



OCTOBER 2024

Sustainable Finance Framework

SUCCESS BEYOND NUMBERS



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Primary Review Group

This Sustainable Finance Framework benefited from the consultations of internal stakeholders within MCB Group, including MCB Ltd and MCB Capital Markets.



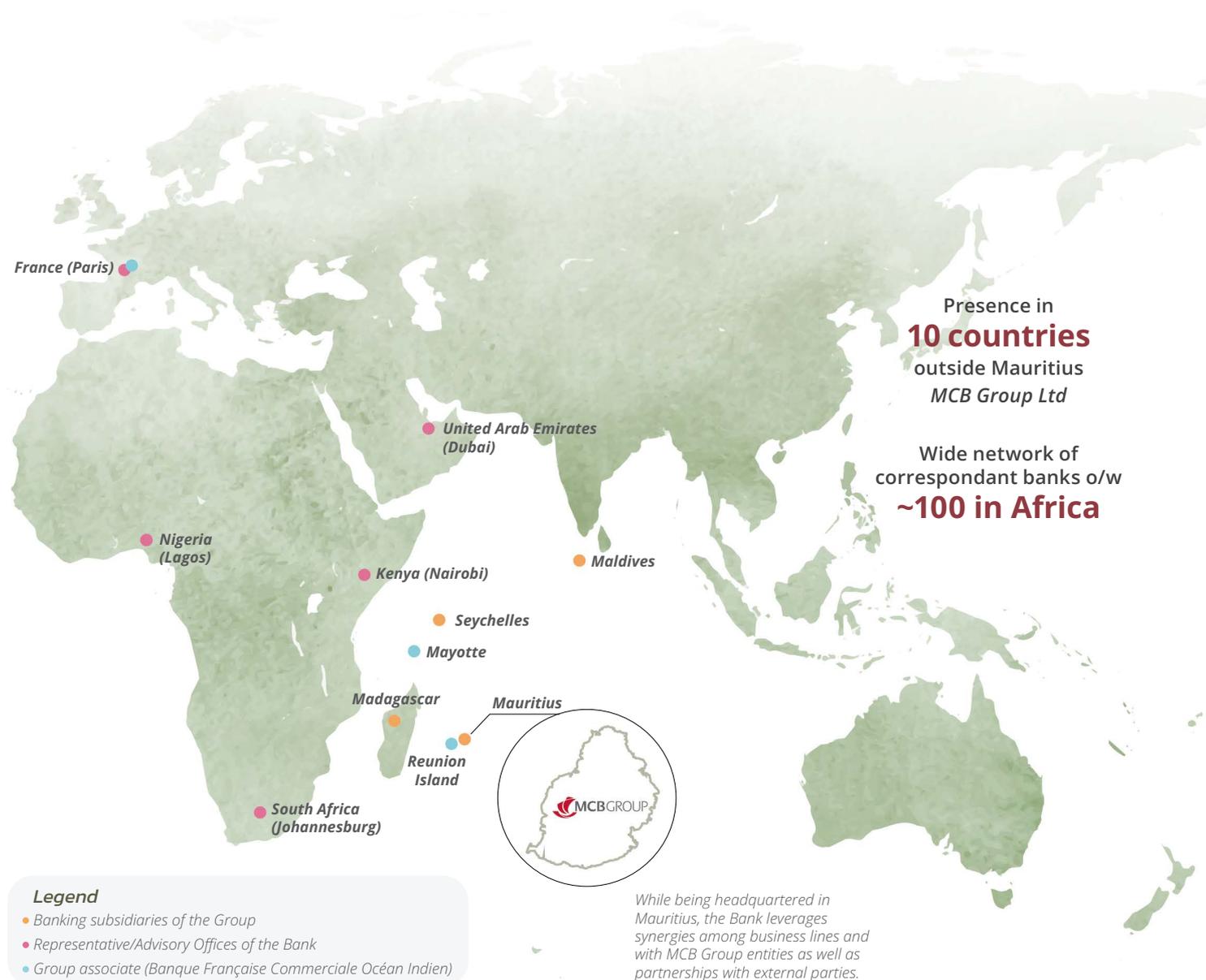
INTRODUCTION

1.1 MCB Group at a glance

MCB Group Limited (referred to as “MCB Group” or the “Group”) is the holding company of a number of local and foreign subsidiaries and associates, providing integrated regional banking and financial services through a diversified but synergistic portfolio of businesses. While being headquartered in Mauritius, the Group has a notable presence in the Indian Ocean and sub-Saharan African regions.

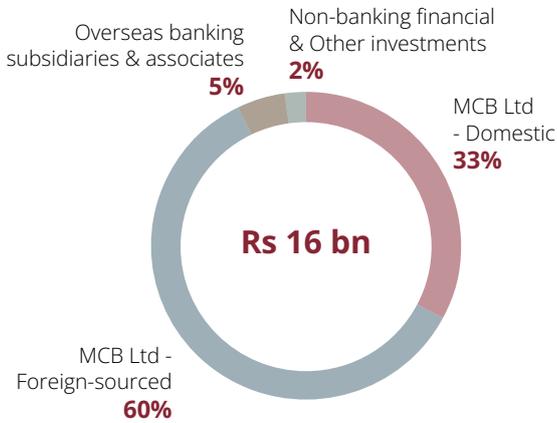
MCB Group’s main subsidiary, The Mauritius Commercial Bank Limited (“MCB Ltd”), which was established in 1838, is the leading bank in Mauritius. MCB Ltd is investment-grade Baa3/P-3 rated by Moody’s Investors Service and is among the few financial institutions rated as such in sub-Saharan Africa. Starting from a single bank, the Group has total assets worth MUR 830.0 billion (USD 18 billion) as of 2023. The non-banking financial services include Factoring and Leasing while the MCB Capital Markets Ltd is the investment banking and asset management arm of the Group. The Group also assists Micro and Small Entrepreneurs.

Amid ongoing endeavours to transform the Group into a simpler and better organisation, we aim to strengthen our positioning by delivering excellent customer service through adapted and innovative customer solutions and grow and diversify our business by tapping into opportunities in areas where we display strategic competencies, with Africa being our main target. Our actions are guided by our purpose, ‘Success Beyond Numbers’, with the key objective being to deliver a positive economic, social, environmental and cultural impact.

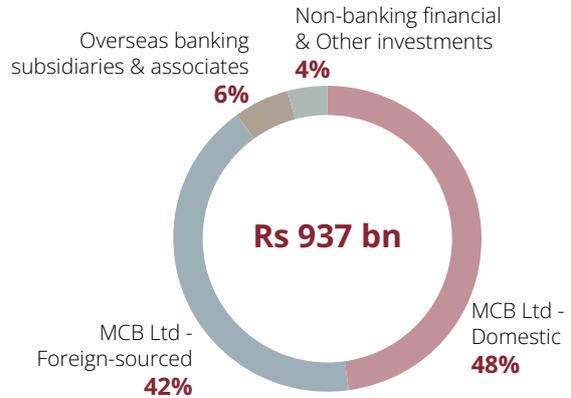


Contribution to MCB Group performance for financial year 2023-2024

Profit attributable to ordinary shareholders

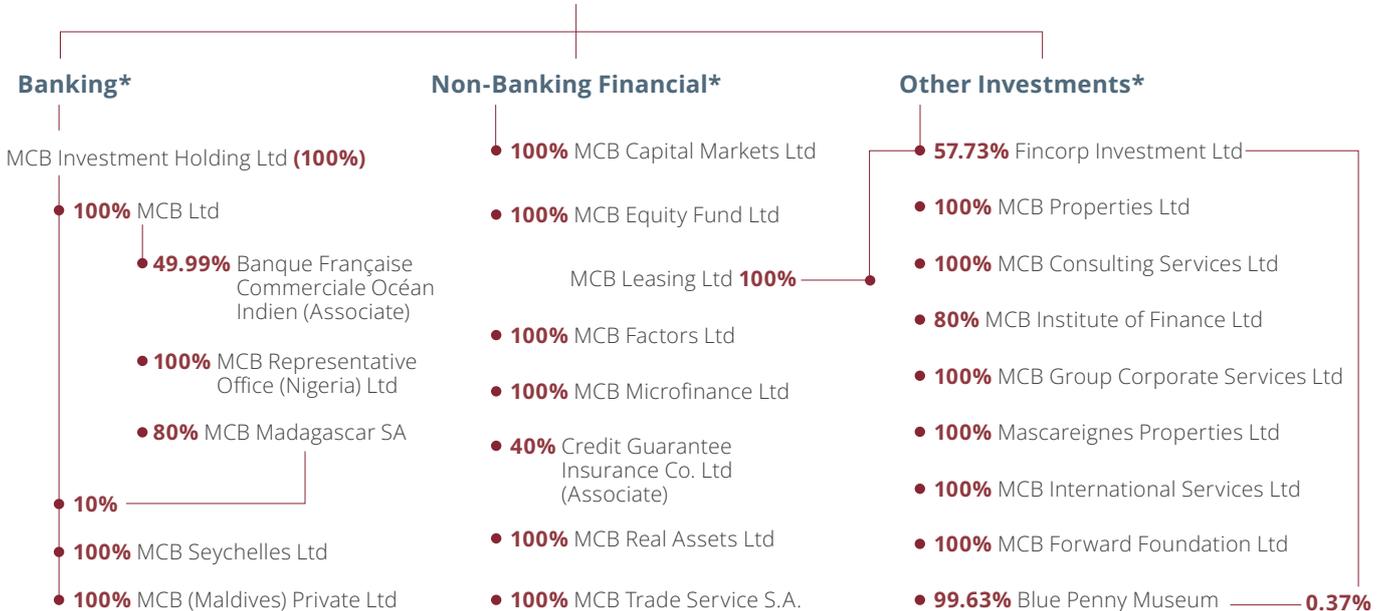


Assets



Note: Contribution of overseas banking subsidiaries and associates was impacted by the loss on disposal of MCB Group's stake in Société Générale Moçambique, S.A.

MCB GROUP LTD



*Relate to clusters

Note: Data shown in this section are for the year ending 30 June 2024. Latest figures and information are available on MCB Group Annual and Sustainability reports.

1.2 Our approach to sustainability

In November 2018, MCB Group launched 'Success Beyond Numbers', its purpose and commitment, to create sustainable prosperity for its customers, communities, people, and country, and to rethink the notion of success as a purely financial assessment, a legacy for future generations. 'Success Beyond Numbers', comprising three pillars, serves as the foundation that drives our efforts to build a more environmentally friendly, inclusive, resilient, and prosperous future for the countries we operate in.

Our sustainability approach is founded on the material environmental, social and governance issues facing the Group and the countries we operate in and is underpinned by the regulatory landscape, and international principles, standards and frameworks that we have adopted over the years to progress on our sustainability journey.

SUCCESS BEYOND NUMBERS



**Vibrant and sustainable
local and regional
economies**



**Our environmental
and cultural
heritage**



**Individual
and collective
well-being**

Responsible behaviour

United Nations Sustainable Development Goals (SDGs)



The SDGs reflect an ambitious international agreement to eradicate poverty and inequality, protect health and prevent climate change by Agenda 2030 through 17 specific outcomes that are universally recognised. We have identified 16 out of the 17 SDGs, which are relevant to our operations and are aligned with the three pillars of our sustainability vision.



United Nations Global Compact (UNGC)



MCB Ltd became a participant to the UNGC in 2008. The UNGC is a pact encouraging businesses and firms worldwide to adopt sustainable and socially responsible policies. We are committed to complying with the Ten Principles of the UNGC. MCB Ltd is also a founding member of the Mauritius and Indian Ocean regional UNGC network.

The Equator Principles



MCB Ltd adopted the Equator Principles in 2012. The Equator Principles serve as a common baseline framework for risk management for financial institutions to identify, assess and manage environmental and social risks when financing projects.

The Equator Principles provide the guiding principles for [MCB Ltd's Environmental and Social Risk Policy](#), which articulates how we manage and govern the environmental and social risks associated with our lending activities.

United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB)



MCB Ltd became a signatory to the UNEP FI PRB in 2019. These principles provide a framework to ensure that our strategy and business practices align with the visions set out by the SDGs and the Paris Climate Agreement.

To ensure consistency and transparency of our disclosures, our PRB report undergoes an assurance audit annually since 2023.

Read more about MCB Group's initiatives in its latest [Annual](#) and [Sustainability](#) reports.

1.3 MCB Group - Sustainable finance journey

Year	Initiative
2009	MCB Ltd partnered with the Agence Française de Développement (AFD) to finance development projects under its green finance label SUNREF (Sustainable Use of Natural Resources and Energy Finance) and signed a first credit line of EUR 40 million as a participating bank.
2014	MCB Ltd signed a second credit line as a participating bank, contributing towards the EUR 60 million with AFD (SUNREF).
2016	MCB Microfinance Ltd was created to promote financial inclusion and empower micro-entrepreneurs.
2017	MCB Ltd signed a third credit line of EUR 75 million with AFD (SUNREF).
2018	MCB Group launched 'Success Beyond Numbers' – the Group's purpose.
2019	<p>MCB Ltd became a signatory to the UNEP Finance Initiative Principles for Responsible Banking;</p> <p>MCB Ltd launched 'Lokal Is Beautiful' Initiative to create opportunities for local entrepreneurs to promote local production, circular economy and smart island;</p> <p>MCB Leasing launched Green Lease – a financing product for individuals and businesses to lease electric and hybrid vehicles.</p>
2020	<p>MCB Ltd published 'Klima Neutral 2050' study to understand the challenges and propose actions related to climate change in Mauritius;</p> <p>MCB Ltd committed to stop all new financing of coal infrastructure and trade worldwide, whether thermal or metallurgical, and to stop financing new coal-fired power plants in Mauritius from 2022.</p>
2021	<p>MCB Madagascar signed its first credit line of EUR 6 million with AFD (SUNREF);</p> <p>MCB Ltd launched Green Drive loan scheme for employees of MCB Ltd and Mauritian subsidiaries to purchase electric and hybrid vehicles;</p> <p>MCB Ltd invested in Livelihoods Carbon Fund 3, an impact investment fund focused on financing large-scale projects with positive social and economic impacts for rural communities.</p>
2022	<p>MCB Ltd started the implementation of Guideline on Climate-related and Environmental Financial Risk Management published by the Bank of Mauritius.</p> <p>MCB Ltd developed a first version of Sustainable Finance Framework and Green Taxonomy;</p> <p>MCB Ltd launched 'Sustainable loan' – Use of proceeds green finance product;</p> <p>MCB Ltd for the first time provided a Sustainable Supply Chain Finance to the tune of USD 10 million;</p>
2023	<p>Proparco and DEG provided a loan of USD 120 million to MCB Ltd to finance climate mitigation, adaptation and resilience projects;</p> <p>MCB Ltd took a Sustainability Linked Syndicated Term Loan of USD 400 million for general corporate purpose;</p> <p>MCB Capital Markets arranged a Green Bond of USD 11 million for a renewable energy project in Mauritius.</p>
2024	<p>MCB Ltd developed a Sustainable trade import facility;</p> <p>MCB Group published Sustainable Finance Framework aligned with market principles and practices, including a Green and Social Taxonomy.</p>

1.4 Environmental and social risk management

MCB Ltd has developed an Environmental and Social Risk Management (ESRM) methodology to systematically identify, assess and manage environmental and social risks associated with its lending activities. This process includes adopting measures to mitigate greenwashing and reputational risks. The ESRM process, integrated into MCB Ltd's credit risk cycle, also ensures compliance with its commitments, including Equator Principles, UNGC, and UNEP FI Principles for Responsible Banking. MCB Ltd's [Environmental and Social Risk Policy](#) outlines the governance structure, steps and responsibilities of relevant teams involved in the policy implementation. It also defines the activities that MCB Ltd will not finance. The subsidiaries of MCB Group will take direction from MCB Limited's exclusion list statement where applicable.

MCB Ltd's Exclusion list

1. Production or activities involving forced labour or child labour
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
3. Any business relating to pornography or prostitution
4. Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora
5. Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing polychlorinated biphenyls
6. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations
7. Drift net fishing in the marine environment using nets in excess of 2.5 km in length
8. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-out or bans
9. Destruction of Critical Habitat, including habitats and species protected by The Forestry Service and National Parks and Conservation Service of the Republic of Mauritius
10. Production and distribution of racist, anti-democratic and/or neo-Nazi media
11. Production or trade in:
 - a. Tobacco
 - b. Weapons
 - c. Hard liquor for human consumption
12. In line with MCB Group Klima engagements, activities involving the destruction of mangroves or marine algae
13. Infrastructure and trade in coal (thermal and metallurgical) and any new coal-fueled power plant
14. Restrictions and prohibitions listed in the Bank's Customer Acceptance Policy

SUSTAINABLE FINANCE FRAMEWORK

2.1 Introduction

Purpose

MCB Group has embarked on a journey to incorporate more sustainable practices into its banking products and services available to its domestic market and international clients looking to expand into and invest in Africa. We believe this is an important growth driver, which will accelerate the transition towards a more inclusive, socially responsible and climate-friendly economy. Our commitment to promoting sustainable financing is underpinned by the UNEP FI Principles for Responsible Banking, through which we are required to encourage our clients to adopt sustainable practices and develop sustainable financial solutions to support them in their transition journeys.

Sustainable finance product suite at MCB Group

MCB Group, through its subsidiaries, intends to develop sustainable finance products by integrating environmental, social and governance considerations in its investment and financing decisions. The finance instruments to promote sustainable financing include both debt and equity. Debt instruments may include, but not limited to, use of proceeds loans and bonds, sustainability-linked products, and sustainable trade facility.

Scope of application

This Sustainable Finance Framework (the "Framework"), which focuses principally on the 'use of proceeds' sustainable financing, defines the eligibility criteria for 'green' and 'social' activities and projects. The Framework provides the criteria for key environmental categories namely, renewable energy, energy efficiency, clean transportation, green buildings, sustainable water and wastewater management, pollution prevention and control (including circular economy), and climate adaptation and resilience. The social categories focus on employment generation, access to essential services, affordable housing and infrastructure, sustainable food system and preservation of cultural heritage for specific target population.

While most of these environmental categories have significant contribution to climate mitigation, which are essential to transition to a low carbon economy, climate adaptation and resilience have become even more important for vulnerable countries such as small islands

and least developed countries. This Framework also aims to enable adaptation finance through specific eligibility criteria developed with reference to various sources such as the [Sharm-El-Sheikh Adaptation Agenda](#), [Standard Chartered-KPMG-UNDRR Guide for Adaptation & Resilience Finance](#) and the [UNEPFI PRB Guidance for Climate Adaptation Target Setting](#).

Under the Sustainable Finance Framework, MCB Group through its subsidiaries may issue bonds, commercial papers, loans or any other financial instruments that finance or refinance eligible green projects ("Green Finance Instruments"), eligible social projects ("Social Finance Instruments") or both eligible green and social projects ("Sustainable Finance Instruments"). Local laws and regulations applicable to the relevant subsidiary of the MCB Group will further define the form and substance of such instruments.

Alignment to market principles and practices

This Framework was developed in accordance with the following principles:

- International Capital Market Association (ICMA) Green Bond Principles 2021 ('GBP') (with June 2022 Appendix I)¹,
- ICMA Social Bond Principles ('SBP') 2023²,
- ICMA Sustainability Bond Guidelines ('SBG') 2021³,
- Loan Market Association (LMA) 2023 Green Loan Principles ('GLP')⁴
- LMA Social Loan Principles ('SLP')⁵.

In line with the aforementioned principles, MCB Group's Sustainable Finance Framework has four key components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

MCB Group also follows the key recommendation of the GBP, SBP, SBG, GLP and SLP with regards to external review. This Framework may be reviewed and updated as necessary to ensure continued alignment with these voluntary market practices. Any future version of this Framework will keep or enhance the current levels of transparency and reporting, including the corresponding review by an external party (External Review – page 19).

¹[ICMA Green Bond Principles \(GBP\) \(June 2021\) \(with June 2022 Appendix I\)](#)

²[ICMA Social Bond Principles \(SBP\) \(June 2023\)](#)

³[ICMA Sustainability Bond Guidelines \(June 2021\)](#)

⁴[LMA Green Loan Principles \(February 2023\)](#)

⁵[LMA Social Loan Principles \(February 2023\)](#)

2.2 Use of Proceeds

The Green, Social and / or Sustainable Finance Instruments (together the “Sustainable Finance Instruments”) offered by the subsidiaries of MCB Group will be used to finance and/or re-finance, in full or in part, new or existing loans or facilities fulfilling the eligibility criteria listed in the tables on pages 9 to 14 (the “**Eligible Green and Social Assets**”).

Eligible Green and Social Assets are defined in the Framework, in which the following must meet the below mentioned Eligibility Criteria, subject to disbursement made within no more than 24 months prior to the date of the relevant Green Finance Instrument, Social Finance Instrument or Sustainable Finance Instrument (as applicable):

- i) Use of proceeds from loans or facilities to businesses and projects and/or
- ii) Loans or facilities to businesses that derive 90% or more of their revenues from activities and/or
- iii) Direct investments or facilities by subsidiaries of MCB Group in Green or Social or Sustainable Finance Instruments and/or
- iv) MCB Group subsidiaries’ own operating or capital expenditures

Eligible green categories and activities:

ICMA green category	Eligibility criteria	Example projects	UN SDGs Contribution
Renewable Energy	<ul style="list-style-type: none"> • Wind and solar power renewable energy production • Hydropower generation facilities: projects which have either a maximum installed capacity of 25MW or a lifecycle GHG emissions intensity of less than 100g CO₂e/kWh or power density above 5W/m² <p><i>Exclusion: Large-scale dam or reservoir based or run-of-river with pondage are excluded.</i></p> <ul style="list-style-type: none"> • Bioenergy generation facilities with life-cycle GHG emissions intensity below 100gCO₂e/kWh: <ul style="list-style-type: none"> - Biomass sourced energy generation - Biofuel production - Organic waste to energy facilities - biogas • Hydrogen production: projects which have either a life-cycle GHG emissions intensity below 3 tonnes CO₂e/ tonne H₂ or when the electrolysis process is powered by 100% wind and/or solar energy • Geothermal generation facilities: projects with direct carbon emissions intensity less than 100g CO₂e/kWh • Wave, tidal and ocean energy generation facilities • Energy storage systems and technologies • Enabling facilities and infrastructure renewable energy generation 	<ul style="list-style-type: none"> • Solar photovoltaic - land and floating projects • Wind farms – onshore and offshore • Manufacture of renewable energy technologies and supporting infrastructure such as solar panels, wind blades, batteries • Micro-grid infrastructure • Small-scale hydropower plants • Biogas for energy generation • Battery storage technology • Infrastructure connecting and integrating renewable energy into transmission networks 	 

ICMA green category	Eligibility criteria	Example projects	UN SDGs Contribution
Energy Efficiency	<ul style="list-style-type: none"> • Products or technologies that increase operational energy efficiency through either: <ul style="list-style-type: none"> - A reduction in energy consumption of the assets by at least 20%, or - Alignment with the highest two populated classes of the relevant Energy Efficiency Label as defined by the local regulations or the EU Energy label. • Projects that enable fuel switching to avoid and/or reduce fossil fuels • Waste heat recovery: Process and technologies allowing for heat recovery from thermal processes • Construction and operation of pipelines and associated infrastructure for district cooling or heating systems that reduce energy consumption by 20% or more compared to the existing baseline data • Modernisation of broadband network from copper to fibre optic <p><i>Exclusion - Technologies or products powered directly by in-house fossil fuels and/or in the oil & gas sector</i></p>	<ul style="list-style-type: none"> • Light-emitting diode lighting • Smart grids • Smart building management systems • Energy efficient processes/ technologies/equipment 	  
Green Buildings	<ul style="list-style-type: none"> • New or existing or retrofitted certified commercial or residential buildings that meet regional, national or internationally recognised standards or certifications such as: <ul style="list-style-type: none"> - EDGE - BREEAM (minimum level “good”)⁶ - LEED (minimum level “silver”)⁶ • Non-certified greenfield buildings that meet the criteria compared to a local or regional baseline or building code if reductions of at least 1) 20% energy consumption/ greenhouse gas emissions⁷, and 2) 20% water consumption • Retrofitted existing non-certified commercial or residential buildings leading to a reduction in Primary Energy Demand of at least 20%⁸ • Data centres with a Power Usage Effectiveness of under 1.5 		 

⁶The above mentioned certifications thresholds are applicable until 2030.

⁷Part financing will be considered subject to the presentation of a technical report which is certified by a relevant Registered Professional recognised by the country's legislation

⁸For retrofitted buildings, financing will be limited to the cost of components that result in a reduction of Primary Energy Demand

ICMA green category	Eligibility criteria	Example projects	UN SDGs Contribution
Clean Transportation	<ul style="list-style-type: none"> Land transport having low carbon emissions: Freight transportation and/or freight vehicles transporting cargo for which < 25% of its rolling stock is fossil fuels - with tailpipe emissions below: <ul style="list-style-type: none"> - 25g CO₂e per tonne km until 2030, and - 21g CO₂e per tonne km from 2030 until 2050 Low carbon emissions passenger vehicles including plug in hybrid, and light commercial vehicles with individual tailpipe emissions below 50 gCO₂e per passenger km until 2030⁹ Public passenger transportation: zero tailpipe emissions vehicles including rail, bus Supporting facilities/infrastructure for public passenger transportation Electric vehicles Infrastructure and facilities for low emission land transportation (private and public), such as electric charging stations Schemes and incentives to support the purchase of zero-emission transportation, walking, cycling, and expenditures for related infrastructure Manufacture of EV batteries and development of its specialised parts¹⁰ <p><i>Exclusion: supporting infrastructure and transportation dedicated to fossil fuel transport, systems and infrastructure dedicated to the transportation of fossil fuels.</i></p>		
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Projects that expand public access to safe and free/affordable drinking water Projects that improve water quality, water collection, storage, treatment and distribution Products and technologies that increase water-use efficiency by at least 10% and facilitate water usage monitoring Projects for treatment of wastewater and/or efficient reuse of wastewater, including facilities and infrastructure Desalination plants powered primarily by renewable energy and/or by wider electrical grid having an average GHG emissions intensity <100gCO₂e/kWh 	<ul style="list-style-type: none"> Development and enhancement of water distribution networks, including smart meters and monitoring systems Water efficient technology/equipment Water treatment plants Wastewater treatment plants, secondary distribution systems and enabling infrastructure 	  
Pollution Prevention and Control	<ul style="list-style-type: none"> Facilities, infrastructure and activities which allow waste reduction, recovery, sorting, recycling and composting Research & development of solutions to promote circularity for which final product/ expected outcomes are identified Technologies or products for air emissions control Technologies or products or activities that reduce methane gas emissions 	<ul style="list-style-type: none"> Material recovery facilities and composting plants and animal residues transformation and reuse Waste segregation, collection, transport storage and recovery logistics Refurbishment and reconditioning of products for reuse Tools/applications for facilitating reverse logistics and materials tracking Electrostatic precipitators 	

⁹An 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.

¹⁰Financing will be limited to projects and companies with a responsible sourcing policy in place, and/or adherence to internationally recognised guidelines such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

ICMA green category	Eligibility criteria	Example projects	UN SDGs Contribution
Climate Change Adaptation	<ul style="list-style-type: none"> • Projects that enhance adaptation and resilience¹¹: <ul style="list-style-type: none"> - Construction/expansion/operation and strengthening of infrastructure and facilities to enhance resilience against climate hazards - Coastal and riverine protection and rehabilitation works to improve resilience of existing natural environment and/or infrastructure/assets against hazards such as flooding and storm surges - Nature-based solutions such as reforestation, afforestation, mangrove planting, seagrass and coral reefs conservation or rehabilitation, wetland conservation and planting - Resilient agrifood systems such as smart agriculture, sustainable and smart fisheries, climate resilient crops and livestock and infrastructure • Development and/or acquisition of information and communications technology (ICT) solutions for data driven climate monitoring solutions, early warning systems, climate observation, collecting & monitoring data to facilitate GHG emission reduction • Emergency response capabilities and technologies such as flood gates installation, high-volume pumps in vulnerable areas • Research and development expenditures for solutions that enhance adaptation and resilience, including physical climate risks' assessments and studies 	<ul style="list-style-type: none"> • Climate resilient infrastructure such as storm water management systems for water diversion, storage and flood defence • Land-use buffers and vegetation management around infrastructure • Climate resilient crops and livestock infrastructure such as use of compost and sheltered farming and efficient drip irrigation in agriculture 	  

¹¹Adaptation refers to adjustments in ecological, social or economic systems in response to actual or expected climatic stimuli and their effects. It refers to changes in processes, practices and structures to moderate potential damages or to benefit from opportunities associated with climate change. (Source: [United Nations Framework Convention on Climate Change](#))

Resilience refers to the ability of a system, community or society exposed to hazards to resist, absorb, accommodate, adapt to, transform and recover from the effects of a hazard in a timely and efficient manner, including through the preservation and restoration of its essential basic structures and functions through risk management (Source: [United Nations Office for Disaster Risk Reduction](#))

Eligible social categories and activities:

ICMA social category	Eligibility criteria	Target population	Example projects	UN SDGs Contribution
Employment generation and programs	<ul style="list-style-type: none"> Financing of microenterprises and small businesses Financing targeted populations to promote financial inclusion <p><i>Note: The definitions of SMEs, microenterprises will be based on the country's local definitions, legislation and categorisation criteria.</i></p>	<ol style="list-style-type: none"> SMEs For SMEs, at least one of the of the following criteria should be met: <ul style="list-style-type: none"> Females (where at least 51% owned by women; or at least 20% owned by women who are Chief Executive Officer, Chief Operating Officer, President or Vice President; or has a board of directors at least 30% comprised of women, where a board exists; or Owned by low-income group as defined by the country's local definitions Microenterprises Underserved people who lack quality access to essential goods and services, particularly the low-income population as defined by the country's local definitions 	<ul style="list-style-type: none"> Collaboration with associations to support women business owners and provide them with knowledge and resources to grow their own businesses Fostering gender equality and developing women-owned SMEs in accordance with the target population criteria Projects to support micro and small businesses through work-orientated life skills programmes creating better access to full-time employment 	   
Access to essential services	<ul style="list-style-type: none"> Construction and/or equipping and/or operation of hospitals, clinics and health care centers for the provision of public/free/subsidised health services Healthcare equipment for public/free/subsidised use Construction and/or renovation of public/free/subsidised schools and vocational training Provision of free/subsidised/affordable training for educational professionals Projects that improve technological access within the education sector 	<p>Financing will be limited to where more than 90% of the public are able to afford the facilities or medical supplies or equipment</p> <p>Financing will be limited to private hospitals where more than 90% of the public are able to afford the healthcare equipment and services</p> <p>Schools are considered affordable when 90% of population are able to afford the fees charged</p>	<ul style="list-style-type: none"> Healthcare facilities; provision/distribution of medical and healthcare equipment/devices to public and private hospitals New or improvements to existing education facilities that would improve the efficiency, quality and capacity of the facility, including child-care, pre-primary, primary, secondary, tertiary Construction/renovation of education facilities, public or private schools, student housing, and universities, that improve the quality and capacity of educational facilities 	 
Affordable housing	<ul style="list-style-type: none"> Access to adequate, safe and affordable housing for low-income or underserved communities as per the country's local government definitions 	<p>Developers/ Promoters/ Contractors /Consultants for specific projects targeting low-income or underserved communities</p>	<ul style="list-style-type: none"> Housing for low-income or underserved communities 	

ICMA social category	Eligibility criteria	Target population	Example projects	UN SDGs Contribution
Affordable basic infrastructure	<ul style="list-style-type: none"> Development of roads to improve rural/remote connectivity and passenger and commercial transport for people with a substantial lack of access to transport Projects and activities that expand public access to safe and affordable clean water and adequate sanitation facilities, such as wastewater services and desalination projects¹² Development of transmission and distribution infrastructure aimed at improving access to electricity in developing but not high-income countries as per the UN WESP report¹³, targeted at underserved communities Development of telecommunication networks and related infrastructure 	Underserved people who lack quality access to essential goods and services particularly the low-income population as defined by the country's local government	<ul style="list-style-type: none"> Improvement in public transportation Sustainable projects such as clean drinking water, and wastewater management to expand public access to safe and affordable drinking water and adequate sanitation facilities 	   
Food security and sustainable food systems	<ul style="list-style-type: none"> Facilities and infrastructure such as warehouses aimed at improving food conservation or connectivity in the food chain or for reducing food loss Goods that are certified as per Fairtrade Standards Support to smallholder farmers (defined by the Food and Agriculture Organisation as those farming on less than 10 hectares of land on average) including equipment and facilities that help to prevent food loss and waste, improve productivity and increase market access to smallholder producers Development of bee reserve zones and supporting activities/infrastructure of beekeeping/apiaries 	<ul style="list-style-type: none"> General population including companies Smallholder farmers and small-scale fisheries as defined by the country's local government definitions 	<ul style="list-style-type: none"> Innovative solutions and investment in infrastructure aimed at providing adequate storage Equipment and facilities that help prevent food loss and waste and improve productivity and increase market access to smallholder producers 	 
Preservation of cultural heritage	<ul style="list-style-type: none"> Conservation, restoration projects and maintenance of historical sites buildings, monuments and museums that are accessible and affordable to the public, including free/subsidised access to school/university students Projects including products & technologies that promote education about cultural heritage aimed at the public and school/university students Projects supporting local arts and local/native language preservation 	<ul style="list-style-type: none"> Registered local artists as per the country's legislation Local organisations/promoters managing historical sites 	<ul style="list-style-type: none"> Restoration of cultural sites Renovation of museums and protected sites 	 

¹²Financing of desalination facilities that may rely on grid electricity that is derived from fossil fuels are included. While such facilities will help to improve access to water, MCB acknowledges that desalination plants may also be highly energy-intensive and thus will consider the carbon intensity of power sources when assessing projects.

¹³UN WESP - United Nations World Economic Situation and Prospects mid-2024 report

2.3 Process for Project Evaluation and Selection

MCB Group recognises that effective governance is a key success factor in executing its sustainability commitments. To ensure alignment with this Framework, MCB Group has established an internal process of project evaluation and selection with people collaborating from relevant business units, including Risk, Credit, Coverage and the Central Sustainability Office. Figure 1 depicts MCB Group's governance structure that oversees the implementation of the sustainable financing agenda whilst Figure 2 shows the key stages of the eligible project evaluation process.

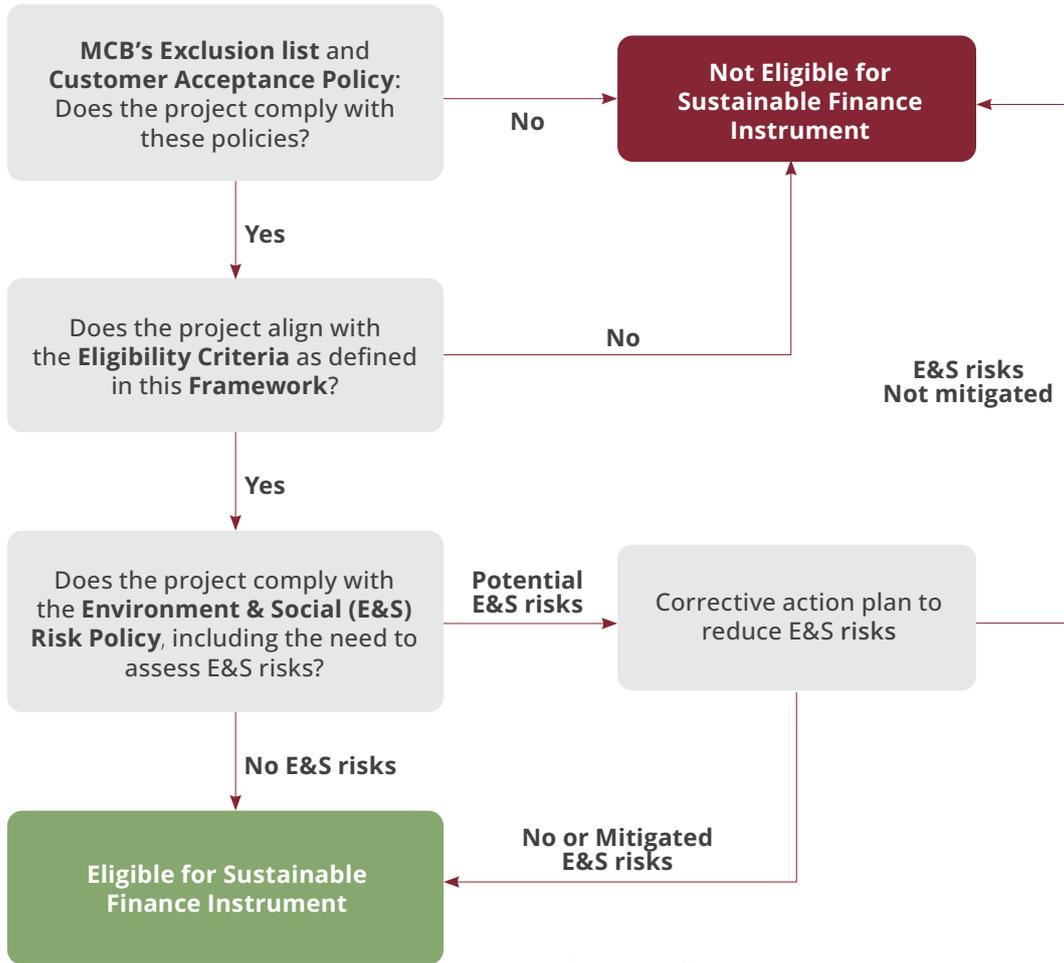
Figure 1: MCB Group's governance structure



The primary responsibilities fulfilled by the streams within the governance chart above include:

1. Validation that the list of proposed assets complies with the Framework's Eligibility Criteria, considering any assessment of related environmental and social risks, and validation for inclusion in portfolio of Eligible Green and Social Assets;
2. Reviewing and monitoring of the portfolio of Eligible Green and Social Assets on at least an annual basis;
3. Monitoring and approving the annual allocation and impact report;
4. Exclusion of Eligible Green and Social Assets that no longer comply with the eligibility criteria;
5. Overseeing the Framework and future updates to ensure alignment with best market practices, evolving regulation, and investor expectations.

Figure 2: Key stages of the eligible project evaluation process



Responsibilities of relevant teams involved in project evaluation and selection:

Client Coverage team – Comprising of Relationship Managers, Team Leader Sustainable Finance, Credit analysts, Financial analysts, and corporate finance advisors, this team provides solutions to clients in addition to identifying possible green and/or social financing opportunities.

Central Sustainability Office (CSO) – The Group's Central Sustainability Office works with the Client Coverage team and interacts with the borrowers (where necessary) to assess the eligibility of the potential projects as stipulated in the Eligibility Criteria and by applying sustainability knowledge. Being an independent internal stakeholder, CSO confirms the eligibility of the project for it to be categorised as either an Eligible Green or Social Asset. CSO is also responsible to develop and update the Sustainable Finance Framework, including the Green and Social Eligibility Criteria and report on the impact metrics of the Green/Social/Sustainable Finance Instruments. CSO identifies the relevant impact indicators pertaining to the project and are included in the facility document. The borrowers or counterparties are responsible for reporting periodically on the impact metrics and the environmental and social compliance and performance of their projects to the Group.

Environmental & Social Risk Management (ESRM) team – For any potential Green or Social projects, the ESRM team is responsible for ensuring that environmental and social risks are adequately managed and corrective actions taken and reported. For climate adaptation and resilience projects that meet the Eligibility Criteria, the risk of maladaptation will be also assessed.

2.4 Management of Proceeds

MCB Group or its subsidiaries will allocate an amount equal to the net proceeds from the Sustainable Finance Instruments to all or part of the portfolio, selected and evaluated in accordance with the Eligibility Criteria, and use of proceeds criteria evaluation and selection process of this Framework. MCB Group will aim to achieve full allocation for all Green/Social/Sustainable Finance Instruments within 24 months of the issuance date:

MCB Group endeavours to designate sufficient investments in Eligible Assets to ensure that the outstanding balance of Eligible Green and Social Assets is at least equal to the total balance of respectively Green, Social or Sustainable Finance Instruments' proceeds, during the life of the instruments.

Pending the full allocation to the portfolio, MCB Group will include the balance of net proceeds in its treasury liquidity

portfolio invested in cash or cash equivalents, money market instruments, or other liquid financing instruments. These temporary investments will neither include greenhouse gas intensive nor controversial activities.

The business unit responsible for the management and allocation of proceeds is the Financial Institutions & Syndication (Funding desk), which works in collaboration with the following teams: Assets & Liabilities Committee, Assets & Liabilities Management Team, Treasury, Coverage Team and Central Sustainability Office.

2.5 Reporting

MCB Group will report on the allocation and the impacts of the proceeds from Sustainable Finance Instruments to the Group's portfolio(s) of green and social assets, at least on an annual basis until full allocation. This information will be made available on [MCB Group website](#).

Allocation reporting

The allocation report will cover, but not limited to:

- A description of the portfolio of Eligible Green and Social Assets;
- The list of MCB Group Sustainable Finance Instruments outstanding and their total amount;
- Estimated amount and/or percentage of new financing and refinancing and split of allocated and unallocated proceeds;
- The amount of net proceeds allocated to Eligible Green and Social Assets split by category;
- Information on the amount of unallocated proceeds and the nature of their temporary investment;
- Geographical distribution of Eligible Green and Social Assets.

Impact reporting

On best effort basis, MCB Group intends to report on the environmental and/or social impacts of the assets funded with proceeds from a Sustainable Finance instrument. Information may be provided on data reporting and impact assessment methodologies to increase transparency, where relevant. The impact report may include:

- A description of relevant Eligible Green and Social Assets;
- Metrics regarding Eligible Green and Social Assets' environmental and/or social impacts.

Impact reporting information will be presented in line with ICMA's "Handbook - Harmonised Framework for Impact Reporting (June 2024)" and "ICMA Harmonised framework for Impact Reporting for Social Bonds (June 2023)". Relevant impact calculation methodologies will be mentioned.

Key impact metrics may include but are not limited to:

ICMA Green/Social category	Potential Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂e • Annual renewable energy generation in MWh/GWh (electricity) and/or GJ/TJ (other energy forms) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided in tonnes of CO₂e
Green Buildings	<ul style="list-style-type: none"> • Final and/or Primary Energy Use - in new buildings or retrofitted buildings (MWh or kWh/m² of Gross Building Area per annum) • Number of certified green buildings financed • Total m² of green buildings financed • Total m² of energy-efficient buildings financed • Carbon reductions - in new buildings or retrofitted buildings (tonnes CO₂e or kgCO₂/m² of Gross Building Area per annum) • Water efficiency - in new buildings or retrofitted buildings (m³ or m³/m² of Gross Building Area per annum)
Clean Transport	<ul style="list-style-type: none"> • Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes • Annual GHG emissions reduced/avoided in tCO₂e • Kilometres of non-motorised transport enabling infrastructure financed • Number of low carbon vehicles financed
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Annual volume of water saved in m³ through water efficiency actions • Annual volume of wastewater treated for reuse in m³/year • Additional number of people with access to safe drinking water
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/ or in absolute amount in tonnes per annum • Annual GHG emission reductions (tonnes CO₂e) • Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), methane (CH₄), non-methane volatile organic compounds (NMVOCs)
Climate Change Adaptation	<ul style="list-style-type: none"> • Length, in kilometres, of beach stretch rehabilitated • Number of beach enhancement projects • Increased number of households with access to resilient energy systems • Reduction in repair costs and/or operating days lost due to landslides • Increase in area under wetland management in km² • Reduction in number of operating days lost to floods • Reduction in flood damage costs • Reduction in land-loss from inundation and/or coastal erosion in km² • Area of land afforested • Area of mangrove planted/rehabilitated
Employment generation and programs	<ul style="list-style-type: none"> • Number of loans to SMEs and/or microenterprises • Number of people trained in new vocational skills • Jobs created, supported, and/or retained • Number of underserved people employed • Number of people with access to financial services

ICMA Green/Social category	Potential Impact Indicators
Access to essential services	<ul style="list-style-type: none"> • Number of patients benefitting from healthcare or medical treatment • Number of hospitals and other healthcare facilities built/upgraded • Number of units of medical equipment purchased • Number of low-income individuals provided with affordable health insurance • Number of health-related R&D programs funded • Number of people vaccinated (broken down by age, income-level, gender) • Students reached (breakdown by gender) • Number of education facilities and/or initiatives
Affordable housing	<ul style="list-style-type: none"> • Number of dwellings • Number of individuals/ families benefitting from subsidised housing • Share of underserved tenants
Affordable basic infrastructure	<ul style="list-style-type: none"> • Number of water infrastructure projects built/upgraded • Number of new household water connections • Number of people provided with adequate and equitable sanitation • Kilometres of feeder roads rehabilitated/constructed • Number of people with access to affordable transport systems • Number of residents benefitting from basic infrastructure new/upgraded which is otherwise not accessible (i.e. rail transportation, development road) • Number of new household power connections • Number of people provided access to clean and affordable energy • Number of users connected with broadband networks in unconnected areas
Food security and sustainable food systems	<ul style="list-style-type: none"> • Farmers provided with training (climate smart training/organic etc) • Farmers provided with access to agricultural inputs (financial inputs, equipment, etc) • Hectares of land cultivated which has improved, i.e. replanted, reforested, landscaped • Number of people benefitting from agricultural projects and using improved farming technology
Preservation of cultural heritage	<ul style="list-style-type: none"> • Number of students beneficiaries • Number of children beneficiaries

2.6 External review

Second Party Opinion

This Framework has been reviewed by Morningstar Sustainalytics who evaluated the framework's alignment with the ICMA Green Bond Principles, ICMA Social Bond Principles, ICMA Sustainability Bond Guidelines, Green Loan Principles and Social Loan Principles. The Second Party Opinion and the Sustainable Finance Framework can be found on MCB's website.

Verification

MCB Group intends to provide a limited assurance report by an external auditor on the annual allocation reporting of the Sustainable Finance Instrument proceeds to Eligible Green and Social Assets.