing initiatives specified in and resulting from the Diversity and Inclusion Policy. We have appointed Diversity Officer – the Management Board plenipotentiary for diversity and inclusiveness, and the position for diversity and inclusion.

## 4. Statement of investor rights

In 2019, we signed an agreement with CFA Society Poland to introduce and promote [The Statement of Investor Rights](#). It highlights mBank's commitment to the ethical aspects of financing. We are the first institution in Poland to establish this type of cooperation with one of the world's leading professional certification organisations.

# mBank ESG ratings and indices



mBank's implementation of sustainable development principles is regularly assessed by independent rating agencies.

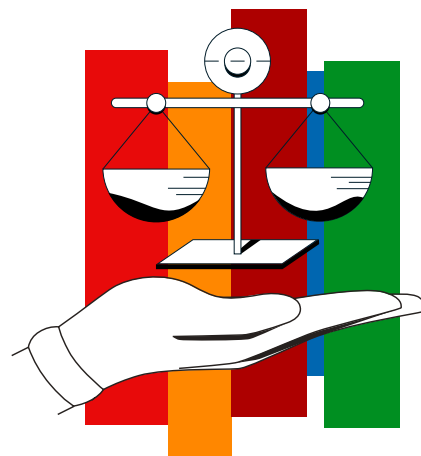
## **The ratings include:**

- ESG Risk Rating by Sustainalytics (see [our latest score](#))
- MSCI ESG Rating by Morgan Stanley (see [our latest score](#))

## **mBank is also included in stock exchange ESG indices:**

- WIG-ESG published by the Warsaw Stock Exchange
- FTSE 4 Good published by FTSE Russell
- Gender Equality Index published by Bloomberg

# mBank's ESG Policies



Our internal policies and procedures confirm that we integrate ESG factors in managing our business.

## Corporate governance policies

### 1. Compliance policy

Our compliance policy defines general rules to ensure that mBank's activities comply with laws, internal regulations and market standards.

The implementation of its provisions is the responsibility of all employees of the bank, depending on the scope of their duties and powers. They are responsible for identifying, assessing, evaluating, controlling and monitoring compliance risk. Selected employees of the organisational units report quarterly to the Compliance Department:

- in respect of legislation which affects the operation of their organisational unit, and
- if the bank's internal rules need to be amended because of legislation changes.

Irrespective of the responsibility of the Management Board and the Compliance Department for the implementation of the policy, it is the responsibility of the heads of the organisational units to organise the work of subordinate staff to ensure compliance with:

- legislation,
- internal regulations,
- market standards adopted by mBank,
- recommendations and guidelines of the Polish Financial Supervision Authority (KNF) and other state authorities competent for the subject matter of the entity's activity.



## 2. Anti-corruption policy

This document provides guidance on how to identify and mitigate corruption risks. It also sets out the main principles of conduct and responsibilities in this area. In addition, it describes the obligations of employees to avoid conflicts between their private and professional interests. It also defines the rules for giving and receiving gifts.

No member of the Management Board, manager, employee or associated person may engage in corrupt practices or bribery by invoking mBank's interests. We apply a zero-tolerance policy towards all forms of corruption. No unauthorised benefits of any kind may be offered, in particular to state or local government officials, civil servants or politicians.

We have implemented control mechanisms in business processes, which mitigate the risk of corrupt activities. These include the principle of double control, a clear division of tasks and responsibilities and formalised rules for the purchase of goods and services.

We expect our business partners to conduct themselves in accordance with the principles set out in this policy. An anti-corruption clause is an integral part of every contract we sign with them.

## 3. Anti-fraud policy and whistleblowing

Our Anti-fraud policy describes mBank's zero-tolerance approach to any identified fraud or attempted fraud by our employees, clients, contractors and third parties. We require fair and lawful behaviour from each of these groups.

We follow a fraud risk management cycle which includes four stages: prevention, detection, case management and response to detected fraud cases. Each reported case is analysed in detail, respecting the principles of confidentiality, objectivity and impartiality. Employees in all bank's organisational units have a duty to report fraud if they suspect it.

We implemented an electronic system allowing for anonymous reporting of abuses (whistleblowing). The mSygnał application guarantees anonymity to whistleblowers. It can be used from any device with Internet access: [LINK](#). The rules of reporting abuse through the system and the analysis procedure are defined by internal regulations, according to which:

- the identity of whistleblowers and the person concerned by the report is strictly protected. Such data may not be disclosed to third parties unless required by law,
- a whistleblower can set up an anonymous mailbox through which they receive information on what we as mBank have done in reaction to their report. They can also provide additional information,
- each report is checked by authorised personnel, allowing for objective, fair and impartial explanations of the objections raised,
- no form of reprisal may be used against mBank employees, who report suspected fraud in good faith.

The rules for fraud reporting to the Management Board and the Supervisory Board are also clearly defined.

#### 4. Disclosure obligations of mBank

We have implemented the requirements referred to in the Act on Trading in Financial Instruments, MAR and the Public Offering Act, among others. We fulfil our disclosure obligations because:

- we are a public company, i.e., an issuer of securities admitted to trading on a regulated market,
- we carry out brokerage activities,
- we carry out custodial activities,
- we conduct activities referred to in Article 70(2) of the Act on Trading in Financial Instruments.

In accordance with the law, we classify information on certain events related to mBank's business as inside information. In such cases, we provide a mandatory current report to the Polish Financial Supervision Authority (KNF), the Warsaw Stock Exchange (GPW) and the Polish Press Agency (PAP). This also applies to certain other events which are not inside information. The requirement to provide a report to KNF applies to events related to brokerage, custodial and investment activities. Each organisational unit of mBank affected by or aware of such an event must notify the Compliance Department.

Failure to provide a report, failure to provide a report on time or provision of an unreliable report carries the risk of financial penalties for mBank. In such a situation, the risk of financial penalties also affects:

- persons who provide information for the report,
- the members of the Management Board who oversee the area concerned.

mBank maintains a list of persons discharging managerial responsibilities within the meaning of MAR.

In addition, at the beginning of 2022 we introduced a new [Disclosure policy](#) for communications with investors, the media and clients. It defines the scope of disclosures and how the policy is implemented. According to its provisions, mBank ensures open and transparent communications, takes into account the needs of all stakeholders and provides them with universal and equal access to information in line with the highest market standards and applicable laws.

#### 5. Conflict of interest management policy at mBank

This document sets out standards and principles on how to avoid, correctly identify and manage conflicts of interest. The adopted solutions allow us to solve conflicts of interest in line with the principle of equal treatment of clients. They ensure that mBank, its employees and other persons related to mBank cannot gain benefits or avoid losses at the expense of our clients.

Proper management of conflicts of interest is part of the corporate culture and the responsibility of our employees at all levels of the organisational structure. Special rules apply to members of mBank's Supervisory Board and Management Board. They must disclose the emergence of conflicts of interest or the possibility thereof. They must also refrain from discussing or voting on matters which may create such a conflict in their relationship with an mBank client or mBank.

## 6. Policy on transactions with related parties

Thanks to the “Policy on material transactions with related parties of mBank”, we fulfil our obligation under the Public Offering Act. As a listed company, we must publish on our website information on material transactions with:

- related parties (entered into by the bank),
- other parties related to the bank (entered into by our subsidiaries).

According to Public Offering Act, a material transaction is one, whose value (individually or in a series of transactions concluded within 12 months) exceeds 5% of its total assets. Similarly, for a subsidiary of mBank, the benchmark is 5% of its total assets.

The Supervisory Board of mBank receives a report once a year on material transactions, which the bank deems to have been concluded at arm's length. It then issues an opinion in which it assesses the marketability of such transactions.

## 7. Policy on qualifications of members of the Management Board and Supervisory Board

The “Policy on the assessment of qualifications (suitability), appointment and dismissal of members of the bank's governing body” describes the criteria and process for assessing the qualifications of (candidates for) members of the Management Board, Supervisory Board and Audit Committee of mBank. The document sets out the principles to be followed in the event of a vacancy in the position of a member of the Supervisory Board or the Management Board, including in urgent and unexpected situations, which require immediate filling of the vacancy. The policy introduces principles to be followed to ensure that the positions of members of the bank's most important bodies are occupied by persons who are suitable for the function by virtue of:

- qualifications,
- knowledge,
- skills,
- professional experience,
- aptitude and reputation.

They must also be characterised by honesty, integrity and the ability to conduct the bank's affairs in a prudent and stable manner.

In addition, one of the objectives in the selection of members of the Management Board and the Supervisory Board is to apply the criterion of comprehensiveness and diversity, including with regard to gender, age and professional experience.

## 8. Remuneration policy for staff with significant impact on the risk profile

This policy supports sound and effective risk management and discourages employees from taking excessive risk, beyond the acceptable overall risk level approved by mBank's Supervisory Board. The policy also defines the principles of remuneration of employees identified as having a significant impact on the bank's risk profile (“risk takers”) by defining fixed and variable components of their remuneration, including transparent rules for determining and paying bonuses. The criteria and process of selection of such employees are regulated in a separate document.

## 9. Corporate governance policy

This document sets out the basic principles and best practices applicable at mBank regarding particular areas of corporate governance. Jointly with mBank's By-laws, it defines a transparent and effective corporate governance functioning in line with the provisions of law. In particular, it covers:

- bank's management and organization system:
  - a set of rules and mechanisms relating to the decision-making processes and business conduct's evaluation,
  - organizational structure,
- principles of operation, the scope of responsibility and mutual relations between the bank's internal bodies – the Supervisory Board and Management Board – as well as people performing key functions and having an impact on the bank's risk profile
- ethical standards of conduct and the management of conflicts of interest,
- outsourcing, remuneration and dividend policy rules,
- risk management system at the bank,
- internal control system at the bank,
- the bank's information policy.

The bank's Management Board ensures compliance of its activities with the rules and the elimination of improper practices that increase business risk or adversely affect mBank's reputation. This policy applies to all organizational units, including the bank's foreign branches. mBank, as the parent company, ensures proper governance throughout its capital group.

## Data security and privacy policies

### 10. Information security policy

Information held by the bank, especially customer information, is a valuable resource and we take special care to protect its security. We protect such information regardless of how it is recorded. We ensure its security in terms of confidentiality, integrity, availability and authenticity. We apply security standards developed in accordance with international standards and best practice. All mBank employees are involved in the implementation of this policy.

### 11. Personal data security policy

We have created this document in line with the "General Data Protection Regulation (GDPR)". It describes how we have implemented the principles introduced by GDPR. This includes the principles of data processing, such as lawfulness, data relevance, confidentiality, accuracy, minimisation of the scope of data processed or processing it for a specific purpose only. We also follow the GDPR principle of accountability. The policy describes the rights of personal data subjects, as well as the obligations of mBank as data controller.

mBank has a data protection officer who can be contacted at: [inspektordanychosobowych@mbank.pl](mailto:inspektordanychosobowych@mbank.pl). For more information on data protection and its implementation at mBank, please [visit our website](#).

## 12. Personal data retention policy

Our "Policy for the management of personal data over time" refers to GDPR. It sets out the principles, the manner and the periods of personal data processing. We have developed it to ensure that this processing respects the rights and freedoms of the data subjects. It sets out, amongst other things, how:

- we set time limits after which we anonymise or delete personal data; and
- who in the bank is involved in data management over time.

In this way, we ensure compliance of our procedures with legal requirements and the continuity of our business activities.

## 13. Cybersecurity policy

The policy is designed to ensure a high level of cybersecurity in the services provided to clients and in relations with other financial institutions. A secure system of information exchange is to ensure the protection of business secrets, bank secrecy and mBank's image. We implement this vision through specific objectives:

- matching the necessary level of cybersecurity with innovative business,
- providing the necessary resources,
- identifying legal requirements for ensuring security,
- continuously raising employee and client awareness of information security,
- managing the risk of cyber threats through a system of early detection, response, lessons learned and risk assessment,
- incident management,
- supplier management and cooperation with business partners,
- development and continuous improvement.

## 14. Business continuity management policy

Clients, financial markets, shareholders and regulators expect mBank's business processes to continue regardless of circumstances which could significantly disrupt those processes. We have therefore implemented a policy which establishes the bank's Business Continuity Management System. It helps prepare the bank for extraordinary events, minimise their negative impact and restore normal operations as soon as possible. In particular, the system guarantees:

- protecting the health and lives of our employees and clients,
- uninterrupted execution of the bank's most important business processes,
- appropriate infrastructure for the implementation of business processes,
- availability of staff and other resources.

The policy also defines the documentation, which introduces and describes crisis management at mBank.

## **15. Clean desk and clean screen policy**

This policy applies to all mBank employees. It is designed to limit the risk of disclosure of protected information to unauthorised persons. The principles contained in the policy are aligned with best practices and recommendations of the regulator. The policy sets out rules of conduct for mBank employees concerning:

- workstations, including when working remotely, including in home office mode,
- use of network and stationary office equipment (printers, scanners, fax machines, multifunctional devices, etc.),
- use of mobile devices,
- behaviour after working hours,
- behaviour on business trips.

## **16. Policy on the use of social networks**

This document sets out:

- the requirements on the use of social media by mBank employees and associates as part of their job functions,
- who can publish information in mBank-owned profiles and under what conditions,
- when an employee can or should refer to their position at mBank in social media publications, and
- the legal consequences of breaching those rules.

The policy also covers issues of confidentiality of business information in the context of social media activity of mBank employees.

## **17. Online payment security policy**

This policy ensures appropriate level of security for online transactions and the protection of banking processes. It demonstrates that mBank provides online payment services safely and in line with best practice. It also sets out the framework principles, rules and methods we use to adequately secure online payments.

## **18. Outsourcing policy**

The document defines the main objectives and principles of concluding and managing outsourcing agreements in mBank. It is intended to ensure the economic efficiency of our outsourced activities and to mitigate the related risks. Outsourcing generates in particular operational, business, legal, compliance and reputation risk. The policy describes how we identify, assess and manage it.



## Client relations policies

### 19. New product introduction policy

This document sets out the general rules for the process of introducing new products to mBank's offering and modifying existing ones. It ensures that the products we deliver are:

- in line with mBank's strategy and values, including empathy and the client-centric philosophy we follow,
- safe for clients and for us, including, but not limited to, taking into account our safety standards,
- compliant with legislation and our internal strategies and policies.

We assess each new product in terms of ESG factors, i.e., its impact on achieving social and environmental goals.

### 20. mKanon – simple and clear communication

All our employees are required to use mKanon in their daily work. This set of principles introduces a standard for simple and understandable communication with our clients and other stakeholders. This communication should be: clear, comprehensive, short, linguistically correct, sincere, empathetic and in the “we” style. With mKanon, we insist on listening carefully to clients. Before we offer them specific products or services, we have to skilfully define what they need. Our clients have different experiences and expectations. Our task is to prepare and adjust communication so that it responds to their needs in a simple and clear way. We use mKanon in all forms of communications, including client service, promotional activities and internal communications.

### 21. Policy on competences of employees who serve investment clients

We have in place a “Policy for meeting the knowledge and competence requirements of employees who serve investment clients”. It is designed to ensure that the investment products we offer are tailored to the a client's individual profile. The policy complies with the requirements of MiFID II as set out in the relevant regulation of the Minister of Finance. All mBank employees serving investment clients are subject to knowledge and competence verification. The policy specifies:

- the job positions which are subject to it,
- the scope of knowledge and professional experience required of staff,
- the way of verifying and improving staff competence.

This enables our staff to understand both the characteristics of the investment products offered and the needs of our clients.

## 22. Strategy on 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. Evaluating investments from this perspective is intended to help us meet these objectives and achieve the best possible investment outcomes for our clients.

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:

- exclude the most harmful assets from an ESG perspective,
- apply positive asset selection ("best-in-class" approach).

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.

## Employee relations policies

### 23. Anti-mobbing policy

"mBank's policy on counteracting mobbing, discrimination and other unacceptable behaviour" reflects the fact that we at mBank do not accept mobbing, harassment, sexual harassment, discrimination, unlawful or unethical behaviour and violating the rules of social coexistence. We comprehensively define such behaviours as unacceptable and counteract them. The policy describes how employees can make a complaint and how designed team should handle it.

We want to build good relations between employees and a friendly working environment. Therefore, every employee, including managers and Management Board members, is required to avoid unacceptable behaviour towards other employees, co-workers, clients and suppliers. If someone creates a situation which encourages unacceptable behaviour or behaves in such a way, he or she breaches basic employee duties. mBank as an employer may then apply sanctions as provided by labour law and our work regulations.

### 24. Employee remuneration policy

This document sets out the rules for the remuneration of mBank employees. Its main objectives are:

- building high employee engagement by providing a market-driven and performance-based remuneration package,
- retaining the best employees and attracting talent to the organisation,
- ensuring the protection of the rights and interests of the bank's customers and preventing conflicts of interest,

- supporting the implementation of the bank's governance and risk management strategies,
- supporting sound and effective risk management and not encouraging staff to take excessive risks,
- ensuring cost efficiency in terms of the salary budget.

## **25. Diversity and inclusion policy**

This policy reflects mBank's openness to diversity and underlines our commitment to anti-discrimination. The principles of equal treatment and respect for diversity underpin all our employee processes, including especially:

- recruitment,
- access to training,
- succession planning,
- remuneration,
- protection against mobbing, and
- protection against unjustified dismissal.

We are actively involved in building an inclusive work environment as part of our organisational culture. We strive to make mBank a workplace where everyone feels respected, develops professionally and gets involved. We want to build good relations between employees, create a friendly working environment, and foster a sense of fairness and security.

We oppose discrimination in employment based on gender, age, disability, race, religion, lack of religious belief, nationality, political opinion, trade union membership, ethnic origin, sexual orientation, family status or form of employment. Our policy describes how to deal with breaches of diversity and inclusivity. It also sets out how to use the whistleblowing app mSygnał.

## **Policies on ethical business**

### **26. Anti-money laundering (AML) and counter-terrorist financing policy**

In line with this policy, we implement an "Anti-Money Laundering and Countering the Financing of Terrorism Programme", which complies with national and EU regulations. Under the programme, we apply the following principles:

- we identify and verify the identity of our clients,
- we identify and verify the beneficial owners of our clients,
- we determine the purpose and nature of the relationship with the client,
- we identify politically exposed persons (PEPs),
- we assess the level of risk of money laundering and terrorist financing,
- we assess the business relationship with the client and obtain information on its purpose and intended nature,
- we identify links between economic relations and transactions with high-risk third countries,

- we refuse to engage with clients if we identify an unacceptable risk of money laundering or terrorist financing,
- we monitor our clients' transactions to protect mBank from being used for money laundering and terrorist financing,
- we systematically train our employees.

All mBank employees are responsible for implementing the policy.

## **27. Tax crime prevention policy**

We consider tax compliance to be an important part of our social responsibility and duty to the state. Therefore, we have a policy to prevent our employees, contractors and clients from using mBank's services for tax crimes, in particular tax evasion. We apply zero tolerance and reject all forms of tax evasion. This policy describes:

- procedures for preventing and detecting tax fraud,
- the role of the mBank units involved in these processes,
- due diligence procedures,
- the principles of risk analysis and control, as well as reporting.

## **28. Global sanctions policy**

We vet our clients and monitor whether parties to transactions are on EU, US and UN sanctions lists. We closely monitor business relationships in sanctioned countries. If necessary, we take appropriate steps, including terminating those relationships. We act in accordance with applicable laws regarding specific restrictive measures. We comply with financial and economic sanctions and complementary supervisory requirements. mBank divisions and subsidiaries are informed about the restrictions which result from sanctions while being monitored for compliance with sanctions legislation.

## **29. Compliance risk strategies**

Our "Policy setting out the framework for the compliance risk Strategies" defines how compliance risk strategies are developed in particular mBank's business areas and describes the roles and responsibilities in this regard. The document outlines the directions of intra-organisational initiatives in the bank. It addresses compliance risk issues in retail banking (including mBank's private banking, Brokerage Office and foreign branches ) as well as in corporate and investment banking. Within mBank's structure, we have established appropriate units to support the compliance function, which implement the policy framework in their business areas. They define how we manage compliance risk, including how we identify, manage, monitor and report risk and document the process.

## **30. Sustainability code for suppliers and partners [\[LINK\]](#).**

We are a responsible company and we expect the same from our suppliers and business partners. That is why we have introduced a code which requires that every participant in purchasing procedures organised by mBank must sign a commitment to comply with ESG principles.

The commitments of our suppliers and business partners cover three areas:

- Environmental (“E”), including efforts to reduce energy consumption, CO2 emissions, air pollution, as well as compliance with national and international environmental standards,
- Social (“S”), including respect for human and labour rights and non-discriminatory practices,
- Governance (“G”), including compliance with regulations, the application of principles of ethics and fair competition, the prevention of corruption and conflicts of interest, and the timely payment of receivables.

By the end of 2022, we will decide on the implementation of control mechanisms to verify that our suppliers and partners comply with the declared principles. We understand that they support sustainability standards to varying degrees. However, we want them to develop and improve in this area as they work with us, in a way relevant to the size of their organisation and the nature of their business.

### **31. Rules for suppliers** [\[LINK\]](#).

Suppliers of mBank comply with laws, labour and human rights legislation, protect the environment, do not discriminate and comply with anti-corruption laws. In addition to other requirements, according to our “Principles for Suppliers”, they are required to comply with:

- 1) Universal Declaration of Human Rights,
- 2) Standards of the International Labour Organisation,
- 3) OECD Guidelines (especially on the fight against corruption),
- 4) Rio Declaration on Environment and Development – Agenda 21,
- 5) United Nations Convention against Corruption,
- 6) international trade sanctions and embargoes,
- 7) acts of domestic law implementing those provisions, as well as provisions of internal rules, in particular to eliminate conflicts of interest.

### **32. Sponsorship policy**

This policy describes with which entities and on what terms mBank undertakes sponsorship cooperation. It ensures that such cooperation is in line with mBank’s business objectives and supports the development of its business. It also regulates issues related to minimising reputation risk.

### **33. Policy on mBank’s membership in organisations**

This policy defines which organisations and associations mBank may be a member of. It stipulates, among other things, that we exclude membership in organisations which do not operate in accordance with the law or are suspected of operating in contravention of the principles of the United Nations Global Compact. The policy also describes the procedure for vetting organisations before we join them.

## Policies on responsible investment financing

### 34. Financing policy for renewable energy sources (RES)

We adopted the first version of this policy for financing large investments such as wind and photovoltaic farms in 2018. In 2021, we opened up the possibility of financing smaller RES projects with capacity:

- up to 5 MW for photovoltaics; and
- up to 10 MW in the case of wind farms.

Our current internal limit for investments in RES installations, as defined by the policy, amounts to PLN 4 billion. At the same time, in November 2021 we announced our new ESG strategy. Among others, it provides that we will mobilize PLN 10 billion for financing green investments. This amount includes:

- PLN 5 billion of mBank's own funds; and
- PLN 5 billion from sources such as bank syndications or bond issues by our clients.

In addition, we decided to broaden the range of financed "green" industries. These include renewable energy sources, electromobility, recycling and waste management. As part of the bank's strategy, we want to contribute to the economy's transition towards net-zero emissions.

### 35. Framework for issuing green bonds [\[LINK\]](#).

In 2020, we adopted a framework document which sets out the rules for issuing green bonds and covered bonds. We are committed to ensuring that the projects financed with them have a real positive impact on the environment. The principles set out:

- the use of proceeds, including the specific parameters, which must be met by financed "green" real estate, RES or transport projects,
- mBank's process for assessing and selecting projects, which can be financed with issues,
- the principles of mBank's management of the funds raised in the issue,
- mBank's rules on the reporting of completed issues.

Our standards for issuing green bonds and covered bonds comply with the international Green Bond Principles. This has been confirmed by an independent audit (SPO) by Sustainalytics.

### 36. mBank's credit policy for industries relevant to EU climate policy

In 2019, we adopted a policy on financing entities in the mining, power and heat, transport, fuel and other energy-intensive industries. We take a comprehensive approach to our corporate clients' activities, which have a significant impact on greenhouse gas emissions. We update our approach annually.

In accordance with this policy, we do not finance, among other things, investment projects to increase capacity in coal mining and coal-based power generation. Exclusions related to, inter alia, this policy are described in detail below under: "General exclusion criteria in mBank policies".



In turn, mBank's preferred investment projects include financing of:

- renewable energy sources,
- projects significantly reducing energy losses in the energy and heating sector (targeted financing only),
- transport projects which aim to reduce greenhouse gas emissions, in particular from public transport,
- the construction of electric vehicle charging stations,
- Projects, which substantially reduce emissions of CO<sub>2</sub> or air pollutants (e.g., sulphur and nitrogen oxides, PM<sub>2.5</sub> and PM<sub>10</sub> particulates, benzoalofapirene).

The financing of, inter alia, the following business operations requires special justification and approval by our highest credit committee:

- entities operating coal mines or trading coal and suppliers of services and products for mining,
- projects to modernise boilers and power units based on coal technology, significantly reducing CO<sub>2</sub> and pollutant emissions.

### **37. Policy on handling sensitive industries and activities**

"The mBank reputation risk sensitive industries handling policy" defines the industries and activities that mBank does not handle, as well as those for which it applies special rules. The first group includes, among others, entities that operate in the pornographic industry or those that preach radical ideologies. The second group includes, among others, arms production and trade. In this case, mBank, as a rule, participates in transactions only with state-owned entities.

The policy excludes services to entities and persons 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.

## **General exclusion criteria in mBank policies:**

<b>Coal mining</b>	mBank does not finance new coal and lignite mines or projects to expand the production capacity of existing mines.
<b>Power generation and heating</b>	<p>mBank does not finance:</p> <ul style="list-style-type: none"><li>▪ construction of new power units and boilers fired by coal or lignite (this also applies to suppliers of components, services and technologies for such construction),</li><li>▪ projects aimed at modernising coal-fired boilers and power units which do not substantially reduce CO2 and air pollutant emissions,</li><li>▪ investments related to the construction and development of nuclear power plants,</li><li>▪ operators who manufacture or trade in radioactive materials (except medical and quality control equipment),</li><li>▪ energy companies which have coal-fired power units and entities aiming to develop coal-fired power generation, if the purpose of the financing is not clearly defined.</li></ul> <p>New clients with more than 50% coal-fired electricity can only receive funding for RES projects.</p>
<b>Oil and gas</b>	<p>mBank does not finance:</p> <ul style="list-style-type: none"><li>▪ companies whose predominant activities are focused on shale gas exploration and production,</li><li>▪ entities which carry out activities aimed at the economic exploitation of environmentally valuable areas or areas under protection (including the Arctic),</li><li>▪ entities whose activities grossly infringe environmental regulations.</li></ul>
<b>Defence industry</b>	<p>mBank does not service or finance:</p> <ul style="list-style-type: none"><li>▪ private entities whose activities are directly related to the manufacture of or trade in equipment and materials for weapons and ammunitions,</li><li>▪ entities involved in the research, production or trade of controversial weapons (e.g. anti-personnel mines) or unconventional types of weapons.</li></ul>

Project finance analysis at mBank includes verification of decisions and approvals granted to our clients by the relevant public administration authorities. We do not finance illegal projects, e.g. projects which do not involve public consultation or environmental damage compensation.

For large projects financed by banking consortia, we hire or require the hiring of a technical advisor to safeguard the investment process and monitor its progress. This ensures the rapid identification of potential irregularities, including those relating to social or environmental issues.

## Other policies relevant to ESG

### 38. mBank's policy of participation in the determination of benchmarks

The Benchmark Regulation (BMR) imposes a number of obligations on entities providing inputs to fixers. "The mBank policy of participation in the determination of benchmarks and their use in financial contracts and instruments" sets out:

- the rules for the transmission, validation, storage and archiving of input data,
- guidelines and division of competences among employees and department managers involved in such tasks in relation to mBank's status as a participant in the fixing process.

This document provides a reference for further procedures and processes implementing the regulatory requirements for the participation of a supervised entity in the determination of benchmarks and their use in financial contracts and instruments.

### 39. Policy on prohibition of short selling and credit default swaps on sovereign debt

The document prohibits the bank from executing short selling transactions and entering into credit default swap transactions on sovereign debt. Exceptions are made for transactions where the bank has, by law, no disclosure obligations (acting as market maker or primary dealer). The policy also addresses issues relating to potential reporting by the bank to the relevant supervisory authority if short selling exceeds thresholds in relation to the current issued share capital of the company or issued sovereign debt, as a result of a transaction.

### 40. Policy on algorithmic trading

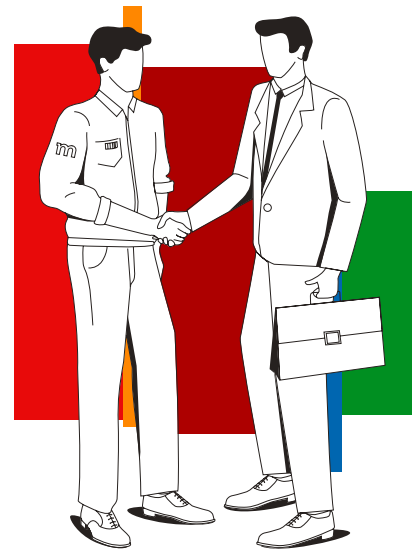
The policy is designed to help mitigate the risks associated with transactions carried out automatically, without the involvement of mBank employees. It defines requirements for employees and managers of the units covered by the policy, including the relevant compliance units. Algorithmic trading is trading in financial instruments in a system in which a computer algorithm automatically determines individual parameters of orders, such as the conditions for triggering an order, the moment of its execution, the price or the number of instruments subject to the order, or how to manage the order after it has been placed. This is done with limited or no human intervention.

### 41. Policy on the Volcker Rule

The policy prohibits speculative transactions in financial instruments for mBank's own account and investments in hedge funds and private equity funds. Although the Volcker Rule is a US regulation, it has extraterritorial scope and mBank must comply with it as a subsidiary of Commerzbank. mBank uses the TOTUS exemption from the prohibition. This means that mBank can enter into transactions of this type if they take place outside the US.

# mBank's membership in organisations

mBank is a member of various organisations promoting best business practices, including ESG principles.



## List of selected organisations of which mBank is a member (in alphabetical order):

- 500 Club Association (Stowarzyszenie Klub 500)
- Association of Financial Markets ACI Poland (Stowarzyszenie Rynków Finansowych ACI Polska)
- Association of Internet Industry Employers IAB Poland (Związek Pracodawców Branży Internetowej IAB Polska)
- Association of Listed Companies (Stowarzyszenie Emitentów Giełdowych)
- Česká bankovní asociace
- CFA Institute
- Chamber of Brokerage Houses (Izba Domów Maklerskich)
- Chamber of Electronic Economy (Izba Gospodarki Elektronicznej)
- EFMA SARL
- Employers' Union Ship Forum (Związek Pracodawców Forum Okrętowe)
- Executive Club
- French-Polish Chamber of Commerce
- German-Polish Chamber of Industry and Commerce
- IAA Poland International Advertising Association (IAA Polska Międzynarodowe Stowarzyszenie Reklamy)
- Institute of International Finance
- Institute of Internal Auditors IIA Poland (Instytut Audytorów Wewnętrznych IIA Polska)
- International Project Finance Association
- International Swaps and Derivatives Association
- International Trade & Forfaiting Association
- IPFA, The Project Finance Association
- Polish Association of Capital Investors (Polskie Stowarzyszenie Inwestorów Kapitałowych)
- Polish Association of Logistics and Purchasing Managers (Polskie Stowarzyszenie Menedżerów Logistyki i Zakupów)
- Polish Association of Market and Opinion Researchers (Polskie Towarzystwo Badaczy Rynku i Opinii)
- Polish Bank Association (Związek Banków Polskich)
- Polish Business Roundtable (Polska Rada Biznesu)
- Polish National Committee of the International Chamber of Commerce
- Polish-Swiss Chamber of Commerce
- Rotary Club
- Slovak Association for Bank Cards (Sdružení pro bankovní karty)
- Slovak Banking Association SBA (Slovenská banková asociácia)
- United Nations Environment Programme Finance Initiative (UNEP FI)
- UN Global Compact Foundation
- Regional and sectoral chambers of commerce, employers' associations and unions



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