



**ENVIRONMENTAL & SOCIAL POLICY
OF
THE MAURITIUS COMMERCIAL BANK LIMITED**

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1. THE ENVIRONMENTAL & SOCIAL POLICY ('E&S POLICY')

1.1. The Policy

The Mauritius Commercial Bank Ltd (the 'MCB' or the 'Bank') is committed to promoting sustainable development across all its activities.

The MCB acknowledges the need for socio-economic development to be sustainable, such that future generations are not adversely impacted by present actions. As the leading provider of financial services in Mauritius, the MCB believes that it can play a major role towards promoting sustainable development.

The Bank also acknowledges that it is exposed, to some extent, to environmental and social ('E&S') risks, both directly, through its activities, and indirectly, through those of its clients.

This E&S Policy through the governing principles set out below, provides a framework for the promotion of sustainable development in the Bank's day-to-day operations, and the management of the E&S risks to which it is exposed.

The governing principles of this E&S Policy are:

- Compliance with the environmental laws, including health and safety legislation, of the Republic of Mauritius;
- Endeavour to apply the best international practices, including the performance Standards issued by the International Finance Corporation (the 'IFC Performance Standards') and industry-specific 'Environmental, Health and Safety' guidelines issued by the World Bank Group (the 'EHS Guidelines');
- Commitment to apply the best practices in relation to the procurement function, and to the management of its resources and waste, wherever practical and applicable;
- Implementation of procedures for the management of the environmental and social risks of the Bank, brought by the activities of its clients;
- Implementation of an exclusion list (activities that the Bank undertakes not to finance).

1.2. Amendments, improvements and review

Any amendment, improvement and review of this policy document shall be made in accordance with the provisions of the Group Risk Policy of the Bank.

2. COMPLIANCE WITH ENVIRONMENTAL AND SOCIAL LAWS

The Bank will ensure compliance with all laws and legislations of the Republic of Mauritius dealing with environmental and occupational health and safety matters.

3. PROCUREMENT AND MANAGEMENT OF RESOURCES AND WASTES

The Bank is committed to promoting sustainable procurement and management of resources and wastes.

At the date of writing, several initiatives, in the context of its 'Initiative 175' programme, have already been undertaken by the Bank in this context, namely:

- Energy audits have been conducted throughout the Bank;
- The construction of an eco-friendly and energy-efficient building, qualifying, for the first time in the southern hemisphere, for the BREEAM certification;
- Pricing of statements and receipts generated by 'ATMs';
- Launch of various client correspondence (statements, advices, notices etc) by electronic mail, or using double-sided paper prints where the clients still prefer to receive paper-based correspondence;
- Launch of an in-house recycling scheme for paper and printer cartridges;
- Canteen waste composting;
- Carbon footprint calculation at pilot sites; and
- Installation of a photovoltaic farm at its St Jean offices, with another one in progress at its Data Centre;

4. ENVIRONMENTAL AND SOCIAL RISKS MANAGEMENT (ESRM)

It is the policy of the Bank that the environmental and social risks, to which it is exposed through its lending activities, are systematically identified, assessed, and managed.

The detailed ESRM process of the Bank, as amended from time to time, is set out, in electronic form, in the 'MCB Process World', which can be accessed by all the MCB personnel via the 'MCB Intranet'.

4.1. Scope

The scope of the ESRM process is as follows:

- The MCB undertakes that it will neither finance, nor arrange financing, for the activities set out in Annexe 1 (the 'Exclusion List').
- The ESRM process applies to any project or undertaking to which loans of an aggregate amount of at least USD2,000,000, and each with a maturity greater than or equal to 24 months, have been extended by the Bank.

Should it be determined that a project or undertaking is 'eligible' to the ESRM process, then, such process shall be initiated and completed prior to the Bank approval of the banking facility.

The Bank will not finance projects or undertakings where the borrower does not comply with the requirements of the ESRM process.

4.2. The ESRM process

The ESRM process, which is compliant with the 'Equator Principles' shall comprise the following steps:

(1) Categorisation of projects

Projects shall be categorised based on their potential E&S impacts and risks:

- **Category A** – Projects with potentially significant adverse E&S impacts that are diverse, irreversible and/or unprecedented. Annexe 2 (form ER003) sets out the list of activities that shall be *ipso facto* categorised as 'A';
- **Category B** – Projects with potentially limited adverse E&S impacts that can be readily mitigated; and
- **Category C** – Projects with minimal or no E&S impacts.

(2) Assessment

For each project or undertaking categorised as ‘A’ or ‘B’, the Bank will conduct a E&S assessment process to address the relevant E&S impacts and risks of the proposed project.

MCB’s environmental and social appraisal should address compliance with (i) all applicable environmental and social laws; (ii) all necessary permits related to the projects proposal for financing; and (iii) in respect of projects or undertakings categorised as ‘A’, the applicable IFC Performance Standards and the industry-specific Environment, Health and Safety (“EHS”) Guidelines.

(3) E&S Action Plan (ESAP)

Following the assessment process, should it be deemed necessary, an “Environmental and Social Action Plan” (‘ESAP’) will have to be agreed upon between the Bank and the client detailing and prioritising the actions needed to implement mitigation measures, corrective actions and/or monitoring measures required to manage the impacts and risks identified in the assessment.

(4) Covenants

In respect of projects or undertakings categorised as ‘A’ and ‘B’, covenants will be included in the financing documentation to ensure:

- compliance by the client with all relevant host country environmental and social laws;
- compliance by the client with the ESAP (where applicable);
- the delivery by the client of periodic reports (where applicable) that evidence: (i) compliance with the ESAP; (ii) compliance with relevant host country environmental and social laws; and (iii) for projects or undertakings categorised as ‘A’, compliance with applicable IFC Performance Standards and industry-specific EHS Guidelines.

(5) Monitoring (review of reports, reviews by Bank or independent experts)

The Bank will monitor compliance of the client with the E&S Action Plan, and where applicable, appoint an independent expert to ensure monitoring and reporting.

4.3. Reporting

As part of its contractual obligations, legal requirements or good corporate governance, the Bank is required to report annually to its different stakeholders, in relation to its ESRM process and its application.

Annexe 1 (Exclusion list)

- 1) Production or activities involving forced labour¹ or child labour²
- 2) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- 3) Any business relating to pornography or prostitution.
- 4) Trade in wildlife or wildlife products regulated under CITES³
- 5) Production or use of or trade in hazardous materials such as radioactive materials⁴, unbounded asbestos fibres and products containing PCBs⁵.
- 6) Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
- 7) Drift net fishing in the marine environment using nets in excess of 2.5 km in length
- 8) Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances⁶ and other hazardous substances subject to international phase-outs or bans.
- 9) Destruction⁷ of Critical Habitat⁸
- 10) Production and distribution of racist, anti-democratic and/or neo-nazi media.

In addition to the above, the Bank will not have more than 5% of its capital committed to projects or to clients whose primary operations relate to the production and/or trade in weapons and munitions, tobacco, hard liquor or gambling, casinos and equivalent businesses.

¹ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions

² Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

³ CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

⁴ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where EFP considers the radioactive source to be trivial and/or adequately shielded.

⁵ PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

⁶ Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODS and their target reduction and phase-out dates.

⁷ Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role (see footnote 10) is lost.

⁸ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

Annexe 2 (Form ER003)

1. Crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.
2. Thermal power stations and other combustion installations with a heat output of 300 megawatts usually equivalent to a gross electrical output of 140 MWe for steam and single cycle gas turbines power stations. For combined cycle gas turbines (CCGT) the limit 300 MWth is interpreted as 200 MWe. And, nuclear power stations and other nuclear reactors, including the dismantling or decommissioning of such power stations or reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. Installations designed for the production, or enrichment of nuclear fuels, the reprocessing, storage or final disposal of irradiated nuclear fuels, or for the storage, disposal or processing of radioactive waste.
4. Integrated works for the initial smelting of cast-iron and steel; installations for the production of nonferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
5. Installations for the extraction of asbestos and for the processing and transformation of asbestos and products containing asbestos: for asbestos-cement products, with an annual production of more than 20,000 tonnes finished product; for friction material, with an annual production of more than 50 tonnes finished product; and for other asbestos utilisation of more than 200 tonnes per year.
6. Integrated chemical installations, i.e. those installations for the manufacture on an industrial scale of substances using chemical conversion processes, in which several units are juxtaposed and are functionally linked to one another and which are for the production of: basic organic chemicals; basic inorganic chemical; phosphorus-, nitrogen- or potassium-based fertilizers (simple or compound fertilizers); basic plant health products and of biocides; basic pharmaceutical products using a chemical or biological process; explosives.
7. Construction of motorways, express roads and lines for long-distance railway traffic and of airports with a basic runway length of 2,100 metres or more; construction of a new road of four or more lanes, or realignment and/or widening of an existing road so as to provide four or more lanes, where such new road, or realigned and/or widened section of road would be 10 km or more in a continuous length.
8. Pipelines, terminals, and associated facilities for the large-scale transport of gas, oil, and chemicals.
9. Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tonnes; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1,350 tonnes.
10. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.

11. Large⁹ dams and other impoundments designed for the holding back or permanent storage of water.
 12. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic metres or more.
 13. Industrial plants for the (a) production of pulp from timber or similar fibrous materials; and (b) production of paper and board with a production capacity exceeding 200 air-dried metric tonnes per day.
 14. Peat extraction, quarries and open-cast mining, and processing of metal ores or coal.
 15. Extraction of petroleum and natural gas for commercial purposes.
 16. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tonnes or more.
 17. Large-scale logging.
 18. Municipal waste water treatment plants with a capacity exceeding 150,000 population equivalent.
 19. Municipal solid waste-processing and disposal facilities.
 20. Large-scale tourism (it being understood that hotels with a total capacity of under 99 beds are not to be considered large scale tourism for the purposes of this paragraph) and retail development.
 21. Construction of overhead electrical power lines.
 22. Large-scale land reclamation.
 23. Large-scale primary agriculture/silviculture involving intensification or conversion of natural habitats.
 24. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
 25. Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows.
 26. Projects which are planned to be carried out in sensitive locations or are likely to have a perceptible impact on such locations, even if the project category does not appear in the above list. Such sensitive locations include National Parks and other protected areas identified by national or international law, and other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance, and areas of importance for indigenous peoples or other vulnerable groups.
 27. Projects which involve large retrenchment (more than 20 per cent of the present workforce).
 28. Projects with resettlement components and all projects with potentially major impacts on human populations.
 29. Projects affecting indigenous or tribal populations.
 30. Projects which impose serious occupational or health risks.
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