

# mBank S.A.

Diversified Banks Poland WAR:MBK

## ESG Risk Rating

# 15.9

Updated Apr 19, 2021

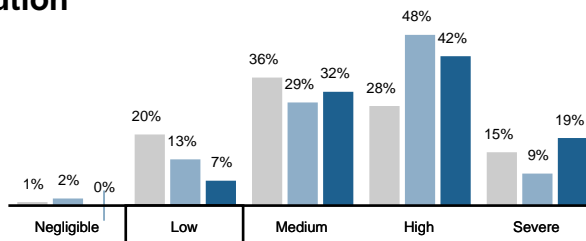
## +0.2

Momentum

## Low Risk



## ESG Risk Rating Category Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	1263/13843	10th
Banks INDUSTRY	72/1047	8th
Diversified Banks SUBINDUSTRY	10/415	3rd

## Peers Comparison

Peers (Market cap \$2.2 - \$2.4bn)

Peers (Market cap \$2.2 - \$2.4bn)	Exposure	Management	ESG Risk Rating
1. mBank S.A.	47.0 Medium	69.8 Strong	15.9 Low
2. Yapi ve Kredi Bankasi A.S.	47.5 Medium	54.9 Strong	22.7 Medium
3. The Gulf Bank of Kuwait	44.0 Medium	29.3 Average	31.7 High
4. Guaranty Trust Bank PLC	45.6 Medium	23.2 Weak	35.6 High
5. Banco Pan SA	55.4 High	12.1 Weak	49.1 Severe

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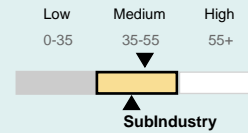
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## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

### Exposure

**47.0** **+5.0**  
**Medium** Momentum  
 Beta = 1.07



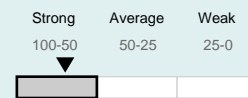
Considering that mBank relies significantly of individual clients and microenterprises (51.7% of its FY2019 gross profit ), failure to provide a simple and fair description of its products or involvement in discriminatory lending practices could lead to increased regulatory scrutiny and litigation from customers. In addition, due to its diversified offering and client base, which includes domestic and international corporate and private banking clients, mBank faces ethical risks related to potential involvement in money laundering, the financing of illegal activities or sanctions violations. Misconduct can lead to investigations and reputational loss. Moreover, due to the wealth of confidential data it collects, processes and stores, mBank faces risks related to cyberattacks and data leaks, especially considering its evolving mobile and digital offering.

The company's overall exposure is medium and is moderately above subindustry average. Data Privacy and Security, Business Ethics and Product Governance are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

### Management

**69.8** **+4.3**  
**Strong** Momentum



mBank's overall ESG-related disclosure follows best practice, signalling strong accountability to investors and the public. The company's ESG-related issues are overseen by the executive team, suggesting that these are integrated in core business strategy. Despite its strong overall performance in managing material ESG issues, mBank's 2020 disclosures indicate that the bank has provisioned PLN 1.4 bn (USD 411 mn), up from PLN 418 mn (USD 123 mn) for the same period the year before, in relation to legal actions over Swiss franc-denominated (CHF) mortgage loans. mBank's Swiss franc mortgage portfolio stands at 30% of its total Polish mortgage portfolio, as of December 2020. As a result, mBank faces financial and legal risks due to a growing number of customer lawsuits, as well as high likelihood that the company will reach unfavourable settlements.


The company's overall management of material ESG issues is strong.

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## Material ESG Issues

ESG Issues regarded material for the company.

Issue Name	Exposure	Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score   Category	Score   Category	Score   Category	
Corporate Governance	9.0 High	60.4 Strong	3.6 Low	22.4%
Data Privacy and Security	8.8 High	77.5 Strong	3.3 Low	20.9%
Product Governance Significant Events 	8.4 High	60.9 Strong	3.3 Low	20.6%
Human Capital	6.0 Medium	65.0 Strong	2.3 Low	14.4%
Business Ethics	8.8 High	84.4 Strong	1.7 Negligible	11.0%
ESG Integration -Financials	6.0 Medium	71.5 Strong	1.7 Negligible	10.7%
<b>Overall</b>	<b>47.0 Medium</b>	<b>69.8 Strong</b>	<b>15.9 Low</b>	<b>100.0%</b>

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

### Category (Events)

#### Severe (0)

#### High (0)

#### Significant (1)

Quality and Safety

#### Moderate (0)

#### Low (3)

Anti-Competitive Practices

Business Ethics

Carbon Impact of Products

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## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

## Category (Events)

### None (11)

Access to Basic Services

Accounting and Taxation

Bribery and Corruption

Data Privacy and Security

Environmental Impact of Products

Labour Relations

Lobbying and Public Policy

Marketing Practices

Sanctions

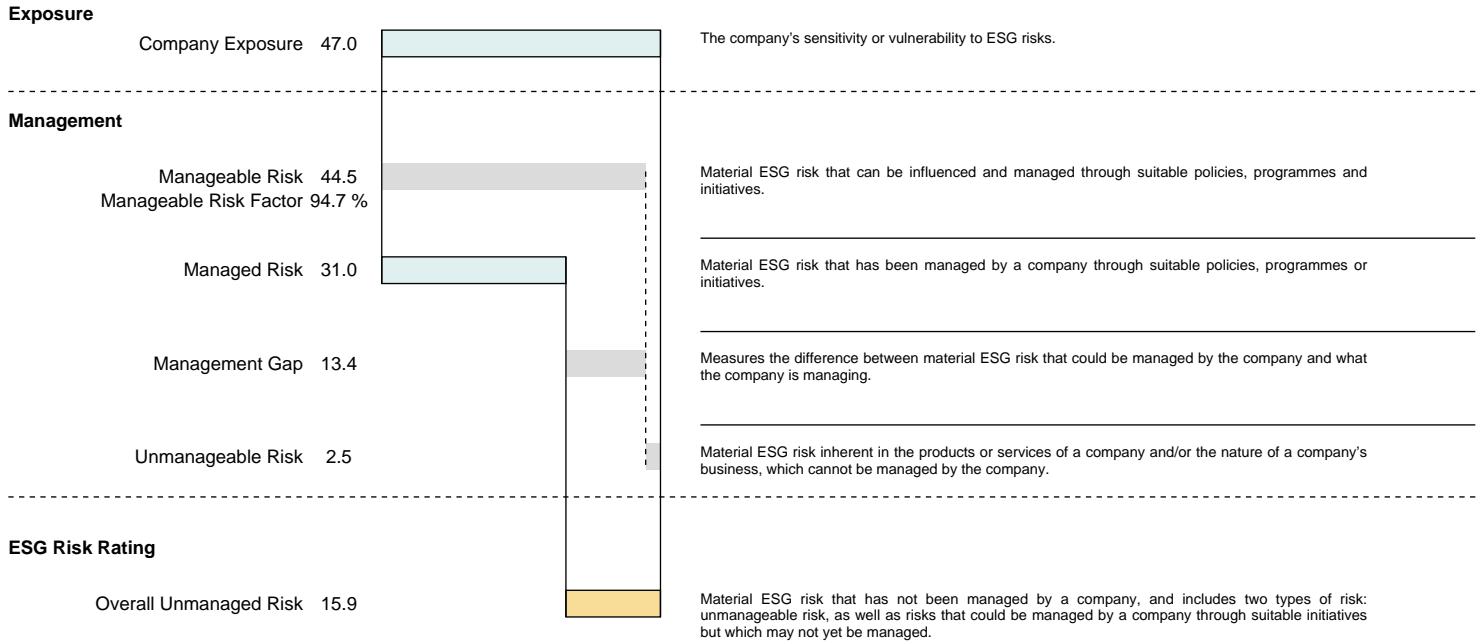
Social Impact of Products

Society - Human Rights

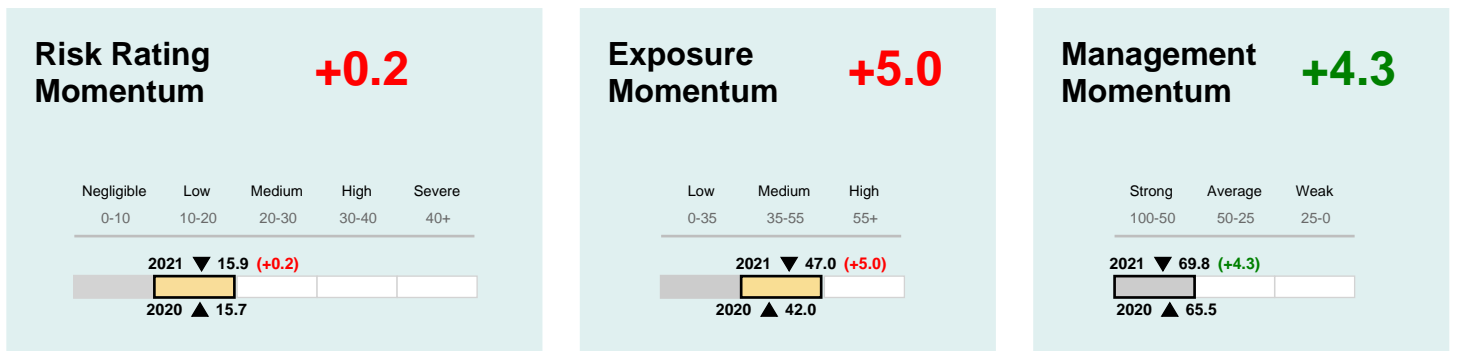
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## Risk Decomposition



## Momentum Details



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## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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