



## **Communication on Progress**

**Year: 2017**

### **STATEMENT**

MCB Ltd is committed to make a sound and sustained contribution to the economies, environments and communities in which it is involved. To this end and while adhering to regulatory rules, the Bank has a well-established governance and operational framework to ensure that engagement with its stakeholders is optimally managed, in alignment with good international practices.

Since its signature of the United Nations Global Compact in December 2007, MCB Ltd 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>▪ The Bank is an equal opportunity employer and has in place an Equal Opportunity Policy, aimed at minimising the risk of any form of discrimination against an employee. The Bank ensures that no employee receives less favourable treatment and that opportunities for employment, training and promotion are accessible to all candidates irrespective of their status (i.e. age, caste, colour, creed, ethnic origin, impairment, marital status, place of origin, political opinion, race, sex or sexual orientation).</li> <li>▪ The Bank has an Occupational Safety and Health Policy which aims to ensure a safe and healthy working environment, system of work and equipment for employees and safeguard them from any potential risks or hazards. For instance, the Policy caters for, amongst others: <ul style="list-style-type: none"> <li>○ prevention of accidents and cases of work-related ill health and provision of adequate control of health and safety risks arising from work activities;</li> <li>○ implementation of emergency procedures - evacuation in case of fire or other significant incident; and</li> <li>○ periodic verification of first-aid box and accident investigation.</li> </ul> </li> <li>▪ MCB employees benefit from a medical scheme and a 24-hour insurance cover for personal accidents as well as an assurance catastrophe cover. Besides, the Health, Safety and Wellness Unit carries out audits on a regular basis and the findings are escalated to the Management and the Audit Committee for actions and follow-up. Several initiatives have been implemented by the Unit, including, a health check-up organised in collaboration with a private clinic on an annual basis, in addition to a program to quit smoking and Weightwatchers organised in previous years. Moreover, the organisation has further deployed its wellness programme with the aim of promoting a healthy balance of the mind, body and spirit among its employees, as demonstrated by organisation of several other wellness activities (eg. Yoga, Self Defence, Zumba etc.). Moreover, a counsellor is available to help employees to cope with their personal or professional problems.</li> <li>▪ <i>Learning, talent management and career development</i> <ul style="list-style-type: none"> <li>○ The Bank regularly conducts dedicated programmes to step up its human capital, including training courses deployed and lectures held by international experts at the MCB Development Centre. Employees benefit from technical training as well as training geared towards the development of soft skills.</li> <li>○ The Bank is among the pioneers in the banking industry to have executed the 'DUO' programme in 2015, which is a joint public-private sector partnership that allows secondary school leavers to obtain a full sponsorship for a 'Brevet de Technicien Supérieur' with specialisation in Banking at the Business School of the Mauritius Chamber of Commerce and Industry (MCCI). MCB designed and implemented a programme allowing 40 HSC school leavers to concomitantly work as employees of the Bank, while being also enrolled on the 2-year programme. This has been made possible through a roster, allowing the employees to dedicate some days of the week to their studies. In the same vein, MCB granted 25 bursaries to employees in its retail field to follow the same academic course on a part-time basis.</li> <li>○ In line with its philosophy of promoting continuous learning at all levels, the Bank partnered with a French-based executive leadership development consultancy firm to propose a comprehensive journey for leadership</li> </ul> </li> </ul>

	<p>transformation. Participants to this programme are members of the Bank's Management Committee, the General Management as well as members of leading teams impacted by recent organisational restructuring exercises. In 2015, the Bank initiated a Management Development Programme in partnership with the University of Stellenbosch Executive Education (USB ED), which targeted some 100 high potential employees aspiring to leadership positions. A first batch of participants graduated in March 2016, while the second cohort in November 2016. The participants, which come from different sections of the Bank, are organised in syndicates to define, research and document a 'Business-Driven Action Learning' project, while benefiting from 5 study schools facilitated by experienced tutors from USB ED.</p> <ul style="list-style-type: none"> <li>▪ The Bank operates 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> </ul>
<b>2:</b> and make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> <li>▪ The Bank has a Leaves Policy whereby all employees are entitled to annual leaves (including local, sick, examination, wedding, maternity, paternity, injury etc...).</li> <li>▪ The Bank has a Flexible Working Arrangements Policy, in line with MCB's commitment to create a better workplace for its employees by promoting staff welfare and work-life balance, as well as the need to adapt to the constantly evolving business requirements. Even though flexible working arrangements is offered to the organisation at large, the possibility to implement it depends largely on the particular business needs of each business unit and the peculiarities of each position within the organisation.</li> <li>▪ The Bank holds strongly to the belief that an engaged workforce is a prerequisite to achieving a company's sustainable growth. An MCB-wide Employee Engagement Survey, branded 'PULSE' was carried out in February 2016. More than 2,200 individual surveys were completed, resulting in an overall response rate of 94%, well above the international benchmark of 50-60% participation rate to such initiatives. It enabled us to obtain the perception of employees about the Bank's leadership, its organisational processes and policies, job satisfaction displayed by staff as well as prevailing working relationships. Subsequently, interactive sessions were held with business units to develop necessary action plans. Testifying to its importance, 'PULSE' will become a recurrent feature on the Bank's annual calendar of events.</li> </ul>
<b>3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> <li>▪ Any employee can join the Mauritius Commercial Bank Employees' Association, which currently comprises 1,393 members, and whose objectives are to: <ul style="list-style-type: none"> <li>○ regulate relations and settle disputes by conciliatory methods whenever possible between MCB employees and their employer and, whenever necessary, between the members and other workers;</li> <li>○ protect the interest of its members as set out in the Procedure Agreement entered between the Union and MCB;</li> <li>○ co-operate with other trade unions having for one of their objects the promotion of the interests of employees within the scope of the Employment Relations Act 2008.</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</li> </ul>

	<p>the Management of the Bank. Results from the PULSE survey administered in 2016 regarding this category of employee were as follows: 71.8% are satisfied at work with an intention to stay with the MCB of 83.7%.</p>																																																																								
4: the elimination of all forms of forced and compulsory labour;	<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>																																																																								
5: the effective abolition of child labour;	<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><li>Figures below shows employees working on a permanent basis and on short and long term contracts as at December 2016.</li></ul> <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>553</td><td>326</td><td>879</td></tr><tr><td>30-39</td><td>427</td><td>458</td><td>885</td></tr><tr><td>40-49</td><td>161</td><td>354</td><td>515</td></tr><tr><td>50-60</td><td>75</td><td>222</td><td>297</td></tr><tr><td>&gt;60</td><td>6</td><td>24</td><td>30</td></tr><tr><td>Grand Total</td><td>1,222</td><td>1,384</td><td>2,606</td></tr></table> <table><tr><th rowspan="2">Grade</th><th colspan="2">Gender</th><th rowspan="2">Grand Total</th></tr><tr><th>Female</th><th>Male</th></tr><tr><td>Ungraded</td><td>161</td><td>120</td><td>281</td></tr><tr><td>Technical</td><td>4</td><td>253</td><td>257</td></tr><tr><td>Business Support</td><td>636</td><td>386</td><td>1,022</td></tr><tr><td>Business Associate</td><td>246</td><td>314</td><td>560</td></tr><tr><td>Business Professional</td><td>146</td><td>225</td><td>371</td></tr><tr><td>Business Manager</td><td>25</td><td>68</td><td>93</td></tr><tr><td>Business Executive</td><td>-</td><td>7</td><td>7</td></tr><tr><td>Business Leader</td><td>4</td><td>11</td><td>15</td></tr><tr><td>Grand Total</td><td>1,222</td><td>1,384</td><td>2,606</td></tr></table> <ul style="list-style-type: none"><li>The demographic analysis confirms how well the organisation makes good use of experience and diversity at different levels of hierarchy.</li></ul>	Age distribution	Gender		Grand Total	Female	Male	18-29	553	326	879	30-39	427	458	885	40-49	161	354	515	50-60	75	222	297	>60	6	24	30	Grand Total	1,222	1,384	2,606	Grade	Gender		Grand Total	Female	Male	Ungraded	161	120	281	Technical	4	253	257	Business Support	636	386	1,022	Business Associate	246	314	560	Business Professional	146	225	371	Business Manager	25	68	93	Business Executive	-	7	7	Business Leader	4	11	15	Grand Total	1,222	1,384	2,606
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6: and the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"><li>The Bank ensures that no employee receives less favourable treatment and all advertisements are open to existing employees and the population in general. In interviews no question relating to the age, marital status, religion, ethnicity and physical impairment are asked and, as such, these factors are not determinant in the selection process.</li></ul>																																																																								
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 '<i>We will do what we can to make the world a better, greener place</i>'.</li><li><i>Adoption of environment-conscious and energy-saving practices in our operations and activities:</i></li></ul>																																																																								

	<ul style="list-style-type: none"> <li>○ Since 15 May 2012, MCB has adopted the Equator Principles, which is a voluntary and internationally recognised risk management framework, espoused by many financial institutions worldwide, for determining, appraising and managing environmental and social risks in project financing. This framework stands as the foundation and guiding principle of the Bank's Environmental and Social Policy, which articulates the principles, policies, roles and responsibilities through which the Bank ensures the environmental and social risks management of its lending activities, in particular regarding any project or undertaking entailing loans of an aggregate amount greater than or equal to USD 2 million and with a maturity of at least 24 months.</li> <li>○ Bank-wide energy audits are regularly conducted to pave the way for increased energy efficiency. In 2015, following the Blue Carbon Footprint certification received from Rexizon Consulting by all its branches and sites during the previous year, MCB has successfully renewed such certification after passing the relevant validation and mitigation assessments. Testifying to our commitment to minimising our operational environment impact, our emissions of carbon dioxide were reduced by around 3% in 2015.</li> </ul> <ul style="list-style-type: none"> <li>▪ MCB also caters for the environment through the MCB Forward Foundation, which is the Group's dedicated vehicle, ISO certified, for the design and implementation of Corporate Social Responsibility (CSR) initiatives.</li> <li>▪ The ultimate holding company of MCB Ltd, i.e. MCB Group Ltd, is one of the constituents of SEMSI. This sustainability index of the Stock Exchange of Mauritius, launched in August 2015, tracks the price-performance of listed companies which demonstrate strong sustainability practices.</li> </ul>
<b>8:</b> undertake initiatives to promote greater environmental responsibility;	<ul style="list-style-type: none"> <li>▪ <i>Promoting the eco-friendly awareness of the customers, general public and our employees:</i> <ul style="list-style-type: none"> <li>○ MCB actively promoted the use of e-statements by customers. The total number of customers subscribing thereto increased by 53% during the year ending June 2016. In the same vein, the Bank offers its customers the possibility of receiving its key publications, such as annual reports, financial statements, notices of meetings and other shareholder documents, electronically.</li> <li>○ The Bank is supporting the Ebony Forest project, which consists of recreating 50 hectares of forest by weeding 13 hectares of invaded forest and planting over 110,000 native plants. Also, the Bank is financing an educational film in English and French, which will be a permanent feature in the Ebony Forest's visitor centre, highlighting what Mauritius was like before the arrival of humans, the degradation of the environment, and ongoing efforts to restore and save the remnants habitats and species.</li> </ul> </li> <li>▪ <i>Sensitisation of our internal stakeholders:</i> <ul style="list-style-type: none"> <li>○ Specific initiatives have been undertaken to sensitise our staff and business units on environment issues. The organisation conducted courses and conferences in relation to the theme of sustainable development so as to educate new staff on the initiatives deployed in this respect and explain how employees can contribute to that effect.</li> </ul> </li> </ul>
<b>9:</b> and encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>▪ <i>Encouraging environment-friendly and energy-saving investments:</i> <ul style="list-style-type: none"> <li>○ The Bank widened its involvement in respect of the provision of the second edition 2016 of its preferential credit facilities named as 'Green Loans', pursuant to the lending facility availed from Agence Française de</li> </ul> </li> </ul>

	<p>Développement to stimulate the deployment of renewable energy and energy efficiency technologies, save energy and reduce carbon emissions. In respect of this financing product, an investment grant of 8% of the loan amount is offered to the client for investments in 'green' projects that can be 100% financed by the Bank.</p> <ul style="list-style-type: none"> <li>○ MCB has partnered with the BioPark Mauritius project, which is viewed as being the first hub of its kind in the Indian Ocean. BioPark Mauritius aspires to be a dedicated space encouraging the use of biotechnologies for research and development by innovative companies and professionals.</li> </ul>
<p><b>10:</b> Businesses should work against all forms of corruption, including extortion and bribery.</p>	<ul style="list-style-type: none"> <li>▪ Directors are responsible for safeguarding the assets of the Bank and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Bank.</li> <li>▪ With a view to give a true and fair view of the state of affairs of the Bank regarding preparation of Financial Statements for each financial year, directors are responsible for: <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;</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> <li>○ keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank while ensuring that: the Financial Statements fairly present the state of affairs of the Bank, as at the financial year end, and the results of its operations and cash flow for that period; and</li> <li>○ ensuring that Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.</li> </ul> </li> <li>▪ The Audit Committee is responsible for overseeing the financial reporting process in order to ensure the integrity and transparency of the financial information published by the Bank. It currently consists of three independent non-executive directors. 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, amongst others, regular reviews and monitoring of the following: <ul style="list-style-type: none"> <li>○ the effectiveness of the Bank's internal financial control and risk management systems;</li> <li>○ the effectiveness of the internal audit function;</li> <li>○ the independence of the external auditors and the assessment of their performance;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ the remuneration of the external auditors and their supply of non-audit services; and</li> <li>○ the Bank's procedures for ensuring compliance with laws and regulations relevant to financial reporting and with its internal code of conduct.</li> </ul> <ul style="list-style-type: none"> <li>▪ With a view to enhancing the overall adequacy and effectiveness of the Bank's internal controls framework, external auditors report on whether the Financial Statements are fairly presented. The Bank, via the Audit Committee, has a process in place to ensure that there is no threat to the objectivity and independence of external auditors in the conduct of the audit, resulting from the provision of non-audit services by them.</li> <li>▪ The Compliance function of the Bank is tasked to keep non-compliance incidents at bay. Main strategic intents implemented are as follows: <ul style="list-style-type: none"> <li>○ promoting awareness of Management and staff on requirements arising out of new or amendments to laws and regulations;</li> <li>○ undertaking regular reviews with the aim of ensuring ongoing adherence to the principles of good corporate governance;</li> <li>○ shoring up processes and procedures to ensure that the Bank conducts its business in a manner that effectively mitigates the risk of money laundering and financing of terrorism;</li> <li>○ designing a set of policies to promote strong ethical behaviours by staff; and</li> <li>○ exercising close oversight over customer-related complaints.</li> </ul> </li> <li>▪ With regard to the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) obligations of the Bank, the Compliance function is duty-bound to ensure that the Bank has adequate processes, systems and controls with a view to rendering its services inaccessible to criminals, including money launderers and terrorists or their financiers. The Anti-Money Laundering (AML) Policy is a key component of Operational Risk of the Bank. In addition, there is an AML Handbook which is compulsory for every employee to read carefully. A failure to do so, or a failure to adhere to its requirements, and to the Bank's established standards regarding customer acceptance, customer identification on opening of an account, record keeping, due diligence procedures, ongoing account monitoring, investigation of unusual or suspicious transactions and the reporting of such suspicious activities, is regarded as a disciplinary matter.</li> <li>▪ The Bank has a Fraud Policy to facilitate the development of controls that will aid in the detection and prevention of fraud against MCB.</li> <li>▪ The Bank has implemented a Whistleblowing Policy in May 2015, whereby an alternative reporting process is established for use by all employees without the risk of subsequent victimisation, discrimination or disadvantage. Whistleblowing at MCB is intended to assist employees who are deemed to have discovered malpractices or impropriety. In this respect, the reporting of undesirable conduct can be made to the Anti-Money Laundering/Fraud Prevention BU (AMLFP BU) by using the Bank's whistleblowing hotline, by email or directly to either (i) the manager of the AMLF BU; (ii) the Head of the Compliance BU; or (iii) the Chief Executive. Depending on the nature of the concern, the latter will be investigated by either the AMLFP BU or the Compliance BU. The investigation team maintains the confidentiality of anyone reporting a concern, subject to no external legal</li> </ul>
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	<p>action following from the disclosure, and provides reasonable feedback to the originator of the concern.</p> <ul style="list-style-type: none"> <li>▪ Members of Management and employees sign the 'Oath of Confidentiality' which is a mandatory legal requirement under the Banking Act. This is a formal declaration from a Manager/Employee maintaining that during and after his relationship with the Bank, he will not disclose directly or indirectly any matter or information relating to the affairs of the Bank.</li> <li>▪ The Bank complies with the Bank of Mauritius Guideline on Corporate Governance (2016), while subscribing to the national Code of Corporate Governance. In the latter respect, the Bank is taking the necessary steps to adhere to the new Code which is applicable as from reporting year ending June 2018. In the same vein, the Bank abides by the Mauritius Bankers Association's Code of Ethics and Banking Practice (2016) and has its own Code of Conduct which seeks to instill Bank-wide awareness of its operating beliefs and principles.</li> </ul>
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