

## UNEP FI Principles for Responsible Banking – Reporting on Progress

MCB Ltd has adopted the UNEP FI Principles for Responsible Banking since September 2019. The Bank has used the PRB's reporting self-assessment template to report on its progress against these Principles.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p><b>Principle 1: Alignment</b>  <b>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</b></p>		
<p>1.1 <i>Describe</i> (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>MCB Limited, established in 1838 is the leading bank in Mauritius, and is part of the holding company MCB Group Limited, which consists of banking and non-banking subsidiaries and associates. MCB Ltd is actively involved in various markets across sub-Saharan Africa.</p> <p>The Bank's main business lines serving a diverse range of customers are:</p> <ul style="list-style-type: none"> <li>• Corporate and Institutional Banking</li> <li>• Business Banking (including SMEs)</li> <li>• Retail Banking</li> <li>• Private Banking and Wealth Management</li> </ul> <p>The Bank has over one million customers. Its domestic (Mauritius) market share on credit to the economy stood at 39% for the year ending 30 June 2020. We provide loan facilities in the economic sectors such as financial and business services, traders, housing, tourism, agriculture, transport, construction, etc.</p>	<p><a href="#">MCB Group Annual Report 2020</a>: Corporate profile pp. 22-29</p> <p><a href="#">MCB Ltd Annual Report 2020</a>: Corporate profile pp. 22-29 Sectors financed p.58</p>
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>MCB Group launched its Corporate Sustainability Programme – 'Success Beyond Numbers' in 2018. This programme covers the three pillars: sustainable local economy, preservation of environmental and cultural heritage, and individual and collective well-being. Its sustainability strategy is underpinned by the responsible behaviour and governance principles.</p> <p>Our sustainability strategy supports 11 of the 17 SDGs. These 11 SDGs, which are our priority goals are based on our material issues and are also linked to the country's most salient issues in terms of SDGs.</p> <p>Our contribution to managing climate related impacts started when we adopted the UNGC Principles in 2007. There have been continually many initiatives and loan schemes in this area. We are gradually progressing on the Paris climate agreement journey.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: pp.12, 16-18</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p><b>Principle 2: Impact and Target Setting</b>  <b>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</b></p>		
<p>2.1 Impact Analysis:</p> <p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>(a) <u>Scope</u>: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>(b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>(c) <u>Context &amp; Relevance</u>: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>(d) <u>Scale and intensity/salience of impact</u>: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (Your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> <li>Identified and disclosed its areas of most significant (potential) positive and negative impact</li> <li>Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts</li> </ul>	<p>The impact analysis exercise for the Bank's operations is ongoing. The outcome of this process will show our most significant areas of impact.</p> <p>The scope of the impact analysis will initially focus on the lending portfolio in its country of operation, which is Mauritius.</p> <p>The material topics in our sustainability programme were previously identified using 1) Gapframe analysis, and 2) Datamaran Artificial Intelligence powered analysis. The Bank has been working on those issues since 2018. The Gapframe analysis is based on the Sustainable Development Goals and has been used to contextualise the material issues of Mauritius.</p> <p>We will integrate the outcome of the impact analysis into the strategy of the business along with the existing material topics.</p> <p><u>Material topics (2018)</u></p> <p><i>Pillar 1 – Sustainable local economy</i>  Business ethics  Anticorruption and bribery  Digitalisation, customer privacy and information security  Responsible financing</p> <p><i>Pillar 2 – Preservation of environmental and cultural heritage</i>  Climate change and greenhouse gases  Biodiversity Preservation  Waste management</p> <p><i>Pillar 3 – Individual and collective well-being</i>  Employee development and engagement  Customer satisfaction  Workforce diversity and inclusion  Financial literacy  Human and labour rights  Community support</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>:  Material issues and SDGs pp. 18-19</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis. We are at the initial phase of the impact analysis exercise, but we will ensure that the requirements of this section are fulfilled.</p>		

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>2.2 Target Setting</p> <p><i>Show</i> that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</p> <p><i>Show</i> that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p><i>Show</i> that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>The Bank has committed at the start of 2020 to collaborate with clients to encourage them to shift to a low-carbon technologies. The main initiatives in this area are: 1) green credit scheme amounting to MUR 1 billion per year over three years (2020-2022) for financing low-carbon transition projects for all economic sectors; 2) Stop all new financing worldwide for coal infrastructure and trade, whether thermal or metallurgical as from 2022; 3) Stop financing of new coal-fired power plants in Mauritius as from 2022.</p> <p>As the initiatives were developed prior to the impact analysis, these will be enhanced and additional actions will be included after the analysis is completed.</p> <p>Moreover, the Bank has set environmental and social targets on its direct impacts generated from its daily operations. The base year period for monitoring the targets are January – December 2018 except for paper, which is 2019.</p> <p>Energy – 23% reduction on energy intensity by 2023  Water – 25% reduction on water consumption intensity by 2023  Paper – Below 100 tonnes of paper use by 2023  Carbon footprint – To be carbon neutral by 2023  Diversity – At least 40% women to be appointed at middle and senior management level by 2026 at MCB Ltd</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: pp. 34, 40-42</p>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting. We are at the initial phase of the impact analysis exercise, but we will ensure that the requirements of this section are fulfilled.

<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show</i> that your bank has defined actions and milestones to meet the set targets.</p> <p><i>Show</i> that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>A detailed action plan will be created following the completion of the impact analysis.</p>	
---	--	--

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring. We are at the initial phase of the impact analysis exercise, but we will ensure that the requirements of this section are fulfilled.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>2.4 Progress on Implementing Targets</p> <p><i>For each target separately:</i>  <i>Show</i> that your bank has implemented the actions it had previously defined to meet the set target.</p> <p><i>Or explain</i> why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</p> <p><i>Report</i> on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>The progress will be communicated after impact analysis and targets setting exercises.</p> <p>We have put in place resources to monitor and manage targets relating to our direct impacts.</p> <p>Energy – 23% reduction on energy intensity by 2023; progress as at June 2020 – 8% reduction in the first year (2019).</p> <p>Water – 25% reduction on water consumption intensity by 2023; progress as at June 2020 – 2% reduction in the first year (2019).</p> <p>Paper – Below 100 tonnes of paper use by 2023; progress as at June 2020 – 259.4 tonnes in 2019.</p> <p>Carbon footprint – To be carbon neutral by 2023; Carbon neutrality has been achieved for total carbon emissions in 2018 owing to investment in various carbon offsetting projects in Africa.</p> <p>Diversity – 40% women to be appointed at middle and senior management level by 2026; progress as at 30 June 2020 – 27% women.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: pp. 34-37, 40-42, 53</p>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.  
We are at the initial phase of the impact analysis exercise, but we will ensure that the requirements of this section are fulfilled.

**Principle 3: Clients and Customers**

**We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**

<p>3.1 <i>Provide an overview</i> of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>Engaging with our clients to provide excellent product offering is our key objective. The Bank has set up a customer lab to bridge the gap between MCB and its customers. The lab helps all business lines gather customer feedback and insights through customer research and market data, and encourage co-creation with customers.</p> <p>We have been continuously assessing the environmental and social conditions of projects above USD 2 million, and advising our clients to improve in this area. This is in line with Equator Principles. MCB staff who directly engage with clients are currently being trained on this subject. This is a major milestone of our sustainability programme.</p> <p>The implementation of 'Principles for Responsible Banking' will further enhance our engagement approach for promoting relationships with our clients.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: Customers p. 22 Equator Principles p. 21</p>
---	---	---

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>3.2 <i>Describe</i> how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>There are various ongoing initiatives aiming to promote sustainable practices.</p> <p>Green loan – Agence Française de Développement (AFD) has been actively involved in Mauritius since 2009 to promote its green finance label SUNREF. In September 2018, a third green line of credit of EUR 45 million was granted by AFD to finance projects and technical assistance relating to clean energy and climate change mitigation and adaptation.</p> <p>Lokal is Beautiful' (LIB) scheme – launched in 2019, this scheme has lower interest rates for SMEs that have responsible operations and create local positive impacts.</p> <p>The Bank has conducted a study to raise awareness within the Mauritian business community on increasing local production. We are working with Association of Mauritian Manufacturers to disseminate the information and study insights to local manufacturers to ignite change in this area.</p> <p>In addition to our commitment for phasing out of coal, we are working on: 1) including environmental and social performance when allocating credit to clients; 2) providing attractive credit conditions to individuals for purchase of low carbon services and equipment. One of MCB Group's entity 'MCB Leasing' provides this facility through their green lease scheme.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: Green loan p. 38 LIB p. 26 SME Marketplace p. 26 Resilient production study p. 27 Climate commitment pp. 39-42</p>

**Principle 4: Stakeholders**

**We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.**

<p>4.1 <i>Describe</i> which stakeholders (or groups/ types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>Prior to conducting the impact analysis, we had identified our key stakeholders through a mapping exercise.</p> <p>Moreover, we will define a formal engagement plan for consulting and engaging with some of our key stakeholders during the implementation of these Principles.</p> <p>We are nonetheless constantly engaging with our employees, clients, authorities and regulatory bodies on topics relating to business, social, and environment.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: Stakeholder engagement p. 17</p> <p><a href="#">MCB Group Sustainability Report 2019</a>: Creation of Sustainability programme pp. 28-29</p>
--	--	---

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p><b>Principle 5: Governance &amp; Culture</b>  <b>We will implement our commitment to these Principles through effective governance and a culture of responsible banking</b></p>		
<p>5.1 <i>Describe</i> the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>The governance structure for promoting sustainable development comprises of five levels of contribution:</p> <ul style="list-style-type: none"> <li>• Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC) – overseeing the Group's sustainability strategy</li> <li>• Corporate Sustainability Committee – It is a sub-committee of RCGESC aiming to assist the RCGESC and the Board of MCB Group to monitor the Sustainability programme and promote its implementation across the Group</li> <li>• Sustainability Strategic Council – approving and driving strategic initiatives</li> <li>• Sustainability Team – Subject expertise for crafting sustainability strategic vision and plan, and implementation of initiatives</li> <li>• Sustainability Coordinating Team – Coordination of sustainability initiatives across the Bank</li> </ul> <p>We have a continuous improvement approach and exploring team configuration and expansion for maximum efficiency.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: Our Sustainability Strategy pp. 12-13</p>
<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>We have two key sponsors at leadership team for driving the sustainability strategy. A steering committee has been established together with Working Groups for each business line for implementing these Principles. This will embark all employees in this journey that will lead to creating a culture of responsible banking.</p> <p>Some ongoing measures in this area are:</p> <ol style="list-style-type: none"> <li>1) Training of employees on Environmental and Social Risk Assessment policy.</li> <li>2) We have included KPI on paper reduction target for each department.</li> <li>3) Sustainability Team and Sustainability Coordinating Team regularly collaborate with the business lines for any emerging sustainability topic.</li> <li>4) The Sustainability Team is attending subject specific training to reinforce its knowledge to contribute to building this culture.</li> </ol>	<p><a href="#">MCB Group Sustainability Report 2020</a>: Our Sustainability Strategy pp. 12-13</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>5.3 Governance Structure for Implementation of the Principles</p> <p><i>Show that your bank has a governance structure in place for the implementation of the PRB, including:</i></p> <ul style="list-style-type: none"> <li>a) target-setting and actions to achieve targets set</li> <li>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</li> </ul>	<p>As reported in 5.1, the Corporate Sustainability Committee and the Sustainability Strategic Council monitor the sustainability performance of the organisation.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: Our Sustainability Strategy pp. 12-13</p>

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

We have fulfilled some of the requirements under Principle 5 through our existing governance structure. It will be reviewed and updated during the implementation of these Principles.

### Principle 6: Transparency & Accountability

**We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**

<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p><i>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</i></p> <p><i>Show that your bank has considered existing and emerging international/ regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</i></p> <p><i>Show that your bank has implemented/ is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</i></p>	<p>We are currently at the initial phase of implementation of these Principles. We will provide a comprehensive report on our progress in the next reporting cycle.</p> <p>We are already applying the Equator Principles and UNGC Principles across our operations. We have also adopted the GRI Standards and signed the Gender Diversity Charter of the Africa CEO Forum – Women Working for Change. Complying with these international practices/frameworks show our commitment accountability, and transparency vis-à-vis our stakeholders.</p> <p>As we proceed with implementing these Principles and after completing the impact analysis, we will consider integrating international practices relating to our most significant impact areas.</p>	<p><a href="#">MCB Group Sustainability Report 2020</a>: p. 67</p>
---	--	--

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

We have provided information on our progress of implementation. We will continue to engage with relevant stakeholders so that we are completely aligned with these requirements.