



Second-Party Opinion

mBank S.A. Group Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the mBank S.A. Group Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Clean Transportation, Electricity Transmission, Distribution and Storage, and Waste Management – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to support Poland’s and the EU’s transition to a low carbon economy strategy and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.



PROJECT EVALUATION / SELECTION mBank S.A. Group’s (the “Group”) has established a Sustainable Development Committee which will be responsible for evaluating and selecting eligible assets in line with the eligibility criteria. The Group has implemented a risk assessment process in place which is applicable to all allocation decisions. Sustainalytics considers the risk management system to be adequate and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS mBank S.A. Group’s Sustainable Development Committee will track the allocation of proceeds through an internal information system. The Group intends to fully allocate the proceeds to eligible assets within two years of issuance. Pending allocation, proceeds will temporarily be invested in cash, cash equivalents or short-term liquid instruments in accordance with the Group’s treasury guidelines. This is in line with market practice.



REPORTING mBank S.A. Group intends to report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information such as the total amount of proceeds allocated to eligible projects and assets, balance of unallocated proceeds and share of financing versus refinancing. In addition, the Group is committed to reporting on relevant impact metrics. Sustainalytics view the Group’s allocation and impact reporting commitments as aligned with market practice.

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Issuer Location Warsaw, Poland

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Introduction

mBank S.A. Group (“mBank”, or the “Group”) is a Polish bank offering retail, SME, corporate and investment banking as well as other financial services including commercial real estate financing, wealth management, provision of insurance, corporate finance and advisory. mBank offers its services to 5.5 million retail clients across Poland, Czech Republic and Slovakia and more than 30,000 corporate clients as of September 2021. Established in 1986, mBank is headquartered in Warsaw, Poland and employs 6,771 employees globally.

mBank has developed the mBank S.A. Group Green Bond Framework (the “Framework”) under which the Group and/or its subsidiaries¹ intend to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to support Poland’s and the EU’s transition to a low carbon economy and advance mBank’s sustainability strategy. The Framework defines eligibility criteria in five green categories:

1. Green Buildings
2. Renewable Energy
3. Clean Transportation
4. Electricity Transmission, Distribution and Storage
5. Waste Management

mBank engaged Sustainalytics to review the mBank S.A. Group Green Bond Framework, dated February 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of mBank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. mBank representatives have confirmed that: (1) they understand it is the sole responsibility of mBank to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information, and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and mBank.

¹ mBank Hipoteczny, the mortgage bank subsidiary of mBank S.A. Group intends to issue green covered bonds under this Framework.

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The mBank S.A. Group Green Bond Framework is available on mBank S.A. ’s website at: <https://www.mbank.pl/pdf/msp-korporacje/relacje-inwestorskie/ratingi-instrumenty-dluzne/ratingi/mbank-green-bond-framework.pdf>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that mBank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the mBank S.A. Group Green Bond Framework

Sustainalytics is of the opinion that the mBank S.A. Group Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of mBank's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Clean Transportation, Electricity Transmission, Distribution and Storage, and Waste Management – are aligned with those recognized by the GBP. Sustainalytics notes that the assets funded under the Framework are expected to support Poland's and the EU's transition to a low-carbon economy and advance mBank's sustainability strategy.
 - The Framework has defined a look-back period of three years for the refinancing of expenditures which Sustainalytics considers to be in line with market practice.
 - Within the Green Buildings category, mBank Group may finance the construction, renovation, acquisition and refurbishment of new and existing residential and commercial (office, retail and hotel) buildings in Poland according to the following criteria. These investments are aligned with market practice.
 - Buildings built after 31st of December 2020 with primary energy demand (PED) at least 10% lower than the Nearly Zero Energy Building (NZEB)⁵ requirements in Poland.⁶
 - Buildings constructed before 31st of December 2020 that meet one of the following criteria: (i) have a maximum PED of 70 kWh/m²/year for single-family buildings and 65 kWh/m²/year for multi-family buildings, and comply with the Polish NZEB requirements,⁷ (ii) have received an Energy Performance Certificate with energy class (EPC) A or above, or (iii) belong in the top 15% of low-carbon buildings in Poland based on PED.
 - Buildings that comply with one of the following low-carbon buildings⁸ criteria under the Climate Bonds Initiative's (CBI) in accordance with the CBI's established residential market proxy for Poland⁹: (i) comply with the TC 2017 and established 2050 zero-carbon linear trajectories for single-family or multi-family buildings, or (ii) have a year

⁵ European Commission, "Nearly Zero Energy Buildings", (2020), at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁶ The PED requirements for buildings are in line with the Energy Performance of Buildings Directive (EPBD) as implemented in the Technical Condition (TC) 2021. In addition, the Framework outlines the requirements for buildings larger than 5000 m² under the TC 2021, which include inspection for airtightness and thermal integrity upon the completion, as well as the calculation of global warming potential during each phase of their lifecycle.

⁷ The PED requirements for buildings are in line with the EPBD as implemented in the TC 2021.

⁸ CBI, "Low Carbon Buildings", at: <https://www.climatebonds.net/standard/buildings>

⁹ CBI, "Eligible Residential Building – Poland", at: <https://www.climatebonds.net/files/files/Residential%20Proxy%20Poland%281%29.pdf>

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- of construction 2017 or newer, or (iii) have an Energy Performance Certificate stating TC 2017 or newer.
- Commercial buildings that have achieved or are expected to achieve one of the following minimum certification levels: LEED ("Gold")¹⁰ with energy savings of at least 30% against ASHRAE 90.1., BREEAM ("Excellent"), HQE ("Excellent"), EDGE, PassivHaus and DGNB ("Gold"). Sustainalytics views these certifications to be credible and the levels selected as aligned with market practice. For Sustainalytics' assessment of these green building certification schemes, please refer to Appendix 1.
 - Refurbishment or renovation of buildings that: (i) leads to at least a 30% reduction in PED based on energy performance and data from EPC compared to pre-renovation levels, or (ii) is designed to fulfil the cost-optimal minimum energy performance requirements as defined by the EPBD.¹¹ Sustainalytics notes that the performance standard reflected in the EU Taxonomy,¹² which requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, could vary by region (EU Member States). Sustainalytics, therefore encourages mBank to report on the actual PED performance level (or energy savings) achieved compared to the reference buildings as defined based on existing building stock within the region.
- Under the Renewable Energy category, mBank may finance or refinance the development, acquisition, maintenance and operation of renewable energy generation facilities and equipment manufacturing¹³ for solar, onshore and offshore wind and hydropower projects. The Group may also finance the development, expansion and maintenance of infrastructure, technology and processes related to smart grids, battery energy storage, district heating systems and transmission and distribution of renewable electricity.
- Solar power projects, including photovoltaic and concentrated solar heat and power generation (CSP). Sustainalytics notes that the Framework limits financing to CSP projects that generate at least 85% electricity from solar energy sources which is aligned with market practice.
 - Onshore and offshore wind power projects.¹⁴
 - New hydropower projects will be eligible if they meet one of the following: (i) life-cycle carbon emissions intensity below 50 gCO₂e/kWh, (ii) power density above 10 W/m² or (iii) run-of-river without artificial reservoir. The Group may also finance the refurbishment of existing hydropower plants provided such plants meet one of the criterion for new hydropower plants and such refurbishment does not result in an increase in the size of the water reservoir. mBank has confirmed that all new hydropower projects will undergo an environmental and social risk assessment.¹⁵ These investments are in line with market practice.
 - Energy management systems such as battery energy storage and district heating systems. Sustainalytics notes that financing for district heat/cool generation systems would be limited to those with 100% electricity generation from renewable sources and/or industrial waste heat. mBank has confirmed to Sustainalytics that recyclables will be segregated before energy conversion for projects related to incineration of municipal solid waste. In case of financing only distribution networks, energy will be powered primarily (more than 50%) by renewables and/or waste heat as defined by the Energy Efficiency Directive 2012/27/EU.¹⁶ This is in line with market practice.

¹⁰ The Framework specifies that the date of LEED certification must be within five years before bond issuance, with a maximum bond tenor of six years. The threshold is subject to change to comply with the CBI's criteria.

¹¹ The Framework specifies the cost-optimal minimum energy performance requirements in accordance with the PED requirements as referenced in the TC 2014 and cost-optimum report for Poland.

¹² European Commission, "Taxonomy Report: Technical Annex to the Final report of the Technical Expert Group on Sustainable Finance", (2020), at: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

¹³ The Group has confirmed that financing will be limited to equipment and facilities that are wholly dedicated to components for renewables.

¹⁴ The Group has communicated to Sustainalytics that it does not finance wind turbine manufacturing projects and will strictly prohibit the use of balsa wood based on certificates provided by investors.

¹⁵ In addition, mBank has confirmed that there should be no significant risk or expected negative impact identified, and there should be no significant controversy surrounding eligible hydropower projects.

¹⁶ The Directive defines efficient district heating and cooling networks if they use at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or a 50% combination of such energy and heat. EUR-Lex, "Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32012L0027>

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- Transmission and distribution infrastructure projects where electrical grid development and maintenance is dedicated to connecting renewables to the power grid or supporting/integrating at least 90% renewable electricity. Sustainalytics considers this criterion to be aligned with market practice.
 - Projects that support the integration of renewable energy into power systems such as smart grid technologies.¹⁷ The Framework allows for allocation to “smart grid” investments. While noting the variety of definitions and applications of “smart grid” technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages mBank to select projects that are clearly anticipated to deliver tangible efficiency improvements.
- Within the Clean Transportation category, mBank may finance or refinance the manufacturing,¹⁸ upgrade, acquisition, operation and leasing of electric (passenger vehicles, light commercial vehicles, buses and coaches), low-carbon vehicles (hybrid passenger and light commercial vehicles, and hybrid buses and coaches) and supporting infrastructure such as dedicated charging stations and alternative fuel infrastructure.¹⁹ The Framework includes an emissions threshold of 50 gCO₂e/p-km for low-carbon vehicles which Sustainalytics considers to be aligned with market practice. The Group may also finance the manufacturing of high-density lithium-ion batteries for public and private electric transportation.
 - mBank may also finance zero direct emissions trains, metros and trams and supporting infrastructure such as metro tracks, stations, traction maintenance depots and motive power depots. The Group has confirmed that depots will only be financed for the storage, maintenance and servicing of electric rolling stock which is in line with market practice.
 - The Group may also finance active mobility infrastructure such as pedestrian and cycling infrastructure and cycling schemes.
- Under the Electricity Transmission, Distribution and Storage category, the Group may finance or refinance (i) construction, upgrade and operation of battery storage systems to support wind and solar power generation facilities, (ii) construction, upgrade and maintenance of infrastructure dedicated to connecting or expanding the connection of renewables (wind or solar power) to the grid, and (iii) manufacture, installation, leasing and operation of equipment and infrastructure aimed at reducing the curtailment of renewable energy into the grid or increasing its capacity factor in the energy system. Project examples include the construction of overhead lines, conductors, insulators, pylons,²⁰ transformers, reactors and substations, underground cables, circuit breakers and switchgear. These investments are aligned with market practice.
 - The Group may also finance operating expenditures associated with the transmission, distribution, and storage assets and activities listed above, including: (i) the operation of labour force and equipment dedicated to such projects, (ii) leasing of vehicles for monitoring and maintenance of such projects. mBank has confirmed that vehicles financed will be required to meet the emissions thresholds defined under the Clean Transportation category, and (iii) the construction of buildings that house maintenance equipment, dedicated staff or vehicles. mBank has confirmed to Sustainalytics that it will not finance general corporate expenses and that financing will be limited to expenditures that are directly linked to eligible assets. Sustainalytics views this commitment to be in line with market practice.
- Under the Waste Management category, the Group may finance or refinance waste collection (including wastewater), sorting and treatment activities aimed at recycling²¹ and reusing waste. Sustainalytics notes the following: (i) source segregation of waste will be carried out and will be supported by a robust electronic waste management plan for e-waste, (ii) waste collection vehicles financed will be required to meet the emissions thresholds defined under the Clean Transportation category, and (iii) the Framework limits financing to mechanical recycling

¹⁷ Smart grid technologies and projects may include those aimed at connecting renewable sources, improving efficiency and enabling demand side response such as smart meters, IT systems supporting network control, sensors, measurement tools, communication and control.

¹⁸ mBank has confirmed to Sustainalytics that proceeds from the Framework will not be used to purchase steel for the manufacturing of vehicles.

¹⁹ The Framework limits financing of alternative fuel infrastructure to when such infrastructure is separable from fossil fuel filling stations and garages.

²⁰ Pylons are used to support electrical cables that transmit high-voltage electricity from a power station to homes and businesses through the grid. National grid, “Everything you ever wanted to know about electricity pylons”, at: <https://www.nationalgrid.com/stories/energy-explained/everything-you-ever-wanted-know-about-electricity-pylons>

²¹ The Framework establishes criteria for assessing the environmental and social risks associated with electronic waste recycling in order to avoid adverse health impacts and toxic substance leakage into the surrounding environment. Additionally, the vehicle collection should meet the Clean Transportation criteria outlined in this Framework.

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conversion ratios of more than 50%. Sustainalytics considers these investments to be in line with market practice.

- **Project Evaluation and Selection:**
 - mBank has established a Sustainable Development Committee (“Committee”) at the issuing entity level and a Group-wide Sustainable Development Committee (“Group Committee”) at the Group level. The Committee, which consists of representatives from the Treasury, Risk, and Assets origination and management departments, will be responsible for evaluating and selecting eligible assets in line with the Framework’s eligibility criteria. A separate Sustainable Development Committee has been established for mBank Hipoteczny which reports to the Group Committee.
 - The Group Committee, which is headed by mBank’s Chief Risk Officer and comprised of representatives from the Treasury, Product Development, Risk, Investor Relations and Communications, and Marketing (responsible for CSR) departments, will oversee the project evaluation and selection process and ensure the Framework’s consistent application at a Group level.
 - mBank has in place environmental and social risk management processes which are applicable to all allocation decisions made under the Framework. As such, the Group will ensure compliance with domestic and international ESG standards, laws and regulations and the Group’s internal policies. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
 - Based on the establishment of the Committees and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - mBank’s Sustainable Development Committee (“Committee”) will be responsible for the management and allocation of proceeds. The Committee will manage the proceeds on a portfolio basis through internal information systems.
 - mBank intends to fully allocate the proceeds to eligible assets within two years of issuance. Pending allocation, unallocated proceeds will be invested in cash, cash equivalents or short-term liquid instruments in accordance with mBank’s treasury guidelines.
 - mBank Hipoteczny’s Sustainable Development Committee will manage proceeds using separate register and unallocated proceeds will be invested in its liquidity portfolio in money market instruments.
 - Based on the use of an internal tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - mBank intends to report on the allocation of proceeds and corresponding impact in its Green Bond Annual Report which will be published on mBank’s website on an annual basis. Allocation reporting will include the notional amount and maturities of outstanding green bonds, the total amount of proceeds allocated to eligible assets and projects, the balance of unallocated proceeds, the amounts or share of financing versus refinancing and the years of allocation of the green bonds to eligible assets portfolio and changes in the portfolio since the previous reporting period. mBank may also report on specific examples of refinanced eligible assets where possible.
 - Where feasible, impact reporting may include key performance indicators such as energy savings (MWh/GWh), emissions avoided (tCO₂e), total installed capacity of renewable energy (MWh) and waste collected, treated, prevented, reused and recycled. For a complete list of impact indicators, please refer to Appendix 2.
 - In addition to the Group level reporting, mBank Hipoteczny will report separately on its Green Covered Bonds following the Group level reporting policy as mentioned above.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

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Alignment with Green Bond Principles 2021

Sustainalytics has determined that the mBank S.A. Group Green Bond Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of mBank S.A. Group

Contribution of framework to mBank's sustainability strategy

Sustainalytics is of the opinion that mBank demonstrates a commitment to sustainability by incorporating ESG principles into its core business activities. mBank's strategy document for 2021-2025 defines its commitment to sustainability through a focus on four pillars: (i) environmental impact, (ii) customer engagement, (iii) organizational responsibility, and (iv) social impact.²² Sustainalytics highlights the Group's efforts on the environmental impact pillar due to its relevance to the projects that may be financed.

mBank has set a target to become climate neutral by 2050 with an interim goal of achieving climate neutrality in scope 1 and 2 emissions by 2030.²³ In order to achieve its climate-related goals, the Group is committed to fulfilling at least 80% of its energy demand with electricity generated from renewable sources. mBank reports its emissions according to the GHG Protocol reporting standard and provides disclosure on the progress of its emissions reduction in its annual report.^{24,25}

Sustainalytics notes that mBank is currently in the process of calculating its scope 3 emissions and aims to subsequently establish short and medium-term scope 3 emissions reduction targets. Nevertheless, the Group has established goals to improve the sustainability performance of its portfolio including: (i) increasing the share of corporate clients with ESG products to 5% of its portfolio by 2023, (ii) allocating PLN 10 billion (USD 2.5 billion) to green projects related to renewable energy, electric mobility and waste management by 2023 and (iii) financing PLN 1.7 billion (USD 0.4 billion) in eco-investments to retail small firms by 2025.²⁶ The Group has also established a Credit Policy in which it defines its intention to allocate PLN 10 billion (USD 2.5 billion) towards financing of renewable energy projects and sustainable infrastructure and limit financing of carbon-intensive projects.²⁷

Sustainalytics is of the opinion that the mBank S.A. Group Green Bond Framework is aligned with the Group's overall sustainability strategy and initiatives and will further mBank's action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use and biodiversity issues, occupational health and safety, emissions and waste generated during construction and community relations. While mBank plays a limited role in the development of the specific projects to be financed under the Framework, it is exposed to environmental and social risks associated with the loans that it may finance.

Sustainalytics is of the opinion that mBank is able to manage or mitigate potential risks through implementation of the following:

²² mBank, "Strategy of mBank Group 2021-2025", at: <https://www.mbank.pl/pdf/relacje-inwestorskie/strategy-of-mbank-group-for-2021-2025en.pdf#:~:text=mBank%20Group%27s%20Strategy%20for%202021-20258%20The%20risk%20management,Risk%20Area%20pursuing%20prudent%20and%20stable%20risk%20management>

²³ mBank, "Strategy of mBank Group 2021-2025", at: <https://www.mbank.pl/pdf/relacje-inwestorskie/strategy-of-mbank-group-for-2021-2025en.pdf#:~:text=mBank%20Group%27s%20Strategy%20for%202021-20258%20The%20risk%20management,Risk%20Area%20pursuing%20prudent%20and%20stable%20risk%20management>

²⁴ The Greenhouse Gas Protocol, "Corporate Accounting and Reporting Standard", at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

²⁵ mBank, "Strategy of mBank Group 2021-2025", at: <https://www.mbank.pl/pdf/relacje-inwestorskie/strategy-of-mbank-group-for-2021-2025en.pdf#:~:text=mBank%20Group%27s%20Strategy%20for%202021-20258%20The%20risk%20management,Risk%20Area%20pursuing%20prudent%20and%20stable%20risk%20management>

²⁶ mBank, "Strategy of mBank Group 2021-2025", at: <https://www.mbank.pl/pdf/relacje-inwestorskie/strategy-of-mbank-group-for-2021-2025en.pdf#:~:text=mBank%20Group%27s%20Strategy%20for%202021-20258%20The%20risk%20management,Risk%20Area%20pursuing%20prudent%20and%20stable%20risk%20management>

²⁷ mBank, "Strategy of mBank Group 2021-2025", at: <https://www.mbank.pl/pdf/relacje-inwestorskie/strategy-of-mbank-group-for-2021-2025en.pdf#:~:text=mBank%20Group%27s%20Strategy%20for%202021-20258%20The%20risk%20management,Risk%20Area%20pursuing%20prudent%20and%20stable%20risk%20management>

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- mBank has established “Sustainability Standards” to mitigate environmental and social risks.²⁸ The Group has implemented a “Credit Policy of Financing Renewable Energy Source Installations” which focuses on lending to windfarms and photovoltaic projects. For large-scale projects, the Group runs a project finance analysis that includes assessment, verification and consent issued by relevant administrative bodies. The Group also employs a technical advisor to identify and manage the potential environmental and social impact.²⁹
- The Group has implemented its “Code of Conduct” which guides the activities of the Group and its subsidiaries and forms the basis of internal and external relations.³⁰ The Code applies to all employees, managers and the Management Board and it defines permitted and non-permitted business practices, appropriate behaviour at the workplace, financial rules and corporate social responsibility.
- The majority of the Group’s operations are in Poland, which is recognized as “Designated Country” under the Equator Principles, ensuring the presence of robust environmental and social governance, legislation systems and institutional capacity to mitigate the environmental and social risk associated with projects financed under this Framework.³¹
- mBank has been a signatory to the UN Global Compact Principles since 2016 and conforms to its 10 principles on upholding human rights, eliminating unfair labour practices, preventing environmental degradation, and anti-corruption.³² mBank also abides by various international regulations including the Universal Declaration of Human Rights, the Standards of the International Labour Organisation, the OECD Guidelines, the Rio Declaration on Environment and Development – Agenda 21 and the United Nations Convention against Corruption.³³
- In 2021, mBank signed the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative. This is reflective of the Group’s commitment to supporting projects that enable the transition to a low-carbon, climate-resilient economy required to limit global warming. In addition to the exclusionary criteria provided in the Framework³⁴, mBank has also implemented restrictions on investments in companies that have activities associated with child labour, forced or otherwise grossly abuse human rights, oriented towards economic exploitation of areas of high natural value or that threaten the global cultural heritage.³⁵

Additionally, Sustainalytics’ research has identified that mBank is exposed to legal risks stemming from the ongoing court proceedings related to CHF mortgage loans in its retail business.³⁶ Sustainalytics acknowledges that the controversy pertains to legacy issues which will not directly impact eligible projects that may be financed and that mBank has created provisions to address the financial exposure resulting from customer claims arising from the said proceedings.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that mBank has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

²⁸ mBank, “mBank Sustainability Standards”, at: <https://www.mbank.pl/pdf/CSR/mbank-sustainability-standards.pdf>

²⁹ Ibid.

³⁰ mBank, “mBank Sustainability Standards”, at: <https://www.mbank.pl/pdf/CSR/mbank-sustainability-standards.pdf>

³¹ Equator Principles, “Designated Countries”, at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

³² UNGC, “mBank S.A.”, at: <https://www.unglobalcompact.org/what-is-gc/participants/71651-mBank-S-A->

³³ mBank, “Sustainable Development Code for Suppliers and Partners of mBank S.A.”, at: https://www.mbank.pl/pdf/CSR/mbank_kodeks-dostawcow_2021_en_.pdf

³⁴ The Framework refers to the general exclusionary criteria in mBank’s policies from an environmental perspective. The criteria excludes the financing of (i) new hard coal and lignite mines or expansion in capacity of existing mines, (ii) construction of new power plants and boilers fired with coal or lignite, (iii) energy companies with coal-fired power units or entities aimed at the development of coal energy, without a clearly defined financing goal, (iv) entities involved in the production or trade of radioactive materials, and (v) companies whose dominant activity is focused on exploration and extraction of shale gas amongst others.

³⁵ mBank, “mBank Sustainability Standards”, at: <https://www.mbank.pl/pdf/CSR/mbank-sustainability-standards.pdf>

³⁶ In the 2000s, Polish borrowers took out Swiss franc denominated mortgages to take advantage of low-interest rates in Switzerland. However, the rise in value of Swiss franc in 2015 resulted in higher repayments due to questioned indexation clauses in contracts which in turn led to legal disputes with Polish banks, including mBank. As of September 2021, mBank’s Swiss franc mortgage portfolio accounted for 8.9% of its total loan portfolio and the provisions made covered 64.5% of the total claims value. In January 2022, the Bank further increased its provisions to account for the higher financial exposure reported on its Swiss franc denominated portfolio in Q4 2021.

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Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two categories below where the impact is specifically relevant in the local context.

Contribution of green buildings towards climate mitigation in Poland and the EU

Buildings are a key contributor to emissions and the largest consumer of energy in the EU.³⁷ The buildings sector is responsible for 40% of the regional energy consumption and 36% of the GHG emissions.³⁸ Approximately 35% of the buildings in the EU are more than 50 years old and 75% of the building stock is not energy efficient.³⁹ The EU has committed to an emissions reduction target of 55% by 2030 compared to 1990 levels.⁴⁰ To achieve this, the EU would need to reduce GHG emissions from buildings by 60%, final energy consumption by 14% and energy consumption from heating and cooling by 18% by 2030 compared to 2015.^{41,42} Therefore, the renovation of buildings to improve energy performance is expected to play a major role in decarbonizing the sector. The renovation of existing buildings could reduce the EU's total energy consumption by an estimated 5-6% and lower its total emissions by 5%.⁴³ The European Commission's Renovation Wave strategy aims to double annual energy renovation rates in 10 years.⁴⁴ In line with these commitments, the Energy Performance of Buildings Directive requires public buildings developed since 2019 and new buildings beginning in 2021 to be nearly zero-energy buildings (NZEB).⁴⁵

Poland is one of the 20 largest GHG emitters in the world with buildings being one of the primary contributors.⁴⁶ Approximately two-thirds of Poland's emissions are generated from residential buildings caused by the low level of thermal insulation.^{47,48} Between 2005 and 2019, Poland reduced its GHG emissions by 12% through targets and implementation of policies focused on decarbonizing different sectors including construction.⁴⁹ In 2021, Poland adopted the Polish Energy Policy 2040 under which it set a target of connecting an additional 1.5 million households to district heating networks by 2030 and to connect all households by 2040. The country is committed to phasing out coal from individual heating in cities by 2030 and in rural areas by 2040. The Polish government is also developing a Long Term Renovation Strategy with an aim to gradually increase the scale of deep building renovations⁵⁰ by approximately 3% annually.⁵¹ In 2014, Poland implemented NZEB requirements for all new buildings and further tightened the primary energy requirement for all buildings in 2020.⁵² In 2019, the government also launched other incentives such as the "Clean Air" programme with the aim of replacing heat sources and insulating residential units.⁵³ Under the

³⁷ European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html

³⁸ European Commission article, "In focus: Energy efficiency in buildings", (2020) at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17_en

³⁹ European Commission, "New Rules for Greener and Smarter Buildings will increase quality of life for all Europeans", at: https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

⁴⁰ European Commission, "Stepping Up Europe's 2030 climate ambition", (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

⁴¹ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", at: <https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emissions-from-energy/assessment>

⁴² European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", at: https://ec.europa.eu/energy/sites/ener/files/eu_renovation_wave_strategy.pdf

⁴³ European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: https://ec.europa.eu/energy/sites/ener/files/documents/1.final_report.pdf

⁴⁴ European Commission, "Renovation Wave", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

⁴⁵ European Commission, "Energy performance of buildings directive", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁴⁶ IMF, "Poland: Staff Concluding Statement of the 2021 Article IV Mission", (2021), at: <https://www.imf.org/en/News/Articles/2021/12/13/poland-staff-concluding-statement-of-the-2021-article-iv-mission>

⁴⁷ Buildings Performance Institute Europe, "Ready for carbon neutral by 2050?", at: https://www.bpie.eu/wp-content/uploads/2021/12/BPIE_Assessing-NZEB-ambition-levels-across-the-EU_HD.pdf

⁴⁸ Polish Green Building Council, "Whole life carbon roadmap for Poland", (2021), at: <https://www.worldgbc.org/sites/default/files/Whole-life-carbon-roadmap-for-Poland-2050.pdf>

⁴⁹ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", at: <https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emissions-from-energy/assessment>

⁵⁰ Deep Renovation or Deep Energy Renovation is a term for a renovation that captures the full economic energy efficiency potential of improvement works, with a main focus on the building shell, of existing buildings that leads to a very high-energy performance.

⁵¹ Polish Green Building Council, "Whole life carbon roadmap for Poland", (2021), at: <https://www.worldgbc.org/sites/default/files/Whole-life-carbon-roadmap-for-Poland-2050.pdf>

⁵² Buildings Performance Institute Europe, "Ready for carbon neutral by 2050?", at: https://www.bpie.eu/wp-content/uploads/2021/12/BPIE_Assessing-NZEB-ambition-levels-across-the-EU_HD.pdf

⁵³ Government of Poland, "'Clean Air 2.0' Programme launched", at: <https://www.gov.pl/web/climate/clean-air-20-programme-launched>

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National Energy and Climate Plan for 2021-2030, Poland has set a target to thermally insulate 70% of the total housing stock in 2030, compared to 56% in 2015.⁵⁴

Based on the above, Sustainalytics is of the opinion that mBank's financing of green buildings offers the potential to support Poland in achieving their emissions reduction targets and deliver positive environmental impact.

Importance of clean road transportation in achieving climate goals

The transport sector is responsible for approximately 25% of the overall GHG emissions in the EU.⁵⁵ GHG emissions from the transport sector in the EU have increased steadily, rising by 33% in 2019 relative to 1990.⁵⁶ Oil-derived fuels account for 95% of the energy consumption in the sector.⁵⁷ As of 2019, road transport represented 72% of the total emissions from transportation.⁵⁸ In order to achieve a climate-neutral economy by 2050 under the EU Green Deal, emissions from the transport sector would need to reduce by 90%, compared to 1990 levels.⁵⁹ The EU has implemented various strategies and targets focused on decarbonizing the sector including the EU White Paper on Transport under which it has set a target of reducing its emissions by 20% by 2030, relative to 2008. The EU has also established a 2050 target of reducing transport related emissions by 60% from 1990 levels.^{60,61} Additionally, as part of its Mobility Strategy, the EU aims to have at least 30 million zero-emission cars on roads by 2030 and for nearly all cars, vans, buses as well as new heavy-duty vehicles to be zero-emission by 2050.⁶²

In 2019, the energy sector in Poland accounted for 82% of the country's emissions. It is estimated that 20% of the energy related emissions are derived from transportation with 97% of these emissions being generated from road transport.^{63,64} Approximately 93% of the total energy consumed by the sector in 2020 was derived from non-renewable sources.⁶⁵ 40% of the passenger cars in Poland have been on the road for longer than 20 years which represents the largest proportion in the EU.⁶⁶ To support the decarbonization of the transport sector, the government has implemented the Sustainable Transport Development Strategy 2030 under the National Energy and Climate Plan for 2021-2030. As part of this strategy, the government aims to reduce its CO₂ emissions by 7% by 2030 from 2005 levels. It has also set a target to reduce emissions from new passenger cars by 37.5% by 2030 and by 31% from light commercial vehicles, compared to 2021.⁶⁷ In 2017, the Polish government adopted the Electromobility Development Plan to help transform the country's transportation system and aims to have one million electric vehicles by 2025.⁶⁸

Based on the above context, Sustainalytics is of those investments in zero direct emissions vehicles offer the potential to help reduce the road transportation sector's carbon emissions in Poland and the EU, and contribute towards the achievement of climate related goals.

⁵⁴ Ministry of Energy, "National Energy and Climate Plan for the years 2021-2030", (2019), at: https://ec.europa.eu/energy/sites/ener/files/documents/poland_draftnecp_en.pdf

⁵⁵ European Commission, "Mobility Strategy", at: https://transport.ec.europa.eu/transport-themes/mobility-strategy_en

⁵⁶ The International Council on Clean Transportation, "Transport could burn up the EU's entire carbon budget", at: <https://theicct.org/transport-could-burn-up-the-eus-entire-carbon-budget/>

⁵⁷ European Environment Agency, "Transport: increasing oil consumption and greenhouse gas emissions hamper EU progress towards environment and climate objectives", at: <https://www.eea.europa.eu/publications/transport-increasing-oil-consumption-and>

⁵⁸ European Environment Agency, "Greenhouse gas emissions from transport in Europe", at: <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-transport>

⁵⁹ European Commission, "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions", (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0562&from=EN>

⁶⁰ European Commission, "Sustainable Transport and Fuels", at: <https://ec.europa.eu/jrc/en/research-topic/sustainable-transport-and-fuels>

⁶¹ Publication Office of the European Union, "White Paper on Transport", (2011), at: <https://op.europa.eu/en/publication-detail/-/publication/bfaa7afd-7d56-4a8d-b44d-2d1630448855/language-en>

⁶² European Commission, "Mobility Strategy", at: https://transport.ec.europa.eu/transport-themes/mobility-strategy_en

⁶³ United Nations Climate Change, "Summary of GHG Emissions for Poland", at: https://di.unfccc.int/ghg_profiles/annexOne/POL/POL_ghg_profile.pdf

⁶⁴ Ministry of Infrastructure, "Strategy for Sustainable Transport Development until 2030", at: <https://www.gov.pl/web/infrastruktura/projekt-strategii-zrownowazonego-rozwoju-transportu-do-2030-roku2>

⁶⁵ European Commission, "Renewable energy statistics", at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Renewable_energy_statistics#of_renewable_energy_used_in_transport_activities_in_2020

⁶⁶ European Commission, "Passenger cars in the EU", at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Passenger_cars_in_the_EU#Highest_share_of_passenger_cars_over_20_years_old_in_Poland

⁶⁷ European Commission, "The National Energy and Climate Plan for 2021-2030", at: https://ec.europa.eu/energy/sites/ener/files/documents/pl_final_necp_part_1_3_en.pdf

⁶⁸ Government of Poland, "Electromobility Development Plan in Poland", at: https://www.gov.pl/documents/33372/436746/DIT_PRE_EN.pdf/3d2ca928-3097-2b11-84c9-7a5b546932a7

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Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds eventually issued under the mBank S.A. Group Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities" – this goal can be supported by i.e. investments into improving efficiency of energy distribution network.
	12. Responsible Consumption and Production	12.2. By 2030, achieve the sustainable management and efficient use of natural resources.
Waste Management	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

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Conclusion

mBank has developed the mBank S.A. Group Green Bond Framework under which it may issue green bonds and use the proceeds to finance projects related to green buildings, renewable energy, clean transportation, electricity transmission, distribution and storage and waste management. Sustainalytics considers that projects funded by the green bond proceeds are expected to support Poland's and the EU's transition to a low carbon economy and advance mBank's sustainability strategy.

The mBank S.A. Group Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the mBank S.A. Group Green Bond Framework is aligned with the overall sustainability strategy of the Group and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that mBank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that mBank S.A. Group is well-positioned to issue green bonds and that the mBank S.A. Group Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Overview and Assessment of Green Building Certification Schemes

	BREEAM	LEED	HQE	DGNB	EDGE	Passive House Institute
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual.	The German Green Building Certification or DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.	Passive House (also known by its German name, Passivhaus) is a certification scheme for very low energy buildings, first developed in Germany and administered by the non-profit Passive House Institute (PHI) and implemented in the United States by the US Passive House Institute (PHIUS). The PHI has three types of certifications: 1) Certified 2) EnerPHit (for retrofits only) 3) Low Energy Buildings The certification for PHIUS is PHIUS+ Certified.
Certification levels	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum	Pass Good Very good Excellent Exceptional	Bronze Silver Gold Platinum	Certified/ non-certified	The PHI certifications can achieve: Classic, Plus or Premium. PHIUS+ Certified includes two add-on badges: Supply Air Heating and Cooling Sufficient and PHIUS+ Source Zero.
Areas of Assessment	- Energy - Land Use and Ecology - Pollution - Transport	- Energy and atmosphere - Sustainable Sites - Location and Transportation - Materials and resources	- Energy - Environment (Site, Components, Worksite,	- Environment - Economic - Sociocultural and functional aspects	- Environment - Economic - Sociocultural and functional aspects	- Space Heat/Cooling Demand - Building Airtightness - Total Primary Energy Demand

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	• Materials • Water • Waste • Health and Wellbeing • Innovation	• Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority	Water, Waste, Maintenance) • Comfort (Hydrothermal, Acoustic, Visual, Olfactory) • Health (Quality of Spaces, Air, Water)	• Technology • Processes • Site	• Technology • Processes • Site	
Requirements	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item⁶⁹ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites (independent of level of certification) + Points-based performance level: Performing and High Performing The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High Performing levels are obtained based on a percentage of points given per target, allowing for flexibility. Based on the total number of stars obtained per area, an overall HQE level is then given. Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.	Percentage-based performance index The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment. The environmental, economic, socio-cultural, and functional aspects and technical quality each account for 22.5% of the total, process accounts for 10% and the site quality is given a separate grade. Depending on the total performance index, a DGNB award will be given to the project, starting from Silver (at least 50%), then Gold (at least 65%) and finally Platinum (at least 80%). Bronze is awarded for already existing buildings and is conferred as the lowest rank with a total performance index of at least 35%.	Percentage-based performance index. The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment. Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing buildings and is conferred as the lowest rank.	PHI Certified includes threshold requirements in three areas: space heat demand, building pressurization test result, and total primary energy demand, calculated per unit of usable floor area. For building retrofits, EnerPHit certification can be achieved by demonstrating the maximum space heating demand (at a less stringent level than full certification), or by utilizing components certified by the PHI. PHIUS+ Certified is a pass-fail standard with additional quality assurance inspection and low-moisture-risk design requirements.
Performance display						

⁶⁹ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	mBank S.A. Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	mBank S.A. Group Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 18, 2022
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

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The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Clean Transportation, Electricity Transmission, Distribution and Storage, and Waste Management – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to support Poland's and the EU's transition to a low carbon economy strategy and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| ☒ Renewable energy | ☐ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | ☒ Other (<i>please specify</i>):
Electricity transmission, Distribution and Storage
Waste Management |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

mBank S.A. Group's (the "Group") has established a Sustainable Development Committee which will be responsible for evaluating and selecting eligible assets in line with the eligibility criteria. The Group has implemented a risk assessment process in place which is applicable to all allocation decisions. Sustainalytics considers the risk management system to be adequate and the project evaluation and selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☒ Summary criteria for project evaluation and selection publicly available | ☐ Other (<i>please specify</i>): |

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Information on Responsibilities and Accountability

- | | |
|--|--|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

mBank S.A. Group's Sustainable Development Committee will track the allocation of proceeds through an internal information system. The Group intends to fully allocate the proceeds to eligible assets within two years of issuance. Pending allocation, proceeds will temporarily be invested in cash, cash equivalents or short-term liquid instruments in accordance with the Group's treasury guidelines. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
| ☐ Allocation to individual disbursements | ☒ Allocation to a portfolio of disbursements |
| ☒ Disclosure of portfolio balance of unallocated proceeds | ☐ Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

mBank S.A. Group intends to report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information such as the total amount of proceeds allocated to eligible projects and assets, balance of unallocated proceeds and share of financing versus refinancing. In addition, the Group is committed to reporting on relevant impact metrics. Sustainalytics view the Group's allocation and impact reporting commitments as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (please specify): |

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Information reported:

- | | |
|---|--|
| ☒ Allocated amounts | ☐ Green Bond financed share of total investment |
|
 | |
| ☒ Other (<i>please specify</i>): The notional amount and maturities of the outstanding Green Bond Issues, The total amount of proceeds allocated to eligible assets/projects, The year of allocation of the Green Bonds to the Eligible Assets Portfolio and changes in the portfolio compared to the previous report, The amount or percentage of new financing and refinancing, The balance of unallocated proceeds | |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|--|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☐ Decrease in water use | ☒ Other ESG indicators (<i>please specify</i>): Total installed capacity in MWh, Percentage of waste that is separated, collected, treated and/or prevented, minimized, reused, recycled, before and after the project |

Frequency

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|--|--|
| ☐ Information published in financial report | ☐ Information published in sustainability report |
| ☐ Information published in ad hoc documents | ☒ Other (<i>please specify</i>): in the mBank S.A. Green Bond Allocation and Impact Report |

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- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.mbank.pl/en/investor-relations/ratings-debt-instruments/green-bonds/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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mBank S.A. Group Green Bond Framework

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