



Sustainability standards

ESG factors in credit policies

November 2022



Our approach

We analyse the extent to which our clients or their investments meet the ESG goals. The results of such analyses affect our credit policy, i.e.:

- clients' access to financing,
- cost of loans offered to them.

In corporate banking, we assess the ESG risk generated by a given client's business activity. The assessment helps us decide whether or not we should grant financing to such a client. At the same time, we offer sustainability-linked loans. In this case, we offer our clients better financial conditions if they reach specified, measurable ESG goals within a predefined time limit. Moreover, we apply policies pursuant to which certain industries or businesses cannot receive financing, while certain other industries and businesses are preferred.

In retail banking, we continuously expand our offer of eco-loans for the purchase of real property or equipment, which help protect the climate and the natural environment. In the case of such banking products, we may offer our clients lower financing costs.

Loans supporting environmental protection activities are re-financed using mBank's green bonds. We issue them in accordance with [mBank Group Green Bond Framework](#).

Our policies and procedures

Assessment of corporate clients' ESG risk

To comply with the recommendation of the European Banking Authority (EBA), in June 2021 we added the analysis of ESG factors to our corporate client risk assessment process. We assess the ESG risk posed by a given client's business activity at onboarding and then repeat it periodically. The process is carried out based on:

- Sustainability Accounting Standards Board,
- expert knowledge on climate risk in the Polish economy,
- our knowledge of the nature of the client's business activity.

The analysis takes into account three groups of risk factors: environment, society and governance. The starting point of the analysis is medium ESG risk for a given industry. In the next step we assess the risks specific to a given client. We carry out an individual assessment for clients applying for financing worth over PLN 8 million. Other corporate clients are assessed on a portfolio basis, i.e. based on the ESG risk specific to a given industry. In specific cases we expect our clients to carry out a legal or technical due diligence process. The results of the ESG risk analysis are taken into consideration when deciding on further development of the relationship with a given client.

Other credit policies governing ESG issues



Further, detailed rules for financing corporates are laid down in other documents regulating our sustainability standards. They govern:

- [climate and environment protection](#),
- [human rights](#).