



# **Sustainability (ESG) Guide for mBank Group Suppliers**



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# introduction



Dear mBank suppliers and business partners,

Sustainability and corporate social responsibility (ESG) play an increasingly important role in business. In large companies, such as mBank, they are an important and permanent element of business strategy. ESG is becoming important to SMEs, as well. Companies have an impact on their different stakeholders and should use it to effectively address social and environmental issues. This is increasingly expected by their clients, employees, investors, regulators, and the public. Banks play a special role in financing the transition to a zero-carbon economy. At mBank, our ambition is to be a sustainability leader in Poland's banking sector.

This is why, while raising our own ESG standards, we are also increasing the requirements for our suppliers and business partners. In early 2022, we introduced an ESG code that applies to you.

We understand that you actively support sustainability standards to varying degrees. We know that this depends on the size of your company and the nature of your business. However, we want you to grow and improve in this area as you work with us. We believe that this guide will help you to do so. We have drafted it with companies in mind, with a particular focus on SMEs.



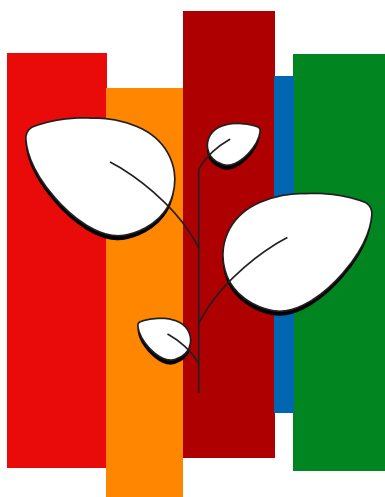
**Marek Luszczyn, Vice-President  
of mBank's Management Board,  
Chairman of mBank Group's  
Sustainability Committee**



# 1 what is ESG?

ESG factors are linked to the concept of **corporate social responsibility and sustainability**. Accordingly, while taking care of their economic interest (profit), companies should at the same time take care of environmental, social and governance aspects. Eventually, by integrating ESG factors into their management models, businesses should base them on values that are important for all stakeholders.

## ESG is an acronym combining three important areas of a business's impact:



### Environmental

This includes among others:

- greenhouse gas emissions and actions that reduce them,
- natural resources used in business operations (e.g., water, plants, animals, minerals, fossil fuels),
- waste management,
- the company's impact on biodiversity,
- environmental protection,
- requirements on the above factors for suppliers.



### Social

This includes among others:

- employee development and engagement,
- respect for diversity among employees,
- concern for employee health and safety,
- corporate volunteering programmes,
- responsible production, selling and consumption,
- community involvement programmes,
- sponsorship and charitable activities,
- community projects,
- requirements on the above factors for suppliers.



## Governance

This includes among others:

- counteracting corruption, conflicts of interest, mobbing and discrimination,
- compliance with laws and business standards,
- self-regulation implemented by companies,
- codes of ethics and systems for reporting breaches of ethics,
- risk management, including ESG risks,
- requirements on the above factors for suppliers.

In the following chapters, you will find out how to implement the concept of sustainability and use it as a business opportunity for your company.

## 2

# ESG as part of doing business

Climate change, depleting natural resources, increasing environmental degradation and growing social inequalities are **key challenges of today's world**. They directly affect the economy and the quality of life in society. In Poland, moving away from fossil fuels, generating energy from renewable sources and ensuring responsible waste management have become particularly significant.

There is a growing awareness of the importance of managing demographic change (ageing population, increasing number of immigrants) and reliable communication (including companies' disclosures of both financial and non-financial data).

Various stakeholders are increasingly pointing out that business does not operate in a vacuum but draws resources from its environment and should act to its advantage. They emphasise that business has resources such as money, knowledge, efficient management abilities, and trust. As such, business not only has a moral obligation but also ample opportunities to implement ESG actions.

## The role of business in addressing environmental and social issues

According to the Edelman Trust Barometer 2022, a survey of citizens' trust in major institutions: government, business, NGOs and the media, private companies have strengthened their position as the most trusted player. Respondents say that, in their view, the public administration alone is unable to address major social or environmental challenges. Business has an opportunity to play a key stabilising role, and clients expect it to expand its activities in selected ESG areas.

Unfortunately, at this point, **according to the survey's respondents, business is still not doing enough** to address the key issues:

- climate change (52 percent),
- economic inequality (49 percent),
- upskilling workers in view of the economy's transition (46 percent).

At the same time, companies are under great **pressure of expectations from clients** and other stakeholders. Customers say that they will follow their values to decide how to:

- buy selected brands (58 percent),
- choose where to work (60 percent),
- invest (64 percent).





## INSPIRATION

A properly developed business model or well-designed products and services may address key social or environmental issues. If they do, ESG measures implemented by companies generate **business opportunities** for them. This is true of large companies as well as smaller businesses which make up their supply chain.

## Key ESG initiatives influencing business

International agreements and action plans have been put in place to address the challenges of today. They set the goals we should globally achieve to counteract climate crisis, among others. They also influence the way we do business.

### Key initiatives

#### UN Sustainable Development Goals (SDGs)

They were defined as a roadmap for transforming and reshaping a world in which the needs of the present generation can be met in a sustainable manner, respecting the environment and taking into account the needs of future generations. They include 17 goals and 169 targets adopted for implementation by 193 UN member states by 2030.

#### Paris Agreement

The key objective of the agreement is to limit the Earth's average temperature increase to well below 2°C (ideally to 1.5°C) compared to the pre-industrial era. To achieve this target, greenhouse gas emissions must fall by at least half from 1990 levels by 2050 and should be around zero or less by 2100. Under the agreement, the signatory countries commit to taking appropriate action to achieve climate neutrality in the second half of the 21<sup>st</sup> century.

## European Green Deal

The main objective of the plan (adopted in 2019) is to achieve climate neutrality in Europe by 2050 and decouple economic growth from the consumption of natural resources.

It is important that companies take and communicate real actions which support these global and EU goals. This is crucial for effective risk management and the sustainability of entire economies.

## UN Sustainable Development Goals



Source: <https://sdgs.un.org/goals>



# Economic, environmental and social trends and their impact on business

If you look at economic and social changes, you will note clear trends related to ESG. In the coming years, they will change the way business is done, both by large companies and by SMEs.

## Ten key ESG trends

### Social trends

#### Conscious consumers, young activists

1

Growing awareness of ecology and human rights, among others, is creating more and more expectations of businesses, their conduct and ways of providing services or producing goods. Such expectations are very clearly communicated in public.

##### What are the numbers?

One in three Generation Z representatives have taken part in a demonstration or protest in the last two years. This confirms the social and political involvement of young people and their tendency to boycott brands incompatible with their values.<sup>1</sup>

#### Inclusion and diversity

2

There is a growing need to be open to all social groups and to support their activity. This trend in Poland particularly concerns the increasing role of women, as well as the inclusion of people with disabilities in active social and professional life.

##### What are the numbers?

As many as 69 percent of brands whose ads portray diverse characters in a multi-dimensional way without resorting to stereotypes saw an average share price increase of 44 percent over a seven-quarter period between 2017 and 2019.<sup>2</sup>

## Growing demands on human rights

# 3

The EU is drafting new regulations that will require companies to respect human rights, not only within the organisation but also throughout their supply chains. In business, human rights include issues related to child labour or forced labour, as well as fair and timely remuneration for work, equal treatment, freedom of association and freedom of expression.

### What are the numbers?

According to the UN Guiding Principles, companies should do their due diligence to protect human rights. However, 40 percent of the world's largest companies do not report that they are taking such action, especially when it comes to human rights violations in the supply chain.<sup>3</sup>

## Economic trends

## The growing role of transparency

# 4

The EU is imposing new obligations on companies to disclose data, including non-financial data related to ESG. The public expects open and authentic communication from business. This issue is also increasingly regulated.

### What are the numbers?

According to estimates, the number of companies in Poland obliged by law to disclose sustainability data will increase by more than a factor of 10 in the coming years (to around 3,600).<sup>4</sup> SMEs will be among them.

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## Local communities, local shopping

# 5

Customers are increasingly willing to buy local products. Companies increasingly feel they are members of the communities in which they operate, and are taking action on their behalf. Companies are also more willing to rely on local supply chains which reduce the risk of supply disruption (as was the case e.g. during the COVID-19 pandemic).

### **What are the numbers?**

At present, 32 percent of shoppers make sure that the food products they buy come from Poland. For 25.6 percent of Poles, choosing local products is a form of consumer patriotism.<sup>5</sup>

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## **Sustainable financing**

# 6

In the face of the climate crisis, the EU is implementing measures which mobilise banks to finance sustainable economic development. This means that raising money for business development will increasingly depend on the ESG criteria met by the companies which apply for funding.

### **What are the numbers?**

25 percent of the EU budget for 2021-2027 will be used to finance climate change measures.<sup>6</sup> However, this is not enough, which is why instruments are being created to support the redirection of private capital into sustainable investments.

## **Environmental trends**

## **Tackling climate change**

# 7

The need for Polish economy's transition from coal and towards clean energy is reflected in legislation, availability of funding, and public expectations. This issue is a priority for public administration, business, and consumers.

### **What are the numbers?**

Two in three companies recognise the impact of climate change on their day-to-day operations, and 77 percent of companies are already working to prevent climate change.<sup>7</sup>

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## **Giving up plastic**

# 8

Much attention is being paid to moving away from plastic and reducing the weight of packaging. Many companies are looking for robust low-cost alternatives as an important part of their strategy.

## What are the numbers?

Currently, only one in three plastic packaging is recycled in Europe. Initiatives such as a plastics levy and a deposit scheme aim to improve the situation.<sup>8</sup>

## Circular economy

# 9

This trend implies that feedstocks, materials and products should be kept in the economy for as long as possible. The aim is to reduce the consumption of first-cycle natural resources or raw materials and to minimise the generation of waste.

## What are the numbers?

84 percent of companies say they have defined waste reduction targets. In turn, 65 percent of companies are looking outside their organisations for new circular economy technologies to improve their processes.<sup>9</sup>

## Growing environmental awareness

# 10

One in two people consider the world's environmental situation to be dire and in need of immediate action.<sup>10</sup> Increasingly profound ecological knowledge generates new specific expectations of companies. These concern changes in the way they run their core business processes.

## What are the numbers?

28 percent of young people say they have strengthened their relationship with environmentally friendly brands or companies. The same number say they have reduced their use of products or services from companies that harm nature.<sup>11</sup>

1. Deloitte, Report *A Call for Accountability and Action. The Deloitte Global 2021 Millennial and Gen Z Survey*, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/2021-deloitte-global-millennial-survey-report.pdf> (accessed on: 02.04.2022).
2. Heat and Deloitte Digital, *The Heat Test*, <https://www.deloittedigital.com/us/en/offers/customer-led-marketing/advertising--marketing-and-commerce/heat-test.html> (accessed on: 02.04.2022).
3. M. Kilanowski (ed.), Report *Biznes i prawa człowieka. 10 lat wdrażania Wytycznych ONZ dotyczących biznesu i praw człowieka*, UN Global Compact Network Poland 2021, p. 23.
4. M. Krukowska, *Biznes będzie musiał raportować dane ESG*, <https://www.forbes.pl/biznes/zrownowazony-rozwoj-w-firmach-bedzie-obowiazek-raportowania/dkfxks> (accessed on: 02.04.2022).
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8. European Parliament, *Odpady z tworzyw sztucznych i recykling w UE: fakty i liczby*, <https://www.europarl.europa.eu/news/pl/headlines/society/20181212STO21610/odpady-z-tworzyw-sztucznych-i-recykling-w-ue-fakty-i-liczby> (accessed on: 02.04.2022).
9. Circular Poland, Koalicja na Rzecz Polskich Innowacji, Interseroh Report *GO!Z 2021. Polska Droga do cyrkularności*, <http://circularpoland.org/badanie-goz#rec391059893> (accessed on: 02.04.2022).
10. Blue Media, Report *Postawy ekologiczne Polek i Polaków 2021*, <https://bluemedi.pl/baza-wiedzy/badania-i-raporty/postawy-ekologiczne-polek-i-polakow-2021> (accessed on: 02.04.2022).
11. Deloitte, Report *A Call for Accountability and Action. The Deloitte Global 2021 Millennial and Gen Z Survey*, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/2021-deloitte-global-millennial-survey-report.pdf> (accessed on: 02.04.2022).

## ESG measures that businesses take

In view of clear trends, increasing regulation, and greater social expectations of businesses to engage in ESG initiatives, companies have been taking a range of actions.

### Companies draft sustainability strategies

This is a completely new approach to growing business and maximising profits. By reviewing such strategies, SMEs can understand the directions followed by large companies. Suppliers can use this opportunity to prepare for changes in the market and the requirements of clients.



**INSPIRATION**

#### **Allegro Group**

Allegro Group has adopted a CSR and sustainability strategy for 2020-2023, which is based on 5 pillars and includes 86 initiatives. The strategy sets specific targets and indicators to monitor its implementation. The strategy can be read [HERE](#).



**SME**

#### **Questions to be considered by SMEs:**

- 1.** Do we, as a company, have a negative impact on the society in which we operate?
- 2.** Do we have a negative impact on the environment (e.g., by consuming significant amounts of raw materials, emitting a lot of greenhouse gases)?
- 3.** How do our products/services impact the quality of life, health and safety of our clients?
- 4.** How do we impact the lives of our employees (salaries, development, physical and mental well-being)?

When you answer these questions, consider what and how can be improved, and what is needed in your organisation to do so (measures, resources, knowledge, finances, time, etc.).

## Companies introduce ESG requirements for their business partners and suppliers

It is not possible to implement a sustainability strategy in isolation from the supply chain. Companies, which build strong brands, integrate ESG criteria into all business processes, including their relations with business partners.



### INSPIRATION

#### IKEA

IKEA has developed a global code of conduct for suppliers, the IWAY Standard, which imposes a range of social and environmental requirements on its business partners, including their sub-contractors. Compliance with the Standard is reviewed regularly through audits and the suppliers receive support from IKEA in implementing the requirements. The system has been in development since 2000. You can read more about IKEA IWAY [HERE](#).



### SME

#### Questions to be considered by SMEs:

1. Do our suppliers follow similar principles in business as we do (especially with regard to human rights and the environment)?
2. If we were not constrained by the purchase price of goods and services, would we impose additional environmental or social requirements on suppliers?
3. If so, what can we do to gradually increase the share of such requirements in our procurement to achieve business benefits?
4. Would our supplier list change due to such additional criteria?

Compare the answers to the questions with the requirements placed on your organisation by your clients.

## Companies publish sustainability reports

Their number will grow rapidly in the coming years due to the regulations being implemented.



## INSPIRATION

### Sustainability reports' libraries

A library of ESG reports published in Poland can be found at <https://raportyzr.pl/> (in Polish). In turn, ESG reports of companies from other countries can be found at [CSR Wire](#) or [Corporate Register websites](#).



## SME

### Questions to be considered by SMEs:

1. What do our business clients publish in their sustainability reports, what actions are important to them, and what goals do they set for the future?
2. What do large companies in our industry put in such reports, and which of their ESG measures can we use as inspiration?

Once you have answered these questions, it is worth considering whether there are areas of activity that are worth changing in your company.

## Positive impact startups emerge

These are companies for which solving social or environmental problems is central to their business model.



## INSPIRATION

### Too Good To Go

In Poland we throw away 9 million tonnes of food a year, or 236 kg per person. The Too Good To Go app helps to solve this problem. It enables restaurants, hotels and shops to sell, at a price attractive to consumers, surprise packages that could not be sold that day in the regular way. You can read more about the app [HERE](#).





**SME**

### Questions to be considered by SMEs:

1. Are there any such start-ups in our or related industries?
2. Can we use any of their solutions as inspiration in our company?

If the answers to these questions are yes, discuss the inspiration gained with your team. In this way, you can get new ideas and solutions for your business.

## Companies join forces in ESG partnerships

Through partnerships, companies with similar priorities can work together for real change in the environment. For SMEs, following or joining selected initiatives opens an opportunity to gain new competences and become known to business partners with similar goals.



**INSPIRATION**

### Polish Plastic Pact

The initiative brings together companies and organisations involved in the plastics value chain to work together to close the plastic cycle in Poland. You can read more [HERE](#) (in Polish).



**SME**

### Questions to be considered by SMEs:

1. Do our clients participate in such industry initiatives? And if so, what do they want to achieve?
2. How can we incorporate areas of interest in such initiatives into our business?

The answers to these questions will help you understand what is important to your clients and prepare your company for the new requirements.

## Find out more

You can find out more about the issues described in this chapter in these materials:

### **Definitions of CSR, ESG and sustainability**

[\*Sapere podcast \(in Polish\)\*](#)  
[\*WhatIs.com article \(in English\)\*](#)

### **UN Sustainable Development Goals**

[\*United Nations website\*](#)

### **Paris Agreement**

[\*EU Official Journal\*](#)

### **European Green Deal**

[\*EU Commission communication\*](#)

### **Future trends map**

[\*Infuture Institute website\*](#)

### **Inspiration: supply chain in the clothing industry**

Video documentary: [\*The true cost: Who Pays the Real Price for YOUR Clothes\*](#)

### **Inspiration: supply chain in IT hardware production**

Video documentary: [\*Blood in the mobile\*](#)  
Article: [\*Conflict minerals used in IT products fund wars and drive human rights abuses\*](#)

### **Inspiration: positive impact startups**

Report: [\*2022 Positive impact startups\*](#)

### **Inspiration: measures taken by SMEs**

[\*PARP report in CSR activities by SMEs \(in Polish\)\*](#)

### **Inspiration: ESG good practice**

Report: [\*Responsible Business in Poland 2021. Good practices\*](#)

## 3

## what does ESG mean for SMEs?

Until a few years ago, ESG was mostly discussed in the context of large companies. Over time, the group of companies involved in ESG has grown. Under pressure of regulations and consumer expectations, large players are setting increasingly ambitious ESG targets. **They are then extending these to requirements to their supply chain, which often also includes SMEs.** The SMEs, which are listed on the stock exchange, will also be required to report their sustainability starting in 2026.



Already today, the efforts made by SMEs are recognised. For inspirations in English from the Polish market, see the [Responsible Business Forum's report](#). On top of that you can find examples of particular SMEs' ESG activities below (in Polish).

### Examples of ESG actions taken by SMEs:

## ENVIRONMENTAL

- [Demonstratorium of renewable energy sources of the Vocational Training Centre “ELPRO”;](#)
- [Eliminating empty transport runs with the Done Deliveries service;](#)
- [Optimising the automatic grinding process in MEGA;](#)
- [Cleaning and disinfection of work footwear in WoshWosh;](#)
- [Eco-Friday at the Poznań Science and Technology Park;](#)
- [Monitoring water purity in the Zegrzyński Lake by JARS.](#)

## SOCIAL

- [Educational support for family businesses from the law firm Grabowski i wspólnicy;](#)
- [“HR Support” project in HRlink;](#)
- [Electric bike subscription as an employee benefit in Move;](#)
- [Ecological education in Przedsiębiorstwo Produkcyjne Lesław Domino;](#)
- [Promoting responsible fashion industry with young designers in Migfactory;](#)
- [Noise reduction in Zakłady Drzewne Zadobrze.](#)

## GOVERNANCE

- [Implementing a CSR strategy in CK Frost;](#)
- [Implementing a CSR strategy in EVACO;](#)
- [Code of ethics in Farm Frites Poland;](#)
- [Stakeholder survey of Gdańsk Transport Company;](#)
- [Auditing the recruitment system and other process in Epsilon Software Solutions.](#)

## How does regulation affect companies' requirements for their suppliers?

The scope of ESG data disclosure regulations has been growing over the years, as has the range of companies subject to the regulations and the extent of their obligations. This affects not only the companies directly covered by the new regulations but also their suppliers.

## Entities covered by sustainability reporting requirements and their reporting obligations

	2017	2024**	2025**	2026**
EU Directive in force	NFRD Non-Financial Reporting Directive	CSRD* Corporate Sustainability Reporting Directive		
Companies subject to the directive				
Large companies	only companies which meet specific criteria	yes – subject to NFRD obligations	yes	yes
SMEs	no	no	no	yes, if listed on the stock exchange
Micro-firms	no	no	no	no
Estimated number of entities subject to the obligation	approx. 300	approx. 300	approx. 3,600	
Mandatory scope of disclosures				
Description of the business model, key policies, risks and performance indicators	yes	yes	yes	
Description of strategy, management approach, risk resilience, organisational impact, objectives and metrics	no	yes	yes	
Strictly defined indicators to be reported	no	yes	yes	
Mandatory independent external verification of data (audit)	no	yes	yes	

\* Data sourced at the date of preparation of this document from the draft CSRD: <https://www.consilium.europa.eu/en/press/press-releases/2022/06/21/new-rules-on-sustainability-disclosure-provisional-agreement-between-council-and-european-parliament/>

\*\* Data for the year should be disclosed after the end of the year (in the report issued in the following year).



SME

### How can SMEs prepare for CSDR?

1. Check which supplier data large companies will have to disclose and consider what information they can expect from you.
2. Find out whether or not you will have to publish sustainability reports.
3. Read the standards and check which ESG topics they include.

The answers will help you to prepare your organisation for the change and the new requirements.

In the coming years, **the number of companies in Poland disclosing ESG data will increase more than 10-fold** (from 300 to about 3,600).

## What are the green economic activities according to the EU Taxonomy?

The EU Taxonomy was created in order to structure the approach to investment in green business.<sup>12</sup> It is a **list of economic activities** and the criteria these activities must meet to be considered environmentally sustainable. With this approach, the EU wants to encourage banks and investment funds to redirect their money streams to green industries and businesses.

Although the EU Taxonomy directly only requires reporting by certain large companies,<sup>13</sup> it will indirectly impact also other entities. It is expected that over time:

- when applying for external financing of investments or business projects, each company will be analysed against the criteria under the Taxonomy,
- banks will expand their offer of green financial products and the Taxonomy will be a reference for them.

12. 12 The regulation introducing the taxonomy is Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (L 198, p. 13, 22.06.2020).

13. Specifically, companies which are subject to the information obligation under Directive 2013/34/EU of the European Parliament and of the Council, financial market participants that make available financial products, measures adopted by Member States or by the Union that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable.

As a result, banks will also use the Taxonomy to screen companies not directly affected by it. This could mean that access to finance for companies in environmentally harmful industries will become more difficult, starting from an increase in the cost of raising capital to a significant reduction in its availability for specific entities and projects.

### **How can you check whether your company's activities are covered by the EU Taxonomy?**

All you need to do is go to [Taxonomy Compass](#). This is an English-language listing of activities eligible for the Taxonomy with a description and technical criteria for each of them.

## **EU Taxonomy environmental objectives**

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

## **What are the most common expectations of SME suppliers?**

With increasingly ambitious goals of large companies and the obligation to disclose ESG data, requirements for suppliers are also becoming more demanding. In addition to the standard selection criteria and terms of procurement, which have been in place for years (e.g. product parameters, service delivery methodologies, price, contract lead time), suppliers are expected to provide additional declarations, take ESG actions, and disclose ESG data.

### **What is most often expected of suppliers?**

#### **Written confirmation of compliance with generally applicable standards, rules, norms**

Clients may, among others, require confirmation of compliance with:

- the Universal Declaration of Human Rights,
- the Ten Principles of the UN Global Compact,
- the ISO 26000 standards.

To confirm compliance, make sure that you are familiar with the content of these documents and that your organisation understands them.



### **Written declaration of compliance with the principles set out by the client**

Such a declaration aims to confirm that you have read the important documents provided by your client, such as:

- ESG codes and supplier policies,
- codes of ethics, policies against corruption, mobbing, discrimination,
- environmental policies.

As a SME, you do not necessarily need to have similar documents in place. However, if you have clear company policies and they are in line with your client's policies, you will be able to commit to them.

### **Disclosures of selected ESG data**

Large companies need to consider the ESG performance not only of their organisation but also of their suppliers. They need this in order to:

- obtain internationally recognised certifications,
- get good ESG ratings,
- comply with legal requirements.

As a SME, follow and analyse the data you are being asked to deliver. Wherever possible, put in place solutions in your organisation to monitor these indicators. That way, you will not have to look for them ad hoc every time someone asks for them.

### **Cooperation in finding solutions to meet ESG objectives**

As part of your relations with the client, you can:

- conduct joint research,
- develop solutions to implement the client's strategy,
- carry out pilot projects,
- jointly set goals and measures to achieve them,
- look for new forms of cooperation.

Such cooperation is usually not mandatory but always welcome. Being open to it provides great inspiration and enables you to learn from larger and more experienced organisations.

## How can companies check the ESG performance of their suppliers?

Large companies are increasingly checking that their suppliers comply with ESG requirements.

The most common forms of such checks include:

- written declarations which confirm that the company meets the client's requirements,
- voluntary or mandatory supplier self-assessment surveys on specific ESG aspects,
- client audits which check that the declarations or self-assessments are true,
- audits carried out by independent bodies, which check the compliance of the supplier's declarations and performance with what has been declared to the client.



**SME**

### How can your SME prepare for a check?

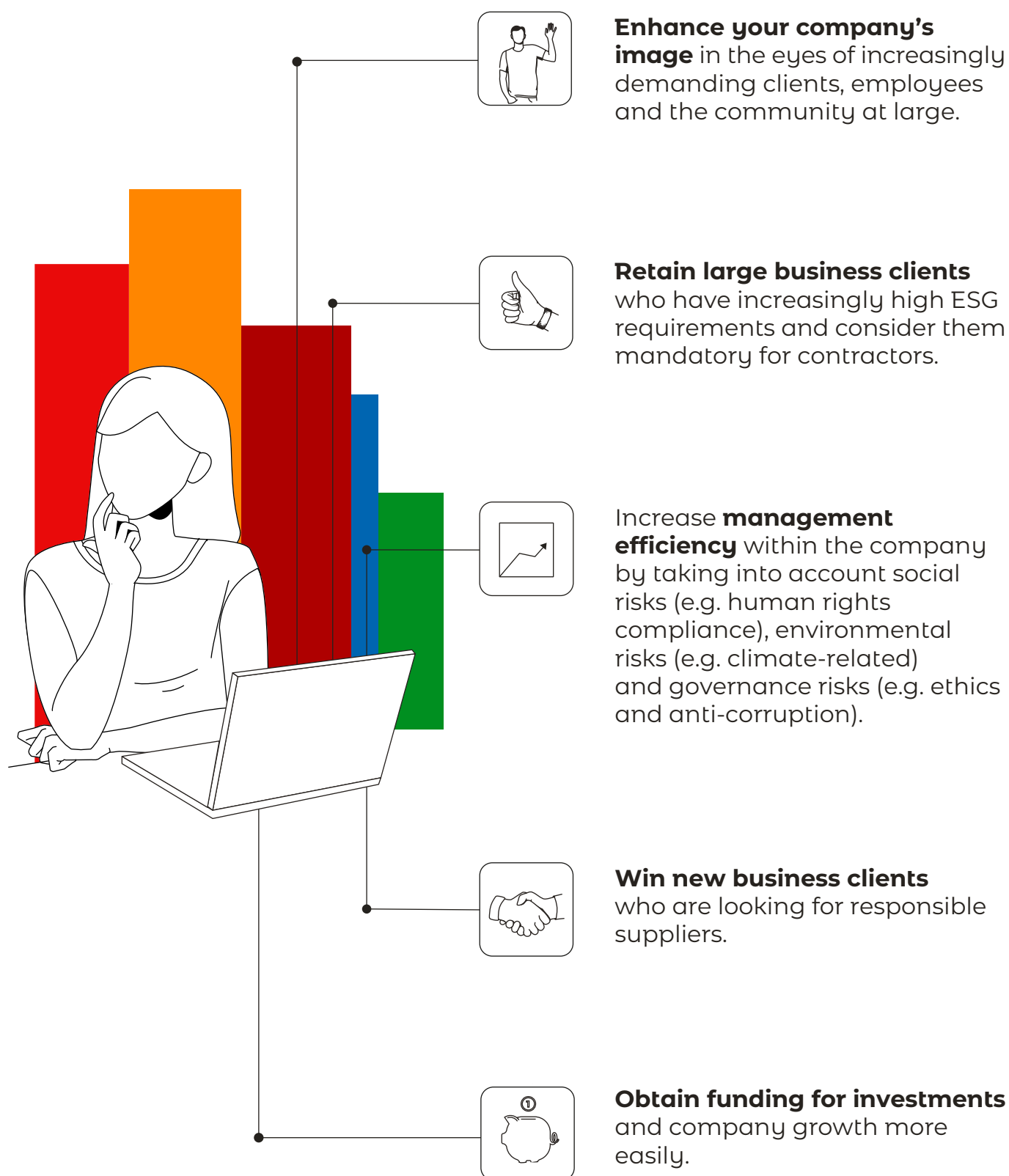
1. Check what the law requires as well as what the large companies you work with do and declare publicly. For example, you can read the sustainability reports of your key clients.
2. Identify requirements that may soon cover your organisation.

Lists of topics that are relevant to your clients will help you anticipate and prepare for the growing ESG requirements.

## How can SMEs turn ESG factors into business opportunities?

What is needed for smaller companies to take action and transparently communicate ESG measures is a change in business thinking combined with education of business owners and managers. As this is a new topic for SMEs, it certainly means that they need to make an extra effort. However, according to current trends, this is the best way to grow a company.

**By taking ESG measures you gain new opportunities.**  
**As a result you can:**



## Find out more

If you want to learn more about the issues presented in this chapter, have a look at these sources:

**ESG reporting:  
non-financial disclosures  
under NFRD**

[\*EU directive\*](#)

**ESG reporting:  
sustainability disclosures  
under CSRD**

[\*EU regulation drafts \(in English\)\*](#)  
[\*Sapere e-book \(in Polish\)\*](#)

**Entrepreneur's guide  
to green business**

[\*Future Industry Platform's e-book \(in Polish\)\*](#)

**EU Action Plan:  
Financing Sustainable  
Growth**

[\*EU Commission's website\*](#)

**IKEA IWAY Standards  
for Suppliers**

[\*IKEA report\*](#)

## 4

# mBank's approach to sustainability

## The role of suppliers in the implementation of mBank's strategy



In November 2021, we adopted mBank Group's new business strategy for 2021-2025. The ESG agenda is its integral part. It sets goals for: our climate neutrality; social responsibility, including responsibility for our clients and employees; and implementation of ESG standards in our business processes.

However, we cannot achieve these ambitious goals without the support of our suppliers and business partners. This is why the new strategy relies on the assumption that we will ultimately only work with those suppliers and business partners who meet the minimum ESG standards. Consequently, we introduced an ESG code for suppliers and business partners in early 2022. We believe that commitment to the sustainability goals provides a unique sense of purpose and satisfaction. We invite our suppliers and business partners to join us in this effort.

Together we can do more!

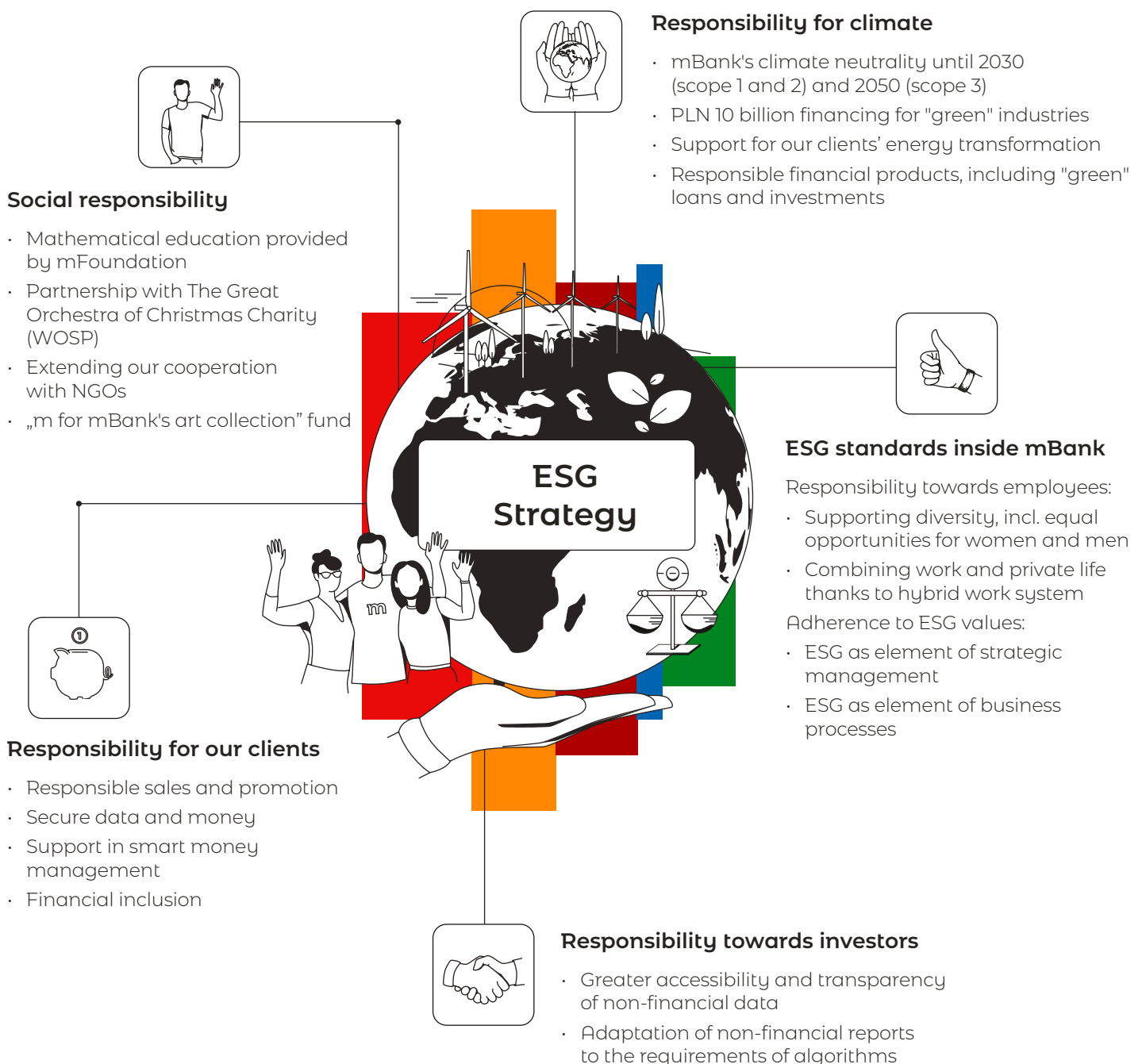


**Iwona Ryniewicz, Vice-Chairman  
of mBank Group's Sustainability  
Committee**

## Key areas of mBank's ESG strategy

The principles of responsible business conduct guide mBank Group's activities. Environmental, social and ethical concerns play a key role in the way we manage our business. We want our core business to support sustainable development. We want to offer our clients fair and professional advisory, continuously reduce our environmental impact, be the employer of choice for our employees, and create added value for society.

ESG factors are a key element of our business strategy for 2021-2025 and cover five areas:



## Rules for participation in the procurement process

All companies which participate in a procurement process organised by mBank or another mBank Group company are subject to our [Rules for Suppliers](#). By accepting them they confirm that:

- **comply with the law,**
- **abide by employee rights.** They take care of the health and safety of employees, do not profit from forced labour and child labour,
- **respect human rights** and ensure workers' freedom of association in trade union organisations,
- **protect the environment.** They comply with environmental legislation and take measures to minimise their negative impact on the environment,
- **do not discriminate** against any person on the basis of their distinguishing characteristics,
- **comply with anti-corruption laws.** They also ensure that there are no conflicts of interest in their activities.

During the procurement process, the supplier, acting on its own behalf and for its subcontractors, undertakes to comply with the guidelines defined in:

- the Universal Declaration of Human Rights,
- the Standards of the International Labour Organisation,
- the Guidelines of the OECD (especially on the fight against corruption),
- Agenda 21 adopted at the UN Conference on Environment and Development in Rio de Janeiro in 1992,
- the United Nations Convention against Corruption,
- international trade sanctions and UN and EU embargoes,
- Polish legislation that transposes these guidelines into national law,
- provisions of mBank's rules and regulations, in particular on conflicts of interest.

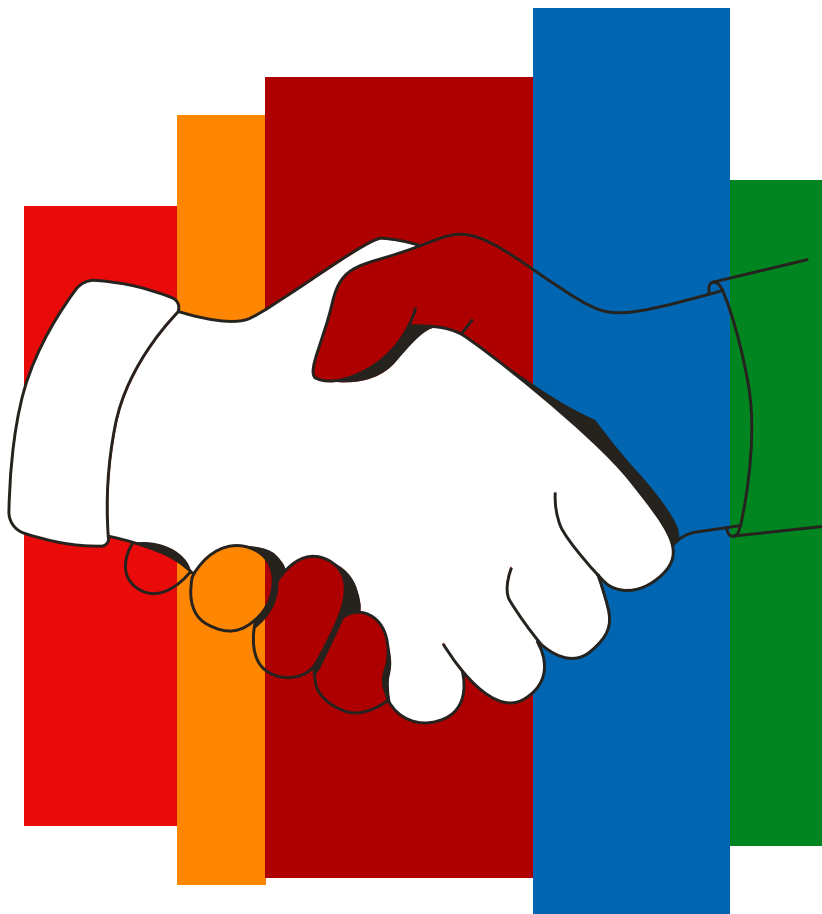
## Sustainability code for mBank suppliers and partners

In addition to the Rules for Suppliers, we also apply the [Sustainable Development Code for Suppliers and Partners of mBank](#). It describes the specific ESG requirements.



The code presents rules with which we ourselves comply. We expect the same from our suppliers and partners. We want to build relationships with them based on mutual trust. This means that:

- we prioritise openness in cooperation and contacts,
- we respect agreements and obligations,
- we share information which will help our suppliers and partners develop sustainably.



## **What do we require regarding environmental impact?**

Climate change poses many risks. This is why we want to extend our environmental action to all of mBank's spheres of influence, including the supply chain.

### **Regarding environmental impact, we expect that our suppliers and partners:**

- act in line with domestic and international environmental standards and national laws,
- aim at reducing waste, segregate it, and ensure proper disposal of hazardous waste,
- make efforts to reduce air pollution, energy consumption and carbon emissions,
- have or will develop environmental protection/sustainable development policies,
- educate their employees and promote environmentally friendly attitudes among their suppliers and partners.

#### **➔ What can a large organisation do?**

- Implement an environmental policy and climate change adaptation plan.
- Set and meet targets for reducing negative environmental impact.
- Monitor its environmental impact using selected indicators.
- Implement documents and procedures to ensure compliance with the Rio Declaration and the EU Taxonomy.
- Train employees on the most relevant environmental topics for the industry.
- Initiate environmental actions involving employees, local communities or business partners (e.g., cleaning up the forests, planting trees, testing water purity).

#### **➔ What can a SME do?**

- Read the regulations, rules and international declarations referred to by clients and business partners.
- Identify the environmental impact of the company and select a number of indicators to measure the impact on an annual basis (e.g. waste volume, electricity consumption, raw material or water consumption, greenhouse gas emissions).
- Analyse its business plans and integrate environmental and social aspects into them.
- Tailor the scope of ESG education of employees to the business profile.

### **What do we require regarding human rights, concern for workers and society?**

At mBank, we believe that every employer, regardless of size, should provide a safe working environment for its employees. We do not tolerate violations of human

rights. We value suppliers and partners who provide decent and non-discriminatory working conditions.

**Regarding social impact, we expect that our suppliers and partners:**

- comply with all labour law regulations,
- ensure that their employees work in conditions that are in line with occupational health and safety rules,
- do not use nor profit from forced labour,
- do not employ children under 16 years old,
- allow their employees to join trade unions,
- do not discriminate against anybody based on their race, nationality, religious beliefs, disability, sexual orientation or worldview,
- do not harass their employees, either verbally or physically,
- sensitise their employees to issues related to diversity,
- and strive to ensure that their suppliers and partners comply with these rules too.

**→ What can a large organisation do?**

- Implement documents and procedures to ensure compliance with international labour law and anti-corruption conventions and trade sanctions.
- Implement a health and safety policy and monitor risks in this area.
- Implement a diversity management policy and monitor selected diversity indicators.
- Implement a human rights policy.
- Train employees, and if possible suppliers and other business partners, on the above topics.

**→ What can a SME do?**

- Read the regulations, rules and international declarations referred to by clients and business partners.
- Provide employees with health and safety training appropriate to the business profile.
- Ensure that the company has a comprehensive understanding of human rights (including employee rights).
- Review and consciously manage respect for diversity and equal treatment of employees (e.g. on grounds of gender or origin).
- Pay attention to social aspects when selecting suppliers.
- Build a work culture based on trust, in which the an employee can safely raise concerns or ask questions to superiors.

## What do we require regarding compliance with regulations and business standards?

The reputation of mBank and the perception of our actions by the business environment and clients are important to us. We follow policies on reputational risk, prevention of corruption, money laundering, sanctions, conflicts of interest, data security and ethical conduct.

### **Regarding compliance with regulations and business standards, we expect that our suppliers and partners:**

- apply ethics standards to every area of their business,
- counteract all forms of corruption and conflicts of interest,
- apply the highest business standards for the principles of free and undistorted competition,
- settle all financial commitments in a timely manner,
- protect confidential information obtained during the cooperation and do not disclose it,
- comply with all GDPR provisions and domestic regulations on the protection of personal data,
- make sure that their employees make improvements in ethical standards.

### **→ What can a large organisation do?**

- Systematically monitor legislation and upcoming regulations.
- Define a set of corporate values.
- Implement a formal code of ethics and related policies and procedures on, among others, anti-corruption and conflicts of interest.
- Develop a whistleblowing system to ensure protection and anonymity for whistleblowers.
- Train employees in the aforementioned areas.

### **→ What can a SME do?**

- Monitor key regulations.
- Clearly define the organisation's policies and discuss them with all employees.
- Communicate policies to suppliers and other business partners.



## SME

Of course, these measures should be **tailored to the specific nature and size of the organisation and to its industry.**

Small companies (employing several or several dozen people) do not need to implement policies or procedures. It is sufficient to write down the key policies in a single document and/or discuss them as a team so that everyone is clear on what standards apply within the company and that they understand them in the same way.

## Find out more

You can find detailed information on mBank's approach to ESG here:

### mBank's ESG strategy

[See document](#)

### mBank's business strategy including ESG

[See document](#)

### mBank sustainability actions, standards and reports

[See website](#)

### mBank Rules for Suppliers

[See document](#)

### Sustainable Development Code for Suppliers and Partners of mBank

[See document](#)

# summary

## ESG is now part and parcel of everyday business

1

Environmental and social challenges have become so important that ESG factors are now an important part of corporate management. It makes sense to prepare for changes in the market by incorporating them into your company's business strategy. This helps to manage risks and build competitive advantage.

## Demands on suppliers are growing

2

Trends, regulations and growing consumer awareness force business clients to set increasingly ambitious ESG targets. They impose increasing demands on their suppliers. This also regards you, mBank's partners and suppliers.

## ESG topics should also be followed by SMEs

3

It is important to follow ESG regulations, market trends and expectations. They cover not only large companies but also SMEs. It is crucial to address them accordingly, taking into account the size and type of your business.

**The guide was compiled by mBank  
in cooperation with Sapere**

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