

mBank S.A. Group

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS, WIND ENERGY, SOLAR ENERGY CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: August 2021

Approved verifier: Sustainalytics

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Scope and Objectives

mBank S.A. Group (mBank) has engaged Sustainalytics to review and verify that mBank's green bond meets the requirements under the Low Carbon Buildings, Wind Energy, and Solar Energy criteria of the Climate Bonds Standard.^{1 2 3}

mBank is a Polish bank offering retail, corporate and investment banking as well as other financial services. Through its mortgage subsidiary, mBank Hipoteczny S.A., the bank is the second largest issuer of mortgage bonds in Poland, based on two credits portfolios: (1) housing loan portfolio for individual customers and (2) residential real estate portfolio for projects implemented by development companies. mBank is committed to improving the sustainability of its real estate portfolio and expanding its renewable energy portfolio to reduce associated greenhouse gas emissions.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0⁴:

- Low Carbon Buildings
 - Single-Family or Multi-Family House built after December 31st, 2016, based on the year of construction (TC2017/2021)
- Renewable Energy
 - Onshore Wind Energy
 - Solar Energy (Solar Photovoltaic)

Issuing Entity's Responsibility

mBank was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects
- The management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

¹ Climate Bonds Standard, Low Carbon Buildings, Solar Energy and Wind Energy Criteria under the Climate Bonds Standard. See more, at: <https://www.climatebonds.net/files/files/Residential%20Proxy%20Poland%281%29.pdf>

² Climate Bonds Standard, Solar Energy Criteria under the Climate Bond Standard. See more, at: https://www.climatebonds.net/files/files/standards/Solar/Sector%20Criteria%20-%20Solar%20v2_1.pdf

³ Climate Bonds Standard, Wind Energy Criteria under the Climate Bond Standard. See more, at: https://www.climatebonds.net/files/files/Sector%20Criteria%20-%20Wind%20v1_2_28September2020.pdf

⁴ Climate Bonds Standard, Climate Bonds Standard Version 3.0. See more, at: https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of mBank's green bond, issued to finance development of new, eligible residential green buildings and development, acquisition, maintenance and operations of eligible onshore and solar photovoltaic renewable energy projects and provided an independent opinion informing mBank as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Buildings, Wind Energy and Solar Energy criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by mBank. Sustainalytics is not responsible if any aspect of the Nominated Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by mBank's management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant mBank employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of mBank's green bond with the Climate Bonds Standard Version 3.0;
- Conformance with the Low Carbon Buildings Technical Criteria;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that mBank's green bond meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that mBank will ensure compliance with Climates Bonds Standards requirements.

Conclusion

mBank intends to use the proceeds raised by the issuance of green bonds to finance low carbon residential real estate buildings and renewable energy projects such as onshore wind and solar photovoltaics.

Based on the limited assurance procedures conducted of mBank's green bond under the Low Carbon Buildings, Wind Energy and Solar Energy criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, mBank's green bond is not in conformance with the Low Carbon Buildings, Wind Energy and Solar Energy criteria of the Climate Bonds Standard's Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects are provided below:

Eligibility criteria	Building code	# of loans	Signed Amount (Millions PLN)	Signed Amount (Millions USD)
Single-Family or Multi-Family House built after December 31st, 2016, based on the year of construction	TC2017/2021	20,481	8,541.16	2,198.04
Solar Energy (Solar photovoltaic)	NA	26	635.54	162.56
Onshore wind energy	NA	16	463.44	118.54
Total	--	20,523	9,640.14	2,479.14

Schedule 2A: Pre-Issuance General Requirements

Sustainalytics has conducted this verification using the following Pre-Issuance Requirements under Climate Bonds Standard Version 3.0:

<p>1. Use of Proceeds</p>	<p>1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.</p> <p>1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.</p> <p>1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>1.3.1 distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments; or,</p> <p>1.3.2 the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>
<p>2. Process for Evaluation and Selection of Projects & Assets</p>	<p>2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p> <p>2.1.1 A statement on the climate-related objectives of the Bond;</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>2.1.3 The Issuer's rationale for issuing the Bond;</p> <p>2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.</p> <p><i>Note to 2.1: A wide variety of climate-related objectives are possible. These can vary from increasing the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions.</i></p> <p><i>The climate-related objectives of the Bond, as stated by the Issuer, have implications for the reporting requirements under the Climate Bonds Standard. See Clauses 2.3, 5.2, 5.8, 6.1.1 and 8.4.</i></p> <p>2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:</p> <p>2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material</p>

	<p>environmental, social or governance risks associated with the Nominated Projects & Assets;</p> <p>2.2.2 any green standards or certifications referenced in the selection of Nominated Projects & Assets.</p> <p>2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p>
<p>3. Management of Proceeds</p>	<p>3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p> <p>3.1.1 Tracking of proceeds: The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p> <p>3.1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.</p> <p>3.1.3 Earmarking funds to Nominated Projects & Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>
<p>4. Reporting</p>	<p>4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:</p> <p>4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;</p> <p>4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement;</p> <p>4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2;</p> <p>4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.</p> <p>4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1;</p> <p>4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding;</p> <p>4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited;</p>

- 4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.

Note: Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects & Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects & assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects & assets, the dynamic nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.

4.2 The Issuer shall include in the Disclosure Documentation:

- 4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall;
- 4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;
- 4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements;
- 4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents;
- 4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.

Note to 4.2.4: Issuers are encouraged to provide their Update Reports through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector.

Schedule 2B: Conformance to the Pre-Issuance Requirements

Details of mBank’s internal processes and controls as per the Pre-Issuance Requirements are provided below:

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	<p>1.1 mBank has developed a pool of proposed Nominated Projects & Assets which comply with the Low Carbon Buildings sector criteria of the Climate Bonds Standard. mBank intends to keep this pool updated with all the financed projects that fall within the scope of mBank’s green bond program and Framework. The proposed Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> • Residential Buildings (TC2017/TC2021) • Wind Energy • Solar Energy (Solar Photovoltaics) <p>1.2 mBank’s management confirms that the net proceeds of the future bond will not be greater than the total investment exposure to the proposed Nominated Projects & Assets.</p> <p>1.3 mBank’s management confirms that the Nominated Projects & Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instrument, green bonds, green loans or other labelled instruments unless it is demonstrated by mBank that distinct portions of the Nominated Projects & Assets are being funded by different instruments or that the existing instrument is being refinanced via another labelled instrument.</p>	None
2. Process for Evaluation and Selection of Projects & Assets	<p>2.1.1. The mBank S.A. Group Green Bond Framework states that the intention of the green bond is to finance projects that have demonstrated clear environmental benefits by reducing GHG emissions from green buildings and renewable energy and also contribute to achievement of the UN Sustainable Development Goals.</p> <p>2.1.2. mBank’s environmental objectives are summarized in the mBank S.A. Group Green Bond Framework.</p> <p>2.1.3. mBank’s rationale for issuing green bonds is to align its funding strategy with its mission, sustainability strategy and objectives while also contributing to the development of the green bond market.</p> <p>2.1.4. The mBank S.A. Group Green Bond Framework includes a process for project evaluation and selection in which its Sustainable Finance Committee is responsible for selecting and managing eligible green buildings, wind energy and solar energy projects.</p> <p>2.2.1. mBank has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category.</p> <p>2.2.2. N/A.</p> <p>2.2.3. mBank’s Sustainable Finance Committee will verify that all proposed Nominated Projects & Assets conform to the</p>	None

	Climate Bonds Taxonomy and Low Carbon Buildings sector criteria.	
3. Management of Proceeds	<p>3.1.1 The mBank S.A. Group Green Bond Framework outlines a process by which proceeds will be tracked.</p> <p>3.1.2 Issuer will manage unallocated net proceeds in cash and /or cash equivalent and/or short-term liquid instruments.</p> <p>3.1.3 The mBank S.A. Group Green Bond Framework details the process mBank will use to allocate and manage green bonds proceeds. This will enable the estimation of the share of the Net Proceeds being used for financing and refinancing.</p>	None
Reporting Prior to Issuance	<p>4.1.1. Bonds issued under the mBank S.A. Group Green Bond Framework are intended to align with the Climate Bonds Standard.</p> <p>4.1.2. The mBank S.A. Group Green Bond Framework indicates that green bond proceeds will be used, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.</p> <p>4.1.3. The mBank S.A. Group Green Bond Framework provides detail on its decision-making process, which is overseen by the Sustainable Finance Committee. The committee will strive to ensure that the allocation of proceeds into the eligible assets pool matches or exceeds the total proceeds raised from the bond. mBank will monitor the use of net proceeds with its internal systems.</p> <p>4.1.4. mBank’s Nominated Projects & Assets will conform with the Low Carbon Buildings, Wind Energy and Solar Energy sector criteria. mBank may report on the following impact metrics: Annual Primary Energy savings (kWh) and Annual reduction of CO₂ emission in tons for green buildings and Energy Production (MWh) and Annual reduction of CO₂ emission in tons for Wind and Solar Energy projects.</p> <p>4.1.5. mBank will manage unallocated net proceeds in accordance with Clause 3.1.</p> <p>4.1.6. mBank will provide allocation reporting after a year from the Green Bond issuance to be renewed annually until full allocation of the green bond net proceeds.</p> <p>4.1.7. mBank ’s Nominated Projects & Assets fall under Low Carbon Buildings and Wind and Solar Energy sector criteria. mBank will report on the investment areas which the Nominated Projects & Assets fall into, the distribution of eligible asset categories financed as well as description of the selected projects financed following a portfolio approach. Specific examples will be provided in report when feasible.</p> <p>4.1.8. mBank will provide more details regarding the amount used for financing and refinancing in the annual report.</p> <p>4.2.1. mBank’s Nominated Projects & Assets will conform with the Low Carbon Buildings, Wind and Solar Energy sector criteria.</p> <p>4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds are in accordance with Clause 7.3 of the Climate Bonds Standard.</p>	None

	<p>4.2.3. The mBank has confirmed that an approved third party verifier will conduct periodic assurance within a year to reaffirm conformance of the bond with the Low Carbon Buildings criteria of the Climate Bonds Standard.</p> <p>4.2.4. mBank will make a Green Bond Annual report available on its website. The Report will include information on the allocation of proceeds and relevant impact metrics.</p> <p>4.2.5. Sustainalytics notes that under the terms of its certification, mBank must include the CBI Disclaimer provided in the Certification Agreement in disclosure documentation.</p>	
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