



SUCCESS BEYOND NUMBERS

Environmental and Social Risk Policy

Date: 7th May 2026

1	SUMMARY	Elaborates the criteria and objectives of Environmental and Social Risk Management Process			
2	OWNER	Risk SBU			
3	ALTERNATE OWNER	Not Applicable			
4	AVAILABLE ON	iZone	✓	Website	✓
5	DISSEMINATED TO	All business lines and publicly available on MCB Ltd website			
6	DATE OF VALIDATION	7 th May 2026			
7	REVIEWED BY	Chief Risk Officer			
8	VALIDATED BY	Risk Monitoring Committee			
9	DATE OF NEXT FORMAL REVIEW	May 2027			

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Definitions

The terms used in this policy are defined as follows:

Acquisition Finance	Provision of financing used for acquiring a Project or a Project company which exclusively owns, or has a majority shareholding in a Project, and over which the client has Effective Operational Control
Bridge Loan	Short-term loan provided to a business until the longer-term stage of financing can be secured
Climate Risks	Risks associated with the potential impacts of climate change, which can be physical and/or transition risks such as extreme weather conditions or changes in legislations
Climate Physical Risks	Climate change gives rise to physical risks through both event-driven (acute) impacts and long-term (chronic) changes in climate patterns. Acute physical risks are associated with sudden and severe weather events, including the increased frequency or intensity of cyclones, hurricanes, and floods. Chronic physical risks arise from gradual, long-term shifts in climate conditions, such as sustained increases in temperature, which may result in impacts such as sea level rise and prolonged heatwaves.
Climate Transition Risks	Risks that may arise from the process of transitioning to a lower-carbon economy, including policy and legal risks, such as the implementation of emissions regulations, carbon pricing mechanisms, carbon taxes, and other relevant regulatory measures. Transition risks may also stem from market and technological changes, including shifts in supply and demand driven by innovation and evolving market dynamics.
Credit Committee (CC)	MCB Ltd's Credit Committees with principal responsibility for the management of credit risk portfolios and to sanction/decline credit applications
Credit Cycle	Process within which MCB takes on and manages credit risk in its business to facilitate the identification of material policy issues within the context of the life cycle of a credit facility
Corporate Loan	Loan provided to corporate businesses and holding companies on the strength of their balance sheet and recurrent cash flow
Environmental	Aspects related to Climate Change, Water, Air, Land and Water Contamination, Biodiversity Conservation and Natural Resources

Environmental and Social Impact Areas

Areas likely to impact environmental and social aspects

Environmental and Social Risk Management (ESRM)

Overall management system, including relevant policy, procedures and organisational structure, to identify and manage environmental and social risks and opportunities in MCB's financing activities

Environmentally Sensitive Areas (ESAs)

Any area in which plant or animal life or their habitats are either rare or especially valuable because of their special nature or role in an ecosystem, and which could be easily disturbed or degraded by human activities and developments

Equator Principles (EP)

A risk management framework, adopted by Financial Institutions, to perform due diligence on environmental and social risks in financing activities

IFC Performance Standards (IFC PS)

Set of Environmental and Social standards, developed by International Finance Corporation (IFC), to manage Environmental and Social risks

MCB Sustainable Loan

MCB credit line dedicated to finance eligible projects as per the MCB Sustainable Finance Framework 2024

MCB Sustainable Finance Framework

The framework detailing criteria under which eligible sustainable projects can benefit from MCB Sustainable Finance products

Portfolio Review Committee (PRC)

MCB platform, also known as Early Bird Committee, for proactive exchanges, sharing and discussion on Bank's portfolio with regards to profitability, business strategy, risk appetite, operational issues and risk metrics/profile

Project Finance

Financing of economically viable capital investments on a non-recourse or limited recourse structure where the debt and equity providers are paid back from the cashflows generated by the project (i.e. financed on its own merits)

Also include Property finance done through 'Garantie Financiere D'Achevement' (GFA) or 'Vente en Etat Futur D'Achevement' (VEFA)

Project-related Corporate Loan

Corporate loans, made to business entities related to a Project, either a new development or expansion, where the Known Use of Proceeds is related to a Project in one of the following ways:

- The lender looks primarily to the revenues generated by the Project as the source of repayment (as in Project Finance) and where security exists in the form of a corporate or parent company guarantee
- Documentation for the loan indicates that the majority of the proceeds of the total loan are directed to the Project

**RAMSAR
Convention**

An international treaty for the conservation and sustainable use of wetlands also known as the Convention on Wetlands

Refinancing

Process of revising and replacing the terms and conditions of an existing facility agreement

Social

Aspects related to Human Rights, Labour Conditions, Gender, Health and Safety, Vulnerable Groups, Affected Communities and Cultural Heritage

**Supply Chain
Finance**

Financing and risk mitigation practices and techniques to optimise the management of the working capital and liquidity invested in supply chain processes and transactions

**Sustainable
Development**

Development that meets the needs of the present without compromising the ability for future generations to meet their own needs

**Sustainable
Development Goals
(SDGs)**

Universal goals set by the United Nations to end poverty, protect the planet, promote peace and prosperity by 2030

Sustainable Finance

Sustainable finance refers to the considerations of Environmental, Social and Governance aspects by financial institutions into their investment/financing decision-making of a project or an activity

**Trade
Finance/Working
Capital**

Short-term financing (3-12 months) for the trading operations of businesses

**United Nations
Environmental
Programme FI
Principles of
Responsible
Banking**

Framework which allows banks to align their strategy and adopt business practices which aligns with the Sustainable Development Goals and the Paris Climate Agreement

1. Introduction

a. Context

In **2018**, The Mauritius Commercial Bank ('MCB Ltd' or the 'Bank') Limited has launched **Success Beyond Numbers** to bring value to the country, to its inhabitants, to rethink the notion of success beyond a quantified assessment, and to be a legacy to future generations.

Success Beyond Numbers is endorsed by the Bank's corporate sustainability programme, which underpins its commitment to responsible behaviour and ethical business practices and remains guided by the following:

In **2012**, MCB Ltd became a voluntary **signatory of the Equator Principles** to manage and continuously monitor the Environmental and Social (E&S) Risks associated with its financing.

In **2019**, MCB Ltd became a **founding signatory of the UNEP FI Principles of Responsible Banking** to align its banking activities with the Sustainable Development Goals and Paris Agreement on Climate Change.

In **2022**, the Bank of Mauritius issued its Guidelines on Climate-related and Environmental Financial Risk Management for financial institutions to embed sound governance and enhance risk management frameworks to embed climate-related and environmental financial risks and further improve our resilience against those risks.

In **2023**, MCB Ltd launched its MCB Sustainable Loan as part of its Sustainable Finance Strategy to incentivize as well as accompany our stakeholders in their Sustainability journey.

In **2024**, MCB Group published its Sustainable Finance Framework, aligned with market principles and practices, including an Environmental (or Green) and Social Taxonomy.

In 2025, MCB Group unveiled its Vision 2030 to become the **leading Banking Group in our Home markets** and a **top-tier African Corporate and Investment Bank and Private Banking institution**, recognised for Excellence and Innovation.

Vision 2030 remains intrinsically linked to and guided by the Group's purpose, **Success Beyond Numbers**, which has evolved into the following tagline:

We use finance as a force for good in creating a sustainable and inclusive future for the Customers and Communities we serve.

Our sustainability focus areas, as defined below, continue to guide how we deliver on our purpose and support the execution of the Group's strategy and Vision 2030.

1. Vibrant and sustainable local and regional economies
2. Environmental and cultural heritage
3. Individual and collective well-being

b. Purpose

This primary function of this policy is to set the parameters and guiding principles under which the Bank manages risks related to Environmental and Social aspects in its financing and credit exposure. In addition, this policy also defines our governance approach, including roles and responsibilities of all key stakeholders, towards responsible banking by integrating Environmental and Social considerations into our credit risk management process and decision-making committees.

2. Policy Statement

As the leading bank in Mauritius, MCB Ltd recognizes its potential to set the best environmental and social standards and bring a positive impact on the sustainable development of Mauritius and our core markets in the African region.

MCB Ltd is committed to comply with regulatory requirements and contribute responsibly to long-term economic prosperity and value creation by acting as the strategic partner for sustainable financing (among its financing institutions/stakeholders).

MCB Ltd's credit portfolio is indirectly exposed to Environmental and Social risks through its financing activities in various countries. Through adequate risk management framework, the Bank acknowledges its ability to contribute to the sustainable development of these countries by allocating capital to more sustainable sectors and encouraging responsible business practices, which will be in the clients' interest and that of broader societal goals.

Specific sector risk policies have been developed for 'Oil and Gas' and 'Metals and Mining' sectors, which are globally known to have high environmental and social risks impacts. These policies detail the enhanced credit and E&S due diligence required specifically for the financing of those activities and can be accessed via [MCB website](#).

3. MCB Exclusion List

The Mauritius Commercial Bank Ltd undertakes that it neither finances, nor arranges financing, for the activities listed below. Assessment of compliance with MCB Exclusion List of new projects or clients is elaborated in the Guidelines for application of this policy for Early-Bird memos (see **Annex 1** for the summary).

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 materials, unbounded asbestos fibres and products containing PCBs⁴
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 substances⁵ and other hazardous substances subject to international phase-out or bans
9. Destruction of Critical Habitat⁶, including habitats and species protected by The Forestry Service and National Parks and Conservation Service of the Republic of Mauritius
10. Production and distribution of racist, anti-democratic and/or neo-Nazi media
11. Production or trade in⁷:
 - a. Tobacco
 - b. Weapons
 - c. Hard liquor for human consumption
12. In line with MCB Klima engagements, activities involving the destruction of mangroves or marine algae
13. Infrastructure and trade in coal (thermal and metallurgical) and any new coal-fueled power plant
14. Restrictions and prohibitions listed in the Bank's Customer Acceptance Policy

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 Persons may only be employed 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 of Wild Fauna and Flora. (Washington, 1993).

⁴ 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.

⁵ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates.

⁶ 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.

⁷ Activities excluded when representing more than 10% of the balance sheet or the financed volume and for Financial Institutions (including the Borrower) more than 10% of the portfolio volume financing

4. Scope of Application

The main sectors financed by MCB Ltd are listed as per below. (More details can be found in the Bank’s Annual Report)

- Agriculture and fishing
- Manufacturing
- Tourism
- Transport
- Construction
- Property Development
- Financial and business services
- Traders (of which Petroleum and Energy products)
- Personal and Professional
- Global Business Licence holders
- Others (of which Energy and Commodities Asset Backed financing)

The activities linked to those sectors may be subject to various financing instruments/types offered by the Mauritius Commercial Bank Ltd. The scope of application of this policy statement, for financing across all business lines and industry sectors within the bank’s Risk Appetite, is described in Table 1.

Financing types	Financial threshold	Tenor
Project Finance, including prepayment facilities relating to ‘Oil & Gas’ and ‘Metals and Mining’	Minimum total project capital costs: USD 5 million or more	Minimum of 2 years
Property finance (including bank guarantees, overdrafts, GFA or VEFA)	Minimum total project costs: USD 2 million or more	Minimum of 2 years
EP Project-Related Corporate Loans (Including EP Bridge loans)	Minimum total aggregate loan amount: USD 10 million Majority of the loan is related to a Project where the Client has effective operational control	Minimum of 2 years
EP Bridge Loans (including Letters of credit and bank guarantees)	Minimum total project capital costs for project finance: USD 10 million Total loan amount for project-related corporate loans: USD 10 million	Maximum of 2 years
Project-related Refinancing and Acquisition Finance	Minimum total project capital costs: USD 10 million	Minimum of 2 years
Corporate Loans/Bonds and Government Loans	Minimum total capital costs: USD 10 million	Minimum of 2 years
Sustainable Finance (Loans, Bonds, etc)	Any amount	Any

Table 1: Financial threshold for financing activities and projects

- Environmental and Social Risk Management (ESRM) process is applicable on all extraction and processing/transformation of **metals and minerals** transactions, irrespective of the financing type, amount and tenor. The metals and mining sector risk policy contains more details on the due diligence required for the sector. The due diligence on trade finance facilities involves responsible sourcing practices of Borrowers.
- Borrowers or projects involved in the following sectors and activities (corporate, project or trade) necessitate a formal Environmental and Social Due Diligence on both the Borrower and the product's compliance with this policy
 - Chemicals, pesticides and fertilisers
 - Palm oil
 - Solar Photovoltaic cells
- All Working Capital and Trade Finance financing for all sectors and activities require compliance with MCB Exclusion List and applicable environmental and social laws and regulations in the country of operations. These types of facilities require the inclusion of standard E&S clauses in the facility agreement.
- All financing under the MCB Sustainable Finance Framework and any other sustainable financing offerings (incl. Sustainable Supply Chain Finance and Sustainable Trade Finance) are eligible to go through the ESRM process, **irrespective of the amount and tenor**, to confirm alignment with MCB Exclusion List and assess Environmental and Social Risks as per this policy.
- If deemed necessary, the Bank will exercise its judgement to apply the ESRM process on financing activities which do not fall within the established scope of application. The extent of the E&S due diligence may vary depending on the complexity of the project.
- Any ESRM eligible transactions or facility will have to be assessed as per established ESRM procedures prior to the Bank's final disbursement of the facility.

This policy is applicable to and should be complied with by all personnel involved in the initiation, assessment, sanction, control and monitoring of any credit risk.

Syndicated Facilities

In the event of MCB participation in a syndicated facility, the mandated Equator Principles Financial Institution (EPFI) will take the lead for the Environmental and Social Risk Management Process on behalf of the syndicate. The steps outlined in the Equator Principles will apply and the process will comply with this policy.

5. Objectives

a. Compliance with Environmental and Social laws

The Bank complies with all applicable Environmental, Labour, Health and Safety and relevant laws and regulatory frameworks of the Republic of Mauritius and its country of operations.

In addition, the Bank complies to all requirements of the General Data Protection Regulations (GDPR) and Data Protection Act (DPA) in the application of the Environmental and Social Policy.

b. Governing Principles

The Bank commits to:

- Implement the best standards to encourage sustainable business growth in all markets by protecting the rights and welfare of its employees, preserving natural resources through responsible procurement and consumption and contributing to the needs of local communities.
- Apply the best international environmental and social risk management practices developed by the Equator Principles, the International Finance Corporation (IFC), including IFC Performance Standards, and industry-specific labour conditions, Human Rights, Environmental and Anti-corruption guidelines as issued by the World Bank Group and UNEP FI Principles of Responsible Banking.
 - For any divergence among the standards and practices, the requirements under Equator Principles will take precedence.
- Avoid any risk of being associated with any form of forced labour, including modern slavery and human trafficking, through its business activities. Through its risk management framework, the Bank will identify and adopt preventive measures for any practice associated with forced labour, human trafficking, illegal recruitment fees, unfair or delayed/withheld wages, forced or excessive overtime and retention of identity documents.
- Avoid any threat to critical habitats and biodiversity conservation which may arise from its financing. The Bank's Environmental and Social Risk Management process will require its clients to adopt mitigation measures to protect and preserve natural resources, critical habitats and biodiversity.
- Appoint the necessary resources and expertise to ensure the implementation of the appropriate risk management practices.
- Appoint the ESRM team to conduct site visits as part of its Environmental and Social due diligence and monitoring processes.
- Provide sustainable financing products and solutions in addition to its Environmental and Social analysis of project risks and impacts, as far as reasonably practicable.
- Integrate environmental and social considerations into its established credit cycle, as part of a decision-making process.
- Develop and enhance its E&S risk assessment tools and framework to identify and minimize business impact in a proactive manner.
- Provide support to its clients in the implementation of appropriate management systems to improve their environmental and social performance.

- Develop and maintain an Exclusion List based on critical and emerging environmental and social risks and in accordance with international standards as detailed in the Equator Principles.
- Conduct the necessary capacity-building training and resources, on an annual basis, to gain their perspective and involvement into achieving the culture change and mitigating reputational risks.

c. Environmental and Social Risk Management

MCB Ltd has developed an Environmental and Social Risk Management methodology to systematically identify, assess and manage the environmental and social risks to which it is exposed through its lending activities and adopt mitigation measures. **Annex 2** illustrates how the ESRM process is integrated into the Bank Credit Risk Cycle.

ESRM objectives

The ESRM process complies with the requirements of the engagements taken by the Bank, notably the MCB Sustainable Finance Framework, Equator Principles, UNEP FI Principles of Responsible Banking, IFC Performance Standards and World Bank's Environmental, Health and Safety Guidelines.

Risk Identification

Risk identification is an integral part of the ESRM process and is conducted at different stages of a credit cycle, by applying the criteria defined by International Finance Corporation and the Equator Principles to categorise the projects as per the magnitude of their potential impacts. These categories are described as follows:

- **Category A** – Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented
- **Category B** - Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- **Category C** - Projects with minimal or no adverse environmental and social risks and/or impact

All projects' environmental and social compliance level are evaluated based on the relevant host country laws, regulations and permits as well as applicable IFC PS and the sector-specific EHS guidelines.

These Performance Standards, summarized in **Annex 3**, cover:

- PS1 – Assessment and Management of Environmental and Social Risks and Impacts
- PS2 – Labour and Working Conditions
- PS3 – Resource Efficiency and Pollution Prevention
- PS4 – Community Health, Safety and Security
- PS5 – Land Acquisition and Involuntary Resettlement
- PS6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS7 – Indigenous Peoples
- PS8 – Cultural Heritage

Any project located in Environmentally Sensitive Areas (such as wetlands, rivers, coastal regions, etc), as established by applicable country legal standards or subject to controversies in terms of social and environmental aspects, is considered as high risk and compliance will be evaluated against IFC Performance Standards with a focus on hierarchy of controls for biodiversity conservation.

Climate Change Risk Assessment (CCRA)

The bank's ESRM process requires that a Climate Change Risk Assessment (CCRA) is conducted on high E&S risk projects (mostly Category A and B high-risk) to identify the associated physical and transition risks of the project and corresponding mitigation measures. The depth and nature of the Climate Change Risk Assessment depend on project type and nature of risks, including their materiality and severity. The CCRA also ensures the project's alignment with the national climate commitments of the host country.

Independent Review and Monitoring

All Category A project finance and project-related corporate transactions are subject to an independent review of the project's environmental and social impact assessment as per a defined scope of work. The review is carried out by an independent Environmental and Social consultant with the relevant expertise, appointed by the Bank in consultation with the Client.

High-risk category B project finance and project-related corporate transactions are subject to an evaluation, recommendations and approval process by the Risk team to decide on the necessity for an independent review. If necessary and depending on the criticality of environmental and social risks identified during monitoring of the facility, the Bank reserves the right to appoint an independent consultant for its Environmental and Social monitoring purposes.

The independent Environmental and Social consultant is selected from an approved list of consultants based on expertise, sector-related experience and reliable credentials.

Low E&S Risk or Category C projects

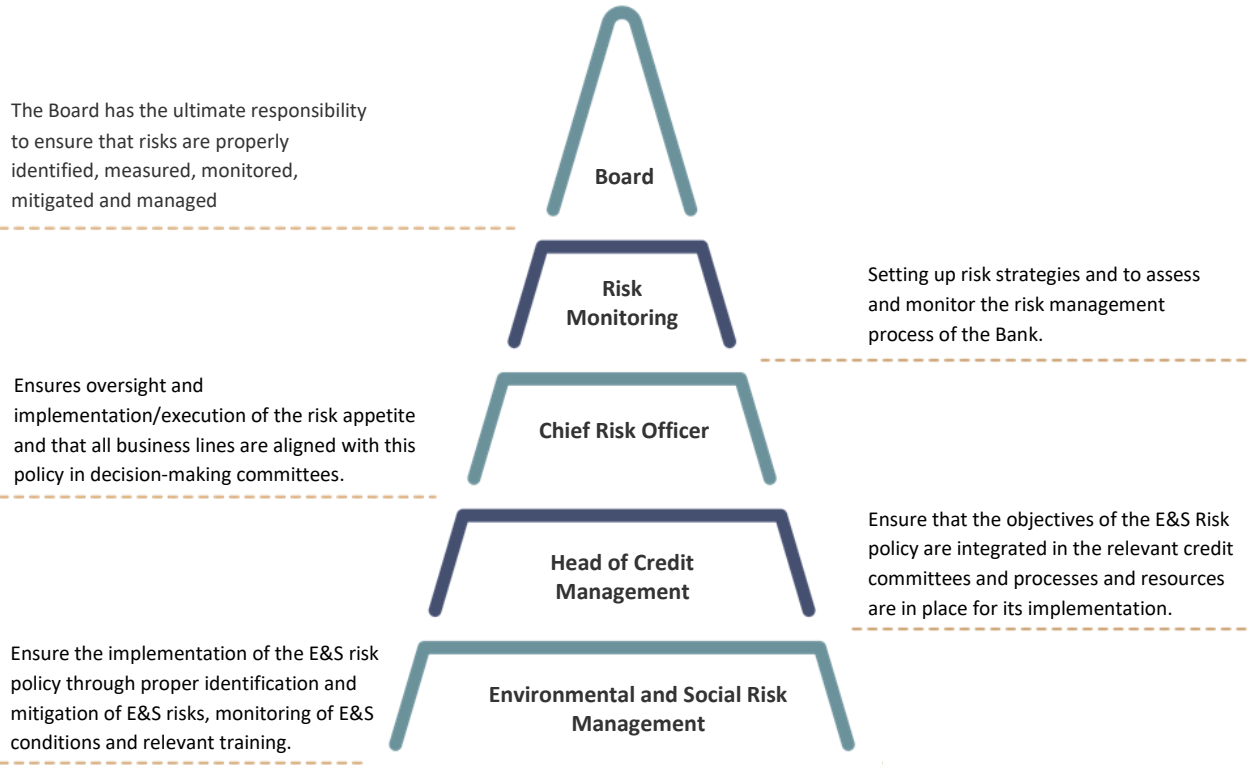
At a minimum, projects categorized as 'C' and having low environmental and social risks are required to abide by this policy, applicable environmental and social laws and regulations as well as IFC Performance Standards 1 and 2.

The Bank’s ESRM process is summarized in the table below.

Key Steps	Objectives
Eligibility	ESRM team to assess whether ESRM process is applicable on a facility, based on the scope of application.
Categorisation	Projects are categorised A, B or C through preliminary environmental and social screening carried out by the Bank.
Environmental and Social Assessment	<p>Projects categorised A or B undergo a thorough Environmental and Social Due Diligence process to establish the compliance level of the project, existing assets and activities (if related to the project) by reviewing the following:</p> <ul style="list-style-type: none"> • All applicable environmental and social laws and regulatory framework and necessary permits • Requirements under the Equator Principles, including UNGP Human Rights and Climate Change Risk Assessment • Applicable IFC Performance Standards • Industry-specific Human Rights, Environment and Health and Safety Guidelines
Environmental and Social Management System and Equator Principles Action Plan	Following the assessment and identification of any non-compliant issues and site visit (where applicable), the Bank will develop an Environmental and Social Action Plan (ESAP) specifying deliverables and timeline in order to bring the Project to compliance with the Bank’s requirements.
E&S Recommendations to credit committees	Following the E&S assessment and risk identification and categorisation, the relevant E&S recommendations, including proposed E&S conditions, are provided in the credit memo for escalation to the relevant credit committees.
Covenants	Depending on the risk level of the project and further analysis conducted post-credit approval, the relevant E&S conditions and clauses are included in the facility agreement in order to monitor the E&S performance of the project, including the ESAP, the Environmental and Social Management System of the project at all stages (incl. construction phase) and the E&S KPIs set if Borrower has benefitted from sustainable financing products.
Monitoring	<p>The submission of the established Environmental and Social Action Plan, monitoring report and agreed KPIs is closely followed by the Bank’s ESRM team to ensure that the project is in E&S compliance at all times.</p> <p>Monitoring includes site visits and regular checks for any E&S related controversies, which will be escalated to the relevant committees in the event of breaches and founded/justified controversies.</p>

6. Governance

The established governance for decisions related to the Bank’s exposure to risks, including Environmental and Social risks is shown below:



7. Responsibilities

- a. The **Risk Monitoring Committee (RMC)** of the Board, has inter alia responsibilities to review and recommend to the Board for the approval of the risk appetite, assist in setting up risk strategies and to assess and monitor the risk management process of MCB Ltd. It also advises the Board on risk issues, including maintaining an oversight on Environmental and Social Risks, and monitors the risk of different portfolios against the set risk appetite.
- b. The **Chief Executive Officer (CEO)** is responsible to set the Bank's overall strategy and is ultimately responsible to ensure compliance with the E&S Risk policy across the Bank. The CEO ensures that the strategy includes Environmental and Social risks and these are successfully cascaded down across the Bank.
- c. The **Chief Risk Officer** is responsible to exercise oversight and alignment of the overall risk appetite and policies including consideration for environmental, climate and social risks and associated financial and reputational risks and ensure its alignment with the overall Success Beyond Number strategy of the Bank.
- d. The **Head of Credit Management** is responsible to ensure the application of this policy and process across all business lines.
- e. The **Senior ESRM Executive** is responsible to implement this policy and ESRM process across all business lines and ensure its compliance with relevant regulatory requirements and MCB strategy at all times through continuous improvement.
- f. The **ESRM team** is responsible for the proper identification of Environmental and Social risks in our financing activities and for the provision of accurate recommendations on E&S matters to the relevant decision-making committees and the coverage team.
- g. The **Heads of Business lines** are responsible to ensure that the ESRM requirements are fulfilled within the structuring of term sheet, facility agreement and drafting negotiations and executions.
- h. The **ESRM team** is responsible to coordinate with the Central Sustainability Office for reporting purposes of ESRM eligible deals, sustainable financing and requirements of UNEP FI Principles for Responsible Banking.
- i. The **ESRM team** is responsible for coordinating Human Resources SBU and conduct relevant training on this policy within the different business lines on an annual basis.
- j. The **Coverage team** leads and maintains the relationship with Clients and is responsible to comply with the requirements of the ESRM process for transactions falling under the scope of this Policy. The **Coverage team** is responsible to inform the ESRM team and relevant committees on any potential E&S related issues or controversies which its clients are facing.
- k. The **Compliance team** is responsible to ensure that this policy abides to the criteria set out by the MCB Ltd Policy for the Formulation and Management of Policies.
- l. Through this policy, MCB Ltd requires that its **clients** abide by the ESRM Process, provide accurate information and manage the environmental and social issues associated to their projects. The Clients are required to meet the undertakings pertaining to E&S aspects stated in the loan documentation throughout the loan tenor.

8. Review

This Policy shall be reviewed and updated on an annual basis, or earlier if required, by the Chief Risk Officer, and appropriate stakeholders to ensure that it remains appropriate in light of relevant regulatory developments and changes in organisational policies. All policies and any amendments thereto will be subject to approval of the Risk Monitoring Committee.

9. Cross-referencing

SN	Committee	Mandate and responsibilities	Reference documents
1	Risk Monitoring Committee	Assist the Board in setting up risk mitigation strategies and to assess and monitor the risk management process of the MCB Group Limited and all its subsidiaries (collectively the “Group”)	MCB Credit Risk Policy Charter for Risk Monitoring Committee Oil and Gas Sector Risk Policy Metals and Mining Sector Risk Policy
2	Executive Credit Committee	Principal responsibility for the management of credit risk portfolios within MCB	MCB Credit Risk Policy
3	Corporate Governance & Sustainability Committee	Responsible for oversight of sustainability-related matters	Sustainability Policy

10. Revision History

Date	Version	Action	Amendments	Reviewed by	Approved by	Approved Date
July 2012	1.0	New policy	N/A	A. LeClezio		
October 2021	2.0	Updated Policy	N/A	Z.Khodabocus	Corporate Sustainability Committee	26 th October 2021
May 2023	3.0	Updated Policy	N/A	Z.Khodabocus	Risk Monitoring Committee	5 th May 2023
May 2024	4.0	Updated Policy	N/A	Z.Khodabocus	Risk Monitoring Committee	6 th May 2024
May 2025	5.0	Updated policy	N/A	Z.Khodabocus	Risk Monitoring Committee	7 th May 2025
May 2026	6.0	Updated policy	N/A	Z.Khodabocus	Risk Monitoring Committee	7 th May 2026

Annex 1 – Summary of the Guideline for Application of Environmental and Social Risk Policy on PRC/Early Bird Memos

1. Objective

The **objective** is to set a compulsory checkpoint and preliminary Environmental, Social and Governance (ESG) screening of potential deals by coverage team to ensure they comply to the MCB’s Environmental and Social (E&S) requirements as elaborated in the policy before they are granted approval by the Committee. The findings must be included in the PRC memo.

2. Inclusion of Environmental and Social Considerations in PRC or Early Bird Memos

Coverage teams are required to include ‘**Environmental and Social Considerations**’, as shown in Table 1, in the ‘Request Summary’ section of the PRC memo.

REQUEST SUMMARY	
Borrower	
...	
Environmental and Social Considerations	

Table 2: Request Summary

3. Environmental and Social Considerations

a. Exclusion List

- i. Coverage teams are required to include E&S criteria during their initial discussion with potential clients.
- ii. Coverage teams are required to share the Exclusion List (see Section 3 of the E&S Policy) with their Borrowers and obtain the necessary confirmation from them on their compliance status.
- iii. Once confirmation is obtained from the Borrower, the Coverage team is required to input the following in the ‘Environmental and Social Considerations’ row of table 1.

‘Project is compliant to MCB Exclusion List’

b. ESRM eligibility

- a. Any transaction, falling under the financing types and within the financial threshold as specified in Scope of Application of the E&S Risk Policy, will be eligible for the ESRM process. Coverage teams are required to perform the eligibility verification.
- b. Once eligibility is established, the following must be included in the ‘Environmental and Social Considerations’ row of Table 1 by the Coverage team.

‘Eligible for ESRM’

- c. The Coverage team is required to include the ESRM team to conduct the Environmental and Social Risk Management Process.

Annex 2 - ESRM Process Integration into the Credit Risk Cycle

Credit Cycle Stage	Client Action	MCB Related Actions
INITIATION STAGE	<ul style="list-style-type: none"> Client presents to the bank its request for financing and provides an initial overview of the deal Client sends their initial request for financing along with their business/project plan 	<ul style="list-style-type: none"> Coverage team prepares 'early-bird' memo for PRC approval to seek or confirm risk appetite for the client's proposal Coverage team to check compliance with MCB Exclusion list and conduct a preliminary eligibility check for ESRM process
CREDIT SANCTIONING STAGE	<ul style="list-style-type: none"> Client to submit all required information to enable bank to conduct its due diligence and eligibility assessment – including any E&S related documents Discussion with MCB on proposed financing structure and conditions (incl. ESRM requirements) for approval by the bank's credit committees 	<ul style="list-style-type: none"> For any PRC-approved or new deal, Coverage team engages with Risk (incl. ESRM) teams for deal introduction and initiate the credit and E&S risk assessment Potential risks associated with the sector/activity and any controversy linked to the Borrower and the project are scrutinized via E&S risk assessment tools and available documents and ESRM recommendations included in memo sent to ECC by Credit or Risk team For any sustainable financing, ESRM team will apply the ESRM process and confirm alignment with MCB Exclusion List. ECC approval is sought
DOCUMENTATION, EXECUTION TO DRAWDOWN STAGE	<ul style="list-style-type: none"> Client provides detailed documentation for the bank ESRM review – Environmental and Social Impact Assessment, Environmental and Social Management Plan, Action Plan (ESAP), etc Client reviews and agrees with the proposed Environmental and Social Conditions in the Facility Agreement 	<ul style="list-style-type: none"> Detailed analysis of the project plan and related Environmental and Social documentation to decide on risk level and the applicable process as per the Equator Principles. Category A and high-risk Category B necessitate the appointment of an independent environmental and social consultant for detailed E&S due diligence. For all ESRM eligible projects, the relevant E&S clauses will be included in the Facility Agreement to ensure proper monitoring and compliance in terms of the Borrower's and project Environmental and Social Performance and agreed E&S KPIs
POST DRAWDOWN STAGE	<ul style="list-style-type: none"> As per agreed ESAP and E&S monitoring report, Client submits progress with evidence in bringing the project to compliance with MCB E&S Requirements (legal requirements, EP and IFC PS) 	<ul style="list-style-type: none"> Conducts site visits to check compliance level ESRM team receives and reviews updates on E&S reports from Client and/or independent consultant Coverage, ESRM and Risk team collaborate with the client to identify non-compliance and propose remedial measures For critical non-compliances, ECC will be notified to decide on action plan

Annex 3 – Summary of IFC Performance Standards

Performance Standard 1 - Assessment and Management of Environmental and Social Risks and Impacts	
<i>Highlights the importance of managing Environmental and Social performance through the life of a project via an effective environmental and social management system (ESMS) supported by management and engagement between its clients, workers and local communities.</i>	
Objectives	<ul style="list-style-type: none"> • To identify and evaluate environmental and social risks and impacts of the project • To adopt a proactive mitigation hierarchy to anticipate and avoid risks and/or where avoidance is not possible, minimize, and, where residual impacts remain, compensate/offset for risks and impacts to relevant stakeholders • To promote improved environmental and social performance of projects through the effective use of management systems • To ensure grievances from workers and communities are responded to and managed appropriately and available means to ensure environmental and social information are disclosed and disseminated to them
Performance Standard 2 - Labour and Working Conditions	
<i>Importance to establish and maintain a sound worker-management relationship as a key success element in any organization, focused on fair treatment, adequate terms of employment, provision of safe and healthy working conditions, amongst others.</i>	
Objectives	<ul style="list-style-type: none"> • To promote fair treatment, non-discrimination, and equal opportunity of workers. • To establish, maintain, and improve the worker-management relationship. • To promote compliance with national employment and labor laws. • To protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain. • To promote safe and healthy working conditions, and the health of workers. • To avoid the use of forced labor
Performance Standard 3 - Resource Efficiency and Pollution Prevention	
<i>Integration of latest technologies and good practices to mitigate impacts on the environment – land, air and water and stabilize consumption of finite resources in a sustainable manner.</i>	
Objectives	<ul style="list-style-type: none"> • To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities. • To promote more sustainable use of resources, including energy and water. • To reduce project-related GHG emissions.
Performance Standard 4 - Community Health, Safety and Security	
<i>Caters for the company's responsibility to avoid and minimize the risks and impacts to community health, safety and security in terms of infrastructure, equipment or activities through emergency preparedness and response, security management and safety design considerations.</i>	
Objectives	<ul style="list-style-type: none"> • To anticipate and avoid adverse impacts on the health and safety of the affected community during the project life from both routine and non-routine circumstances. • To ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the affected communities.

Performance Standard 5 - Land Acquisition and Involuntary Resettlement	
<i>Highlights the adverse impacts of project-related land acquisition and restrictions on land use and the proper management of resettlement activities can lead to more cost-effective, efficient and timely implementation of those activities and introduction of innovative approaches to improve the livelihoods of the affected parties.</i>	
Objectives	<ul style="list-style-type: none"> To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs To avoid forced eviction To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use through the best applicable methods, such as compensation or resettlement activities with appropriate disclosure and consultation To improve, or restore, the livelihoods and standards of living of displaced people, including living conditions
Performance Standard 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources	
<i>Highlights the critical importance of protecting and conserving biodiversity, maintaining ecosystem services and sustainably managing of living natural resources when undertaking a project and how ecosystem services are beneficial for people and business.</i>	
Objectives	<ul style="list-style-type: none"> To protect and conserve biodiversity. To maintain the benefits from ecosystem services. To promote sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities.
Performance Standard 7 - Indigenous Peoples	
<i>Ensures that business activities minimize negative impacts, foster respect for human rights, dignity and culture of indigenous populations, and promote development benefits in culturally appropriate ways for Indigenous Peoples considered as more vulnerable to adverse impacts of a project development than non-indigenous communities.</i>	
Objectives	<ul style="list-style-type: none"> To ensure that the development process fosters full respect and preservation of human rights, dignity, aspirations, culture, knowledge, practices and natural resource-based livelihoods of Indigenous Peoples. To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts. To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner. To establish and maintain an ongoing relationship with the Indigenous Peoples affected by a project throughout the project's life-cycle.
Performance Standard 8 - Cultural Heritage	
<i>Highlights the importance of protecting and preserving cultural heritage, having unique environmental features, embodying traditional lifestyles and cultural knowledge, for current and future generations in the course of a project activity.</i>	
Objectives	<ul style="list-style-type: none"> To protect cultural heritage from the adverse impacts of project activities and support its preservation. To promote the equitable sharing of benefits from the use of cultural heritage.