

A VIBRANT AND SUSTAINABLE LOCAL ECONOMY

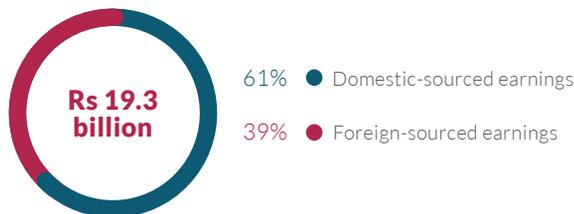
UNGC Principles 1, 2, 3, 4, 5, 6, 8, 9



The Group has been supporting entrepreneurship and innovation in Mauritius for over 180 years and as a result, has contributed to the country's prosperity. We are very conscious of the fact that global challenges such as climate change, water crisis, biodiversity loss and natural disaster, in addition to the current economic crisis, are influencing our way of doing business. This systemic assessment has motivated the Group to redefine its responsibilities and review its role as an active steward of the country's economic growth. The thinking has led to exploring new ways to achieve greater and sustainable prosperity.

The organisation contributes significantly to the socioeconomic development of the country. Our direct impacts relate to employment opportunities for our people, job creation along our value chain through the sourcing of products and services, and our contribution as taxes to support public spending. Our indirect impacts are linked to value creation including jobs through the loans we disburse to clients to support the production of goods and services. MCB Ltd has evaluated the direct and indirect impacts of its banking activities for the period January to December 2018 using the LOCAL FOOTPRINT® model. The assessment has shown some interesting results on its impacts - for example, MCB Ltd has supported around 112,645 jobs in Mauritius and contributed Rs 86.9 billion to the economy representing 17% of Mauritius' GDP. The detailed impact assessment is available in its Sustainability Report 2019.

MCB LTD - OPERATING INCOME IN FINANCIAL YEAR 2020



'LOKAL IS BEAUTIFUL'

In 2019, a study entitled 'Lokal is Beautiful' together with a corresponding credit facility 'Lokal is Beautiful' scheme targeted at small and medium local enterprises (SMEs), were launched. The aim was to inspire entrepreneurs to explore three kinds of avenues in order to build the prosperous, sustainable and resilient Mauritius of tomorrow. The scheme has lower interest rates and more flexibility for SMEs that have a local impact and responsible operations, and was initially designed for financing capital expenditure. We are currently reviewing the 'Lokal is Beautiful' scheme by widening its scope to make it a general purpose loan through partial adoption of Sustainability-Linked Loan Principles.

SME MARKETPLACE TO SUPPORT LOCAL BUSINESSES

In the spirit of 'Lokal is Beautiful', MCB has developed a new service to support SMEs: the **SME Marketplace**. It will be launched in 2021, aiming to provide every Mauritian SME with its own customised profile page as well as access to additional resources tailored to their needs.

First and foremost, this marketplace will provide SMEs with an opportunity to showcase the high quality and special features of their products and services through a set of tools, aiming to effectively differentiate their offer, enhance their visibility and desirability in the Mauritian market and ultimately bolster their sales to other participating SMEs as well as larger corporations.

Furthermore, this Marketplace will enable SMEs to access relevant information (trends, best-practices, how-tos, health-check tools and templates) and services from carefully chosen professional service providers, in order to provide entrepreneurs with the tailored support they need to grow their businesses in a sustainable and structured way as well as ensure enhanced visibility of participating SMEs to a network of selected investors.

The SME Marketplace has been designed to empower local businesses to embrace an entrepreneurial attitude aligned with the three pillars of our 'Lokal is Beautiful' initiative. This implies from adopting a 'Maker' attitude through the platform's specialisation services to establishing more 'Circular' business models by streamlining the access of participating SMEs to underutilized and recycled resources, all the way to fostering a 'Smart' approach by pooling digital services and resources between SMEs.

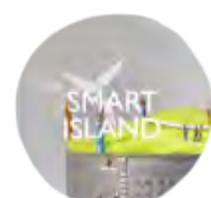
THE THREE AVENUES TO A SUSTAINABLE ISLAND



Making Mauritius a 'maker island' means increasing its ability to produce what it consumes using local resources (human, material, technical, natural)



'Looping the loop' of local economic and material circuits to make Mauritius a 'circular island' can be a powerful generator of wealth and innovation.



What if the island's economic intelligence consisted in creating value rather than products?

MCB believes that building a vibrant community of local SMEs will generate more local business opportunities, increase the local multiplier effect and enhance the ability of local SMEs to build momentum on the island and expand their business at scale within the Indian Ocean region and beyond.

Resilient Production: The Key to a New Mauritian Economic Impetus

The COVID-19 pandemic has stressed on the heavy dependence of Mauritius on imports, thereby bringing into sharp focus the question of the island's resilient production. Disruptions in the supply chain caused by the global sanitary crisis have sparked difficulties for businesses across the island, particularly SMEs. In this challenging context, 'Lokal is Beautiful' now appears more relevant and urgent than ever. What our island needs today is simply a new Mauritian impetus rooted in resilience, and we, MCB Group intend to lead the way. Hence, we have commissioned a study with French sustainability consulting firm Utopies to provide us with a deeper understanding of Mauritius' productive fabric, identify opportunities for diversification and most importantly, establish an operational strategy to spearhead the emergence of a more locally-anchored, diverse and prosperous economy. Currently in the pipeline, this report will identify the most promising products and sectors to jumpstart the island's resilient revolution based on existing local know-how and demand.

What is resilient production?

In nature, resilient ecosystems are characterised by greater functional diversity, offering an abundance of alternative and complementary processes for any given function. For example, a spider: though a spider web is seldom flawless, breaking a single of its threads does not jeopardise its integrity, which means that the spider will rarely need to weave a new web from scratch. Similarly, the more diversified an economy, the more it is able to offer alternatives and synergies, the better it will respond to a shock, finding new markets and/or adapting to local needs.

How resilient is Mauritius to date?

According to a recent study*, Mauritius sits at the 79th place of the global resilience index, with a score of 20.5%, far behind the world's most resilient economies, namely China and Italy who tie for 1st place at 49.3%. This score simply indicates that in the case of a major disruption, Mauritius is able to produce at best 20.5% of commonly consumed goods on the island, either because it already produces them or because it produces at least two similar products, requiring a significant productive leap. In this case 'similar products' means products featuring a proximity between production processes, either in terms of inputs or know-how. In other words, Mauritius is presently incapable of manufacturing 4 out of 5 commonly consumed goods on the island. This score highlights the long journey that lies ahead for Mauritius to become a resilient island in production terms. Indeed, though there exists no established standard in the matter, it seems reasonable to say that a country should be able to produce at least two-third of commonly consumed goods to qualify as resilient. However, it also shows the strong potential of the island's productive fabric, which is more resilient than many developed insular economies, scoring better than Malta (19.5%), Singapore (19.2%) and Iceland (9.7%).

Insular economies		Indian Ocean	
Cyprus	27.4%	India	37.2%
Sri Lanka	25.5%	Sri Lanka	25.5%
Dominican Rep.	23.7%	Kenya	23.0%
New Zealand	22.8%	Mauritius	20.5%
Mauritius	20.5%	Tanzania	19.6%
Malta	19.5%	Madagascar	13.3%
Singapore	19.2%	Mozambique	8.2%
Tuvalu	17.1%	Seychelles	6.0%
Madagascar	13.3%	Somalia	3.1%
Iceland	9.7%	Maldives	2.0%
Cabo Verde	8.6%	Comoros	1.2%
Trinidad & Tobago	7.2%	Reunion	N.A
Seychelles	6.0%		
French Polynesia	4.7%		
Bermuda	4.5%		
Maldives	2.0%		
New Caledonia	1.4%		
Comoros	1.2%		
Réunion	N.A		

How to make Mauritius a resilient island?

Currently, Mauritius features a moderately dense productive fabric that is quite specialised, mainly on products with a low degree of sophistication, such as textiles and agriculture. Increasing the country's resilience will require diversifying production to better meet local needs but also reorienting local production towards new, more sophisticated products for export. Indeed, research from Harvard's Growth Lab shows that countries whose exports are more sophisticated than expected for their income level, grow faster.

To achieving greater resilience will require strong local purchasing policies supported by a holistic strategy focused on:

- Stimulating local entrepreneurship
- Generating synergies between local SMEs
- Attracting foreign know-how and investment in a targeted way
- Kick-starting innovation in cutting edge, high-tech industries with strong potential for regional exports such as the medical sector, energy and new ocean-related industries.

MCB Group intends to continue its efforts to stimulate Mauritius' local economy and to take decisive action to facilitate the island's recovery from the current crisis based on the soon to be published findings of this report.

*COVID-19: A question of productive resilience
(<https://www.utopies.com/publications/covid-19-une-question-de-resilience-productive/>)

Impact Ecosystem in Mauritius

In line with its objective to create a sustainable local economy, a study entitled 'Impact Ecosystem in Mauritius' was conducted to explore ways to support local entrepreneurs in view of promoting social change such as fight against drugs, poverty, illiteracy, and supporting the emergence of social entrepreneurship in Mauritius. Three areas have been identified in the study by creating a multi-purpose impact fund for social enterprises, providing support to young entrepreneurs through bootcamps and financial and operational prizes, and mobilising people for start-up creation. The study has shown that the impact ecosystem in Mauritius is not mature for the time being for MCB to get involved directly in this business.. We are nevertheless engaging in partnerships with existing business accelerators or start-up incubators to contribute to this economic sector.

Microfinance

MCB Microfinance Ltd was established in July 2016 to provide loans to micro-enterprises and self-employed individuals, in line with the Group's pledge to foster financial inclusion and empowerment of micro entrepreneurs. Microfinance is a means of making financial services available to all, creating employment opportunities and therefore growing communities. Microcredit ranges from Rs 15,000 to Rs 800,000 and is offered as either working capital or investment loans. Microfinance Ltd has a customer-oriented approach, which involves understanding the requirements of customers so as to provide tailor-made solutions. As at 30 June 2020, 2,229 clients have been financed and 3,440 loans amounting to Rs 667.6 million disbursed since inception. Microfinance activity and products account for 0.1% of the Group total financing products.

In the context of the lockdown in Mauritius, a new facility, the 'Relief loan' at a preferential annual interest rate of 7% (instead of 15% previously) has been offered to existing Microfinance clients facing cash-flow difficulties due to lockdown. As at 30 June 2020, we have disbursed 25 Relief loans amounting to Rs 2.6 million. We have also rescheduled repayment facilities by proposing a moratorium period to clients facing difficulties. 525 loans have been rescheduled as at 30 June 2020.

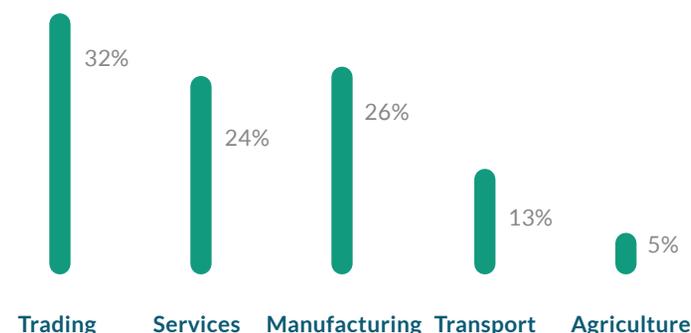
40% Female clients

78% of businesses financed exist for more than four years

55% of investment loans and 45% of working capital loans

Rs 207,000 average loan amount and 38 months average loan tenor

MICROFINANCE - LOANS BY BUSINESS SECTOR



Supporting the 'Made in Moris' Campaign

As already highlighted the COVID-19 pandemic has drawn the attention of Mauritians to the importance of strengthening the island's local economy. According to two studies conducted by the 'Made in Moris' (MIM) certification scheme during lockdown, 98% of Mauritians believe that local industry is essential to guaranteeing the island's food security and economic stability.

The MIM certification was created in 2014 thanks to a partnership between the Association of Mauritian Manufacturers and MCB. This initiative which is part of MCB's efforts to support the development of a vibrant and sustainable local economy, aims at supporting local businesses of all sizes (50% are SMEs) and from different industries (textile, food-processing, agriculture, culture & creation, manufacturing). Since its launch, the MIM initiative has grown from 11 certified companies to more than 95 certified companies, featuring over 300 brands and 2,500 products. Today, 92% of Mauritians believe that it is important to buy 'Made in Moris' certified products.

In 2020, MCB funded the new MIM campaign which was launched across the island in the midst of the sanitary crisis to promote the diversity and quality of local production as well as encourage solidarity during these challenging times. This year, the campaign focused on responsibility, one of the core values of the MIM certification, emphasising the vital role of local businesses in guaranteeing the island's food security and job supply, as well as on the responsibility of Mauritians to support local businesses through their consumption choices. Through social network posts, web series, radio spots, humorous mini-videos and banners in supermarkets, Mauritians were made aware of the reasons to believe in and support local production.

MCB hopes that this campaign will encourage Mauritians to increasingly act on this belief, and it remains fully committed and determined to pursue its efforts to support local production and consumption.

Tax Responsibility

Tax compliance is a way of showing our corporate responsibility to the country. This contribution provides essential public revenues for government to support public spending and generate additional jobs and wealth in the local economy. Fiscal responsibility is all the more important in times of crisis such as those we are currently experiencing.

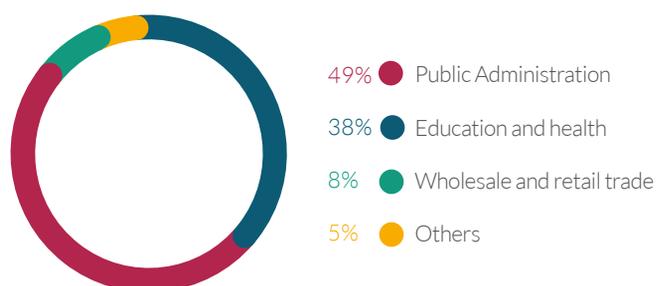
Tax paid by the Group banking entities	Rs million
MCB Ltd	1,230
MCB Madagascar	17
MCB Maldives	36
MCB Seychelles	126

MCB Ltd - Breakdown of tax charges*	Rs million
Income tax based on the adjusted profit	1,136
Deferred tax	(422)
Special levy on banks	563
Corporate Social Responsibility contribution	104
Under/Over provision in previous years	(14)
Effect of change in tax rate	(137)

* Amount shown does not include Value Added Tax (VAT). The Bank remitted a total of Rs 108 million to the Mauritius Revenue Authority for the year ending 30 June 2020.

According to an assessment on LOCAL FOOTPRINT® model performed by the sustainability consulting firm Utopies, MCB's tax expenditure in Mauritius supported over 3,900 jobs on the island and generated an economic value (Gross Domestic Product) of Rs 1,8 billion for the Mauritian economy in 2020.

DISTRIBUTION OF JOBS SUPPORTED BY MCB'S TAX EXPENDITURE IN 2020 IN THE MAURITIAN ECONOMY BY SECTOR:



For every Rs 1 million taxes paid by MCB, 2.2 jobs are thus supported in Mauritius.

The importance of tax responsibility for the local economy is illustrated by the fact that for every job at MCB, 1.4 additional jobs are supported in the local economy by our tax contribution only in addition to other levers for job creation in our value chain – as detailed in Sustainability Report 2019.

Procurement Practices

As part of its procurement practices, MCB favours the sourcing of products and services from suppliers who have adopted good environmental and social practices in their operations. Local suppliers are preferred as far as possible. Although the ratio of foreign suppliers increased from 19% in 2019 to 23% in 2020 owing to the need for foreign expertise in some projects the local procurement spend ratio increased by 15% from 55% in 2019 to 63% in 2020.

SUPPLIER RATIO (%) - BASED ON NUMBER OF SUPPLIERS



PROCUREMENT SPEND RATIO (%)



Financial Literacy and Digitalisation

The Group believes that helping people better understand financial concepts and improve their financial knowledge will contribute to building a more inclusive and sustainable economy. Providing clear and fair information to all customers will help them make better decisions so as to enhance their financial well-being. Promoting financial literacy among the population and employees in Mauritius as well as the countries where it operates, is one of the material topics for the Group. Knowing that the scope of financial literacy is vast, we focus on providing financial advice and simplified digital solutions to the population.

Digitalisation offers opportunities to individuals in terms of account monitoring, payments, and financing. There have been several initiatives during the year concerning cashless payments and digital solutions, in line with the Bank's Digital Transformation programme.

- Individual customers
 - Awareness campaigns that aim at promoting the different cashless payment solutions were broadcast on radio and social media. This included messages and videos on contactless payments and online purchasing with all MCB cards. Merchants were also encouraged to adopt cashless payments.
- Non-Individual customers
 - Launching of the SmartApprove application for corporate clients for faster approval of transactions via mobile, table or laptop. A press and digital campaign was initiated to promote online banking solutions while changing traditional banking behaviours.
 - Online loan application process for corporate customers.
 - SME business account – customers can open accounts online with only one visit to the branch.
 - JuicePro for SMEs – Launch of a mobile phone application that facilitates online banking transactions for entrepreneurs. This helps them manage their financial transactions efficiently, thus allowing them more time to focus on their business.



[Digitalisation - Read more in our Annual Report 2020](#)



MICHAEL SHUMAN
ECONOMIST AND AUTHOR OF THE NEW BOOK,
PUT YOUR MONEY WHERE YOUR LIFE IS

"In the year and a half since 'Lokal Is Beautiful' was released, the world has been turned upside down by the COVID-19 pandemic - yet the lessons of the report are more relevant than ever. Greater self-reliance in Mauritius is the key not only to greater economic prosperity but also to resilience against a world filled with unknown and unknowable threats. Kudos to MCB for continuing the hard work of identifying SME businesses that can lead the drive for import replacement, and developing special loan facilities to assist them. The next challenge, as I highlighted in my talks in 2019, is to facilitate equity crowdfunding and other forms of grassroots investment in SMEs. Every resident of Mauritius should put as much of their savings as possible into the local businesses they love. Alongside the Fab-Island, the Circular Island, and the Smart Island, there should be the Self-Owned Island, which maximises opportunities for self-determination."

LOOKING AHEAD

In accordance with its strong commitment to promote local production and consumption, MCB will continue to support entrepreneurship and innovation in Mauritius through its diverse products and favour local purchasing. It will also sensitise its stakeholders on this subject and initiate necessary discussions and partnerships to strengthen the local economy. We will also continue to build awareness on financial literacy for our employees and customers.