

# Second-Party Opinion

## MCB Group Sustainable Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the MCB Group Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by the Sustainability Bond Guidelines, Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 5, 6, 7, 8, 9, 11, 12 and 13.



**PROJECT EVALUATION AND SELECTION** Mauritius Commercial Bank Group’s Corporate Sustainability Committee and Sustainability Strategic Council, through its Transition Taskforce, are responsible for the evaluation and selection of eligible projects. The Environmental and Social Risk Management team is responsible for assessing the environmental and social risks of potential green and social projects. Sustainalytics considers the above to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Mauritius Commercial Bank Group’s Financial Institutions & Syndication (Funding desk) is responsible for the management and allocation of proceeds to the eligible assets using a portfolio approach. Mauritius Commercial Bank Group will allocate the proceeds fully within 24 months of issuance. Unallocated proceeds will be held temporarily in short-term marketable instruments, cash or cash equivalents, money market instruments or other liquid financing instruments. This is in line with market practice.



**REPORTING** Mauritius Commercial Bank Group will publish an annual report on the allocation of proceeds on a portfolio basis until full allocation. Allocation reporting will include information such as the total amount of proceeds allocated to eligible projects and relevant categories, as well as the balance of unallocated net proceeds and where these have been invested. Mauritius Commercial Bank Group also commits to report on relevant impact metrics. This is in line with market practice.

**Evaluation date** October 16, 2024

**Issuer Location** Port Louis, Mauritius

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<sup>1</sup> The eligible categories are: Renewable Energy; Energy Efficiency; Green Buildings; Clean Transport; Sustainable Water and Wastewater Management; Pollution Prevention and Control; Climate Change Adaptation; Employment Generation and Programs; Access to Essential Services; Affordable Housing; Affordable Basic Infrastructure; Food Security and Sustainable Food Systems and Preservation of Cultural Heritage.

## Introduction

Mauritius Commercial Bank Ltd (“MCB” or the “Bank”) was founded in 1938 and is Mauritius’ oldest bank. The Bank is a subsidiary of MCB Group (the “Group”) which provides financial services in 11 countries in the Indian Ocean region and Sub-Saharan Africa. MCB Group provides banking and financial services to private, corporate and institutional clients, including companies, funds, trusts and foundations. Headquartered in Port Louis, Mauritius, the Group has approximately 4,360 employees as of June 2024.<sup>2</sup>

MCB Group has developed the MCB Group Sustainable Finance Framework dated October 2024 (the “Framework”) under which it intends to issue<sup>3</sup> bonds, commercial paper, loans and other financial instruments<sup>4</sup> and use the proceeds to finance and refinance, in whole or in part, existing and future projects that contribute to Mauritius’ transition to a low-carbon economy and promote socio-economic development. The Framework defines eligibility criteria in thirteen areas:

The Framework defines eligibility criteria under the following seven environmental categories:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Sustainable Water and Wastewater Management
6. Pollution Prevention & Control
7. Climate Change Adaptation

The Framework defines eligibility criteria under the following six social categories:

8. Employment Generation and programs
9. Access to Essential Services
10. Affordable Housing
11. Affordable Basic Infrastructure
12. Food Security and Sustainable Food Systems
13. Preservation of Cultural Heritage

MCB Group engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP)<sup>5</sup>, Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).<sup>6</sup> The Framework will be published in a separate document.<sup>7</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>8</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

<sup>2</sup> Mauritius Commercial Bank, “Annual Report 2023”, (2024), at: [mcb-annual-report-2023.pdf](https://www.mcbgroup.com/investors-centre)

<sup>3</sup> MCB has communicated that the disbursements could be towards; i) use of proceeds from loans or facilities to businesses and projects; ii) loans or facilities to businesses that derive 90% or more of their revenues from activities; iii) direct investments or facilities by subsidiaries of MCB Group in Green or Social or Sustainable Finance Instruments; and iv) MCB Group subsidiaries’ own operating or capital expenditures.

<sup>4</sup> Sustainalytics’ Second-Party Opinion applies only to the instruments expressly listed in the Framework.

<sup>5</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>.

<sup>6</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>7</sup> The MCB Group Sustainable Finance Framework is available at: <https://mcbgroup.com/investors-centre>

<sup>8</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of MCB's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. MCB Group representatives have confirmed that: (1) they understand it is the sole responsibility of MCB Group to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and MCB.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that MCB Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the MCB Group Sustainable Finance Framework

Sustainalytics is of the opinion that the MCB Group Sustainable Finance Framework is credible, impactful and aligned with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories are aligned with those recognized by the GBP, SBP, GLP and SLP. The eligible categories are: Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Pollution Prevention & Control, Climate Change Adaptation, Employment Generation - Micro and small enterprises, Access to Essential Services, Affordable Housing, Affordable Basic Infrastructure, Food Security and Sustainable Food Systems, and Preservation of Cultural Heritage.
  - The Group will extend financing under the Framework to projects in Mauritius, Rodrigues Island, Reunion Island, Madagascar, Seychelles, Maldives and sub-Saharan African countries.
  - MCB has confirmed that the look-back period for refinancing will be 24 months, which Sustainalytics considers to be in line with market practice.

- Under the Renewable Energy category, MCB may finance or refinance the following renewable energy projects and enabling infrastructure, including transmission and distribution infrastructure and assets dedicated to integrating renewables into the grid. This includes:
  - Offshore and onshore wind and solar power projects.
    - MCB has confirmed to Sustainalytics that for concentrated solar power generation (CSP), the total portion of fossil fuel backup generation would be less than 15%
    - Sustainalytics considers such investments to be aligned with market practice.
  - Hydropower generation that meets any of the following criteria: i) installed capacity less than 25 MW; ii) life cycle GHG emissions intensity is below 100 gCO<sub>2</sub>e/kWh; or iii) power density is greater than 5 W/m<sup>2</sup>.
    - MCB has confirmed that for all new hydropower plants, each project will go through an environmental and social impact assessment by a credible body and that only projects with no significant risk or expected negative impact will be financed. MCB has further confirmed that projects with significant controversies will not be eligible for financing.
    - Sustainalytics notes that MCB has defined the estimated reservoir GHG emissions intensity threshold at or below 100 gCO<sub>2</sub>e/kWh (following the EU Taxonomy criteria for the activity “Electricity generation from hydropower”). However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, favouring lower thresholds for new facilities. Hence, Sustainalytics encourages MCB to finance projects with emissions intensities below the 50 gCO<sub>2</sub>e/kWh threshold (following the Climate Bonds Standard criteria for hydropower).
  - Bioenergy generation facilities with life cycle GHG emissions intensity below 100 gCO<sub>2</sub>e/kWh, including biogas and biofuel projects,<sup>9</sup> with feedstock sourced from waste and non-waste sources, including wood pellets, that are certified by Forest Stewardship Council (FSC),<sup>10</sup> Programme for the Endorsement of Forest Certification (PEFC)<sup>11</sup> or equivalent certifications.
    - For waste-based feedstock, MCB has confirmed that feedstock such as forestry residues, straw, cane trash and sugarcane bagasse may be used. MCB has confirmed the exclusion of: i) peat; ii) waste from palm oil operations that are not certified by Roundtable on Sustainable Palm Oil (RSPO); iii) animal fats, oil and other animal processing by-products; and iv) animal manure from industrial-scale livestock operations.
    - For non-waste feedstock, MCB has confirmed that production of biofuel feedstock: i) does not take place on land with high biodiversity (at least within the last 10-15 years); ii) does not take place on land with a high amount of carbon; iii) has not been converted for biofuel feedstock production; iv) does not compete with food production; and v) use only wood pellets originated from certified forestry operations.
    - For non-certified biomass feedstock, MCB follows the Equator Principles<sup>12</sup> requirements to perform environmental and risk assessments for sustainable sourcing of such feedstock.
    - Sustainalytics considers such investments to be aligned with market practice.
  - Hydrogen production projects that either have a life cycle GHG emissions intensity below 3 tCO<sub>2</sub>e/t of H<sub>2</sub> or are based on electrolysis powered by 100% wind or solar energy.
    - Sustainalytics notes that MCB may also finance hydrogen production using fossil fuel-based sources (such as natural gas) other than renewables. Sustainalytics notes that hydrogen production from water electrolysis has the potential to reduce emissions significantly in comparison with conventional

<sup>9</sup> MCB has confirmed that for biofuels production installations life cycle emissions will be at least 65% lower than the production of fossil fuels.

<sup>10</sup> Forest Stewardship Council: <https://fsc.org/en>

<sup>11</sup> Programme for the Endorsement of Forest Certification: <https://pefc.org/>

<sup>12</sup> Equator Principles, at: <https://equator-principles.com/>

- pathways of hydrogen production, i.e. steam reforming of natural gas or light ends recovery. Sustainalytics encourages MCB to favour the sourcing of low-carbon intensity sources for electrolysis and to report, where feasible, on such intensity.
- Geothermal energy facilities with direct emissions intensity below 100 gCO<sub>2</sub>e/kWh. Sustainalytics considers such investments to be aligned with market practice.
  - Wave, tidal and ocean energy generation facilities.
    - MCB has confirmed to Sustainalytics that for marine renewables (such as ocean thermals), fossil fuel backup will be limited to power monitoring, operating and maintenance equipment, as well as resilience or protection measures and restart capabilities.
    - Sustainalytics considers such investments to be aligned with market practice.
  - Energy storage systems and technologies that are connected to renewables. Sustainalytics considers such investments to be aligned with market practice.
  - Development and manufacture of components and supporting infrastructure for renewables meeting the eligibility criteria listed above.
    - MCB has confirmed to Sustainalytics that such manufacturing facilities will be wholly dedicated to components for renewables.
    - Sustainalytics considers such investments to be aligned with market practice.
- Under the Energy Efficiency category, MCB may finance or refinance investments in energy-efficient processes, technologies, equipment and infrastructure according to the following criteria:
- Manufacturing, installation and upgrade of products or technologies, including LED lighting, smart building management systems, smart grid components,<sup>13</sup> components to increase data centre efficiency and household appliances that: i) achieve at least a 20% improvement in energy savings compared to the baseline performance; or ii) belong to the highest two populated classes of the relevant energy efficiency label as defined by local regulations or EU energy label in accordance with Regulation EU 2017/1369.<sup>14</sup>
    - Sustainalytics notes that MCB's reliance on the EU energy label to define eligibility for manufacturing of household appliances in this category is consistent with the EU Taxonomy. However, Sustainalytics encourages the Bank to adhere to the Do No Significant Harm criteria for Activity 3.5 – Manufacture of energy efficiency for buildings for the financing of manufacture of household appliances. Additionally, for household appliances certified by other relevant energy efficiency labels as defined by local regulations, Sustainalytics is unable to opine on such expenditures given the broad range of products under such labels with varying requirements, while also noting that household appliances and hardware are resource-intensive products with some energy efficiency labels focusing only on energy efficiency during usage. Sustainalytics encourages the Bank to report on estimated energy efficiency gains as part of its annual reporting commitments.
  - Projects that enable fuel switching to avoid or reduce fossil fuel usage.
    - MCB has confirmed that such projects may involve upgrading HVAC systems and heat exchangers to enhance their efficiency, thereby reducing the reliance on fossil fuel-powered boilers. Sustainalytics considers such investments to be aligned with market practice
  - Processes and technologies for waste heat recovery from thermal processes. Sustainalytics considers such investments to be aligned with market practice
  - Construction and operation of district cooling and heating pipelines that lead to a minimum of 20% reduction in energy consumption compared to an existing baseline along with the modernization of legacy copper-based networks with fibre optics.

<sup>13</sup> MCB has confirmed to Sustainalytics that smart grid components may include advanced or smart meters for electricity, monitoring and control automation devices, computing platforms, distributed generation, peak demand management and smart energy algorithms.

<sup>14</sup> European Parliament, "Regulation (EU) 2017/1369", at: <https://eur-lex.europa.eu/eli/reg/2017/1369/oj>

- MCB has confirmed that financing will be limited to electricity-powered district cooling and heating systems.
- Sustainalytics notes that district heating and cooling distribution network systems primarily powered by renewables are preferred in the market. However, Sustainalytics recognizes the importance of improving the energy efficiency of air conditioning systems and encourages MCB to report on the impact achieved.
- For all expenditures under this category, MCB has confirmed the exclusion of: i) technologies or products primarily driven or powered by fossil fuels or associated with the oil and gas sector; and ii) projects with waste heat from fossil fuel production and operations.
- Under the Green Buildings category, MCB may finance or refinance the construction, acquisition, development, retrofit and acquisition of new or existing commercial and residential buildings in accordance with the following criteria:
  - Until 2030, buildings that have achieved or are expected to achieve one of the following minimum green building certification levels: i) EDGE Certified;<sup>15</sup> ii) BREEAM Good;<sup>16</sup> or iii) LEED Silver.<sup>17</sup> MCB has confirmed to Sustainalytics that after 2030, eligible buildings will need to achieve one of the following minimum green building certification levels: i) EDGE Certified; ii) BREEAM Excellent; or iii) LEED Gold.
    - Sustainalytics considers the financing of buildings that achieve EDGE certifications as credible and impactful.
    - For BREEAM and LEED certifications, Sustainalytics considers it market practice to achieve a minimum level of Excellent and Gold respectively. However, in the case of Mauritius, a Small Island Developing State (SIDS), Sustainalytics acknowledges that the country does not have a well-developed green building market and is heavily dependent on imports, making it difficult to achieve economies of scale. Nevertheless, for financing up until 2030, Sustainalytics encourages MCB to prioritize: i) BREEAM-certified buildings that score high enough in the energy category (which Sustainalytics regards as the most important category) to fulfil the requirements for BREEAM Excellent in that category; or ii) those buildings with LEED Silver certification where the financed building achieves a minimum of 20% energy efficiency improvement over a credible regional baseline.
  - Financing of non-certified greenfield buildings that achieve a minimum of: i) 20% reduction in energy consumption or GHG emissions; and ii) 20% reduction in water consumption compared to a local or regional baseline.<sup>18</sup> MCB has shared with Sustainalytics that the local baseline utilised will be aligned with the approaches taken by recognised certification bodies such as EDGE, LEED and BREEAM which build upon local building standards such as the British Standards,<sup>19</sup> Eurocode,<sup>20</sup> the South Africa Building Standard<sup>21</sup> or local climatic patterns.<sup>22</sup> Sustainalytics acknowledges the environmental impact of the financing and encourages the Bank to report on the positive impact achieved.
  - Expenditures related to retrofits that achieve a minimum of 20% reduction in primary energy demand. Sustainalytics considers it market practice to ensure that retrofits achieve emissions or energy performance improvements of at least 30% but

<sup>15</sup> EDGE: <https://www.edgebuildings.com/certify/certification/>

<sup>16</sup> BREEAM: <https://bregroup.com/products/breeam/>

<sup>17</sup> LEED: <https://www.usgbc.org/leed>

<sup>18</sup> Financing will be subjected to the provision of a technical report certified by a relevant registered professional demonstrating the minimum 20% reduction in energy consumption or GHG emissions, and water consumption compared to a baseline scenario.

<sup>19</sup> British Standards, at: <https://www.bsigroup.com/en-IN/>

<sup>20</sup> Eurocodes:

<https://eurocodes.jrc.ec.europa.eu/#:~:text=The%20EN%20Eurocodes%20are%20a%20series%20of%202010,recommended%20reference%20for%20technical%20specifications%20in%20public%20contracts.>

<sup>21</sup> South African National Building Regulations and Building Standards: <https://www.gov.za/documents/national-building-regulations-and-building-standards-act-16-apr-2015-1302#:~:text=The%20National%20Building%20Regulations%20and%20Building%20Standards%20Act%20103%20of>

<sup>22</sup> ASHRAE: <https://ashrae->

[meteo.info/v2.0/#:~:text=ASHRAE%20climatic%20design%20conditions%20station%20finder.%20Just%20right%20click:%20on](https://ashrae-)

- acknowledges that an energy performance improvement of 20% will result in some environmental benefit.
- Construction and operation of data centres with annualized power usage effectiveness (PUE) 1.5 or below. Sustainability considers such investments to be aligned with market practice
- Under the Clean Transportation category, MCB may finance or refinance low-carbon transportation and related infrastructure, manufacturing facilities and schemes in accordance with the following criteria:
- Until 2030, low-carbon private<sup>23</sup> and public passenger transportation, including cars, buses and rail with zero tailpipe emissions or with an emissions intensity below 50 gCO<sub>2</sub>/pkm.
  - Low-carbon freight transportation.
    - Until 2030, light commercial vehicles with an emissions intensity below 50 gCO<sub>2</sub>/tkm.
    - Until 2030, heavy trucks and rail<sup>24</sup> with an emissions intensity below 25 gCO<sub>2</sub>/tkm; between 2030 and 2050, the emissions intensity threshold will be 21 gCO<sub>2</sub>/tkm.
  - Supporting infrastructure for low-carbon transportation, including electric charging infrastructure. MCB has confirmed that the financing will be limited to infrastructure for transportation that meets the criteria above and excludes the construction or retrofit of existing infrastructure including roads, fossil fuel filling stations and parking facilities.
  - Schemes and incentives that promote active mobility and related infrastructure, including pedestrian and cycling infrastructure such as bike lanes. Sustainability notes that the Framework excludes the financing of self-propelled modes intended solely for leisure such as sailing, skating, kayaks and canoes.
  - Manufacturing of batteries and specialized parts for electric vehicles.
    - MCB has confirmed to Sustainability the exclusion of the following: i) production or procurement of battery components not intended for EV batteries or renewable energy storage; and ii) components wholly dedicated to or intended for internal combustion engine (ICE) and compressed natural gas (CNG) vehicles and supply chain. Sustainability notes that the Framework limits financing to projects or borrowers with a responsible sourcing policy in place or those that adhere to internationally recognized guidelines such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.<sup>25</sup>
  - Sustainability considers the expenditures related to passenger and freight transport based on the above emissions thresholds to be aligned with market practice. However, Sustainability notes that MCB has not communicated which test procedure will be used for vehicles complying with the emissions intensity thresholds. Sustainability notes that different test procedures can achieve varying results in actual vehicles' CO<sub>2</sub> emissions, whether they intend to replicate real driving conditions (such as World Harmonized Light-duty Vehicle Test Procedure (WLTP)) or are based on a theoretical driving profile (such as New European Cycle Driving (NEDC)).<sup>26</sup> Hence, Sustainability further encourages, where feasible, to report on the test procedure used to determine the emissions intensity of the vehicles to be financed.
  - Sustainability notes that the Framework excludes infrastructure and transportation modes dedicated to the transport of fossil fuels.
  - Sustainability considers the investments under this category to be aligned with market practice.

<sup>23</sup> MCB confirmed that an occupancy rate or load factor of 1.8 will be applied for low-carbon private and public passenger cars, as the uptake of electric vehicles in the Mauritian and African markets is still in its very early stages, and the occupancy rate will be reviewed as the local context evolves.

<sup>24</sup> Financing will be limited to freight rail where less than 25% of the rolling stock is dedicated to the transport of fossil fuels.

<sup>25</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, at : [https://www.oecd.org/en/publications/oecd-due-diligence-guidance-for-responsible-supply-chains-of-minerals-from-conflict-affected-and-high-risk-areas\\_9789264252479-en.html](https://www.oecd.org/en/publications/oecd-due-diligence-guidance-for-responsible-supply-chains-of-minerals-from-conflict-affected-and-high-risk-areas_9789264252479-en.html)

<sup>26</sup> European Commission, "From NEDC to WLTP: effect on the type-approval CO<sub>2</sub> emissions of light-duty vehicles", at : <https://publications.jrc.ec.europa.eu/repository/bitstream/JRC107662/kjna28724enn.pdf>

- Under the Sustainable Water and Wastewater Management category, MCB may finance or refinance the following:
  - Projects that expand public access to safe and free or affordable drinking water.
  - Projects that improve water quality, collection, storage, treatment and distribution.
  - Products and technologies that increase water-use efficiency by at least 10% and facilitate water usage monitoring.
  - Wastewater treatment and reuse facilities and related infrastructure.
  - Desalination plants powered primarily by renewable energy or by a grid with an average GHG emissions intensity below 100 gCO<sub>2</sub>e/kWh. MCB has confirmed that the financed desalination projects will have reasonable assurance of an appropriate waste management plan for brine disposal.
  - MCB has confirmed the exclusion of the following: i) equipment or methods dependant on fossil fuels; ii) systems and measures to provide water for fossil fuel operations, fracking and mining; iii) treatment of wastewater from fossil fuel operations (such as produced water from fracking); iv) systems and treatment facilities dedicated to activities having harmful social or environmental impact such as industrial-scale livestock; and v) integrated water and power plants (IWPP) with fossil fuel power.
  - Sustainalytics considers the investments under this category to be aligned with market practice.
- Under the Pollution Prevention and Control category, MCB may finance or refinance loans related to products, technologies, processes, facilities and infrastructure which promote circular economy, including:
  - Facilities, infrastructure and activities related to waste reduction, recovery, recycling, sorting and composting.
    - MCB has confirmed that financing will be limited to projects where appropriate segregation of non-recyclable and hazardous materials will be in place to ensure alignment with the waste hierarchy.
    - In the case of financing facilities that handle e-waste, financing will be limited to facilities or projects with robust waste management processes to mitigate the associated environmental and social risks.
    - Sustainalytics notes that proceeds will be directed towards waste collection vehicles which adhere to local emissions regulations.
    - MCB will exclude the financing of animal manure from industrial-scale livestock operations. The financed composting projects will procure animal manure and carcasses from small-scale cattle farmers.
    - Sustainalytics considers the investments under this category to be aligned with market practice.
  - Research & development (R&D) of solutions to promote circularity. Sustainalytics notes that MCB will limit financing to late stage R&D projects where the expected outcomes have been identified. Sustainalytics considers the investments under this category to be aligned with market practice.
  - Technologies or products to manage and mitigate air and methane emissions, such as electrostatic precipitators and air sensors.
    - MCB has communicated that these investments will be for Mauritius' power plants which operate on bagasse and cane straw for seven months in a year and coal for the remaining months. As part of Mauritius' Nationally Determined Contribution (NDC) targets,<sup>27</sup> the country will phase out coal by 2030 and increase reliance on biomass or other forms of renewable sources.<sup>28</sup> However, Sustainalytics notes that there are currently no publicly available transition plans outlining the specific reduction trajectory for coal usage in these power plants by 2030. Sustainalytics encourages MCB to limit financing to power plants that have quantified emissions reduction targets in place and report on the impacts achieved by the financing.

<sup>27</sup> UNDP Climate Promise, "Mauritius", at : <https://climatepromise.undp.org/what-we-do/where-we-work/mauritius#:~:text=Key%20highlights%20from%20the%20NDC,initial%20NDC%20target%20of%2030%25>.

<sup>28</sup> Central Electricity Board, "Renewable Energy Roadmap 2030 for the Electricity Sector", at: <https://ceb.mu/files/files/publications/RENEWABLE%20ENERGY%20ROADMAP%202030%20FOR%20THE%20ELECTRICITY%20SECTOR.pdf>

- For all expenditures under this category, MCB has confirmed that the financing will exclude projects which inherently rely on fossil fuel or are related to fossil fuel extraction.
  - Under the Climate Change Adaptation category, MCB may finance or refinance projects according to the following criteria:
    - Projects aimed at enhancing climate adaptation and resilience:
      - Construction, expansion, operation and enhancement of infrastructure and facilities to improve resilience against climate hazards, including coastal and riverine protection and rehabilitation works. These may include stormwater management systems for water diversion, storage and flood defence, and emergency response capabilities and technologies, such as flood gates installation and high-volume pumps in vulnerable areas.
        - The Bank has confirmed that: i) business-as-usual renovations and retrofits will be excluded; and ii) eligible climate change adaptation projects will be supported by vulnerability assessments and related adaptation plans before implementation under this category.
      - Nature-based solutions: reforestation, afforestation, mangrove planting, seagrass and coral reefs conservation or rehabilitation, wetland conservation and planting. These may include land-use buffers and vegetation management around infrastructure. Sustainalytics notes that reforestation and afforestation projects will use tree species that are well adapted to local conditions, and have sustainable management plans in place, or have a FSC or PEFC certification.
      - Agrifood systems: smart agriculture, sustainable and smart fisheries, climate resilient crops and livestock infrastructure.
        - In the case of smart agriculture, MCB has confirmed that financing will be limited to projects which have measures in place to decrease their energy and water consumption as compared to standard agricultural practices.
        - In the case of sustainable and smart fisheries, MCB has confirmed that financing will be limited to projects certified by the: i) Marine Stewardship Council (MSC);<sup>29</sup> ii) Aquaculture Stewardship Council Chain of Custody standard (ASC);<sup>30</sup> iii) Best Aquaculture Practice certification (2 stars or more);<sup>31</sup> iv) Best Seafood Practice (BSP)<sup>32</sup>; or v) Global G.A.P for Aquaculture<sup>33</sup> to protect critical habitats and ecosystems and improve ecological interaction. Sustainalytics views these certifications to be credible.
        - MCB has confirmed the exclusion of projects related to industrial-scale livestock management.
    - Development and acquisition of information and communications technology (ICT) for climate monitoring solutions, early warning systems, climate observation, collecting, transmitting, storing and using data to facilitate GHG emissions reductions.
    - Research and development costs for climate adaptation and resilience solutions. These may include physical climate risks assessments and studies.
    - Sustainalytics considers the investments under this category to be aligned with market practice.
  - Under the Employment Generation and Programs category, MCB may finance or refinance loans to individuals from underserved<sup>34</sup> communities, and microenterprises and SMEs.<sup>35</sup>

<sup>29</sup> Marine Stewardship Council: <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>30</sup> Aquaculture Stewardship Council: <https://asc-aqua.org/business/chain-of-custody-standard/>

<sup>31</sup> Best Aquacultural Practices: <https://www.bapcertification.org/>

<sup>32</sup> BSP: <https://bspcertification.org/Standards>

<sup>33</sup> Global G.A.P for Aquaculture, at: [https://www.globalgap.org/uk\\_en/for-producers/globalg.a.p.](https://www.globalgap.org/uk_en/for-producers/globalg.a.p.)

<sup>34</sup> MCB uses "underserved" to refer to those who lack quality access to essential goods and services. The income thresholds for the underserved are limited to low income populations as defined by the country's local definitions where the financing is expected to take place.

<sup>35</sup> For microenterprises and SMEs, MCB will adhere to the country's local definitions where the financing is expected to take place. For Mauritius, the income thresholds are defined as follows: i) annual turnover for microenterprise <= MUR 10 million; ii) annual turnover for small enterprise >= MUR 10 million and <= MUR 30 million; iii) annual turnover for medium enterprise >= MUR 30 million and <= MUR 100 million.

- Financing of loans to microenterprises and SMEs will be limited to organizations that meet one of the following criteria: a) are majority owned, managed or led by women, as per the criteria set by International Financial Corporation (IFC)<sup>36</sup>; or b) are owned by a member of the low-income group as defined by the country's local definition.
- MCB has confirmed that: i) financing will be limited to projects that offer preferential terms intended to ensure affordability for the target populations; ii) responsible lending practices will be in place to mitigate the risk of predatory lending; and iii) for the financing of microenterprises and SMEs, relevant environmental and social risk assessments will be conducted to address risks such as child labour and poor working conditions and exclude negative impact activities, such as tobacco, firearms and fossil fuel operations.
- Sustainalytics considers investments under this category as credible social investments expected to improve employment opportunities for the target populations.
- Under Access to Essential Services, MCB may finance or refinance projects aimed at improving access to healthcare and education, subject to the following criteria:
  - Healthcare expenditures include:
    - Construction, operation, maintenance, improvement and purchase of equipment for: i) public hospitals and other healthcare institutions that are accessible and affordable to all segments of the population regardless of their ability to pay; and ii) private hospitals and other healthcare institutions where financing will be limited to facilities that are affordable and accessible to at least 90% of the population in each country where financing will take place.
    - MCB has confirmed that financing may also extend to costs associated with the supply of medicines to address an unmet need,<sup>37</sup> which will be accessible to all regardless of their ability to pay.
    - Sustainalytics views these investments as socially impactful.
  - Education facilities expenditures include:
    - Construction or renovation of new and existing education facilities that aim to increase access to primary, secondary and tertiary education. The Bank has confirmed that educational facilities financed will include: i) public schools that are accessible and affordable to all segments of the population regardless of their ability to pay; ii) private schools which would be affordable by 90% of the population; and iii) vocational training centres where training will be made available for free or at subsidised rates to all.
    - Construction or renovation of new and existing student housing. Sustainalytics notes that MCB's role is limited to being a loan provider for such investments and, therefore, the Bank does not exercise any control over deciding the detailed criteria for determining the low-income or marginalized students deemed eligible for the student housing units or the pricing of student housing financed under the Framework. Sustainalytics recognizes the importance of prioritizing target populations for such expenditures and is of the opinion that such expenditures have the potential to create a positive social impact in target regions. Sustainalytics encourages MCB to provide further disclosure on the pricing of student housing financed and relevant beneficiaries defined by regional governments, and to report on the social impact achieved.
    - Provision of training for educational professionals which will be provided for free or at subsidized rates to all.
    - Projects to improve technological access in public and private schools. MCB has communicated to Sustainalytics that such expenditures may include IT

<sup>36</sup> IFC defines woman-owned enterprise as meeting the following criteria: "(A) ≥ 51% owned by woman/women; OR (B) ≥ 20% owned by woman/women; AND (i) has ≥ 1 woman as CEO/COO/President/Vice President; AND (ii) has ≥ 30% of the board of directors composed of women, where a board exists." International Finance Corporation, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financialinstitutions/definitions-of-targeted-sectors>

<sup>37</sup> MCB has confirmed to Sustainalytics that pharmaceutical companies will be considered for financing under the Framework if they are designed to address a discernible need, including: i) addressing undertreated diseases; ii) reducing the gap in the availability of essential medicines; iii) addressing the treatment gap for major diseases; or if there is reasonable assurance that medications are affordable, such as: i) an assurance that the medicine is destined for public health systems, or that access will be available to all regardless of ability to pay; or ii) that manufacturers to be financed generate at least 90% of their revenue from affordable or generic drugs.

- systems that support school management systems and foster technology integration in education.
- Sustainalytics views these investments as socially impactful.
- Under the Affordable Housing category, MCB may finance or refinance loans related to the development or provision of affordable housing for low-income or underserved communities as defined by local governments.
    - MCB has confirmed that the Bank has responsible lending practices in place to avoid the risk of predatory lending. Sustainalytics also notes that the role of MCB in affordable housing projects is limited to providing financing for the development or acquisition of housing units, where the Bank does not have control over deciding the detailed criteria for determining the low-income or marginalized groups deemed eligible for the affordable housing units and the corresponding affordability mechanisms. Sustainalytics further notes that it is good practice to clearly define low-income or marginalized groups and affordability. Nevertheless, Sustainalytics acknowledges that such financing is expected to enhance access to affordable housing in target regions and encourages MCB to provide further disclosure on the affordable housing programmes financed and relevant beneficiaries defined by the applicable governments and to report on the social impact achieved.
  - Under the Affordable Basic Infrastructure category, MCB may finance or refinance loans related to the development or provision of the following projects in developing but not high-income countries as per the UN World Economic Situation and Prospects (WESP) report<sup>38</sup> and targeted at underserved communities that lack quality access, particularly the low and middle-income population as defined by local governments:
    - Development of public transportation infrastructure, such as roads, bridges and tunnels in rural or remote areas, where there is inadequate or no access to such infrastructure to improve connectivity and aid passenger and commercial transport in rural or remote areas. MCB has confirmed the exclusion of: i) development of highways in urban areas; ii) upkeep and upgrade of major roads and highways; iii) privatization of highways; and iv) construction of toll booths.
    - Construction, maintenance and equipment for water supply infrastructure, such as pipework, and access to clean water, including desalination projects<sup>39</sup> and sanitation facilities, such as sewage systems. MCB has confirmed the exclusion of: i) desalination projects without appropriate waste management plans for brine disposal; ii) integrated water and power plants with fossil fuel power; and iii) desalination plants with dedicated on-site fossil fuel power.
    - Transmission and distribution infrastructure aimed at improving access to electricity. MCB has confirmed to exclude transmission grids connected to dedicated fossil fuel power plants that use coal, oil or natural gas.
    - Telecommunication networks and related infrastructure. MCB has confirmed to Sustainalytics that such projects will be targeted in areas with no or substantially inadequate connectivity.<sup>40</sup> Sustainalytics acknowledges that increased access to improved telecommunication networks can contribute to growth in aggregate employment and average wages in rural communities and encourages MCB to report on the benefits achieved from such financing.
    - Sustainalytics views these investments as socially impactful.
  - Under the Food Security and Sustainable Food Systems category, MCB may finance or refinance projects related to: i) enhancing food security; ii) improving storage facilities for agricultural products; and iii) the development, operation and maintenance of apiaries. Sustainalytics notes that intended projects include:
    - Infrastructure such as warehouses to provide adequate storage facilities, food conservation or connectivity in the food chain to reduce food loss.

<sup>38</sup> United Nations, "World Economic Situation and Prospects as of mid-2024", at: <https://desapublications.un.org/file/20555/download>

<sup>39</sup> MCB has confirmed the eligibility of desalination facilities that may rely on grid electricity derived from fossil fuels and will consider the carbon intensity of power sources when assessing such projects for financing under the Framework.

<sup>40</sup> Areas with no or substantially inadequate connectivity are defined as areas with no mobile broadband (3G or above) or will be defined using definitions developed by credible organizations such as the International Telecommunication Union.

- Provide support to smallholder farmers<sup>41</sup> and small-scale fisheries through the provision of equipment or facilities to prevent food loss and waste, improve productivity and increase market access to smallholder producers.
    - Finance goods that are Fairtrade-certified.<sup>42</sup>
    - Loans related to the development of bee reserve zones and supporting infrastructure for bee keeping or apiaries. MCB has confirmed that such loans will be limited to smallholder farmers as defined by the FAO.<sup>43</sup> In the case of financing in Mauritius, the definition will be that of the Government of Mauritius.<sup>44</sup>
    - Sustainalytics views these investments as socially impactful and considers that such expenditures will enhance food security.
  - Under the Preservation of Cultural Heritage category, MCB may finance or refinance loans to registered local artists as per the country’s legislation, and local organizations or promoters managing historical sites. These may include:
    - Projects related to the conservation, restoration and maintenance of historical sites or buildings, monuments and museums that are made accessible and affordable through free or subsidized entry for the public and school or university students.
    - Projects related to the development or provision of products and technologies that promote education about cultural heritage among the public and school or university students. MCB has confirmed that the above will be provided free of cost or at subsidised rates to students and public
    - Loans with preferential rates to registered individuals or enterprises that promote local arts, native language preservation or climate change awareness.
      - MCB has confirmed the exclusion of programmes aimed at promoting religious or political activities under this expenditure.
    - Sustainalytics views these investments as socially impactful
- Project Evaluation and Selection:
  - MCB has an internal governance structure responsible for identifying projects which are in line with the Framework’s eligibility criteria. The Group’s Corporate Sustainability Committee (CSC) and Sustainability Strategic Council (SSC), through its Transition Taskforce, are responsible for the evaluation and selection of eligible projects. The SSC includes members from different business units including the Central Sustainability Office (CSO), the Sustainable Finance Team (SFT), the Environmental and Social Risk Management Team (ESRM) and the Climate Risk Team (CRT).
  - The ESRM team is responsible for assessing the environmental and social risks of eligible projects.. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional details, refer to Section 2.
  - Based on the cross-functional oversight for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - MCB’s Financial Institutions & Syndication (Funding desk) is responsible for the management and allocation of proceeds in liaison with the Assets and Liabilities Committee, Treasury, Coverage Team and Sustainability Team. These functions will be carried out on a portfolio basis and the process will be recorded and monitored regularly.
  - MCB intends to fully allocate proceeds within 24 months of issuance. Pending allocation, the Bank will invest proceeds temporarily in short-term marketable instruments, cash or cash equivalents, money market instruments or other liquid financing instruments. The Bank has confirmed to exclude temporary allocations in GHG emissions-intensive or controversial activities or assets.
  - MCB has communicated to Sustainalytics that sustainable finance instruments issued under the Framework may include multi-tranche loan facilities. The Bank intends to label only those

<sup>41</sup> MCB defines smallholder farmers according to FAO’s definition of small-scale farmers as those with a landholding threshold of less than 10 hectares of land on average. FAO, “Smallholders and Family Farmers”, (2013), at: <https://www.fao.org/family-farming/detail/en/c/273864/>

<sup>42</sup> Fairtrade International, “Fairtrade Standards”, at: <https://www.fairtrade.net/standard/fairtrade-standards>.

<sup>43</sup> Food and Agriculture Organisation, at : <https://www.fao.org/home/en>

<sup>44</sup> Government of Mauritius, “Small Farmers Welfare Fund Act”, (2002), at: <https://sfwf.govmu.org/sfwf/wp-content/uploads/2020/11/SFWF-ACT-2020-1.pdf>

- tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
- Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - MCB commits to publish an annual report on allocation and impact on the Bank's website until full allocation. MCB has confirmed to Sustainalytics that for revolving credit facilities, allocation reporting will be conducted annually until loan maturity
    - Allocation reporting will include the total amount of proceeds allocated to eligible projects and relevant categories, as well as the balance of unallocated net proceeds and where these have been invested.
    - The Bank intends to align its impact reporting with the ICMA Harmonised Framework for Impact Reporting Handbook.<sup>45</sup> This includes reporting on relevant impact metrics, annual renewable energy generation (measured in MWh, GWh, GJ or TJ), annual GHG emissions reduced or avoided (measured in tCO<sub>2</sub>e), number of loans to SMEs, number of hospitals and healthcare facilities built or upgraded.
    - The Bank will appoint an independent external verifier to review the allocation report annually following issuance.
    - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with the Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the MCB Group Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

## Section 2: Sustainability Strategy of MCB

### Contribution to MCB's sustainability strategy

MCB's sustainability objectives are based on three pillars that align with the Bank's purpose<sup>46</sup>: i) vibrant and sustainable local and regional economies; ii) environmental and cultural heritage; and iii) individual and collective well-being.<sup>47</sup> The Bank conducted an external materiality analysis in 2019, through which a set of material risks and opportunities were identified, including climate-related finance risks, social integration and innovation. MCB has reported that the material sustainability topics remained relevant in 2023 and that it intends to update its approach to materiality assessment in 2024, including considering double materiality.<sup>48</sup>

In 2020, MCB committed to stop all new financing of coal infrastructure and trade worldwide, both thermal and metallurgical, and to stop financing new coal-fired power plants in Mauritius from 2022.<sup>49</sup> With regard to responsible financing, MCB has set aside MUR 10 billion (USD 217 million)<sup>50</sup> to finance projects related to climate mitigation and adaptation by 2027, in line with Mauritius' Nationally Determined Contribution and National Adaptation Plan. Furthermore, the Bank will engage with at least 25 clients by 2026 to capture waste and resource efficiency data to promote circular economy in Mauritius.<sup>51</sup> MCB Leasing, a subsidiary of MCB Group, launched GreenLease in 2020 for individuals and businesses inclined to adopt sustainable solutions. This initiative covers the acquisition costs for electric or hybrid vehicles as well as the installation costs for photovoltaic-based charging stations at a fixed interest rate of 4.75% per annum. As a part of this initiative, MCB Leasing disbursed MUR 341 million (USD 7.4 million) and MUR 377.3 million (USD 8.2 million) for electric or hybrid cars in FY2022 and FY2023 respectively.<sup>52</sup> Additionally, MCB is committed to offering sustainable

<sup>45</sup> ICMA, "Harmonised Framework for Impact Reporting", (2022), at: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022v2-020822.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf)

<sup>46</sup> Mauritius Commercial Bank, "Philosophy and Vision", at: <https://mcb.mu/personal/about-us/philosophy-vision>

<sup>47</sup> Mauritius Commercial Bank, "Sustainability Report", (2023), at: <https://mcbgroup.com/docs/default-source/sustainability/mcb-group-sustainability-report-2023.pdf>

<sup>48</sup> Ibid.

<sup>49</sup> Mauritius Commercial Bank, "Sustainability Report", (2023), at: <https://mcbgroup.com/docs/default-source/sustainability/mcb-group-sustainability-report-2023.pdf>

<sup>50</sup> As of September 12, 2024, USD 1 = MUR 46.15

<sup>51</sup> Ibid.

<sup>52</sup> Mauritius Commercial Bank, "Sustainability Report", (2023), at: <https://mcbgroup.com/docs/default-source/sustainability/mcb-group-sustainability-report-2023.pdf>

finance solutions through sustainable loans and sustainable supply chain finance. In 2023, MCB launched its first sustainable supply chain finance amounting to USD 10 million.

In addition to its environmental initiatives, MCB is also part of nine partnerships across Mauritius that focus on creating environmental and cultural impact, which include: i) We-Recycle<sup>53,54</sup>; and ii) Mission Verte<sup>55</sup> among others. MCB supports local entrepreneurs through its Lokal is Beautiful (LIB) initiative which provides finance to micro, small and medium-sized enterprises (MSMEs) and mid-market enterprises (MMEs). As a part of this initiative, the Bank engages in the following partnerships: i) Association Mauricienne des Femmes Chefs d'Entreprise (AMFCE)<sup>56</sup>; ii) Katapult Mauritius Accelerator<sup>57</sup>; and iii) Turbine Incubator.<sup>58</sup> The Group also launched MCB Microfinance, a subsidiary of MCB Group, in 2016 to foster financial inclusion and support micro-entrepreneurs. From July 2016 until June 2023, 6,149 loans amounting to USD 1,283 million had been disbursed, out of which, 40% of loans had been disbursed to women clients.<sup>59</sup>

Sustainalytics is of the opinion that the MCB Group Sustainable Finance Framework is aligned with the Group's overall sustainability initiatives and will further the Group's action on its key environmental and social priorities. Nevertheless, Sustainalytics encourages MCB Group to develop quantitative and time-bound targets to address financed emissions and report on the same.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental or social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that the Bank plays a limited role in the development of the projects and the financed assets, but it remains exposed to environmental and social risks associated with the projects that it may finance or refinance through its lending activities. Some key environmental and social risks possibly associated with the eligible projects may include issues related to environmental and social risk management for credit lending; land use and biodiversity issues associated with infrastructure development; community relations; effluents and waste generated in construction; predatory lending; occupational health and safety; business ethics; and human rights.

Sustainalytics is of the opinion that MCB is able to manage and mitigate potential risks through implementation of the following:

- MCB has an ESRM system in place to manage environmental and social risks associated with its lending activities. The ESRM is in line with the criteria defined by the IFC and the Equator Principles.<sup>60</sup> For the screening of projects located in the designated countries,<sup>61</sup> the evaluation is based on the relevant country's law. For non-designated countries, the evaluation is based on applicable IFC performance standards and the sector-specific Environmental, Health and Safety Guidelines (EHS Guidelines).
- The Bank is a signatory to the Equator Principles<sup>62</sup>, a globally recognized risk management framework, which is recognized by Sustainalytics as a proxy for robust environmental, social and governance policies. Additionally, as part of its credit lending, the Bank requires its clients to adopt mitigating measures to address any potential or actual adverse risks and impacts during the project development life cycle.<sup>63</sup> MCB is a member of the United Nations Environment Programme Finance Initiative (UNEP FI) and a signatory to the UNEP FI Principles for Responsible Banking, which highlights the Bank's commitment to align its business with the UN SDGs and the Paris Agreement.

<sup>53</sup> Ibid.

<sup>54</sup> We-Recycle is a non-profit NGO that collects recyclable waste throughout Mauritius to help support cleaner environments. The organization also engages with national and local authorities to help shape recycling policy and legislation in Mauritius.

<sup>55</sup> Mission Verte is a local NGO that aims to protect the environment by raising public awareness about the importance of reducing, reusing, recycling and composting waste.

<sup>56</sup> Mauritius Commercial Bank, "Sustainability Report", (2023), at: <https://mcbgroup.com/docs/default-source/sustainability/mcb-group-sustainability-report-2023.pdf>

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

<sup>60</sup> Mauritius Commercial Bank, "Environmental and Social Risk Policy", (2024), at: <https://mcb.mu/docs/mcb/personal/environmental-and-social-risk-policy.pdf>

<sup>61</sup> Ibid.

<sup>62</sup> Mauritius Commercial Bank, "Sustainability Report", (2023), at: <https://mcbgroup.com/docs/default-source/sustainability/mcb-group-sustainability-report-2023.pdf>

<sup>63</sup> Ibid.

- As part of its Environmental and Social Risk Policy, the Bank is committed to avoid any threat to critical habitats and biodiversity which may arise through its financing.<sup>64</sup> Additionally, MCB requires its clients to adopt mitigation measures to protect and preserve natural resources, critical habitats and biodiversity.<sup>65</sup> In 2023, the Bank partnered with the Mauritian Wildlife Foundation (MWF)<sup>66</sup> by extending support to five programmes focusing on protection of four endemic species. Furthermore, the Bank has committed to support MWF for an additional three years.<sup>67</sup>
- To manage risks associated with predatory lending, the Bank adheres to the Mauritius Bankers Association (MBA) Code of Ethics and of Banking Practice.<sup>68</sup> This code outlines guidelines for fair and ethical lending practices and requires all signatories to assess a borrower's creditworthiness and ability to repay before issuing a loan. Furthermore, the Bank assesses the creditworthiness of its clients and evaluates the suitability of the products for each client under the scope of its Customer Acceptance Policy.<sup>64</sup>

Sustainalytics notes that financing may take place in countries that have been identified as high-risk countries, bearing in mind the potential impact of planned investments especially in these countries. Sustainalytics considers these to be ongoing risks and notes that such investments should be accompanied by thorough risk management procedures to ensure that any adverse effects are sufficiently identified and addressed. MCB has undertaken measures to mitigate risks in high-risk countries including:

- To address risks related to occupational health and safety during the construction of infrastructure projects, MCB's Occupational Safety and Health Policy requires the Bank's customers to have site-related health and safety measures in place and ensure compliance with applicable E&S laws specifically the Occupational Safety and Health Act 2005 (OSHA).<sup>69</sup>
- To manage risks associated with business ethics, the Bank's Code of Ethics outlines a set of standards for all employees to adhere to on ethical responsibility.<sup>70</sup> The Bank has also established a whistleblowing policy for employees to report breaches of laws or rules and regulations.<sup>71</sup>
- For risks related to human rights, the ESRM will review the projects with potential social risks to ensure compliance with human rights and industry-specific guidelines on human rights.<sup>72</sup> The Bank's governing principles for lending are based on the human rights guidelines issued by the World Bank Group.<sup>73</sup> The Bank is also a signatory to the UN Global Compact, which provides guidelines on upholding human rights and eliminating unfair labour practices.<sup>74</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that MCB Group has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

<sup>64</sup> Mauritius Commercial Bank, "Environmental and Social Risk Policy", (2024), at: <https://mcb.mu/docs/mcb/personal/environmental-and-social-risk-policy.pdf>

<sup>65</sup> Mauritius Commercial Bank, "Environmental and Social Risk Policy", (2024), at: <https://mcb.mu/docs/mcb/personal/environmental-and-social-risk-policy.pdf>

<sup>66</sup> MWF is a non-governmental organization in Mauritius that focuses on conserving and preserving endangered plant and animal species.

<sup>67</sup> Mauritius Commercial Bank, "Sustainability Report", (2023), at: <https://mcbgroup.com/docs/default-source/sustainability/mcb-group-sustainability-report-2023.pdf>

<sup>68</sup> Mauritius Bankers Associations, "Code of Ethics and of Banking Practice", at: <https://mba.mu/wp-content/uploads/2021/03/MBA-Code-of-Ethics-and-of-Banking-Practice-Edition-2016.pdf>

<sup>69</sup> Mauritius Commercial Bank shared the Occupational Safety and Health Policy with Sustainalytics confidentially.

<sup>70</sup> Mauritius Commercial Bank, "Code Of Ethics", (2023), at: <https://mcbgroup.com/docs/default-source/corporate-governance/code-and-rules/code-ethics-policy.pdf>

<sup>71</sup> Mauritius Commercial Bank, "Whistleblowing Policy", (2023), at: <https://mcbgroup.com/docs/default-source/corporate-governance/code-and-rules/whistle-blowing-policy.pdf>

<sup>72</sup> Mauritius Commercial Bank, "Environmental and Social Risk Policy", (2024), at: <https://mcb.mu/docs/mcb/personal/environmental-and-social-risk-policy.pdf>

<sup>73</sup> Ibid.

<sup>74</sup> Mauritius Commercial Bank, "Sustainability Report", (2023), at: <https://mcbgroup.com/docs/default-source/sustainability/mcb-group-sustainability-report-2023.pdf>

### Importance of financing renewable energy to support Mauritius’ low-carbon transition

As a signatory of the Paris Agreement, Mauritius aims to minimise its GHG emissions to limit global warming to 1.5°C above pre-industrial levels.<sup>75</sup> Mauritius is particularly vulnerable to the adverse effects of global warming due to its location and climate, but accounts for just 0.01% of global GHG emissions.<sup>76,77</sup> Under its 2021 NDC update, Mauritius committed to decrease its GHG emissions by 40% to 4,140 ktCO<sub>2</sub>e until 2030 in comparison to a business-as-usual baseline and to become carbon neutral by 2070.<sup>78</sup> The targets are conditional on receiving international financial, capacity-building and technological support.<sup>79</sup> Between 1990 and 2021, the country’s GHG emissions increased by 194.3% to 6.71 MtCO<sub>2</sub>e in 2021.<sup>80</sup> After 2021, Mauritius’ GHG emissions continued to increase, by 5.3% from 5,642 tCO<sub>2</sub>e in 2022 to 5,940 tCO<sub>2</sub>e in 2023. The energy sector accounted for 78.8% of Mauritius’ total GHG emissions in 2023 with fossil fuels representing the largest primary energy generation source.<sup>81,82</sup>

The Mauritian government has set up a variety of policies, frameworks and bodies and has deployed a series of actions to meet its decarbonisation targets. In 2019, Mauritius established its Renewable Energy Roadmap 2030 For the Electricity Sector, which lays out a strategic plan intended to encourage the production of energy from renewable sources.<sup>83</sup> In 2022, Mauritius increased its 2030 target from 35% renewable energy to 60% renewable energy in the electricity mix by 2030.<sup>84</sup> In addition to increasing renewable energy capacity, Mauritius plans to reduce GHG emissions from electricity generation by phasing out coal from its energy mix by 2030 and by increasing its energy efficiency by 10% in comparison to a 2019 baseline. The government of Mauritius estimates that a total investment of USD 1,345 million (MUR 59 billion) by 2030 will be required in order to achieve those goals.<sup>85</sup>

Considering the above, Sustainalytics is of the opinion that MCB’s investments in renewable energy under the Framework will help to reduce GHG emissions in Mauritius and contribute to the country achieving its carbon reduction targets.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the MCB Group Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes,

<sup>75</sup> IPCC, “Summary for Policymakers”, at: <https://www.ipcc.ch/sr15/chapter/spm/>

<sup>76</sup> UNDP, “Climate Promise – Mauritius”, at: <https://climatepromise.undp.org/what-we-do/where-we-work/mauritius>

<sup>77</sup> World Resources Institute, “World Greenhouse Gas Emissions: 2019”, at: <https://www.wri.org/data/world-greenhouse-gas-emissions-2019>

<sup>78</sup> Government of Mauritius, “First Biennial Update Report (BUR1) to the UNFCCC”, at:

<https://unfccc.int/sites/default/files/resource/First%20Biennial%20Update%20Report%20-%20Republic%20of%20Mauritius.pdf>

<sup>79</sup> Government of Mauritius, “First Biennial Update Report (BUR1) to the UNFCCC”, at:

<https://unfccc.int/sites/default/files/resource/First%20Biennial%20Update%20Report%20-%20Republic%20of%20Mauritius.pdf>

<sup>80</sup> Climate Watch, “Mauritius”, (2024), at: [https://www.climatewatchdata.org/countries/MUS?end\\_year=2021&start\\_year=1990](https://www.climatewatchdata.org/countries/MUS?end_year=2021&start_year=1990)

<sup>81</sup> Statistics Mauritius, “Environment Statistics – Year 2023”, at: [https://statsmauritius.govmu.org/Pages/Statistics/ESI/Environment/Env\\_Yr23.aspx](https://statsmauritius.govmu.org/Pages/Statistics/ESI/Environment/Env_Yr23.aspx)

<sup>82</sup> Government of Mauritius, “National Inventory Report (NIR) to the United Nations framework Convention on Climate Change”, at:

[https://environment.govmu.org/Documents/CCIC%20Data%20Repository/2.%20Information%20%26%20Reports/Biennial%20Update%20Report\\_/National%20Inventory%20Report%20-%20Republic%20of%20Mauritius.pdf#](https://environment.govmu.org/Documents/CCIC%20Data%20Repository/2.%20Information%20%26%20Reports/Biennial%20Update%20Report_/National%20Inventory%20Report%20-%20Republic%20of%20Mauritius.pdf#)

<sup>83</sup> Government of Mauritius, “Renewable Energy Roadmap 2030 for the Electricity Sector”, (2019), at:

<https://publicutilities.govmu.org/Documents/Ministry%20of%20Energy%20-%20RE%20ROADMAP%202030.pdf>

<sup>84</sup> Central Electricity Board of Mauritius, “Renewable Energy Roadmap 2030 for the Electricity Sector”, (2022), at:

<https://ceb.mu/files/files/publications/RENEWABLE%20ENERGY%20ROADMAP%202030%20FOR%20THE%20ELECTRICITY%20SECTOR.pdf>

<sup>85</sup> Ibid.

		with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. Sustainable Cities and Communities	11.2 by 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Pollution Prevention & Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Employment Generation and Programs	5. Gender Equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	9. Industry, Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Access to Essential Services	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality, and affordable essential medicines and vaccines for all
	4. Quality Education	4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
		4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes

Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Food Security and Sustainable Food Systems	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
		2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
Preservation of Cultural Heritage	11. Sustainable Cities and Communities	11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage

## Conclusion

MCB Group has developed the MCB Group Sustainable Finance Framework under which it intends to issue bonds, commercial paper, loans and other financial instruments and use the proceeds to finance and refinance, in whole or in part, existing and future projects that contribute to Mauritius' transition to a low-carbon economy and promote socio-economic development. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The MCB Group Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the MCB Group Sustainable Finance Framework is aligned with the overall sustainability strategy of MCB Group and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 5, 6, 7, 8, 9, 11, 12 and 13. Additionally, Sustainalytics is of the opinion that MCB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Mauritius Commercial Bank Limited is well positioned to issue green, social and sustainability bonds and loans and that the MCB Group Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Green Loan Principles 2023, Social Bond Principles 2023, Social Loan Principles 2023, and Sustainability Bond Guidelines 2021.

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