



**PRENTISS
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Socially Responsible Investment Report for:

Mitek Systems, Inc.

San Diego, CA

Ticker: MITK US Equity

Last Updated: 07-30-2020

I. Exclusionary Screening

Does Mitek Systems appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- Carbon Underground 200
- CDP/CAI Carbon Major
- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Gaming Equipment
- BICS - Adult/nightclubs
- BICS - Tobacco

Defense & Retail Gun Sales

- SIPRI Top 100
- BICS - Defense Primes
- NRA Top Industry Allies

Private Prisons

- BICS - Security Services

CDP = Carbon Disclosure Project
CAI = Climate Accountability Institute
BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute
NRA = National Rifle Association

I. Environmental, Social & Governance Data

What quantifiable environmental, social and governance data, policies or recognition does Mitek Systems exhibit? Positive factors may help support a decision to invest.

Diversity, Equity, Inclusion and Justice

Women on the Board

29%

Number of Women on the Board

2

Initiatives and Policies in Place:

- **Equal Opportunity Policy**

Women Executives

0%

Number of Women Executives

0

Corporate Responsibility

Size of the Board

7

Number of Employee Representatives on the Board

0

Initiatives and Policies in Place:

Independent Directors

86%

Shareholder vote on management remuneration

82%

- **Whistle Blower Employee Protection Policy**
 - **Ethics Policy**
-

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP
- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index
- Institute for Clinical and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)
- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP100

II. Research Narrative

What else has our research process told us about how Mitek Systems conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

Mitek Systems makes software for mobile check depositing and mobile identification verification, which help customers conduct critical aspects of their business remotely in the post-pandemic economy. By enabling remote deposits and ID verification, Mitek's products also help customers reduce their environmental footprint, eliminating trips to banks and other businesses to complete transactions. While the environmental and social utility of its products are straightforward, we hope to see Mitek improve its transparency on environmental, social and governance measures. Some first steps would include reporting environmental data to the CDP and publishing an annual CSR report. We would also like to see a higher level of diversity on the board of directors and executive team in particular.

Products & Services

The company was founded in 1986 and was initially focused on electronic security and office automation. During the mid-1990's the company developed a product called Automated Document Recognition that was used to process sales orders, checks, tax forms, credit card drafts, ZIP codes, time sheets, and insurance applications.¹ Today, Mitek develops software for mobile image capture and digital identity verification.. The company currently serves over 6,500 financial services organizations and financial technology companies. Mitek's mobile deposit software solution is embedded in digital banking smartphone applications and used by millions of customers to remotely deposit checks from their smartphones. Mitek began selling its mobile deposit software in 2008, and has now processed over 4 billion check deposits totaling \$1.5 trillion in cumulative deposited check value.²

¹ <https://www.sec.gov/Archives/edgar/data/807863/0000898430-95-002752.txt>

² <https://investors.miteksystems.com/static-files/1fb72563-0335-4cc3-b631-b6e6cbff2e70>

Mitek's Mobile Verify software verifies a user's identity and allows companies to verify the identity of their customers, enabling them to comply with anti-money laundering regulations. The Mobile Verify product operates by doing real-time ID document authentication and biometric comparisons of the picture on an ID document with the face of the document's presenter. The product allows businesses to quickly and accurately verify legitimate customers online. The majority of Mitek's customers for ID verification include financial services organizations such as banks, credit unions, lenders, payment processors, and card issuers, but the company is seeing growing adoption by businesses in the sharing economy, telecommunications, travel, healthcare, insurance, and hospitality industries, as well as government organizations.

For example, in the hospitality industry, the Mobile Verify solution allows hotel guests to check-in remotely, bypassing traditional check-in procedures and meeting social distancing requirements. In response to Covid-19, many states issued emergency measures allowing notaries to perform remote online notarization. With Mitek's Mobile Verify, e-notary users simply need to submit a picture of a government-issued ID and answer a few identification questions in order to verify the authenticity of the user.

Environment

Mitek's software products are, by their nature, helping end users reduce carbon emissions by reducing no-longer-necessary trips to the bank. Management notes that Covid-19 has further accelerated the shift towards digital banking and remote deposits.³ Likewise, the Mobile Verify product facilitates remote commerce and eliminates the need to physically check identification in person.

Mitek does not report to the CDP, nor does it report anywhere else on its carbon emissions. The company does not publish annual CSR reports. In general, environmental transparency is an area that is clearly in need of improvement for the company.

Management Integrity and Ethics

Mitek has been led by CEO and board member Max Carnecchia since 2018. Mr. Carnecchia joined Mitek following the departure of long-time CEO Jim DeBello and the rejection of a \$380 million takeover bid from Florida-based ASG Technologies. Before joining Mitek, Mr. Carnecchia held a number of leadership positions in the technology industry. Most recently, he was CEO at

³ Mitek Fiscal Q3 2020 Earnings Conference Call

Illuminate Education, which is a cloud-based student assessment and reporting platform. While at Illuminate Education, Mr. Carnecchia revamped operations and drove increased operating profits. He also served as CEO of Accelrys, a provider of scientific lifecycle management software. During his tenure as CEO of Accelrys, the company grew revenues from \$75 million to \$185 million.⁴ He served as Accelrys' CEO until it was acquired by Dassault Systèmes in 2014. He served as interim CEO of Interwoven, a consulting services company. While at Interwoven, he oversaw a number of acquisitions and helped the company improve margins and cash flow until it was acquired in 2009. Under Mr. Carnecchia's tenure as CEO of Mitek, the company has been investing in R&D (averaging more than 23% as a percentage of revenue) and increasing its focus on the mobile identification market.⁵

Mitek has 7 members on its board of directors, including 6 independent directors and 2 women. Its top 4 executives are white men.

In November 2018, Mitek rejected the takeover offer from software company ASG Technologies, which was backed by the activist investment fund Elliott Management. Mitek said the offer from ASG did not reflect the company's growth prospects in mobile identification software. In May 2019, Mitek completed a strategic review and decided to remain an independent company, with no takeover offers that the board deemed to be in the best interest of shareholders.⁶

Mitek has been involved in various lawsuits with USAA since 2012. In 2014, Mitek and USAA settled a mobile-imaging patent dispute days before their trial was set to begin, with neither party making any payment to the other.⁷ Since July 2018, Wells Fargo has also been involved in a lawsuit with USAA, which alleges that Wells Fargo's remote deposit systems, built in part on Mitek's software, infringe on four USAA patents related to mobile deposits. A second lawsuit against Wells Fargo was filed in August 2018, alleging that Wells Fargo's mobile deposit systems infringed on an additional five patents owned by USAA. A jury in the first Wells Fargo lawsuit found that the bank infringed on at least one of the patents and awarded USAA \$200 million in damages. The second Wells Fargo lawsuit is still ongoing. The Wells Fargo lawsuits do not name Mitek as a defendant, and Mitek has filed a complaint seeking judgment that its products do not infringe on USAA patents.⁸

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<https://investors.miteksystems.com/news-releases/news-release-details/mitek-appoints-max-carnecchia-chief-executive-officer>

⁵ <https://www.sec.gov/ix?doc=/Archives/edgar/data/807863/000080786319000080/mitk-20190930.htm>

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<https://investors.miteksystems.com/news-releases/news-release-details/mitek-reports-40-revenue-growth-record-second-quarter>

⁷ <https://www.pymnts.com/in-depth/2014/mitek-and-usaa-settle-mobile-imaging-dispute/>

⁸ <https://www.sec.gov/ix?doc=/Archives/edgar/data/807863/000080786319000080/mitk-20190930.htm>

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