



## **Communication on Progress**

**Year: 2013**

### **STATEMENT**

MCB is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. Staff at all levels adheres to the bank's Code of Conduct and the national Code of Banking Practice while epitomising the core values of the organisation in their daily activities.

Since its signature of the United Nations Global Compact in December 2007, MCB fully supports the ten principles of the Global Compact and is committed to making them part of its strategy, culture and day-to-day operations.

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	Global Compact Principle	Action Taken & Impact Achieved and/or Plans for the upcoming Year
	<p><b>1:</b> Businesses should support and respect the protection of internationally proclaimed human rights;</p>	<ul style="list-style-type: none"> <li>▪ MCB is an equal opportunity employer and does not discriminate in any way with regard to race, religion or gender. MCB provides fair treatment with regard to staff recruitment and the management of human resources, whilst adhering to the equal opportunity principles. Employment opportunities are openly advertised. Even prior to the 31<sup>st</sup> December 2011 when the Equal Opportunity Act had been voted, MCB had already drafted an Equal Opportunity Policy in line with the best practices and other laws in force. As a major stakeholder in the private sector, we have participated in the discussions with members of the Government and several NGO's to draft the Bill.</li> <li>▪ All employees are entitled to annual leaves (including local, sick, examination, maternity, paternity leaves, etc) and benefit from a medical scheme and 24 hour insurance cover.</li> <li>▪ Since 2006, the bank has been operating an Employee Share Option Scheme for its entire staff whereby employees are granted options – exercisable through four specific time windows over a one-year period – to acquire shares at discounted prices for a total amount of up to 25 % of their annual performance bonus, with a vesting period of three years.</li> <li>▪ The bank has developed and implemented social, health and environmental policies and practices that in all material respects comply with existing legislative and regulatory frameworks. The health and safety of staff and visitors are of paramount importance to the bank and all reasonable measures are taken to ensure a sound and healthy working environment.</li> <li>▪ We have also a full time dedicated Safety Health &amp; Wellness team attached to the HR Strategic Business Unit. Besides the regulatory mandate, this resource is actively involved in the training and awareness of all our staff.</li> <li>▪ Further, a staff welfare unit has been set up and a Counsellor has been appointed. Among the several initiatives that have been implemented, we can mention the health check-up organised in collaboration with a private clinic; program to quit smoking; weight watchers. These initiatives, which are open to all, have been welcomed and have known a growing interest among staff. There has also been organisation of fitness &amp; swimming classes as well as conduct of training on 'Health and Safety Awareness'. In addition, wherever feasible, flexible working arrangements have been encouraged at different levels to promote a better work-life balance</li> <li>▪ Emergency Plan: No business or organization is immune to an emergency or disasters, which often appear without warning and demand prompt reaction. The Management of the bank is committed to ensuring that all employees enjoy and benefit from a safe environment. In this respect, MCB has formulated an emergency plan for the safeguard of its employees from potential risks and hazards. The S&amp;H Officer carries out audits on a regular basis, with the findings escalated to the Management and the Audit Committee for actions and follow-up.</li> </ul>

<input type="checkbox"/>	<p><b>2:</b> and make sure that they are not complicit in human rights abuses.</p>	<ul style="list-style-type: none"> <li>▪ At MCB, because people are key to its success, the Human Resource SBU champions the importance of the individual. HR facilitates the creation of an environment in which people have the means to constantly improve their capabilities.</li> <li>▪ Continuous learning is being fostered at MCB Development Centre, while a quality management system has been implemented at the building, culminating into the award of ISO 9001:2008 in December 2012. Moreover, major investment has been made in Skillsoft Leadership Advantage, a software solution providing e-learning training. A Leadership Development Programme has been developed for top, senior and middle management.</li> </ul> <p>Policies and procedures are available to all employees through the intranet.</p>
<input type="checkbox"/>	<p><b>3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<ul style="list-style-type: none"> <li>▪ Any employee can join the Mauritius Commercial Bank Employees' Association, which currently comprises 1,320 members, and whose objectives are: <ul style="list-style-type: none"> <li>○ To establish, improve, maintain and protect the working conditions of employees;</li> <li>○ To grant members financial, legal or other assistance, that the Committee deems desirable; and</li> <li>○ To maintain the highest degree of efficiency in terms of the services that members are called upon to deliver to the bank.</li> </ul> </li> <li>▪ The MCB Manual Workers Association is also well entrenched among the manual workers and has established a very good line of communication with the HR and the Management of the bank. This category of employees seems much satisfied with their work conditions as illustrated by an anonymous employee survey, albeit carried out in 2008.</li> </ul>
<input type="checkbox"/>	<p><b>4:</b> the elimination of all forms of forced and compulsory labour;</p>	<ul style="list-style-type: none"> <li>▪ All individuals who are proposed a job are presented with an employment contract. The contract stipulates the conditions of employment relating to the job proposed. All the conditions are read through by the HR representative and agreed by the individual by signing the documents.</li> </ul>
<input type="checkbox"/>	<p><b>5:</b> the effective abolition of child labour;</p>	<ul style="list-style-type: none"> <li>▪ In accordance with the existing labour laws in Mauritius, no employee below 18 years is employed. The following charts depict the gender distribution by age groups and by level of hierarchy (professional bands) of all the employees of the bank:</li> </ul>

		<p>Figures below show employees working on a permanent basis and on long term contracts (&gt;1yr) as at end January 2014.</p> <table><tr><th rowspan="2">Age distribution</th><th colspan="2">Gender</th><th rowspan="2">Grand Total</th></tr><tr><th>Female</th><th>Male</th></tr><tr><td>18-29</td><td>577</td><td>372</td><td>949</td></tr><tr><td>30-39</td><td>336</td><td>464</td><td>800</td></tr><tr><td>40-49</td><td>173</td><td>393</td><td>566</td></tr><tr><td>50-60</td><td>59</td><td>182</td><td>241</td></tr><tr><td>&gt;60</td><td>6</td><td>30</td><td>36</td></tr><tr><td>Grand Total</td><td>1,151</td><td>1,441</td><td>2,592</td></tr></table> <table><tr><th rowspan="2">Band</th><th colspan="2">Gender</th></tr><tr><th>Female</th><th>Male</th></tr><tr><td>Ungraded (*)</td><td>40</td><td>92</td></tr><tr><td>Technical</td><td>6</td><td>311</td></tr><tr><td>Business Support</td><td>732</td><td>419</td></tr><tr><td>Business Associate</td><td>222</td><td>341</td></tr><tr><td>Business Professional</td><td>129</td><td>197</td></tr><tr><td>Business Manager</td><td>20</td><td>58</td></tr><tr><td>General Management - Managers</td><td>2</td><td>9</td></tr><tr><td>General Management - Senior Managers</td><td>-</td><td>7</td></tr><tr><td>General Management - Chief Managers</td><td>-</td><td>4</td></tr><tr><td>General Management - Top Executives</td><td>-</td><td>3</td></tr><tr><td>Grand Total</td><td>1,151</td><td>1,441</td></tr></table> <p>(*) Ungraded positions comprise jobs in the various levels of hierarchy within MCB Subsidiaries and employees working under long term contract.</p> <p>The demographic analysis provides an insight into how well the organisation makes good use of experience and diversity at different level of hierarchy.</p>	Age distribution	Gender		Grand Total	Female	Male	18-29	577	372	949	30-39	336	464	800	40-49	173	393	566	50-60	59	182	241	>60	6	30	36	Grand Total	1,151	1,441	2,592	Band	Gender		Female	Male	Ungraded (*)	40	92	Technical	6	311	Business Support	732	419	Business Associate	222	341	Business Professional	129	197	Business Manager	20	58	General Management - Managers	2	9	General Management - Senior Managers	-	7	General Management - Chief Managers	-	4	General Management - Top Executives	-	3	Grand Total	1,151	1,441
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<input type="checkbox"/>	6: and the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"><li>With a view to eliminating discrimination in the recruitment process, all adverts are open to existing employees as well as the population in general. In interviews no question relating to the age, marital status, religion, ethnicity and physical impairment are asked and are not determinant in the selection process.</li></ul>																																																																				
<input type="checkbox"/>	7: Businesses should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"><li>One of the missions of the MCB is 'We will do what we can to make the world a better, greener place'.</li><li>In line with its commitment for sustainable development and the country's 'Maurice Ile Durable' proposal, the internally-generated 'Initiative 175' programme of MCB seeks to uphold the healthiness of the natural environment in the country, while promoting energy saving and renewable energy production. In this respect, MCB has, over the past few years, taken a series of concerted and proactive actions towards encouraging the adoption of sound practices and behaviours by its employees, clients, shareholders and the public at large, thus</li></ul>																																																																				

		<p>contributing to make them more aware on the environmental question. Building on this momentum, the bank intends to sustain and step up its efforts going forward to better embed its corporate responsibility in a socio-economic environment marked by mounting pressures and evolving exigencies.</p> <ul style="list-style-type: none"> <li>▪ MCB also pursues its environmental responsibility through the MCB Forward Foundation, whose interventions are shaped by the guidelines set by the Government as per its National CSR Programme. Of note, after being officially launched in September 2010 to more effectively and efficiently manage the Corporate Social Responsibility (CSR) activities of the bank, the MCB Forward Foundation today acts as an adequate point of convergence for the design and implementation of specific initiatives to further our engagement with society.</li> <li>▪ In May 2012, MCB adopted the Equator Principles which stand as a governing principle of the bank's Environmental and Social (E&amp;S) Policy, in support of its 'responsible financing'. Indeed, the E&amp;S Policy sets out the principles to be endorsed as well as the roles and responsibilities of the bank, whereby the latter should ensure that the social and environmental impacts of any project – i.e. one to which loans of an aggregate amount greater than or equal to USD 2 million and with a maturity of at least 24 months – are being systematically identified, evaluated and managed.</li> </ul>
<input type="checkbox"/>	<p><b>8:</b> undertake initiatives to promote greater environmental responsibility;</p>	<p>The 'Initiative 175' project has promoted the following initiatives. Other initiatives seeking to promote the use of environment friendly technologies are delineated in Section 9.</p> <ul style="list-style-type: none"> <li>▪ Promoting the awareness of the general public: <ul style="list-style-type: none"> <li>○ Financing of 'UnisVert' in 2009, a series of 26 mini-documentaries that were broadcast on prime-time television and eventually distributed to secondary schools on DVDs, with the aim being to raise awareness about the ecosystem as well as encourage the population to be more nature-conscious and to adopt a more ecologically responsible behaviour</li> <li>○ Production and broadcast of a daily prime-time TV programme, named 'Eco TV', between December 2010 and January 2012 and as from February 2013, to show the simple things that can be done to protect the environment and reduce pollution</li> <li>○ Organisation, in collaboration with the Ministry of Education, of the 'Make a Wish' competition in April 2012 and in February 2013, whereby primary schools are invited to submit projects on how to embellish school premises and protect the environment, with the best projects receiving cash prizes that enable them to put their endeavours into practice</li> <li>○ Launch of the first directory on the 'green' business services in Mauritius some years back, with our 'Green Directory' thereafter re-edited and available for download from MCB's website since June 2012</li> <li>○ Distribution of 50,000 re-usable bags to customers in hypermarkets and supermarkets around the island as well as throughout the branch network in April 2012 in order to help to do away with polluting plastic bags</li> <li>○ Free distribution of 100,000 economic light bulbs in 2009 to customers opening up savings accounts or taking personal loans</li> <li>○ Exclusive sponsorship of a free public exhibition of worldwide landscape pictures by the famous photographer, Yann Arthus-Bertrand in April 2010, depicting the ecological realities and challenges of our planet</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>▪ Sensitisation of staff and business units at the bank:               <ul style="list-style-type: none"> <li>○ Placement of specific paper bins in all business units at MCB for the collection of waste paper in 2011 with a view to collecting paper for recycling; boxes placed at the Head Office canteen to gather used batteries and mobiles in March 2011</li> <li>○ Sensitisation of staff on environment issues by key NGOs such as the Mauritian Wildlife Foundation, Mission Verte, Vallée de Ferney Conservation Trust, and Reef Conservation</li> <li>○ Organisation of an induction course called 'Sustainable organisation and responsible employee' since February 2011 to educate new staff on the bank's initiatives in this respect and how employees can contribute to that effect</li> <li>○ Purchase of an ecodigester in May 2013 which allows the canteen to recycle its organic wastes</li> <li>○ Distribution of over 2,000 endemic plants with air-cleansing capacities to staff in June 2009</li> </ul> </li> <li>▪ Besides, under the MCB Forward Foundation, several initiatives in favour of the environment have been implemented recently:               <ul style="list-style-type: none"> <li>○ 'Bel Ombre Foundation' – Encouragement of entrepreneurship through the Plankton Community Recycling Plant project</li> <li>○ 'Eco Sud' – Sustainable management of Pointe d'Esny Lagoon and Blue Bay Marine Park</li> <li>○ 'Mission Verte' – Empowerment of vulnerable groups through the creation of products made from recycled glass</li> <li>○ 'Mauritius Wildlife Foundation' – Reconstruction of the Native Mauritian Habitat by using giant tortoises</li> </ul> </li> </ul>
<div data-bbox="97 1585 129 1621" style="border: 1px solid black; width: 20px; height: 16px; margin-bottom: 5px;"></div>	<p><b>9:</b> and encourage the development and diffusion of environmentally friendly technologies.</p>	<p>The 'Initiative 175' project has also led to the promotion of the use of environmentally friendly technologies, some key examples being elicited as follows:</p> <ul style="list-style-type: none"> <li>▪ Encouraging environment friendly-investments:               <ul style="list-style-type: none"> <li>○ Financing of 'green' projects to help businesses save energy and reduce carbon emissions, with the bank drawing some 70% of the EUR 40 million line of credit granted by Agence Française de Développement (AFD) to four participating banks in 2009; of note, MCB has already finalised a second line of credit with the AFD to finance 'green' projects</li> </ul> </li> </ul>

### Estimated annual environment benefits of projects financed under the AFD line

Details	Amount
Electricity saved	57,887 MWh
Clean water saved	1,028,691 cubic metres
Wastewater reduced	886,827 cubic metres
Liquefied petroleum gas saved	635,030 litres
Diesel saved	951,109 litres
Heavy fuel oil saved	298,600 litres
CO <sub>2</sub> emission reductions	133,115 metric tons

- Dedicated 'green' offers attached with housing loan solutions over the years; reduction of 50% in respect of commissions applied to letters of credit for the import of genuine energy saving goods and equipment as from March 2009
- Launch of a 'rainwater harvesting scheme' in February 2013, with the product seeking to encourage customers to collect rainwater for domestic uses, thus assisting in relieving pressures on the country's water distribution system
- Fostering energy efficient buildings
  - Construction of an eco-friendly and energy-efficient MCB building at St Jean; the building, which was inaugurated in October 2011, is the first in Mauritius and the Southern Hemisphere to qualify for the BREEAM certification, which is a world leading environmental assessment method and rating system for buildings; of note, the photovoltaic (PV) farm placed at MCB St Jean and covering some 3,000 m<sup>2</sup> started production of electrical power in February 2012 by using solar energy
  - Bank-wide energy audits conducted over time for increased energy efficiency; upon completion of phase 3 of the exercise initiated since March 2011, carbon footprint measurement has now been carried out for all of our branches
- Paving the way for reduced paper utilisation at MCB:
  - As part of our initiative to become a paperless organization, we have introduced an Oracle application, named EMPOWER, available to Managers and employees where all sort of transactions, which used to be in hard copies, have now been streamlined and do not necessitate any printing at all. For example, pay slips and income tax returns are now delivered in soft copies, and I-Recruitment is soon to be introduced.

		<ul style="list-style-type: none"> <li>○ E-statements sent to customers who choose to receive their statement of accounts and credit card statements through email since 2011, thus helping to reduce paper consumption and promote ecological welfare</li> <li>○ Phased implementation of an Electronic Document Management System at MCB during FY 2012/13, with the system providing the necessary arrangements for the processes being used for the capture of customer information and the treatment of relevant documentation to be widely automated, thus engendering a major reduction in paper use at the bank</li> </ul>
<div style="border: 1px solid black; width: 20px; height: 20px; margin: 0 auto;"></div>	<p><b>10:</b> Businesses should work against all forms of corruption, including extortion and bribery.</p>	<ul style="list-style-type: none"> <li>▪ The Directors of MCB Ltd comply with the regulations under Company law while preparing Financial Statements by: <ul style="list-style-type: none"> <li>○ Ensuring that adequate accounting records and an effective system of internal controls and risk management have been maintained;</li> <li>○ Selecting suitable accounting policies and then applying them consistently;</li> <li>○ Making judgements and estimates that are reasonable and prudent;</li> <li>○ Stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements and;</li> <li>○ Preparing the Financial Statements on the going concern basis unless it is inappropriate to presume that the bank will continue in business.</li> </ul> </li> <li>▪ A Compliance function exists within MCB which facilitates the management of compliance risk by: <ul style="list-style-type: none"> <li>○ Establishing compliance policies and standards;</li> <li>○ Providing an independent reporting mechanism to the Board;</li> <li>○ Participating in the review and approval of new business initiatives, products, services and systems;</li> <li>○ Fostering good relations with regulators and;</li> <li>○ Assisting the establishment of a homogeneous and coherent global compliance function across all subsidiaries of the MCB Group.</li> </ul> <p>The key areas of the MCB Group Compliance Coverage, in each jurisdiction in which it operates, are the laws and regulations; codes of conduct and good practice; key business ethics and values; and reputational risk.</p> <p>Furthermore, with regard to the MCB's Anti-Money Laundering and Combating Financing of Terrorism obligations, the Compliance function is duty-bound to ensure that the bank has put in place adequate processes, which are being appropriately implemented, and that adequate training is given to staff.</p> </li> <li>▪ The Board of MCB is fully committed to attaining and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the shareholders. The Board has created five Board Committees to help it in carrying out its duties and responsibilities: the Supervisory and Monitoring Committee, the Audit Committee, the Conduct Review Committee, the Nomination and Remuneration Committee and the Risk Monitoring Committee.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ The Audit Committee currently consists of four non-executive directors, of whom three are independent including the Chairperson. It meets at least four times a year corresponding to the Bank's quarterly reporting cycle. In particular, it reviews the quarterly results and annual financial statements before these are approved by the Board. The activities of the Audit Committee include, inter alia, regular reviews and monitoring of the following: the effectiveness of the Bank's internal financial control and risk management systems; the effectiveness of the internal audit function; the independence of the external auditors and the assessment of their performance; the remuneration of the external auditors and their supply of non-audit services; and the Bank's procedures for ensuring compliance with laws and regulations relevant to financial reporting and with its internal code of business conduct.</li> <li>▪ The mission of risk management at MCB is: To identify, assess and manage the credit, operational, market and information risks to which the Group is exposed, thereby improving the risk-return profile of its activities while upholding an environment conducive to attracting and promoting business opportunities. In respect of risk management, the bank is compliant with the Basel II Standardised Approach with respect to the measurement of the bank's credit and market risks whereas the Basic Indicator Approach is used in determining the required operational risk capital. The bank has adopted the best practice Internal Capital Adequacy Assessment Process (ICAAP) which uses evolving risk assessment methodologies for capital adequacy to support the different portfolios of risk represented by the bank's financial business. The bank has also adopted a formal disclosure policy as defined in the Basel II Framework.</li> <li>▪ The bank is committed to the highest standards of business integrity, transparency and professionalism and ensures that all its activities are managed responsibly and ethically whilst seeking to enhance business value for all stakeholders. In line with this objective, the Bank issued a Code of Conduct in February 2002, based on the model code of the Joint Economic Council, as appropriately adapted to meet its own specific needs and updated on a regular basis. The Bank adheres to the revised Mauritius Bankers Association Code of Ethics and of Banking Practice issued in 2013 and subscribes to the Code of Corporate Governance for Mauritius, which was issued in October 2003.</li> </ul> <p>The bank ensures public accountability and transparency through regular and clear communications with its stakeholders.</p>
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