



Sustainability Standards

# Responsibility Towards Climate Change and Sustainable Finance

July 2024





## Our Approach

We fulfil our responsibility for the impact on the climate in a number of ways:

- we finance sustainable investments and projects, including renewable energy sources (RES),
- we develop products for corporate clients that support sustainable development (sustainability linked-loans, green loans, green & sustainability bonds), and we assess the criteria for EU Taxonomy alignment of projects for a specific corporate purpose,
- we observe credit policies that forbid us to finance certain operations, e.g. those related to fossil fuels, or restrict their financing,
- we make efforts to decarbonise our business, including our credit portfolio, and monitor our carbon footprint in all three scopes,
- we introduce banking products and services that support sustainable transformation, including mortgages for energy-efficient buildings. This way we encourage our individual and business clients to use solutions that support climate change mitigation and adaptation,
- we issue green bonds to raise funds to finance projects that demonstrate clear environmental benefits.

In our strategy for 2021–2025, we pledged to earmark PLN 10 billion for the **financing of sustainable investments for corporate clients**. This includes PLN 5 billion of mBank's own funds and PLN 5 billion raised from other sources, such as bank syndicates or our clients' bonds issues. The industries supported by us this way include, among others, RES, electromobility, circular economy and waste management.

At the same time, we **reduce greenhouse gas emissions** generated by our business. We pledged to reach net climate neutrality in all three scopes by 2050. Currently we are working on our decarbonisation pathway for the next 5–15 years. It will be designed based on scientific evidence on climate change so as to realistically support the goals of the Paris Climate Agreement. In September 2022, we joined the Science Based Targets initiative (SBTi), which will verify our approach.

For more information about the results of our efforts in this area, read the annual sustainability disclosure report ([link](#)).

## Our Policies and Procedures

### Credit Policy for Industries Relevant to EU Climate Policy

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



In accordance with this policy, we do not finance, among others, investment projects to increase capacity in coal or lignite mining and power generation based on these fuels. Exclusions provided for in this policy and in other policies are described in detail below in the section "Exclusion criteria in mBank policies on fossil fuels".

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

- construction of electric vehicle charging stations,
- projects supporting biodiversity, in particular in energy-intensive industries.

The financing of the following projects/operators requires special justification and an opinion on reputational risk:

- suppliers of products and services for the mining industry, coal and lignite traders, waste incineration plants,
- existing clients in the conventional power generation and heating industry.

**Policy on Handling Sensitive Industries and Activities**

The mBank Reputation Risk Sensitive Industries Handling Policy defines the industries and activities not served by mBank as well as those to which special rules apply. In accordance with this policy, we do not establish relationships, among others, with entities which exploit valuable natural areas under protection (including the Arctic) or are otherwise engaged in gross violation of environmental regulations. Companies from the mining, power and construction industry, including ones that mine coal or lignite or extract crude oil and natural gas, undergo thorough scrutiny.

Exclusion criteria in mBank policies on fossil fuels:

Coal or lignite mining	We do not finance the construction of new coal or lignite mines, the expansion of production capacity of existing mines and operators active in the extraction of coal or lignite.
Energy and heating	<p>We do not provide general financing to existing or new clients:</p> <ul style="list-style-type: none"> <li>• active in the generation of electricity and/or heat from hard coal and/or lignite,</li> <li>• owning coal-fired power units or developing the capacity of existing coal-fired units (irrespective of the share of coal-fired power generation in their product mix).</li> </ul> <p>We do not provide financing with known use of proceeds to new clients if:</p> <ul style="list-style-type: none"> <li>• coal-derived energy or heat/cooling constitutes more than 30% of annual output,</li> <li>• coal-derived energy or heat/cooling constitutes less than 30% of annual output and the client does not have a documented plan</li> </ul>

	<p>to decarbonise or shift away from coal-based production within five years of the start of the co-operation with the bank,</p> <ul style="list-style-type: none"> <li>• the financing would be used to develop a coal-based power generation technology,</li> <li>• the financing would be used to maintain, modernise, expand or otherwise support the operation of the coal-fired power industry (including suppliers of the necessary services/technologies/operational assets – if revenues in this respect exceed 30% of total revenues in a given financial year).</li> </ul> <p>Moreover, we do not finance:</p> <ul style="list-style-type: none"> <li>• operators manufacturing radioactive materials (except medical and quality control equipment),</li> <li>• development of the nuclear power industry.</li> </ul>
Other fossil fuels	We do not finance operators whose core operation involves the exploration and extraction of natural gas.
Other	<p>We do not finance:</p> <ul style="list-style-type: none"> <li>• operators whose economic activity exploits environmentally valuable areas and/or areas under protection (including the Arctic),</li> <li>• projects located in national parks, landscape parks, nature reserves, strictly protected areas and areas covered by the Nature 2000 programme,</li> </ul> <p>operators whose activity grossly violates environmental protection regulations.</p>

### Policy for Financing Renewable Energy Sources (RES)

We adopted the first version of this policy for the financing of large investments such as wind and photovoltaic farms in 2018. In 2021, we opened up the possibility of financing smaller RES (photovoltaic) projects with a capacity of up to 10 MW. Currently, the policy provides for a PLN 6.4 billion internal limit on RES installation investments.

### Green Bond Framework

We adopted and regularly update a green bond framework which sets out the rules for issuing green bonds and green covered bonds by mBank Group. We are committed to use the funds raised from the issues to finance projects that have a real positive impact on the environment. The Framework sets out:



- asset categories eligible for financing with proceeds raised from green securities, including the specific parameters which must be met by financed energy efficient real estate, RES or transport projects,
- process for evaluation and selection of projects financed with proceeds from green securities,
- principles for managing the proceeds from issues of green securities,
- reporting the data on the allocation of proceeds and the environmental impact of allocated projects.

Our standards for issuing green bonds and covered bonds comply with the international ICMA Green Bond Principles. This has been confirmed by a second party opinion issued by Sustainalytics.

The full version of the mBank Group Green Bond Framework (in English) is available [here](#).