



SUCCESS BEYOND NUMBERS

# Oil and Gas Sector Risk Policy

Date: February 2026

1	SUMMARY	Elaborates MCB's approach to managing risks in the oil and gas sector			
2	OWNER	Chief Risk Officer			
3	ALTERNATE OWNER	Head of Credit Management			
4	AVAILABLE ON	iZone	✓	Website	✓
5	DISSEMINATED TO	All business lines and publicly available on MCB Ltd website			
6	DATE OF VALIDATION	9 <sup>th</sup> February 2026			
7	REVIEWED BY	Chief Risk Officer			
8	VALIDATED BY	Risk Monitoring Committee			
9	DATE OF NEXT FORMAL REVIEW	February 2027			

## Definitions

The terms used in this policy are defined as follows:

<b>Climate Risks</b>	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
<b>Environmental</b>	Aspects related to Climate Change, Water, Air, Land and Water Contamination, Biodiversity Conservation and Natural Resources
<b>Equator Principles</b>	A risk management framework, adopted by Financial Institutions, to perform due diligence on environmental and social risks in financing
<b>Environmental and Social Impact Areas</b>	Areas likely to impact environmental and social aspects
<b>Environmental and Social Risk Management (ESRM)</b>	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
<b>Greenhouse Gas Emissions</b>	The release of specific gases like carbon dioxide and methane amongst others, which contribute to the global warming
<b>IFC Performance Standards</b>	Set of Environmental and Social standards, developed by International Finance Corporation (IFC), to manage Environmental and Social risks
<b>Portfolio Review Committee (PRC)</b>	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
<b>Social</b>	Aspects related to Human Rights, Labour Conditions, Gender, Health and Safety, Vulnerable Groups, Affected Communities and Cultural Heritage
<b>Sustainable Development</b>	Development that meets the needs of the present without compromising the ability for future generations to meet their own needs

## 1. Introduction

This sector policy outlines the general principles and criteria governing all credit facilities entertained by The Mauritius Commercial Bank Ltd (the Bank) to entities operating in the oil and gas sector.

The Bank aims to manage the credit as well as environmental, social, and governance (ESG) risks while supporting the energy transition from fossil fuels to renewable sources as well as promoting sustainable development by financing responsible oil and gas operations and its supply chain.

## 2. Position Statement

The oil and gas sector remains an essential source of power and energy for the African continent as it continues its move/shift towards clean energy.

The Bank has expanded its network of oil and gas operators across Africa, leveraging strategic partnerships critical at enhancing energy security and fostering economic growth. These efforts have positioned the Bank as a key facilitator in the region's hydrocarbon value chain, supporting upstream, midstream and downstream businesses that contribute to national and regional energy resilience.

Simultaneously, the Bank actively supports energy transition initiatives, aligning with global climate goals and regional sustainability targets. Through targeted investments and policy advocacy, it also supports key infrastructure projects aimed at cleaner energy and electrification.

The Bank acknowledges the significant climate, environmental and social (E&S) risks associated with the oil and gas sector. In view of supporting our climate and ESG ambition, the Bank is committed to managing these risks.

## 3. Portfolio Management

The Board of the Bank sets the risk appetite which includes the risk framework and parameters for the financing of transactions related to the oil and gas sector. This risk appetite is reviewed at least annually.

The exposure to this sector is monitored on a regular basis and reported to the Board on a quarterly basis. Any breach in the approved parameters and its remedial actions are reported to the Board.

## 4. Financing criteria

This sector risk policy should be read together with the Credit Risk Policy and the Environmental and Social Risk Policy of the Bank. It applies to all credit facilities related to the oil and gas sector.

For this policy, the oil and gas sector covers:

- Oil and gas trading activities
- Oil and gas storage
- Oil and gas Production and processing (oil refineries, liquefaction and natural gas export or regasification terminals)

*Note: The above is a non-exhaustive list.*

The sector policy covers both private and state-owned companies engaged in the above-mentioned activities.

## 5. Risk management

### 5.1 Credit Risk Management Process

As per the Credit Risk Policy and Environmental and Social Risk Policy of the Bank, all credit facilities (including the facilities within the oil and gas sector) go through the standard Credit Risk Management process, which includes both the credit and Environmental and Social (E&S) risk assessments. It occurs simultaneously, prior to escalation to the sanctioning authority.

A brief description of the credit risk management process is shown in the table below:

Stages	Description
Pre-initiation Stage	This stage covers main requirements to ensure that the customer is within the overall risk appetite framework of the bank.
Initiation to sanction Stage	During this stage, the Bank conducts rigorous credit analysis (including E&S risks).
Credit sanctioning Stage	This stage concerns the sanctioning of credit application by the relevant sanctioning authorities, as authorized by the Bank with the following possible outcomes: <ul style="list-style-type: none"> <li>• Approve the application as presented;</li> <li>• Reject the application as presented;</li> <li>• Approve the application with amendments.</li> </ul>
Sanction to drawdown Stage	This stage concerns risk mitigation such as validity and enforceability of documentation and perfection of security (where applicable) prior to disbursement.
Post-drawdown Stage	This final stage concerns the management of the credit exposure throughout the life of the facility. This consists mainly of monitoring of performance/covenant and management of impaired assets (where applicable).

For oil and gas credit facilities, the discretionary authority resides with the highest sanctioning authority of the bank, which is the Executive Credit Committee A.

Thus, the sanctioning authority takes into consideration both the Credit and ESRM recommendations when approving any credit facility.

## 5.2 Environmental and Social Risk Management

MCB Ltd has integrated Environmental and Social Risk Management (ESRM) into its credit value chain to promote positive impacts and mitigate potential negative effects on people, communities, and the environment.

The approach is guided by MCB's internal [Environmental and Social Risk Policy](#), which outlines the Bank's commitment to identifying and managing E&S risks in our financing activities. The policy also defines eligible transactions covering all sectors within our risk appetite, including oil and gas which is globally considered as high risk from an E&S perspective.

### 5.2.1 Exclusions

The ESRM process starts with a preliminary E&S screening to ensure compliance with the exclusion list for new and existing clients or projects. This Board-approved exclusion list is aligned with international standards and relates to activities with damaging impacts on the environment and human rights.

The exclusion list covers the following which are pertinent to the oil and gas sector:

1. Production or activities involving forced labour or child labour
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
3. Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCBs
4. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations
5. Destruction of Critical Habitat, including habitats and species protected by The Forestry Service and National Parks and Conservation Service of the Republic of Mauritius
6. Restrictions and prohibitions listed in the Bank's Customer Acceptance Policy

All prospective credit requests/new opportunities for new clients related to the oil and gas sector are approved at MCB's Portfolio Review Committee (PRC), which includes compulsory verification of project compliance to the approved risk appetite for the sector, MCB Exclusion List, any E&S related controversy linked to the project or clients and potential reputational risks through the use of internationally recognized tools.

### 5.2.2 Due Diligence

Given the high E&S risk nature of the sector, oil and gas financing linked to production, storage and processing are required to undergo the bank's E&S due diligence process to establish the compliance level of the project, existing assets and activities (if related to the project) by reviewing the following:

- All applicable environmental and social laws, regulatory frameworks and necessary permits
- Requirements under the Equator Principles, including the United Nations Guiding Principles on Business and Human Rights and Climate Change Risk Assessment
- Applicable IFC Performance Standards
- Industry-specific human rights, environment and health and safety guidelines

In addition to the above, the Bank performs a review of the maturity level of the clients with regards to their sustainability/ESG ambitions, engagement and disclosure for a better understanding of their organisational readiness to manage environmental and social risks.

The E&S due diligence (ESDD) of these high-risk projects is carried out by a Bank-appointed independent environmental and social consultant, with a defined scope of work covering the above requirements, good industry practices, compulsory site visits as well as advising the Bank on any E&S controversy which may lead to a reputational risk.

The ESDD of these projects is conducted in a transparent manner on the following elements, amongst others:

- Overall E&S management system
- Organisational structure in terms of Environment, Health and Safety and Labour conditions
- Human Rights
- Grievance mechanism
- Health and Safety
- Industrial best practices
- Sector-specific risks as described in section 5.2.2.1

The key steps, listed below, are also included in the ESDD:

- a. Development of Environmental and Social Action Plan (ESAP), with clear deliverables and timelines, for specific preventative and mitigation measures to be implemented
- b. Monitoring of the ESAP and overall Environmental and Social Management System through site visits and/or desktop reviews by independent E&S consultant as per defined frequency
- c. Inclusion of applicable Environmental and Social related clauses in the contractual agreement for the purpose of monitoring the E&S performance of the project throughout the loan tenor
- d. Quarterly check on any controversy linked to the client or the project

Whilst the oil and gas sector is perceived as a high E&S risk sector, our exposure on trading of oil and gas commodity is mostly on a short-term basis, hence requiring only minimum E&S standards to be followed, that is, inclusion of E&S clauses for legal compliance in the facility agreement.

The Bank also conducts site visits, where applicable, for ongoing engagement and monitoring of the E&S performance of the facility.

As part of our stakeholder engagement program, the Bank encourages continuous engagement with the client, including their E&S team, to promote transparency and collaboration towards building a robust Environmental and Social Management System.

### 5.2.2.1 Sector-specific E&S risks

As a good practice, oil and gas projects are also assessed on their sector-specific E&S risks, as described below, using the above-mentioned standards and available E&S risk identification tools.

- Impacts on natural habitats and biodiversity or cultural considerations.
- Air and greenhouse gas emissions
- Methane leakages
- Risk of fire and explosions
- Release of toxic chemicals
- Risk of oil spillage
- Impact on health and safety management for workers and local communities
- Impact on working conditions
- Increased access to previously remote areas leading to conflict with local communities or destruction/clearance of forest areas
- Potential for pollution of ground and surface water
- Wastewater management
- Waste management
- Impacts on local communities, including resettlement
- Impacts on indigenous peoples or lands used by indigenous peoples.
- Operations in areas of conflicts with communities and/or deployment of armed forces for security purposes

*Note: The above is a non-exhaustive list.*

Additionally, all ESRM eligible projects will also be assessed on their sector-specific E&S risks using available E&S risk identification tools.

## 5.3 Climate

The Oil & Gas sector is particularly vulnerable to climate change, both from a physical and transition risk perspective. Physical risks stem from the increasing frequency and severity of climate-related hazards such as droughts, extreme heat and flooding, which can significantly disrupt operations. Given the carbon-intensive nature of its activities, the sector may face regulatory pressures as the world shifts to a low-carbon economy.

The Bank is integrating climate risk into our risk management framework, which will encompass portfolio-level financial risk management as well as the above-mentioned E&S risk management process.

For more details, please refer to our [Annual Report](#) or [Sustainability Report](#).

## 6. 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.

## 7. Cross-referencing

SN	Committee	Mandate and responsibilities	Reference documents
1	<b>Risk Monitoring Committee</b>	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”)	<b>MCB Credit Risk Policy</b>  <a href="#">Charter for Risk Monitoring Committee</a>  <a href="#">Environmental and Social Risk Policy</a>

## 8. Revision History

Date	Version	Action	Amendments	Reviewed by	Approved by	Approved Date
Feb 2026	1.0	New policy	N/A	N. Ramen	Risk Monitoring Committee	9 <sup>th</sup> February 2026