

ASSESSING THE READINESS OF MAIN ECONOMIC SECTORS IN MAURITIUS TO FULFILL THE SUSTAINABILITY REPORTING REQUIREMENTS ARISING FROM THE EUROPEAN GREEN DEAL (EGD).

LOT 3 : ANALYSIS OF SUSTAINABILITY REPORTING MECHANISMS FROM EU GREEN DEAL DIRECTIVES AND REGULATIONS, IMPACTING THE MAURITIAN FINANCIAL SECTOR

**TECHNICAL ASSISTANCE
FOR THE IMPLEMENTATION OF SUNREF III
PROGRAMME - MAURITIUS**



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Executive Summary

As financial institutions (FIs) in the European Union (EU) increasingly incorporate sustainability considerations into their assessment and decision-making processes, foreign counterparts must increase the extent to which they incorporate sustainability considerations in their own assessment and decision-making processes. The Mauritius financial services sector will need to provide more sustainability-related information and metrics in result of developments that take place in the EU. This is to satisfy both the need for data and information, and the sustainability criteria EU counterparties will require going forward.

As recognised by EU institutions, FIs have a fundamental role in guiding the shift towards a more sustainable economy, by mobilizing the resources needed for investments and channelling capital flows to assets and economic activities that contribute to sustainability and sustainable future. Consequently, FIs have a significant influence over the evolution of sustainability reporting and sustainability practices across various sectors of the economy. The realization of this influence hinges upon collaboration across economic sectors and a robust support from public authorities and effective local regulation.

In response to the evolving sustainability reporting landscape, Business Mauritius, along with the AfD and the EU under the SUNREF programme has appointed Mazars LLP to assess the readiness of the financial services sector in Mauritius to fulfil the sustainability reporting requirements arising from the European Green Deal (EGD). The study focused on the sustainability reporting requirements within the six measures of the EU Sustainable Finance Framework - a comprehensive set of regulations, guidelines, and initiatives introduced by the EU to facilitate the transition towards a climate-neutral and sustainable economy and promote sustainable finance. These are Corporate Sustainability Reporting Directive (CSRD), Sustainable Finance Disclosure Regulations (SFDR), EU Taxonomy, EU Green Bond Standard (EUGBS), EU Climate Benchmark Standards (EUCBS) and Sustainability Preferences.

The research team gathered information about existing sustainability reporting across a sample of Mauritian FIs through preliminary desktop research, interviews, and request for documents. Based on the information gathered, we identified strengths and weaknesses across the sample of FIs. Findings were structured across four dimensions, namely Governance, Reporting process, Data and Controls. A risk rating was assigned to the areas of improvement based on its severity to affect companies' ability to meet sustainability reporting requests from EU counterparties. Section 5 details findings from the gap analysis performed.

To address the identified areas of improvement, the report sets out recommended corrective actions different stakeholders should take. It covers actions for policymakers, regulatory bodies, Mauritius FIs, business associations and the EU Delegation to the Republic of Mauritius. Section 6 details the recommended corrective actions and Section 7 provides a high-level roadmap which consolidates these actions.

Key conclusions from the study

While the CSRD/ESRS, SFDR, EU taxonomy, EUGBS, and EUCBS regulations encompass a wide range of reporting requirements, their full impact on Mauritian Financial Institutions (FIs) may be limited. The specific information FIs need to disclose will vary depending on their individual circumstances.

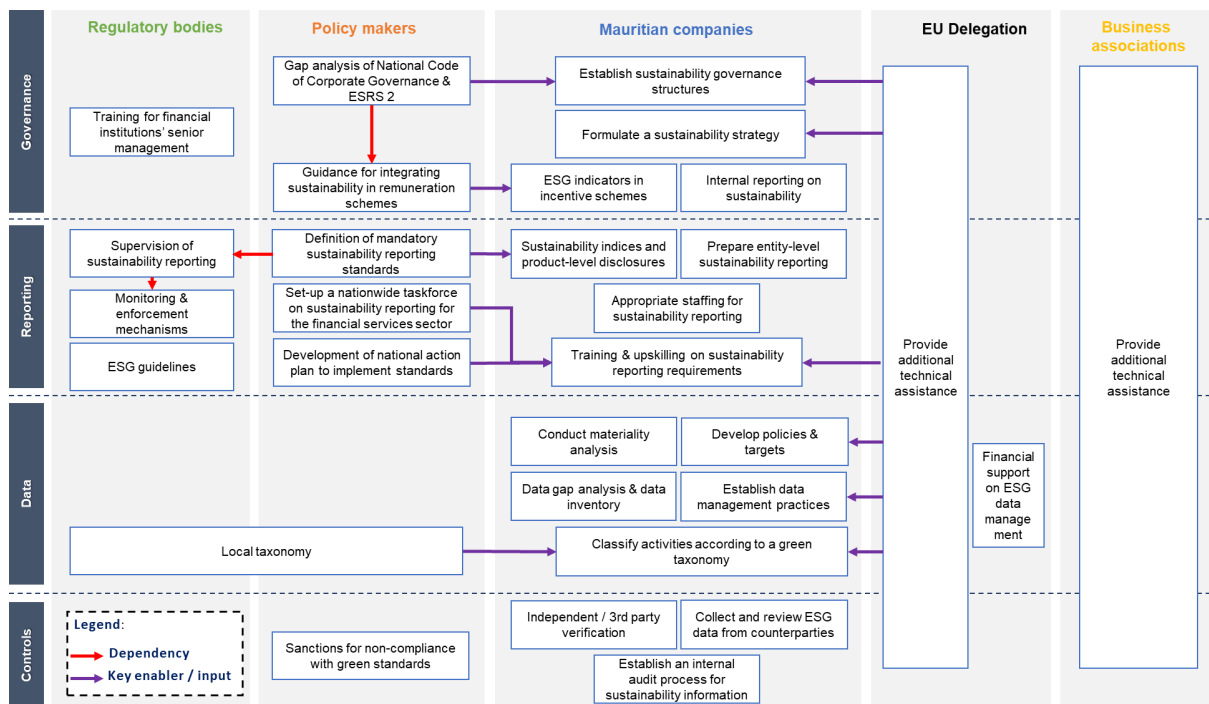
However, staying informed about these developments is crucial for Mauritian FIs. Even if the regulations do not directly apply now, Mauritian financial players lagging behind in terms of progress towards global trends in sustainable finance would prevent them from:

- Creating added value and building a strategic advantage in an increasingly competitive environment with the emergence of green financial hubs in Africa and Asia.
- Preparing for potential future regulations: As the Mauritian regulatory landscape evolves, familiarity with these standards can ease the transition to new requirements.
- Benchmarking against best practices: Learning from other institutions' experiences allows Mauritian FIs to identify and implement best practices in sustainability reporting, even if not formally mandated.

Key findings from the study indicate that FIs in Mauritius will need to improve in the following areas:

- **Sustainability governance:** FIs in Mauritius provide insufficient information on sustainability governance structures, their sustainability strategy is not clearly defined, there is insufficient internal communication of sustainability matters, and there is no integration of sustainability-related performance in incentive schemes. These are required as part of CSRD/ESRS disclosures.
- **Sustainability reporting:** FIs show limited knowledge of sustainability reporting standards, there is lack of dedicated staff for sustainability reporting, there is insufficient sustainability reporting at entity-level as required under SFDR, asset managers provide insufficient product-related disclosures. FIs that form part of SEMSI Index provide limited disclosures of sustainability reporting required by the index.
- **Data:** FIs perform inadequate materiality assessments, there is limited information provided on management of material sustainability topics, FIs do not provide the full set of ESG metrics as defined by CSRD/ESRS, finally FIs insufficiently classify sustainable activities as they do not adhere to the EU Taxonomy or other benchmark taxonomies.
- **Controls:** FIs have insufficient processes for ensuring quality and completeness of ESG data, there is limited external audit assurance of sustainability information, and there is lack of ability to verify quality of ESG data from third parties.

Below high-level roadmap outlines corrective actions that regulatory bodies, policy makers, Mauritian FIs, the EU Delegation, and business associations could take to ensure the financial sector is able to meet the EU Sustainable Finance Framework reporting requirements:



To facilitate the implementation of actions in the high-level roadmap, section 8 delves into capacity building mechanisms that can be put in place, particularly to support Mauritian FIs.

- **Training:** Programs and initiatives to equip employees with the necessary skills and knowledge for effective sustainability reporting.
- **Tools:** Resources and templates to simplify and streamline the sustainability reporting process.
- **Technology aspects:** Solutions and tools to automate data collection, analysis, and reporting.

To ensure a focused analysis, our study primarily examined the reporting aspects of sustainable finance in Mauritius. This means we did not delve into the current or planned capabilities and instruments of Mauritian FIs to finance the transition to a sustainable economy, nor a comparative analysis with other emerging or similar economies on this matter.

Future research could explore these valuable areas to provide a more comprehensive understanding of sustainable finance in Mauritius.

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1. Introduction

The European Union (EU) is one of Mauritius most important markets in terms of tourism (around 60%) and exports (65% of agricultural exports and 36% of manufacturing exports). The EU is among the most advanced players in the transition to a low-carbon economy and its efforts towards this transition are reflected in the EU Green Deal (EGD). It is important for Mauritian companies to understand the impact of EGD on their respective sectors, and the risks and opportunities arising from it. Business Mauritius launched a study to examine the EU legislation and EGD directives that would have the greatest impact on the Mauritian private sector.

Business Mauritius appointed Mazars LLP (“Mazars” / “our” / “we”) to assess readiness of key sectors in Mauritius to fulfil the sustainability reporting requirements arising from the European Green Deal (EGD) and wider European regulatory framework. Mazars’ engagement is structured into the following lots:

- Lot 2 – which covers the impact on Mauritius main economic sectors.
- Lot 3 – which covers the impact on Mauritius financial services sector.

The purpose of Lot 3 is to support Business Mauritius present key elements of the EU’s Sustainable Finance (SF) Framework and assess how the current reporting framework within the Mauritius financial services sector is positioned to meet the requirements of this strategy. In undertaking this study, we covered the sub-sectors within the Mauritius financial services sector (i.e., banking, insurance, and global business). This Final report details the approach, and key findings from the readiness assessment performed by Lot 3. It also sets out a high-level roadmap of recommended corrective actions for key stakeholders in Mauritius as well as capacity building measures to support implementation of this roadmap. This report builds on from the Inception Report and Preliminary Report earlier produced as it provides further information on our methodology, conclusions, and key recommendations.

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2. Overview of our approach

2.1. EU Sustainable Finance Framework measures

The study focused on the elements of the EU SF Framework notably i) Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) ii) Sustainable Finance Disclosure Regulation (SFDR), iii) EU Taxonomy (EUT), iv) EU Green Bond Standards (EUGBS) and v) sustainability preferences (SP). Section 3 set outs the key requirements and anticipated effects of these regulations on the Mauritian financial services sector.

2.2. Sectors in scope

The sectors covered were banking sector, insurance sector and global business (asset management) sector. Section 4 provides an overview of these sectors.

2.3. As-is assessment

The study examined the current sustainability reporting practices of a sample of Mauritian financial services entities to assess readiness across the sectors. Section 5 sets out the methodology and key steps taken. Section 6 indicates key findings from the assessment.

2.4. Findings and recommendations

The study brought out corrective measures the following stakeholders can take to address areas of improvement identified from the assessment:

- Policymakers in Mauritius
- Regulatory bodies in Mauritius
- Mauritius companies within the main economic sectors
- Business associations and bodies relevant to the main economic sectors
- EU delegation for Mauritius

The recommended corrective measures were summarised in a high-level roadmap.

Section 7 and 8 details the recommended corrective actions and high-level roadmap. Section 9 sets out capacity building mechanisms to support implementation of the roadmap.

3. Expected effects of EU Sustainable Finance Framework on sustainability reporting in Mauritius

The EU Sustainable Finance Framework is an integral part of the EGD and aims to support financing for the transition to a sustainable economy¹. The EU Sustainable Finance Action Plan set out a comprehensive strategy to further connect finance with sustainability by:

- Reorienting capital flows towards a more sustainable economy.
- Mainstreaming sustainability into risk management.
- Fostering transparency and long-termism.

The measures within the EU Sustainable Finance Framework are structured along the following pillars:

- The EU Taxonomy
- Several disclosure frameworks which include:
 - Corporate Sustainability Reporting Directive ([CSRD](#)), which requires reporting under the European Sustainability Reporting Standards ([ESRS](#))
 - Sustainable Finance Disclosure Regulation ([SFDR](#))
 - Sustainability Preferences ([SP](#))
- A set of investment tools to develop sustainable solutions:
 - EU Climate Benchmarks Regulation ([EUCBR](#))
 - EU Green Bond Standard ([EUGBS](#))

Our study in the Lot 3 examined the different measures within the EU Sustainable Finance Framework with a focus on the sustainability reporting requirement under each measure. We considered the extent to which the EU Sustainable Finance Framework measures can potentially impact sub-sectors of the Mauritius financial services sector (i.e., banking, insurance and global business). For our analysis, we defined the potential impacts as follows:

- **Direct impacts** are those potential impacts due to Mauritian FIs falling under the direct application of the various regulations/directives.
- **Indirect impacts** are those potential impacts to Mauritian FIs through the reporting requirements that arise under the various regulations/directives.

3.1. The Corporate Sustainability Reporting Directive (CSRD)

3.1.1. Background

As part of the EGD, the EU has introduced the Corporate Sustainability Reporting Directive (CSRD), a comprehensive sustainability reporting legislation, requiring disclosure on material value chain information. The CSRD sets forth the European Sustainability Reporting

¹ Source: https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance_en#the-eu-sustainable-finance-framework

Standards (ESRS) that provide disclosures requirements on a comprehensive set of topics in environmental, social, and governance areas. The CSRD aims to improve the quality and comparability of sustainability information, elevating it to the disclosure level of financial information, across all major economic sectors. The CSRD will replace the current Non-Financial Reporting Directive (NFRD), with EU companies that already fall under the NFRD being the first to report under the CSRD in 2025 on the financial year 2024.

ESRS is structured across two cross-cutting standards and ten topical standards namely:

1. E1 Climate Change
2. E2 Pollution
3. E3 Water and marine resource
4. E4 Biodiversity and ecosystems
5. E5 Resource use and circular economy
6. S1 Own workforce
7. S2 Workers in the value chain
8. S3 Affected communities
9. S4 Consumers and end users
10. G1 Business conduct

3.1.2. Implications of the CSRD on Mauritius financial services sector

The CSRD includes an “extra-territoriality” principle and widens the population of companies subject to sustainability reporting to companies outside the EU with the aim of maintaining a level playing field for all the economic players operating in the European market. In that context, non-EU groups or companies will be affected by the CSRD in three ways: when they have securities listed in the EU, when they have significant activity in the EU, and when they are parent companies of in-scope EU subsidiaries. Determining whether a non-EU group or an EU subsidiary is in the scope of the CSRD and to what extent they must report will often be a complex exercise that may require legal counsel.

The CSRD considers the whole value chain perspective to enable companies adequately understand their material Environmental Social Governance (ESG) impacts. EU companies are required to include value chain information where they have assessed there to be material impacts, risks and opportunities connected with activities of upstream and/or downstream value chain. This means companies in non-EU countries like Mauritius will need gather more data to meet the sustainability reporting requests from EU companies. Companies would therefore need to set up efficient data collection processes and improve the governance and internal management of sustainability reports and disclosures.

The table below summarises our assessment of potential impacts of the CSRD on Mauritius financial services sector.

CSRD/ESRS	Applicability to sub-sectors		
	Banking	Insurance	Global business
	Potentially relevant	Potentially relevant	Potentially relevant
Direct impacts	▶ Any Mauritian FI that is a subsidiary of an EU entity in scope of CSRD would form part of the reporting undertaking definition. As such, the Mauritian FI would be expected to report required sustainability information to its parent company.		

CSRD/ESRS	Applicability to sub-sectors		
	<p>► Mauritian FIs which form part of the reporting undertaking definition must specifically report on financed emissions, i.e., the carbon footprint of the FI's portfolio (loans, equities, or debt investments). Financed emissions form part of Scope 3 Green House Gas (GHG) emissions.</p>		
Indirect impacts	Banking	Insurance	Global business
	Potentially relevant	Potentially relevant	Potentially relevant
	<p>► Value chain information is triggered when an EU financial institution provides a Mauritian FI with financial assets such as loans, equities, and debt instruments. Therefore, the Mauritian FI would need to provide the EU FI with sustainability information such as metrics, policies, actions and targets around material risks, opportunities, and impacts.</p> <p>► The ability of FIs to provide information (such as financed emission of their portfolio) may be negatively impacted if they have clients and counterparties who do not need to provide sustainability information required by CSRD.</p> <p>► FIs may be impacted in a broader manner should their own clients lose trading relationships with EU partners due to inability to satisfy relevant EU sustainability reporting requirements. This can potentially lead to:</p> <ul style="list-style-type: none"> ○ higher credit risks for banks due to increase in delinquency in loan repayments. ○ higher credit risks for insurers due to unpaid premiums or non-renewal of insurance premiums. <p>lower Asset Under Management (AUM) for global businesses due to capital outflows from EU counterparties.</p>		

3.1.3. The alignment between the CSRD and internationally recognized sustainability reporting frameworks and standards with regards to climate

The main climate-related disclosure standards used internationally are the International Sustainability Standards Board (ISSB) S2 standards, the Task Force on Climate-related Financial Disclosures (TCFD) and CDP reporting. These standards are broadly consistent with the ESRS topical standard E1 Climate change. They all require companies to report GHG emissions data (Scope 1, 2, and 3), climate-related targets as well as their climate-related physical and transitional risks and opportunities. They require detailed management disclosures on how climate risks and opportunities are addressed, including explaining governance roles and oversight, and processes in place to identify, assess, and manage these risks, and opportunities. ISSB and TCFD focus on the financial effects of these risks and opportunities, while in ESRS E1 and CDP, disclosures on climate and environmental impacts and their management are also required.

Therefore, FIs that report under any of these climate-related disclosures are well prepared to meet ESRS E1 Climate change reporting requirements.

3.1.4. The alignment between the CSRD and corporate frameworks in place in Mauritius

3.1.4.1. Mauritius National Code on Corporate Governance

The National Code of Corporate Governance (the “Code”), revised in 2016, comprises a set of principles and guidance aimed at improving and guiding the governance practices of Public Interest Entities (PIEs) and organisations within Mauritius². The Code uses an “apply and explain” methodology, which is aimed at encouraging high-quality corporate governance with inbuilt flexibility that allows organisations to be proportionate. The Code is mandatory for PIEs as per Section 75 (2) of the Financial Reporting Act 2004.

The Code covers eight corporate governance principles namely:

1. Governance Structure
2. Structure of the Board and its Committees
3. Director Appointment Procedures
4. Director Duties
5. Remuneration and Performance
6. Risk Governance and Internal Control
7. Reporting with Integrity, Audit
8. Relations with Shareholders and Other Key Stakeholders.

The Code further highlights that the narrative section of annual reports should include details on “sustainable development”. The Code also recommends that reporting can also be done on Environmental Issues, Health and Safety Issues, Social Issues, Corporate Social Responsibility, Charitable and Political Contributions, Governance. Principle 6 of the Code states: “The Board should present a fair, balanced and understandable assessment of the organisation’s financial, environmental, social and governance position, performance and outlook in its annual report and website.”

Therefore, Mauritius FIs that adopt recommendations in the Code have a good starting point in gathering information required by ESRS.

3.1.4.2. Bank of Mauritius Guideline on Climate-related and Environmental Financial Risk Management

Banks and non-bank deposit taking institutions (“BOM Licensees”) licensed by the Bank of Mauritius must comply with the Guideline on Climate-related and Environmental Financial Risk Management (“Guideline”), issued in April 2022³. The Guideline requires reporting on climate-related and environmental financial risks on the following aspects:

1. Business models and strategy
2. Governance
3. Internal control framework and risk management
4. Scenario analysis and stress testing
5. Disclosures.

The guideline encourages reporting using the TCFD recommendations. Though the guideline requires disclosures of Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs)

² Source : <https://nccg.mu/full-code>

³ Source : <https://www.bom.mu/guideline-climate-related-and-environmental-financial-risk-management>

regarding climate-related and environmental risks, it does not specifically indicate the metrics to measure and monitor.

3.1.5. Focus of Lot 3 study with regard to the CSRD

Our work examined CSRD from two perspectives:

- The corporate sustainability reporting requirements relevant for international FIs that are subsidiaries of EU FIs: The extent to which Mauritian FIs can produce the required sustainability-related metrics material to the financial services sector.
- The CSRD-aligned developments in the corporate sustainability reporting requirements for the wider Mauritian economy: Ability of Mauritian FIs to obtain entity level metrics required under CSRD from portfolio companies they invest in and borrowers they provide finance to.

We also considered sustainability reporting requirements from the International Sustainability Standards Board (ISSB) and any relevant Mauritius regulations. This was to examine the extent to which any ongoing or planned work to advance alignment with these requirements could impact Mauritian FIs sustainability reporting mechanisms and facilitate readiness for CSRD-aligned reporting.

3.2. Sustainable Finance Disclosure Regulation (SFDR)

3.2.1. Background

The Sustainable Finance Disclosure Regulation (SFDR) was introduced to improve transparency in the market for sustainable investment products. It is designed to allow investors to properly assess how sustainability risks are integrated in the investment decision process. In this way, SFDR contributes to the EU's objective of attracting private funding to support Europe's transition to a net-zero economy. SFDR applies to in-scope financial advisers (who provide insurance / investment advice on financial products) and in-scope financial market participants (who make investment decisions)

Disclosure requirements under SFDR can be categorised as follows:

3.2.1.1. Entity level disclosures to be published on websites

- Article 3: Financial advisers and financial market participants are required to publish their policies to integrate sustainability risks into investment decision making and insurance/investment advice.
- Article 4: Certain financial market participants are required to publish the due diligence policies on principal adverse impacts (PAI) considered in investment decisions. Principal Adverse Impacts (PAI) are the most significant negative impacts of investments on the environment and people.
- Article 5: Both financial advisers and market participants are required to publish how they integrate sustainability risks into remuneration policies.

3.2.1.2. Product level disclosures

- Article 6: Financial advisers and market participants shall include in pre-contractual disclosures, how sustainability risks are integrated into their investment/insurance

advice and investment decision making. They should also include results of the assessment of likely impacts of sustainability risks on returns of the financial products they advise on / make available.

- Article 7: For each financial product, financial market participants are required to explain how the financial product considers the PAI of sustainability factors.
- Article 8: If a financial product promotes environmental and/or social characteristics, information should be provided on how these characteristics are met. If an index has been designated as a reference benchmark, information on whether and how this index is consistent with those characteristics. The Companies in which the investments are made are expected to follow good governance practices.
- Article 9: Where a financial product has sustainable investment as its objective, information should be provided on how this objective is attained. If an index has been designated as a reference benchmark, information on how the designated index is aligned with that objective should be provided (and why the index is relevant).
- Article 10: For each financial product, information on the environmental or social characteristics or the sustainable investment objective, and its monitoring should be disclosed.
- Article 11: Information should be provided in periodic reports on impact of sustainable investment or the achievement of environmental or social characteristics.

3.2.2. Impact of SFDR on Mauritius financial services sector

Non-EU asset managers may also be required to comply with the provisions of the SFDR should they market financial products to EU investors, i.e., under Article 42 of the Alternative Investment Fund Managers Directive (AIFMD). In the event there is a delegated portfolio management contract between an EU asset manager and non-EU asset manager, the non-EU managers may also be required to collect data to enable the EU managers comply with SFDR.

The table below summarises our assessment of potential impacts of SFDR on Mauritius financial services sector.

SFDR	Applicability to sub-sectors		
	Banking	Insurance	Global business
Direct impacts	Not relevant	Not relevant	Potentially relevant
	<ul style="list-style-type: none"> ▶ Mauritian fund managers who wish to market their products in the EU under Article 42 of the AIFMD, would have to provide both entity level and product level disclosures under SFDR. ▶ Mauritian fund managers who carry out duties of an EU financial adviser (under a delegated management contract) would have to collect data from investee companies to assist the EU financial adviser comply with SFDR. 		
Indirect impacts	Potentially relevant	Potentially relevant	Potentially relevant
	<ul style="list-style-type: none"> ▶ Where Mauritian FIs are investee companies of EU financial market participants, they would be required (under certain ESG covenants) to furnish PAI information at the investment decision making stage and throughout the duration of the investment holding (for periodic reports). This applies to both existing investee companies and any future investee company. 		

3.2.3. Alignment with relevant international and Mauritius sustainability reporting requirements

3.2.3.1. Disclosure and reporting guidelines for ESG funds

On 23 October 2023, the Financial Services Commission (“FSC”) in Mauritius issued a consultation on the draft disclosure and reporting guidelines For ESG funds⁴. These Guidelines apply to authorised collective investment schemes and closed-end funds which use or include ESG factors as its key investment focus and strategy (‘ESG scheme’). This means that ESG factors significantly influence the scheme’s selection of investment assets i.e., at least two-third of the scheme’s net asset value is always ESG-focused. Disclosure requirements in the draft guideline are as follows:

- Offering document should include investment objectives, investment strategies, asset allocation, reference benchmarks and risks.
- financial statements should include explanation on the achievement of ESG focus, comparison against benchmarks, explanations for non-compliance etc.
- website should include how ESG focus is measured/monitored, description of due diligence, and sources/processing of data.

⁴ Source : <https://www.fscmauritius.org/media/166505/disclosure-and-reporting-guidelines-for-esg-funds-v1.pdf>

- Ongoing monitoring should be a key focus of the board of the ESG fund or CIS (Collective Investment Scheme) Manager
- Evidence of independent third-party certification to confirm that underlying investments in the ESG funds are compliant with the offering document.

Therefore, these guidelines will help asset managers to eventually comply with the requirements of SFDR insofar as entity level disclosures are concerned (e.g., website disclosures on monitoring, due diligence etc.) and product level disclosures (e.g., proportion of investments which meets ESG focus etc.)

3.2.4. Focus of Lot 3 study with regard to SFDR

Market participants that are subject to SFDR will require both EU and non-EU portfolio companies to provide information, and possibly agree to ESG covenants. We examined the extent to which relevant Mauritian FIs can:

- Determine whether their investment products qualify for Articles 6, 8 or 9 classifications.
- Produce the required entity- and product-level disclosures (more specifically produce the Principal Adverse Impact (PAI) indicators and templates for pre-contractual disclosures and periodic reports).

3.3. The EU Taxonomy

3.3.1. Background

The EU Taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and other broader environmental goals. The Taxonomy allows financial and non-financial companies to share a common definition of economic activities that can be considered environmentally sustainable. The Taxonomy aims to direct investment flows towards activities that contribute most to the EU's sustainable development objectives, help mitigate "greenwashing" and create incentives to finance a sustainable transformation. The environmental objectives covered by the Taxonomy are:

1. Climate change mitigation
2. Climate change adaptation
3. Protection and sustainable use of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Taxonomy-eligible activities become taxonomy-aligned if they meet the following criteria:

- Making a substantial contribution to at least one environmental objective listed above.
- Complies with technical screening criteria (e.g., limits related to environmental performance such as GHG emissions).
- Do no significant harm to the other environmental objectives, e.g., management of environmental risks such as water and biodiversity risks.
- Carried out in accordance with minimum social safeguards (OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, ILO Core Labour Standards and Human Rights Charter).

The EU taxonomy requires in-scope companies and financial market participants to disclose information on how and to what extent their activities are eligible and align with the taxonomy criteria. The EU Taxonomy Regulation stipulates that companies that are subject to CSRD or Articles 8 and 9 of SFDR shall disclose the proportion of their investment which are aligned with the EU taxonomy criteria. Disclosures by financial institutions and non-financial companies differ as follows:

3.3.1.1. Financial institutions

Green Asset Ratio (GAR)

- This Key Performance Indicator (KPI) is for banks and measures the proportion of their loans and securities aligned with the EU Taxonomy.
- It represents the value of taxonomy-aligned exposures divided by the total covered assets.
- It covers non-balance sheet banking book assets, such as loans and advances, debt securities and equity instruments. However, it does not cover trading book assets or assets with governments, supranational or central banks.

Green Investment Ratio (GIR)

- This KPI is for investment firms as well as insurers and reinsurers (other than life insurers). It measures the proportion of their AUM or revenues that are aligned with the EU Taxonomy.
- It represents the value of taxonomy-aligned assets or revenues divided by the total AUM or revenues.
- Covers investment services and activities, such as dealing on own account, portfolio management, investment advice and execution of orders.

KPIs for Insurers/Reinsurers

- Insurers and reinsurers, other than life insurers, also need to calculate the KPI that measures the proportion of their insurance or reinsurance activities that is aligned with the EU Taxonomy
- The KPI shall be expressed as a percentage of one of the following, as applicable: (a) total non-life insurance gross premiums written, (b) total reinsurance gross premiums written, (c) total non-life insurance revenue; or (d) total reinsurance revenue.

3.3.1.2. Non-financial companies

Quantitative disclosures

Companies are to report on KPIs that measure the value of companies' taxonomy-aligned activities expressed as a share of

- Turnover
- Capital expenditure (CAPEX)
- Operating expenditure (OPEX)

Qualitative disclosures

These are to provide narrative explanations of the methodology, data sources, assumptions and limitation used in calculating the above KPIs.

3.3.2. Impact of EU Taxonomy on Mauritius financial services sector

The table below summarises our assessment of potential impacts of the EU Taxonomy on Mauritius financial services sector.

EU Taxonomy	Applicability to sub-sectors		
	Banking	Insurance	Global business
Direct impacts	Potentially relevant	Potentially relevant	Potentially relevant
	▶ EU investors in scope of CSRD / SFDR may request taxonomy eligibility and alignment of activities from the Mauritian FIs they invest in. Mauritian FIs may also be requested in these instances to provide GAR and GIR.		
Indirect impacts	Potentially relevant	Potentially relevant	Potentially relevant
	▶ EU non-financial companies in scope of CSRD / SFDR may request taxonomy eligibility and alignment from Mauritian FIs they transact with. Mauritian FIs may also be requested in these instances to provide GAR and GIR. ▶ FIs may be impacted in a broader manner should their own clients loose trading relationships with EU partners due to inability to demonstrate taxonomy eligibility and alignment. This can potentially lead to: <ul style="list-style-type: none">○ higher credit risks for banks due to increase in delinquency in loan repayments.○ higher credit risks for insurers due to unpaid premiums or non-renewal of insurance premiums.○ lower Asset Under Management (AUM) for global businesses due to capital outflows from EU counterparties.		

3.3.3. Alignment with relevant international and Mauritius sustainability reporting requirements

Two local ESG frameworks/disclosure and reporting guidelines have been developed by:

- Ministry of Finance, Economic Planning and Development (MoFEPD)⁵
- Financial Services Commission (FSC)

The framework prepared by the MoFEPD has been created with the perspective of government borrowings, while the framework prepared by the FSC was based on the funds

⁵ Source : <https://mof.govmu.org/Pages/msff.aspx>

industry. A local taxonomy is also being developed by the Ministry of Environment, Solid Waste Management and Climate Change (MoE).

The local taxonomy (under development) is expected to provide FIs with similar concepts (such as eligibility / alignment) although these are expected to be less stringent than the EU Taxonomy.

The Sustainable Finance Framework of the Mauritian government is aligned with International Capital Market Association (ICMA) Green Bond Principles. With respect to the use of proceeds, eligible expenditures (eligible green projects) have been defined across environmental and social objectives. As far as reporting is concerned, impact reporting metrics have already been defined. The Framework also provides for second party opinion (pre-issuance) and verification (post-issuance). KPIs also have already been included in the framework.

Parallels can be drawn with the EUGBS and partly with the EU Taxonomy in the sense that the Framework is in line with ICMA Green Bond principles (which partly resembles the EU GBS) as well as the introduction of the eligibility criteria with the EU Taxonomy.

The [draft] Disclosure and Reporting Guidelines for ESG Funds issued by the FSC apply to authorised Collective Investment Schemes and Closed-end Funds which use or include ESG factors as its key investment focus and strategy ('ESG scheme'). A fundamental difference can be noted here with respect to the SFDR which requires all funds to disclose their ESG "exposure". If none, these would fall under article 7, whilst Articles 8 and 9 of the SFDR are for ESG themed / centric funds. Nonetheless, the guidelines set out the tone for such ESG Funds regarding disclosures in the offering document, disclosures required in Audited Financial Statements, on websites and external reviews. To an extent, these are in line with SFDR requirements. The main difference is in the reporting of specific datapoints which are already pre-set by SFDR.

3.3.4. Focus of Lot 3 study with regard to the EU Taxonomy

We examined the ability of Mauritian FIs to determine the degree to which their financial products and activities are eligible and align with the EU Taxonomy.

3.4. EU Green Bond Standard

3.4.1. Background

The EU Green Bond Standard (EUGBS) is a voluntary standard to encourage market participants to issue and invest in bonds aimed at economic activities that align with the EU Taxonomy. It is designed to enhance transparency, comparability, accountability, and credibility of the green bonds market. EUGBS is open to issuers within and outside the EU seeking to finance green investments, while meeting tough sustainability requirements and protecting investors.

EUGBS requires issuers to report on alignment with the EU Taxonomy as well as the use and allocation of proceeds. Below is a summary of disclosure documents issuers should produce under EUGBS:

3.4.1.1. European Green Bond factsheet

The factsheet should cover:

- General information of the bond issue
- Alignment to the environmental objectives under the Taxonomy
- Statement by the issuer for adhering to the standards
- Environmental strategy and rationale
- Intended allocation of bond proceeds
- Information on reporting

The Factsheet should be subject to a pre-issuance review and validation by an external reviewer who is registered with and supervised by the European Securities Markets Authority (ESMA). The external reviewer is required to confirm whether the EU green bond is taxonomy-aligned. This verification can be done before or at the time of issuance.

3.4.1.2. Allocation Reports

- Annual allocation reports should be prepared until full allocation of the bond proceeds. The reports should cover details on the allocation of the bond proceeds such as by sectors, by country, new projects/refinancing etc.
- A Final allocation report should also be drawn and be subject to a post-issuance validation by the external reviewer.

3.4.1.3. Impact Report

- Issuers should produce a European green bond impact report on the environmental impact of the use of the bond proceeds. This report can be issued at least once during the lifetime of the bond and after full allocation of the bond proceeds.

3.4.2. Impact of EUGBS on Mauritius financial services sector

The table below summarises our assessment of potential impacts of the EUGBS on Mauritius financial services sector.

EUGBS	Applicability to sub-sectors		
	Banking	Insurance	Global business
Direct impacts	Not relevant	Not relevant	Not relevant
	► None		
Indirect impacts	Potentially relevant	Potentially relevant	Potentially relevant
	► Any issuer of a Mauritian green bond targeting EU investors may consider aligning with the EU Green Bond Standards (e.g., Alignment to EU taxonomy) to attract EU investors. ► Following the EU Green Bond Standards can signal to the market that Mauritian FIs are addressing physical and transition risks of climate change and are understanding the impact on environment. This can have positive effects on FI's reputation and improve the access to capital (i.e., not limited to EU investors only)		

3.4.3. Alignment with relevant international and Mauritius sustainability reporting requirements

3.4.3.1. Mauritius Sustainable Finance Framework⁶

Mauritius has established the Sustainable Finance Framework (“Framework”) under which the Ministry of Finance, Economic Planning and Development, acting on behalf of the Republic of Mauritius, intends to issue:

- Green, social, sustainability and thematic bonds, loans or other debt instruments (collectively “Sustainable Use of Proceeds Finance Instruments”); or
- Sustainability-Linked bonds, loans or other debt instruments (collectively “Sustainability-Linked financial instruments”)

The Framework sets out the intended allocation of financing towards specific areas to achieve Mauritius’ Nationally Determined Contribution (NDC) target, 3-year strategic plan and Vision 2030.

3.4.3.2. Guidelines on Green Bonds

The first Guide for the issue of Sustainable Bonds in Mauritius was issued by the Bank of Mauritius in June 2021 (“BOM Guidelines”) while the Financial Services Commission issued Guidelines for Issue of Corporate and Green Bonds in Mauritius in December 2021 (and revised in April 2022) (“FSC Guidelines”). Both guidelines consider the recommendations of the International Capital Market Association’s Green Bond Principles amongst others.

For the time being, we understand there have been no sustainable bond issues under the BOM Guide. On the other hand, during our work, we identified the following green bonds which were issued by large corporates in Mauritius:

- Green bond issued by CIM Finance Ltd in January 2022 in line with the Guidelines for issue of Corporate and Green Bonds in Mauritius issued by the Financial Services Commission⁷.
- Additional issue of green bonds by CIM Finance Ltd in October 2023, including listing on the Stock Exchange of Mauritius in line with Guidelines for issue of Corporate and Green Bonds in Mauritius issued by the Financial Services Commission.⁸
- Green Bond issued by EnVolt (subsidiary of ENL Group) in October 2023 in line with the International Capital Market Association’s (ICMA) 2021 Green Bond Principles.⁹

The current green bond guidelines in Mauritius are based on ICMA’s Green Bond Principles which introduces an element of commonality as far as i) Description of the use of proceeds, ii) Process for project evaluation & selection, iii) Management of proceeds (high level) and iv) Reporting are concerned. However, the main differences with the EU Green Bond Standard would be centred around the concepts of eligibility/alignment under the EU Taxonomy, mandatory reviews amongst others. It can therefore be inferred that to access EU funding, issuers would be expected to match the eligibility of their projects and ensure the alignment with EU taxonomy which can provide to be stricter than it would have been under local bond standards

⁶ Source : <https://mof.govmu.org/Pages/msff.aspx>

⁷ Source : <https://blog.cimfinance.mu/innovation/cim-finance-issues-mauritius-first-green-bond>

⁸ Source : <https://platformafrica.com/2023/10/26/cim-finance-issues-the-first-green-bonds-on-the-sem/>

⁹ Source : <https://mcbgroup.com/post/mcb-capital-markets-advises-envolt-on-its-inaugural-green-project-bond-issue>

3.4.4. Focus of Lot 3 study with regard to EUGBS

Considering the EUGBS is open to issuers within and outside of EU, we explored the extent to which green bond issuers in Mauritius can meet the transparency and EU taxonomy-alignment requirements of this standard.

3.5. EU Climate Benchmark Standards (EUCBS)

3.5.1. Background

In April 2020, the European Commission adopted new rules to enhance the ESG transparency benchmark methodologies aimed at addressing the risk of greenwashing. These new rules introduced the following benchmarks:

- EU Climate Transition Benchmark (EU CTB) – which evaluates the contribution of investment portfolios to the transition to a low-carbon economy.
- EU Paris-Aligned Benchmark (EU PAB) – which evaluates the alignment of investment portfolios with the objectives of the Paris Agreement on climate change.

Both benchmarks focus on decarbonization, but they have different thresholds. The rules set out the minimum technical requirements for a benchmark to be labelled as any of the EU climate benchmarks. It also details the ESG disclosure requirements for benchmark administrators, including disclosure on the alignment with the Paris agreement. The table below provides further information disclosure requirements for the two benchmarks.

S/N	EU CTB	EU PAB
Mandatory disclosure		
1	All criteria and methods used in the benchmark methodology, including but not limited to selection and weighting factors, metrics and proxies used	
2	Exclusion criteria based on climate related or other ESG considerations. For example, the exclusion of companies that are involved in the cultivation or production of tobacco	
3	Carbon intensity of the index which includes scope 1, scope 2 and scope 3. This estimates the indexes exposure to carbon-intensive companies. In this case it is the total carbon emissions/\$m (enterprise value including cash).	
4	Year-on-year decarbonisation trajectory, base year for calculation and achieved greenhouse gasses emissions trajectory of the benchmark since creation.	
5	The degree to which the IPCC decarbonisation trajectory (1.5° with no or limited overshoot) has been achieved since creation.	
6	The data used to determine the decarbonisation path, including scope 1, scope 2 and scope 3 emissions.	
7	Required disclosures based on Annex III of Regulation amending Regulation (EU) 2016/1011. This regulation requires EU CT and EU PA benchmarks to adopt procedures for introducing changes to their methodology. Advance notice needs to be given with clear timeframes for any changes to users of the benchmarks, giving them enough time to analyse and comment on proposed changes.	
8	Quantitative comment on climate tail risks (downside deviations from the expectation). The downside potential for the benchmark must be stated, tail risks look at the worst possible outcome.	
9	Measure of overlap between EU CTB and its investable universe	
Voluntary disclosure requirements		
1		Measurable overlap between EU CTB and its investable universe
2		Benchmark statement – ESG disclosure template

3.5.2. Impact of EUCBS on Mauritius financial services sector

The table below summarises our assessment of potential impacts of the EUCBS on Mauritius financial services sector.

EUGBS	Applicability to sub-sectors		
	Banking	Insurance	Global business
Direct impacts	Potentially relevant	Potentially relevant	Potentially relevant
	<p>► If a Mauritian FI wants to be part of the EU climate benchmark, they will have to disclose data on their total GHG emissions, decarbonisation targets and actions as well as impact of ESG issues on its business model and strategy.</p>		
Indirect impacts	Not relevant	Not relevant	Potentially relevant
	<p>► Mauritian asset managers looking to offer investment products that align with any of the EU climate benchmarks would need to meet the disclosure requirements and have processes to ensure underlying investments comply with the minimum technical standards.</p> <p>► Mauritian AMs who do not offering investment products aligned to any of the EU climate benchmark may see AUMs for passive investments decrease as EU investors reduce their capital flows.</p>		

3.5.3. Alignment with relevant international and Mauritius sustainability reporting requirements

3.5.3.1. SEM Sustainability Index

The SEM Sustainability Index (SEMSI) was launched in September 2015. The SEMSI provides a robust measure of listed companies against a set of ESG criteria that align with GRI's G4 guidelines and consider locally relevant imperatives. Joining the SEMSI is voluntary. Therefore, companies eligible under SEMSI criteria have a good starting point for their ESRS reporting.

3.5.4. Focus of Lot 3 study with regard to EUCBS

We examined the extent to which Mauritius FIs can meet the disclosure requirements of the EU climate benchmarks regulation.

3.6. Sustainability Preferences

3.6.1. Background

Sustainability preferences are an amendment to the MIFID II regulation. It is a way for clients to express their interest when investing in products or activities that have a positive impact on the environment or society. According to the EU regulations, sustainability preferences can be defined in three ways:

- Pursue a minimum proportion of sustainable investments in economic activities that qualify as sustainable under the EU Taxonomy Regulation.

- Pursue a minimum proportion of sustainable investments that meet the criteria of the Sustainable Finance Disclosure Regulation (SFDR), which are investments that have a positive environmental or social impact, or that do not harm those impacts.
- Consider the principal adverse impacts (PAIs) of investments on sustainability factors, such as greenhouse gas emissions, human rights violations, or corruption.

The requirements of sustainability preferences apply mainly to financial advisers / financial market participants providing portfolio management to clients in the EU. The disclosures would be mainly in the form of pre-contractual disclosures which would provide the option for investors select their preferred investment option as far as sustainability related matters are concerned. Sustainability preferences is closely interlinked with the reporting requirements under SFDR.

3.6.2. Impact of sustainability preferences on Mauritius financial services sector

The table below summarises our assessment of potential impacts of the sustainability preferences on Mauritius financial services sector.

Sustainability preferences	Applicability to sub-sectors		
	Banking	Insurance	Global business
Direct impacts	Not relevant	Not relevant	Potentially relevant
	<p>► Mauritian asset managers who wish to market their products in the EU under Article 42 of the AIFMD would have to provide retail investors the ability to express their preferences as part of their investment decision making.</p>		
Indirect impacts	Not relevant	Not relevant	Potentially relevant
	<p>► None</p>		

3.6.3. Focus of Lot 3 study with regard to sustainability preferences

Mauritian FIs that market their products to EU investors via EU distributors could be required by those distributors to share sustainability-related information of those products, and in result could be indirectly affected by the EU amendments. We explored the extent to which Mauritian FIs carry out sustainability assessments and communications to clients in line with requirements in the recent ESG-related amendments made to MiFID II.

3.7. Relationship in data points across measures in the EU Sustainable Finance Framework

The interconnectedness across measures in the EU Sustainable Finance Framework means that certain data points can be used to satisfy multiple sustainability reporting requirements across different measures. The table below summarises the relationships across the data points required for the EU Sustainable Finance Framework measures.

All **dark brown** highlights indicate mandatory data points while the **light brown** highlights indicate potential data points.

Data point	Example of data requested	CSRD ¹⁰	SFDR	Taxonomy	EUGBS ¹¹	EUCBS
Climate change	Emissions and energy consumption					
	Climate transition plan					
	Fossil fuel exposure					
Pollution	Harmful substances and pollution of air, water and soil					
Water and marine	Water consumption and marine resource impact					
Biodiversity	Protecting biodiversity and activities in biodiversity sensitive areas, including deforestation considerations					
Resource use and circular economy	Resource use and waste data					
Workforce (Own and value chain)	Employee data, workplace safety, gender related data, and data on employee rights and services					
Consumers, and end users	Violations to UN Global Compact Guidelines					
	Exposure to controversial weapons					
Affected communities	Material impacts from own operations and value chain, human rights					

¹⁰ CSRD data points are mandatory only to the extent such topics have been deemed to be material from the double materiality assessment.

¹¹ Sustainability reporting disclosures differ under the EU Green Bond Standard depending on the use of the proceeds.

Data point	Example of data requested	CSRD ¹⁰	SFDR	Taxonomy	EUGBS ¹¹	EUCBS
Business conduct	Whistle blowing policies and measures against corruption, bribery					

4. Overview of the sectors analysed in the study

4.1. The financial services sector in Mauritius

The financial services sector is one of the main pillars of the Mauritian economy which comprises the banking sector, non-banking financial services and global business sector. The financial services sector accounted for 13.5% of GDP in 2022 and is expected to account for 13.7% in 2023¹². Mauritius has established a robust regulatory and supervisory regime around the financial services sector, with the Bank of Mauritius responsible for the banking sector and the Financial Services Commission responsible for non-banking financial services and global business.

4.1.1. Banking

The banking sector has been a vital cog in the Mauritian economy. Over the past 30 years, the banking sector has shown constant growth to better support the domestic economy and regional economies through the Mauritius International Financial Centre (MIFC). The MIFC acts as the facilitator in cross-border investment and finance and provides an unparalleled well-regulated and transparent platform. The MIFC also plays a crucial role to attract investment and promoting prosperity for and across Africa. Funds from European countries transact through Mauritius to Africa due to its agreements such as African Continental Free Trade Area (AfCFTA) Agreement and double taxation agreement with African countries which encourage trades, direct foreign investment, and global business. With a size of over four times the economy, the banking sector must remain at the cutting edge of innovations and international regulatory developments. The sector consists of 19¹³ licensees in which 8 are local banks, 3 regional banks, and the remaining are international banks. With the largest banks being, The MCB Ltd, SBM Bank (Mauritius) Ltd, Absa Bank (Mauritius) Limited, and AfrAsia Bank Limited, the banking sector provides products and services such as personal loans which includes both secured and unsecured loans, corporate services such as treasury services and project financing products. The loan book of the licensed banks totalled MUR 810B as of September 2023. When compared to its peers, the Mauritian banking sector displays confidence and stability with only 10% of its population unbanked, a strong return on equity but low return on asset¹⁴. The banking sector continues to operate using traditional fund-based (e.g. term loans, housing loans) and non-fund-based facilities (documentary credits etc). Many initiatives such as cross-bank digital trade finance platform are being considered to strengthen the business model and adapt with the innovations.

4.1.2. Insurance

The business model of the Insurance sector has evolved significantly across the last 20 years. The insurance regulatory framework is aligned with the International Association of Insurance Supervisors (IAIS)¹⁵ standards and principles which focuses mainly on strengthening the regulatory issues around capital adequacy, solvency, corporate governance, early warning systems and the protection of policyholders. Services and products catered by the Insurance companies are classified under long-term insurance (e.g.

¹² Source: National Account Estimates -Sep 2023 (Statistics Mauritius)

¹³ Source: BOM Licensee website: <https://www.bom.mu/financial-stability/supervision/licensees/list-of-licensees>

¹⁴ Source: Report from BOM: [abridged report of the future of banking in mauritius - sept 2022.pdf \(bom.mu\)](#)

¹⁵ Source: Report from Insurers Association: [IAM-report-2022.pdf \(insurersassociation.mu\)](#)

life insurance, pension products) and short-term insurance (e.g. car insurance, health insurance). The long-term business insurers comprise 10 licensees, with Swan Life Ltd, State Insurance Company of Mauritius (SICOM) Ltd, MUA Life Ltd and National Insurance Co. Ltd (NIC) occupying more than 90% of the life insurance market. Total gross life premium reported for 2022 stood at MUR 12.7B, with a CAGR of 2.3% since 2016. The short-term insurance segment has also demonstrated a promising upward movement in gross premiums, reporting MUR 14,2B in 2022 with a CAGR 9.7% since 2016. The largest players in the non-life/short term insurance business are Swan General Ltd, The Mauritius Union Assurance Cy. Ltd, State Insurance Company of Mauritius (SICOM) Ltd and Eagle Insurance Limited. Apart from insuring risks, the sector is an important component that maintain the stability of the financial system by acting as a major institutional investor and contributes to 2.1% of GDP¹⁶.

4.1.3. Global business

Global Business has also been an important sector in the financial industry in Mauritius. Over the years, Mauritius has built a strong reputation for economic substance. The Global Business sector has allowed fiscal efficiency, convenience and risk mitigation for companies that operates internationally such as Foreign Direct Investment and Foreign Institutional Investment while encouraging growth and cross border activities. Services such as specialized collective investment schemes, investment dealership, close-ended funds and global collective investment schemes are being facilitated by the Global Business sector. At the end of October 2023, the FSC reported more than 12,700 GBCs, more than 6,200 authorised companies, more than 200 management companies and nearly 950 Global funds¹⁷. The sector was host to some USD 357bn of inward investment (cumulative) which transited through Mauritius for investment (USD 305bn) in various countries (with India being the largest recipient – USD 147bn).

4.2. Sampled financial institutions

One main component in assessing the sustainability reporting mechanisms in Mauritius, was to sample a list of companies which we determined to represent the financial industry and classifying them under each of the sectors mentioned above. A total of five financial institutions, three banks and two insurers, participated in this study. No representative of global business decided to participate in the study.

Making definitive sector-level conclusions has been treated with caution since the study covered a small sample. Nevertheless, these companies provide key insights on the status of sustainability reporting in Mauritius. To compensate for the limited representation of global business, Mazars attempted to conduct desktop research, assessing the status of sustainability reporting in a broader sample of global business companies. However, it is important to point out that under Section 343 (1) (a) of the Companies Act 2001 (Thirteenth Schedule), global business companies are not mandated by law to file annual returns to the Registrar of Companies. Accordingly, no annual report/financial of global business companies are publicly available (a request must be made to the Financial Services Commission to obtain such information). The recommendations made for this sector are therefore based on available public information and on insights gained from interviews with regulators (notably the Financial Services Commission), public sector body (Ministry of

¹⁶ Source: FSC Data <https://www.fscmauritius.org/en/statistics/statistics/insurance-and-pensions>

¹⁷ Source: FSC Data <https://www.fscmauritius.org/en/statistics/statistics/global-business>

Financial Services and Good Governance) and leading voice of the financial services industry in Mauritius (Mauritius Finance).

The table below lists the five sampled companies involved in this study. Refer to the appendix for further details on each of the sampled companies.

Company Name	Sector	Sustainability Reporting Maturity*	Adherence to Sustainability Reporting Standards
Bank 1	Banking	Mature	GRI, Part of SEMSI
Bank 2	Banking	Intermediate	Part of SEMSI
Bank 3	Banking	Intermediate	n/a*
Insurer 1	Insurance	Beginner	n/a
Insurer 2	Insurance	Beginner	Part of SEMSI

**Judgement of sustainability reporting maturity is based on the information collected during the introductory interviews, as well as the assessed availability of sustainability-related information and metrics, use of reporting standards, and existence of a materiality analysis.*

4.3. Impact of EU Sustainable Finance Framework on sampled financial institutions

We performed a high-level impact of the measures in EU Sustainable Finance Framework based on the products and services offered by each sample FI.

Impact of the EU Sustainable Finance Framework measures on the sampled companies				
Sub-sectors:	Banking	Insurance	Global business	Overall impact
CSRD				
Direct impact	Low to Medium	Low to Medium	Low to Medium	Low to Medium
Indirect impact	Medium	Medium	Low to Medium	Medium
SFDR				
Direct impact	Low	Low	Medium	Low
Indirect impact	Medium	Medium	Medium	Medium
EU Taxonomy				
Direct impact	Low to Medium	Low to Medium	Low to Medium	Low to Medium
Indirect impact	Medium	Medium	Low to Medium	Medium
EU Green Bond Standards				
Direct impact	Low	Low	Low	Low
Indirect impact	Low to Medium	Low to Medium	Low to Medium	Low to Medium
EU Climate Benchmark Regulation				
Direct impact	Low to Medium	Low to Medium	Low to Medium	Low to Medium
Indirect impact	Low	Low	Low to Medium	Low
Sustainability Preferences				
Direct impact	Low	Low	Low to Medium	Low
Indirect impact	Low	Low	Low	Low

Overall, most of the EU Sustainable Finance Framework measures have a low to medium impact on the sampled companies covered in the study, except for the indirect impacts of the CSRD and EU Taxonomy as well as the direct and indirect impacts of SFDR on the global business sector.

5. Key observations and findings

This section outlines the key results from evaluating the financial services sector's readiness to fulfill the sustainability reporting required by measures in the EU Sustainable Finance Framework. It outlines the key observations, strengths, and areas of improvement identified.

5.1. Governance

5.1.1. Observations

5.1.1.1. Sustainability governance structures

- Banking: All three banks in the sample have initiated the definition and implementation of a sustainability governance, but the structures varied and were not fully formalized. However, each bank expressed the intention to enhance its structure over time.
- Insurance: There is an observed lack of a well-defined governance structure for creating and implementing sustainability-related strategies across operations and actions in the insurance sector. Roles and responsibilities related to sustainability are yet to be clearly defined, allocated, and formalized.
- Global Business: Upon reviewing publicly available information from the global business sector, no evidence of established sustainability governance structures was identified.

5.1.1.2. Oversight of sustainability reporting

- Banking: Two out of the three banks indicated that their Board and management review sustainability-related metrics and reports. However, none of the banks disclosed how their Board and management are informed on sustainability matters and how these matters are addressed.
- Insurance: There was limited information on whether the Board and management review sustainability-related metrics and report. There was also no disclosure on how Board and management are informed of sustainability matters and how they are addressed.
- Global Business: There was no disclosed information on whether the Board and management review sustainability related metrics. There was also no disclosure on how Board and management are informed of sustainability matters and how they are addressed.

5.1.1.3. Sustainability strategy

- Banking: Among the sampled banks, one has launched a sustainability program back in 2018 that has been leading the bank to engage with various sustainability-related associations, and to endorse and utilise globally recognised frameworks and reporting standards. The strategy includes objectives, commitment, investment and policies. Its leading sustainability practices are recognised by independent ESG rating. The other sampled banks have not fully integrated sustainability into their strategy, but they acknowledge the necessity to do so, aligning with the Bank of

Mauritius' Guideline on Climate-related and Environmental Financial Risk Management from April 2022. This guideline proposes adherence to the TCFD Recommendations as the reporting framework. One bank in the sample developed an initial sustainability agenda oriented around social impact.

- Insurance: Among the sampled insurers, one has incorporated sustainability into its investment strategy, while there is no evidence of such integration for the other sampled insurer.
- Global Business: No evidence of a well-established sustainability strategy was found in publicly available information for the global business sector.

5.1.1.4. Incentive schemes

- Banking: As of the study, none of the banks has integrated sustainability-related performance into their incentive schemes. However, one banking institution is exploring the possibility of linking remuneration with selected sustainability KPIs.
- Insurance: There is no evidence of insurers integrating sustainability-related performance into their incentive schemes.
- Global Business: No evidence was found for global business firms integrating sustainability-related performance into their incentive schemes in publicly available information.

5.1.2. Key strengths

5.1.2.1. Sustainability governance structure

Applicable sectors: Banking

All sampled companies in this sector have established or are in the process of establishing sustainability governance structures and have shown a clear understanding of their significance. These companies are therefore well positioned to provide information required by the CSRD/ESRS on the role of the Board and management in addressing sustainability matters.

5.1.3. Key areas of improvement

5.1.3.1. Insufficient information on sustainability governance structure

Risk rating: Medium - High

Applicable sectors: All sectors

For the insurance and global business sectors, there was insufficient, or no information disclosed on existing sustainability governance structures. For the banking sector, there was insufficient information disclosed on existing sustainability governance structures.

Overall, companies in the insurance and global business sector did not sufficiently detail the following information on their Board and management required by the CSRD/ESRS:

- Composition and diversity of its members.
- Roles and responsibilities in exercising oversight for managing material sustainability-related impacts, risks, and opportunities.

- Expertise of its members on sustainability matters or their access to such expertise and skills.

5.1.3.2. Sustainable strategy not clearly defined

Risk rating: Medium - High

Applicable sectors: All sectors

In the banking sector, senior management engages in discussions about sustainability topics and contemplates the future development of a sustainable strategy. However, for most of the sampled banks, there was no clear definition and implementation plan for this strategy. Notably, the TCFD Recommendations and the Bank of Mauritius' Guideline on Climate-related and Environmental Financial Risk Management mandate the formulation and reporting of a sustainable strategy.

In the insurance and global business sectors, there was no indication of a defined or discussed sustainability strategy. This is a noteworthy observation given the requirement under the CSDR/ESRS for financial institutions to develop a sustainable strategy.

5.1.3.3. Insufficient internal communication of sustainability matters

Risk rating: Medium - High

Applicable sectors: All sectors

Majority of the sampled companies lack an established and formalised process to periodically report sustainability information to their Board and management. For the insurance and global business sectors, internal communications on sustainability topics are either non-existent or insufficient. For the banking sector, most FIs either do not have a sustainability reporting process or the process existing is not formalised. The absence of clear and transparent lines of communication on sustainability within these institutions hinders senior management and the Board of Directors from effectively identifying and managing sustainability impacts, risks and opportunities. Additionally, it impedes the development of a tailored sustainability strategy and compliance with potential regulatory requirements related to risk management and reporting.

5.1.3.4. No integration of sustainability-related performance in incentive schemes

Risk rating: Low

Applicable sectors: All sectors

None of the sampled companies provided information on how incentive schemes for Board and management integrate sustainability-related performance of the company. This implies companies have not incorporated into remuneration policies the achievement of key sustainability goals, such as progress made on GHG emission reduction targets. Additionally, it indicates a lack of sufficient integration of sustainability matters into the companies' overall business strategy, which is an essential aspect of the ESRS disclosures.

5.2. Reporting

5.2.1. Observations

5.2.1.1. Understanding the concept of sustainability

- Banking: One of the three companies has a good understanding of the concept of sustainability and understands how certain sustainability risks, such as climate-related and environmental risks, can impact their operations and business activities.
- Insurance: Insurance companies demonstrated limited understanding on sustainability, nor have they not assessed the impact of sustainability on their operations and business activities.
- Global Business: Based on review of publicly available information from this sector, limited evidence of good understanding of the concept of sustainability was found.

5.2.1.2. Awareness of sustainability reporting standards

- Banking: The banks are well-acquainted with TCFD Recommendations. One of the banks has also knowledge of GRI Standards and Principles for Responsible Investments (PRI). It is currently building an understanding of IFRS ISSB standards. However, none of the banks is familiar with the EU Sustainable Finance Framework, including associated sustainability reporting requirements and their alignment with international reporting frameworks.
- Insurance: Insurers were partially familiar with TCFD Recommendations. They lack awareness of the EU Sustainable Finance framework's sustainability reporting requirements and correlation with international reporting frameworks.
- Global Business: Based on review of publicly available information from this sector, no evidence of familiarity with sustainability reporting standards was found.

5.2.1.3. Group sustainability reporting

- Banking: One of the sampled banks contributes to a group sustainability report and considers preparing an entity-level one in the future.
- Insurance: One of the sampled insurers, itself a group, does not report extensively on sustainability related matters, except for select social statistics. The other sampled insurer does not contribute to group level reports.

5.2.1.4. Sustainability reporting

- Banking: Two of the three sampled banks produce integrated annual reports. However, it was noted that only one bank has introduced relevant sustainability matters in their Integrated Report. One of these banks also produces a sustainability report which incorporates some elements of GRI standards and TCFD recommendations. However, the report lacks complete alignment to any of these frameworks.
- Insurance: None of the sampled insurers prepare integrated reports but only prepare financial statements. The insurers also do not produce any separate sustainability reports.
- Global Business: There was no publicly disclosed integrated reports or separate sustainability report for FIs in this sector.

5.2.1.5. Regulatory environment

- Banking: This sector benefits from a regulatory environment that has introduced certain requirements on sustainability reporting. This has helped increase banks

readiness to fulfil sustainability reporting requirements set out in international frameworks and EU's regulations and directives.

- Insurance: This sector does not currently have any requirements or guideline from the regulators that mandates any form of sustainability reporting. However, on 23 October 2023, FSC released a draft Disclosure and Reporting Guidelines for ESG Funds. This is expected to facilitate an increase in sustainability reporting by insurance companies.
- Global Business: The draft Disclosure and Reporting Guidelines for ESG Funds is expected to facilitate an increase in sustainability reporting by FIs in this sector.

5.2.1.6. Personnel for sustainability reporting

- Banking: Two banks highlighted insufficient personnel dedicated to coordinating and managing the ESG data collection process.
- Insurance: All two sampled insurers highlighted insufficient personnel dedicated to coordinating and managing the ESG data collection process.
- Global Business: There is no evidence from publicly available reports on personnel challenges for sustainability reporting.

5.2.1.7. Adherence to green bond standards

- Banking: There was no information provided to indicate the banks adhere to any international or local green bond standard. As at the time of writing this report, none of the sampled banks had issued any green bond instruments¹⁸.
- Insurance: There was no information to indicate that insurers adhere to any international or local green bond standards. As at the time of writing this report, none of the sampled insurers had issued green bonds instruments.

5.2.1.8. Disclosure and reporting of ESG funds

- Global Business: There was no publicly disclosed information to indicate that FIs in this sector were prepared to produce product- and entity-level disclosures required in FSC's draft disclosure and reporting guidelines for ESG funds. There was also no information identified to indicate how local fund managers provide opportunity for investors to express their sustainability preferences.

5.2.2. Key strengths

5.2.2.1. Green products in use

Applicable sectors: Banking

It was noted that one of the sampled banks had signed its first sustainability-linked syndicated loan facility in collaboration with other banks, including some in the UK. The growing issuance of green products, particularly in collaboration with EU financial institutions, is expected to help improve the sustainability reporting practices by Mauritius banks.

¹⁸ Any FI that wishes to issue a green bond can, as a starting point, apply the requirements of the Guide for issue of Sustainable Bond by the BOM given the level of commonality with the EU Green Bond Standard. To date, there is no evidence of banks using this or any other international standard. Challenges would continue to persist around the taxonomy and classification of activities, as there is no single green taxonomy in Mauritius.

5.2.3. Key areas of improvement

5.2.3.1. Limited knowledge of sustainability reporting standards

Risk rating: Medium - High

Applicable sectors: All sectors

Companies had limited knowledge of the different information and metrics required by sustainability reporting standards, including those arising from EGD requirements. While some banks already adhere to elements of TCFD recommendations and GRI standards, they acknowledged limited awareness across their organisation on sustainability reporting requirements and the importance of monitoring sustainability information. This lack of sufficient knowledge may create bottlenecks in gathering the data needed to produce required sustainability metrics / information.

5.2.3.2. Inadequate staff for sustainability reporting

Risk rating: Medium - High

Applicable sectors: All sectors

Across all sectors, there is a notable lack of dedicated personnel for coordinating and managing the data collection process. This shortfall encompasses challenges in ensuring:

- Involvement of individuals with the requisite knowledge and skills in the sustainability reporting process.
- Adequate staffing levels in pertinent teams to handle the workload associated with gathering data and producing sustainability reports.

5.2.3.3. Limited sustainability reporting for members of sustainability indices

Risk rating: Low

Applicable sectors: All sectors, specifically listed companies

For sampled companies currently part of the SEMSI index, there were limited disclosures of the sustainability reporting required as a member of this index. This suggests that FIs looking to be part of the EU Climate Benchmark may not be able to produce required sustainability disclosures. This includes disclosures on outcome of annual carbon footprinting exercise and level of progress made towards Paris-aligned climate targets.

5.2.3.4. Insufficient product related disclosure

Risk rating: Low - Medium

Applicable sectors: All sectors

FIs looking to offer specific sustainable products to the EU market, such as ESG-labelled funds, green bonds and other green products, may find it challenging to produce the required sustainability disclosures. In addition, there was insufficient information provided to indicate FIs are sufficiently able to provide EU investors with what is required to express their sustainability preferences.

5.2.3.5. Insufficient sustainability reporting at entity-level

Risk rating: Medium

Applicable sectors: All sectors

FIs that only contribute to group sustainability reports or currently do not produce any sustainability reporting may find it challenging to satisfy the level of granularity for entity-level disclosures required by the CSRD/ESRS, the SFDR (particularly on Principal Adverse Indicators) and the EUGBS.

5.3. Data

5.3.1. Observations

5.3.1.1. Materiality assessment

- Banking: Two sampled banks indicated they performed a preliminary materiality analysis, though not yet comprehensive.
- Insurance: There is no evidence of sampled insurers performing materiality assessment.
- Global Business: There is no evidence from publicly available reports on global business performing materiality assessment.

5.3.1.2. Upstream reliance for data and methodology

- Insurance: Insurers heavily depend on international, particularly European, reinsurers to enhance their understanding of sustainability and associated risks. There is an insufficient in-house understanding of sustainability within insurers. Reinsurers play a crucial role by supplying the required data, scenarios, and methodologies for assessing specific sustainability risks.

5.3.1.3. Classification of sustainable activities

- Banking: Sampled banks do not currently apply any taxonomy to classify sustainable activities.
- Insurance: Sampled insurers do not currently apply any taxonomy to classify sustainable activities.
- Global Business: There is no evidence from publicly available reports on global business classifying activities as per established taxonomy.

5.3.1.4. ESG data collection processes and client due diligence

- Banking: All three sampled banks have proactively integrated sustainability criteria into their client onboarding and investment screening processes. Two of them have formalised their sustainability data collection processes.
- Insurance: One insurer has implemented data collection processes for the sustainability data it collects.
- Global Business: There is no evidence from publicly available reports on global business performing materiality assessment.

5.3.1.5. ESG data availability

- The table below shows the extent to which FIs have data available across the different ESG data points.

Data points	Level of available data		
	Banking	Insurers	Global business
Climate Change	Moderate	Moderate	No data identified
Pollution	None	None	No data identified
Water and Marine Resources	None	None	No data identified
Biodiversity	None	None	No data identified
Resource Use and Circular Economy	Good	Good	No data identified
Own workforce	Good	Good	No data identified
Workforce in value chain	Low	Low	No data identified
Affected Communities	Low	Low	No data identified
Consumers and End-Users	Low to None	Low to None	No data identified
Business Conduct	Good	Good	No data identified

5.3.2. Key strengths

5.3.2.1. Data collection processes

Applicable sectors: All sectors

Nearly all companies have implemented data collection processes, with the majority relying on manual methods. A few have opted for third-party services to gather sustainability data. Two out of the five sampled FIs actively collect data on Scope 1 and 2 GHG emissions.

5.3.2.2. Due diligence process

Applicable sectors: Banking

Sampled banks exhibit a capacity to gather pertinent sustainability information as part of their due diligence practices. Examples of how these FIs are incorporating sustainability information into their due diligence processes include:

- One FI incorporates ESG and socially responsible investment factors when analysing companies for potential investment. Additionally, they conduct periodic reviews, approximately once every three years, to ensure investee companies still align with the sustainability policies set out by the FI.
- Another FI utilizes tools such as questionnaires to screen and gather data for analysing clients' sustainability policies. This FI has established KPIs and exclusionary policies to mitigate exposure to sectors like oil & gas, coal, and alcohol, tobacco, and gambling.
- A third FI is planning to launch a survey with clients to gauge their capacity to provide a list of appropriate KPIs. This initiative aims to assess the maturity level of

clients in areas such as water, waste, energy, and greenhouse gas emissions. This proactive approach demonstrates a commitment to advancing sustainability practices within the FI's client base.

5.3.3. Key areas of improvement

5.3.3.1. Inadequate materiality assessment

Risk rating: High

Applicable sectors: All sectors

- All sampled FIs fell short in providing sufficient explanations for sustainability topics deemed material to their business. This deficiency extended to the lack of detailed descriptions regarding how these topics were identified and prioritized. This indicates a gap in the disclosure of their materiality process, signalling a need for enhanced transparency in articulating the rationale behind the acknowledgment and prioritization of key sustainability concerns within these institutions.
- A core component of the ESRS is the materiality principle, requiring companies to assess impacts, risks and opportunities throughout their value chain for the disclosure requirements laid out in the standards. This determines, which ESG matters the companies are reporting on as not all standards will be equally material.
- Therefore, failure to conduct an adequate materiality assessment may lead to companies inaccurately identifying material sustainability topics they should prioritise, monitor, and report on.
- Nevertheless, the sampled FIs acknowledge the importance of undertaking a comprehensive materiality analysis in the future. This reflects a recognition across the sectors of the necessity for a thorough understanding of material issues, indicating a positive inclination toward strengthening strategic decision-making processes in line with sustainability goals.

5.3.3.2. Limited information on management of material sustainability topics

Risk rating: Medium

Applicable sectors: All sectors

There is insufficient provision of documents detailing policies and strategies. This gap is significant as annual reports, integrated reports and sustainability reports lacked sufficient management explanations and failed to include details on key policies or strategies aimed at addressing material topics. This highlights a substantial area for improvement in transparently communicating the company's approach to governance, environmental and social impact.

5.3.3.3. Limited availability of ESG data

Risk rating: High

Banking and Insurance:

- **Climate change** (moderate availability): There is a notable absence of comprehensive reporting on climate mitigation targets, with minimal information available on transition plans. Notably, there is a lack of commitment to limiting global warming to a 1.5°C pathway, as stipulated by the Paris Agreement and

recognized as the de facto emission reduction commitment. The internal availability of data concerning climate-related impacts, risks and opportunities is limited, with minimal information on their management. While most companies disclose actions taken, there is scant detail on the resources allocated to support these initiatives. Scope 3 emissions was partially covered by 2 FIs with one FI covering business travel and the other FI starting to gather GHG information for sizeable projects and within its value chain.

- **Pollution** (no availability): This metric should aggregate information from FIs clients. Such information has not been collected by FIs.
- **Water and marine resources** (no availability): This metric should aggregate information from FIs clients. Such information has not been collected by FIs.
- **Biodiversity** (no availability): This metric should aggregate information from FIs clients. Such information has not been collected by FIs.
- **Resource use and circular economy** (good availability): This metric should aggregate information from FIs clients. At the company level, such information is collected by some FIs.
- **Own workforce** (good availability): Almost all FIs internally possess information on workforce metrics. However, the extent to which this information was publicly available varied, with some including in report and others on their websites. It is worth noting that most of these workforce metrics are legally mandated in Mauritius such as rights to collective bargaining, which explains their internal availability.
- **Workforce in the value chain** (low availability): Value chain information is not well collected by FIs. Given that most companies operate upstream of the value chain, this topic was generally considered as having low materiality. Consequently, it was rarely reported on. While some FIs conduct supplier screening on environmental and social issues, few have established further engagement processes. Additionally, almost all FIs have communication channels to engage with suppliers on various topics, but there are no official channels specifically designated for handling grievances.
- **Affected communities** (low availability): Most companies have incorporated processes to engage and receive feedback from affected communities. However, these processes are not typically disclosed publicly, and there is minimal emphasis on grievance mechanisms. Almost all companies report on CSR activities, with some presenting their reporting in the form of case studies, illustrating specific instances of engagement and its purpose. This underscores that CSR remains a primary focus of corporate responsibility and sustainability efforts.
- **Consumers and end-users** (low to no availability): This topic is deemed to not be material for sampled FIs.
- **Business conduct** (good availability): All FIs had business code of conduct policies as well as policies addressing whistleblowing and corruption and bribery, as well as established processes to handle these issues, as this is also a legal requirement.

Global business:

- Since no information was publicly disclosed, it is assumed that ESG data availability within this sector is limited across all data points.

5.3.3.4. Insufficient classification of sustainable activities

Risk rating: Medium

Applicable sectors: All sectors

FIs express challenges in determining the eligibility of activities and assessing the degree of alignment with the definition of sustainable activities. The absence of a structured taxonomy poses a hurdle in systematically categorizing and evaluating the sustainability of various activities within the sampled FIs.

5.4. Controls

5.4.1. Observations

5.4.1.1. Validation of sustainability information

- Banking and Insurance: There was no information provided to indicate that ESG data is subject to internal audits.

5.4.1.2. External audit and assurance

- Banking and Insurance: Sampled banks did not undertake external assurance for their sustainability reporting.

5.4.1.3. Quality of data information

- Banking and Insurance: All three banks rely on sustainability data provided by their clients. They advised difficulties in collecting and verifying sustainability information from clients.

5.4.2. Key strengths

5.4.2.1. Assurance on ESG

Applicable sectors: Banking

Some of the sampled banks undertook assurance of some ESG data and information provided to comply with the National Code of Corporate Governance. These audits support the banks in generating ESG data that is reviewed and credible.

5.4.3. Key areas of improvement

5.4.3.1. Insufficient processes for ensuring quality and completeness of ESG data

Risk rating: Medium

Applicable sectors: All sectors

The sampled FIs encounter challenges in maintaining the ongoing quality of ESG data. This includes manual handling during the data collection process, limited employee awareness of data quality, and a lack of a framework for assessing data quality. For some FIs, external reporting process for ESG data needs to be established from the ground up, including the implementation of appropriate internal validation processes. The inability to ensure the ongoing quality of ESG data poses a significant challenge for FI, as maintaining the integrity of reported ESG data is a key expectation from EU counterparts.

5.4.3.2. Limited external audit assurance of sustainability information

Risk rating: Medium

Applicable sectors: All sectors

The sampled FIs do not currently perform external assurance on the sustainability reporting produced. This can pose a challenge to FIs' ability to provide verifiable information EU counterparties can use for their sustainability reports that are subject to external assurance.

5.4.3.3. Inability to verify quality of ESG data from third-parties

Risk rating: Medium

Applicable sectors: All sectors

The lack of depth and quality of information provided by clients and other external third parties are a key challenge for FIs. Though majority of the sampled FIs have started to explore having sustainability onboarding screening criteria to limit potential sustainability risk exposure, a key challenge for FIs is the lack of sustainability data on projects financed in Africa or directly in Mauritius. A lack of common methodology and KPIs around the collection and reporting of data also make it difficult for FIs to compare and report the data between different projects.

5.5. Summary of identified areas of improvement for sampled companies in Mauritius

S/N	Areas of improvement	Risk rating
Governance		
1	Insufficient information on sustainability governance structure	Medium - High
2	Sustainability strategy not clearly defined	Medium - High
3	Insufficient internal communication of sustainability matters	Medium - High
4	No integration of sustainability-related performance in incentive schemes	Medium
Reporting process		
5	Limited knowledge of sustainability reporting standards	Medium - High
6	Inadequate staffing for sustainability reporting	Medium - High
7	Limited sustainability reporting for members of sustainability indices	Low
8	Insufficient product related disclosure	Low - Medium
9	Insufficient sustainability reporting at entity level	Medium

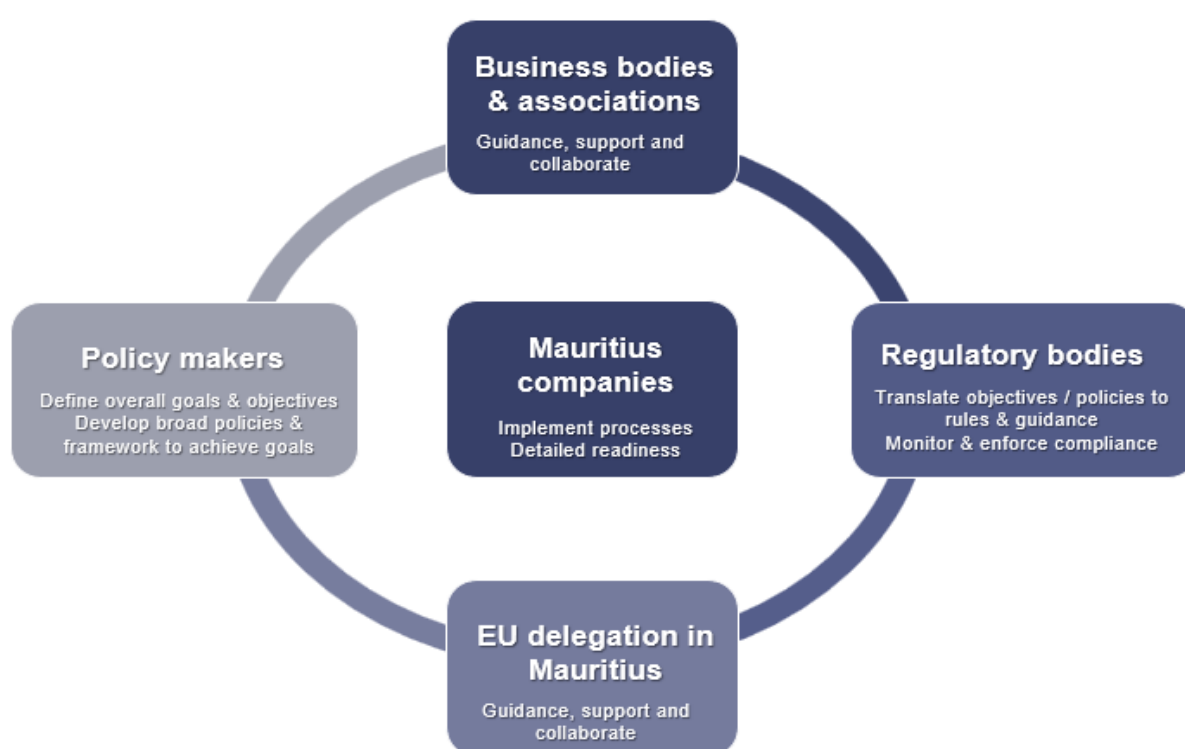
S/N	Areas of improvement	Risk rating
Data		
10	Inadequate Materiality assessment	High
11	Limited information on management of material sustainability topics	Medium
12	Limited availability of ESG data	High
13	Classification of sustainable activities	Medium
Controls		
14	Insufficient process for ensuring quality and completeness of ESG data	Medium
15	Limited external assurance of sustainability information	Medium
16	Inability to verify quality of ESG data from third parties	Medium

6. Corrective actions

This section sets out recommended corrective actions the below stakeholders:

- a. Policymakers in Mauritius
- b. Regulatory bodies in Mauritius
- c. Mauritius companies within the main economic sectors
- d. Business associations and bodies relevant to the main economic sectors
- e. EU delegation for Mauritius

These corrective measures were based on stakeholders playing the indicated roles in order to address the identified areas of improvements and help ensure Mauritius main economic sectors can meet the EU's sustainability reporting requirements.



6.1. Recommendations for Policymakers

6.1.1. Set-up a nationwide taskforce on sustainability reporting for the financial services sector

Observation – Currently, sustainability efforts in Mauritius are decentralized and lack a cohesive approach, with designated ministries such as the Ministry of Finance, the Ministry of Environment, or the FSC spearheading initiatives independently.

Recommendation – To enhance coordination and effectiveness, policy makers should establish a dedicated taskforce on sustainability matters with specialized sub-teams, focusing on governance/legislation, reporting standards, data, and assurance. This taskforce would streamline efforts, ensuring a more interconnected and strategic approach to sustainability.

Rationale – The fragmented nature of existing sustainability initiatives hinders their collective impact. By creating a taskforce with distinct sub-teams, the government can centralize expertise, harmonize actions, and foster collaboration among different ministries and stakeholders.

Expected outcome –

- **Clear scope and objectives:** Define the purpose, goals, and scope of the taskforce to guide its efforts and engage relevant stakeholders effectively.
- **Robust governance structure:** Establish a governance framework that delineates roles, responsibilities, decision-making processes, and communication channels for efficient taskforce operations.
- **Expert and diverse membership:** Recruit members from the financial industry, government agencies, industry associations, NGOs, the EU delegation, and external consultants, ensuring a diverse range of expertise.
- **Strategic work plan:** Develop a comprehensive work plan aligned with the EU sustainability strategy, leveraging insights from Mazars' research and recommendations for the financial industry.
- **Transparent communication:** Communicate the taskforce's results to various stakeholders, fostering transparency and garnering support from the public, government agencies, and industry associations.
- **Effective implementation:** Ensure the successful execution of the taskforce's work plan through diligent follow-up mechanisms, tracking progress, and addressing any challenges that may arise.

6.1.2. Define and mandate sustainability reporting standards

Observation – The study reveals a varying degree of sustainability reporting practices within the financial industry, with some companies in the banking and insurance sectors using GRI standards or TCFD. However, for Mauritian companies to meet the expected requirements from EU customers, standardization and formalization are crucial.

Recommendation – Policy makers should explore defining mandatory sustainability requirements for Mauritian companies, using CSRD/ESRS and ISSB standards as a starting point. This initiative is expected to drive the implementation of Mauritian sustainability goals and targets, aid interoperability with EU and global reporting requirements, standardize practices across financial sectors, enhance nationwide understanding of reporting expectations, and improve the quality of disclosed sustainability-related information.

Rationale –

- **Drive implementation:** Setting mandatory sustainability reporting standards will act as a catalyst for companies to align with and actively pursue Mauritian sustainability goals and targets.
- **Interoperability:** Standardization based on CSRD/ESRS and ISSB will facilitate interoperability with EU and global sustainability reporting requirements, ensuring seamless communication with international stakeholders.

- **Standardization and cohesion:** Standardizing sustainability reporting practices will promote cohesion across various financial sectors in Mauritius, fostering consistency and comparability.
- **Public awareness:** Nationwide understanding of sustainability reporting expectations will increase, benefiting stakeholders by enhancing transparency and accountability among companies.
- **Quality improvement:** Mandatory standards will contribute to improving the quality of sustainability-related information, enhancing reliability and relevance for decision-making.

In developing these requirements, policy makers should consider the following key aspects:

- **Structured requirements:** Develop general expectations for sustainability reporting and specific requirements based on priority sustainability topics and economic sectors.
- **Collaborative approach:** Engage stakeholders for feedback during the development process, fostering usability and relevance. Explore collaboration opportunities with international peers to share ideas and experiences.
- **Materiality lens:** Define the materiality lens, aligning with either financial materiality only (ISSB) or double materiality (CSRD/ESRS), ensuring alignment with sustainability reporting objectives.
- **Assurance levels:** Determine the level of assurance or independent verification required for sustainability reporting, establishing internal controls and standards for assurance providers.
- **Long-term review:** Develop a systematic process for periodic review of sustainability reporting requirements, incorporating industry feedback, implementing additional requirements, and aligning with evolving EU and international standards.

Expected outcome – The implementation of mandatory sustainability reporting requirements is anticipated to lead to a standardized, transparent, and high-quality sustainability reporting landscape in Mauritius, aligning with international standards and meeting the expectations of EU customers.

6.1.3. Develop a national action plan to implement a sustainability reporting infrastructure

Observation – Policymakers are urged to develop a comprehensive plan for the effective implementation of sustainability reporting requirements, encompassing key elements to ensure a smooth and efficient adoption process.

Recommendation – To facilitate the successful implementation of sustainability reporting requirements, policy makers should consider incorporating the following components into the national plan:

- **Phase-in approach:**
 - Adopt a phased implementation strategy that considers the varying levels of urgency and capacity across different sectors, sizes, and entity structures.
 - Avoid overburdening companies, especially small and medium-sized enterprises (SMEs), by tailoring requirements based on their specific contexts.

- **Communication strategy:**
 - Develop and implement a clear and comprehensive communication strategy to disseminate policy requirements effectively.
 - Share guidelines, frameworks, and expectations in a straightforward manner that is easily understandable for businesses.
- **Training and guidance:**
 - Create and distribute guidance documents that offer practical insights on aligning business practices with policy requirements.
 - Conduct training programs and workshops to enhance companies' understanding and implementation of sustainability reporting.
- **Adoption incentive:**
 - Stimulate the adoption of sustainability reporting by offering incentives such as awards, grants, and access to low-cost financing.
 - Allocate funds to support companies in building the necessary capacity for compliance, including training, technology adoption, and sustainability initiatives.
- **Technology infrastructure:**
 - Explore the creation of databases for financial institutions to upload sustainability reporting, enhancing efficiency and accessibility.
 - Consider open-source data platforms to provide relevant inputs for sustainability reporting and the management of sustainability risks and opportunities.
- **Promoting green financing:**
 - Promote activities aligned with the EU Taxonomy, such as renewable energy projects, and incentivize their adoption.
 - Encourage the financing of these projects through mechanisms like EU Green Bonds to support the transition to a sustainable economy.

Rationale –

- **Tailored implementation:** A phased approach acknowledges the diverse landscape of businesses, preventing undue burdens and ensuring a smooth transition to sustainability reporting.
- **Effective communication:** Clear and comprehensive communication ensures that businesses understand the policy requirements, fostering a transparent and collaborative implementation process.
- **Guidance for practical implementation:** Providing guidance documents and training programs assists businesses in practically implementing sustainability reporting, addressing potential challenges.
- **Incentivizing adoption:** Incentives such as awards and grants encourage businesses to adopt sustainability reporting, promoting proactive engagement.
- **Technological efficiency:** Establishing technology infrastructure streamlines the reporting process and enhances accessibility for financial institutions.

- **Promoting sustainable finance:** Supporting green financing initiatives aligns with global sustainability goals, contributing to the development of a green and resilient economy.

Expected outcome – The incorporation of these key elements into the national plan is anticipated to result in a well-organized and efficient implementation of sustainability reporting requirements in Mauritius, fostering transparency, capacity building, and a sustainable business environment.

6.1.4. Conduct a gap analysis between the National Code of Corporate Governance for Mauritius and the ESRS 2 GOV 1-5 requirements

Observation – The study highlights significant gaps in the governance of sustainability matters within the financial sector in Mauritius. Despite the presence of partial structures, financial institutions exhibit a notable absence of reporting on sustainability issues, emphasizing the urgency of addressing these deficiencies.

Recommendation – In light of the critical role robust governance plays in successful sustainability management, policy makers are advised to establish a comprehensive framework for financial institutions in Mauritius to develop and report on sustainability governance structures. To achieve this, a thorough evaluation of gaps between the National Code of Corporate Governance for Mauritius and the ESRS 2 GOV 1-5 requirements is proposed.

Rationale – Enhancing sustainability governance is foundational for effective management and aligning it with established governance codes ensures a systematic and integrated approach. The proposed evaluation will identify areas for improvement, fostering alignment with international sustainability standards and providing a basis for potential updates to the existing code.

Expected outcome –

- **Framework establishment:** Develop a sustainability governance framework for financial institutions, prioritizing responsibilities for material sustainability Impact, Risk, and Opportunity (IRO) at the senior management level.
- **Code evaluation:** Conduct a comprehensive evaluation of gaps between the National Code of Corporate Governance and ESRS 2 GOV 1-5 requirements to inform necessary updates.
- **Code integration:** Explore opportunities to integrate sustainability governance requirements into the National Code, ensuring alignment with ESRS standards.
- **Communication strategy:** Implement a targeted communication strategy for companies under the Code's purview, emphasizing the importance of sustainability governance updates.
- **Compliance incentives:** Position companies to meet ESRS governance-related requirements by achieving compliance with the updated National Code.
- **Expanded code applicability:** Consider expanding the applicability of the National Code, introducing additional disclosure requirements for sustainability-related information, and potentially making these requirements mandatory.

- **Introduction of separate code:** For Non-Public Interest Companies (non-PIEs), explore the introduction of a separate code, akin to ESRS for SMEs, tailored to their sizes and challenges.

6.1.5. **Develop guidance for integrating sustainability related matters in remuneration schemes**

Observation – Across various sectors, including insurance, banks, and global business, there is a notable absence of information regarding the integration of sustainability-related incentives in corporate remuneration schemes. This gap highlights an opportunity to leverage remuneration structures as a driving force for corporate sustainability agendas.

Recommendation – Policymakers are encouraged to conduct a thorough review of the existing guidance on remuneration outlined in the Code. This review aims to establish a framework for incorporating non-financial indicators and criteria related ESG factors into the remuneration policies of Mauritian companies.

Rationale – Linking remuneration to sustainability targets can serve as a powerful incentive for fostering corporate sustainability. By providing clear guidance and incorporating ESG-related criteria into remuneration structures, policymakers can influence a positive shift toward sustainable practices among Mauritian companies.

Expected outcome –

- **Guidance review:** Conduct a comprehensive review of the existing guidance on remuneration outlined in the Code to identify opportunities for incorporating sustainability-related criteria.
- **Framework development:** Develop a framework that outlines how non-financial indicators and ESG criteria can be integrated into Mauritian companies' remuneration policies.
- **Incentive alignment:** Align remuneration structures with sustainability targets, incentivizing management to prioritize ESG-related goals.
- **High priority areas:** Initiate the process by focusing on high-priority areas, such as energy and GHG emissions data, to address critical sustainability concerns.
- **Transitional period:** Allow for a transitional period, initially emphasizing qualitative targets, before progressing to quantitative benchmarks. This phased approach ensures a smooth integration of sustainability criteria.
- **ESG-related target achievement:** By incentivizing management using non-financial Key Performance Indicators (KPIs), drive the achievement of ESG-related targets.

6.1.6. **Set-up a list of sanctions in case of non-compliance with green standards**

Observation – The study identifies the need for robust mechanisms to prevent greenwashing and incentivize alignment with sustainability reporting standards. It emphasizes the importance of imposing sanctions on entities that violate green/sustainable standards.

Recommendation – To address greenwashing and enhance compliance with sustainability regulatory standards, government bodies are recommended to establish a comprehensive system of sanctions. This system should include the following components:

- **List of sanctions:**
 - Develop a detailed list of sanctions that can be enforced in cases of non-compliance with sustainability regulatory standards.
 - Include a range of sanctions such as trade prohibitions, fines, and the publication of administrative sanctions.
- **Enforcement mechanisms:**
 - Implement effective enforcement mechanisms to ensure that sanctions are applied consistently and fairly.
 - Establish clear processes for investigating and verifying violations of sustainability standards.
- **Alignment with EU GBS approach:**
 - Draw insights from the EU GBS approach, which requires local authorities to provide sanctions for non-compliance.
 - Align local practices with established international standards to create a cohesive and globally recognized system.
- **Specific measures for greenwashing:**
 - Tailor sanctions specifically for instances of greenwashing or misrepresentation of sustainability efforts.
 - Include punitive measures for companies that intentionally provide misleading information regarding their sustainability practices.
- **Transparency in sanction application:**
 - Ensure transparency in the application of sanctions, with clear communication on the reasons for imposing sanctions and the nature of the violation.
 - Promote public awareness to deter non-compliance and enhance the credibility of the regulatory framework.

Rationale –

- **Preventing greenwashing:** Establishing sanctions acts as a deterrent, discouraging companies from engaging in greenwashing practices and ensuring the integrity of sustainability reporting.
- **Consistent enforcement:** A robust system of sanctions, coupled with effective enforcement mechanisms, ensures consistent application and upholds the credibility of sustainability standards.
- **International alignment:** Drawing from the EU GBS approach and aligning with international standards promotes coherence and recognition of Mauritius' commitment to global sustainability practices.
- **Targeted measures:** Tailoring sanctions for greenwashing addresses specific challenges related to misrepresentation and provides a targeted response to intentional non-compliance.

- **Public awareness:** Transparent communication about sanctions enhances public awareness, contributing to the overall effectiveness of the regulatory framework.

Expected outcome – The implementation of a comprehensive system of sanctions is expected to significantly reduce instances of greenwashing, enhance compliance with sustainability reporting standards, and strengthen the overall integrity of Mauritius' sustainability practices. It will signal a commitment to transparency and accountability, fostering trust among stakeholders and the international community.

6.2. Recommendations for Regulatory Bodies

6.2.1. Introduce the supervision of sustainability reporting by a regulatory body

Observation – The study highlights the importance of introducing mandatory sustainability reporting requirements and establishing a supervisory body for effective oversight. It recommends the allocation of sufficient financial resources and staffing with the necessary expertise to the supervisory body.

Recommendation – To ensure meaningful sustainability reports and effective supervision, financial regulators in Mauritius are recommended to:

- **Establish supervisory body:** Establish a dedicated supervisory body responsible for overseeing sustainability reporting. This body could either be integrated into an existing regulatory body or established as a new entity.
- **Resource allocation:** Allocate adequate financial resources to the supervisory body to ensure efficient and effective supervision.
- **Expert staffing:** Staff the supervisory body with individuals possessing appropriate knowledge and skills related to sustainability reporting standards.
- **Supervisory mandate:**
 - Define a clear mandate for the supervisory body, outlining specific responsibilities. Examples include:
 - Mapping existing regulations and initiatives to avoid duplication and ensure consistency in data coverage.
 - Providing guidance on criteria for evaluating the comprehensiveness of companies' sustainability reporting.
 - Collaborating with financial reporting regulators (Financial Reporting Council) on assurance standards and integrating sustainability information into financial reporting.
 - Developing mechanisms for reporting and communication with other regulators and policy stakeholders.
 - Facilitating coordinated multi-stakeholder collaboration and dialogue on best practices in sustainability reporting.
 - Conducting a comparison between existing ESG guidelines and EU disclosure requirements (SFDR, ESRS) to identify gaps.

- **Supervision for different sectors:** Designate specific supervisory responsibilities to relevant regulatory bodies based on the sector. For global business and insurers, the Financial Services Commission could take the lead, while the Bank of Mauritius could supervise banking.

Rationale –

- **Enhanced oversight:** Introducing mandatory reporting and a dedicated supervisory body enhances oversight, ensuring companies adhere to sustainability reporting requirements.
- **Efficient resource utilization:** Adequate financial resources and staffing with expertise are essential for effective supervision and enforcement of reporting standards.
- **Consistency and collaboration:** Mapping existing regulations, collaborating with financial reporting regulators, and facilitating multi-stakeholder collaboration ensure consistency and alignment with broader regulatory frameworks.
- **Continuous improvement:** Conducting comparisons with EU disclosure requirements and identifying gaps provide a basis for continuous improvement in sustainability reporting practices.

Expected outcome – The implementation of mandatory reporting and the establishment of an effective supervisory body are expected to result in improved sustainability reporting practices, greater transparency, and increased adherence to regulatory standards across various economic sectors in Mauritius. The collaboration and coordination efforts outlined will contribute to the continuous enhancement of sustainability reporting frameworks.

6.2.2. Introduce monitoring and enforcement mechanisms

Observation – Effective monitoring and enforcement mechanisms are pivotal for ensuring compliance with mandatory sustainability reporting requirements in Mauritius. Currently, there is no monitoring and enforcement mechanism.

Recommendation – Supervisors should be empowered with a range of impactful consequences, and policy makers are urged to define and implement robust monitoring and enforcement mechanisms.

Examples of enforcement mechanisms around mandatory sustainability reporting used in other jurisdictions include:

- The **European Commission** proposes three enforcement mechanisms:
 - administrative supervision and sanctions e.g. fines and compliance orders
 - civil liability
 - financial incentive plans by linking the variable remuneration of directors of EU companies to their contribution to fulfilling sustainability-related targets.
- The **French** Government has introduced financial penalties for non-compliance to the CSRD with infringements up to €75,000 and up to five years imprisonment.
- **New Zealand** enforcement provisions for failure to comply with the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill involve:

- infringement fines of up to \$50,000 for any entity which fails to keep proper records, fails to have the records available for inspection, or fails to lodge statements with the Registrar.
- proposed civil pecuniary penalties of up to \$5m where an entity (or \$1m for individuals) fails to keep relevant records, fails to prepare or lodge climate statements at all, or fails to satisfy the relevant assurance requirements.
- significant penalties for directors including up to five years in prison and/or a fine of up to \$500,000 for every director who knowingly fails to comply with the climate standards (and up to \$2.5m for every entity)
- **Some other jurisdictions** chose to mandate compliance more gradually, such as
 - by introducing voluntary reporting and delaying mandatory compliance until 2026 (examples include **South Korea and Brazil**),
 - bringing mandatory sustainability disclosure requirements in varying stages (as seen in **Japan**),
 - first mandating a sustainability-related information section in the statutory reports for all listed companies, before introducing the second stage of mandatory sustainability disclosures. This is expected to reflect alignment with other internationally recognized sustainability reporting standards.
- Regarding EU GB, issuers should be supervised by ‘The national competent authority’ which implies a review and approval of the prospectus and factsheet during pre-issuance and during the life cycle of the green bond (refer to chapter 3.4 for more details). The regulatory body should have various powers and sanctions to enforce with EU GBS (trade prohibition, fine, publication of administrative sanction, ...) in case of non-respect of standards requirement.

Rationale – Establishing clear consequences for non-compliance is essential to motivate companies to take prompt and meaningful actions to rectify shortcomings in their sustainability reporting. Empowering supervisors with the authority to impose consequences contributes to the credibility and effectiveness of the regulatory framework.

Expected outcome – The implementation of rigorous monitoring and enforcement mechanisms, coupled with meaningful consequences, is expected to create a strong deterrent against non-compliance. This, in turn, will foster a culture of accountability and responsibility among companies, ensuring the integrity and reliability of sustainability reporting practices.

6.2.3. **Align existing ESG guidelines further with the EU Sustainable Finance Action Plan and related guidelines**

Observation – The current local ESG guidelines in Mauritius may not align with the disclosure requirements of the EU Sustainable Finance (SF) framework, leading to potential gaps in reporting, especially in the banking and funds sectors.

Recommendation – Regulators are advised to review and tailor existing guidelines to align with EU SF requirements. Specifically, the Financial Services Commission (FSC) could enhance its draft ESG Fund guidelines to better guide the financial industry in disclosing ESG strategies.

Actions to consider are as follows:

- **Comparison with EU SFDR:** Conduct a thorough comparison between the existing FSC ESG guidelines and EU SF Disclosure Regulation (SFDR) to identify gaps, ensuring alignment with international standards. For instance, evaluate whether the local ESG guidelines cover sustainability-linked incentives and assess reporting on strategy and metrics comprehensively.
- **Client sustainability preferences:** Encourage investment funds to gather sustainability preferences from clients. This involves clients expressing their interest in environmentally and socially impactful investments. Investment advisers and portfolio managers should then incorporate these preferences into financial instrument selection and portfolio construction. This aligns with attracting EU investors who prioritize sustainability.
- **Reporting framework for ESG Funds:** Update FSC's guidelines to incorporate reporting on a pre-defined framework, especially if endorsed IFRS ISSB standards become official. Consider requiring ESG funds to comply with reporting requirements from specific investors.
- **BoM Guidelines enhancement:** The Bank of Mauritius (BoM) could enhance its guidelines on Climate-related and Environmental Financial Risk Management:
- **Nature-related risks:** Extend the guidelines to cover nature-related risks based on the Network for Greening the Financial System (NGFS) scenarios. Align with NGFS recommendations for comprehensive risk management.
- **Green financial products:** Develop guidelines for various green financial products beyond green bonds, such as green loans, fostering a broader green financial system.
- **Green bonds guideline:** Develop a green bonds guideline in alignment with EU Green Bond Standard (GBS) requirements. Include details on the use of proceeds, alignment with local taxonomy, and mandatory pre- and post-issuance reviews.

Rationale – The comparison and “harmonization” of existing guidelines with the EU SF Framework requirements will provide a platform to identify gaps in disclosure requirements. Once these gaps have been identified, regulators can then communicate these reporting gaps via updates to existing guidelines.

Expected outcome – Financial institutions in Mauritius are expected to have a clearer understanding of EU SF requirements, enabling them to enhance their sustainability disclosure action plans. This alignment will contribute to improved reporting practices and adherence to international standards, making Mauritius more attractive to investors with sustainability priorities.

6.2.4. Organise training for financial institutions’ senior management

Observation – There is not a coherent training plan which currently exists at the regulatory level. As entities will need to build up their knowledge base and skill set across all levels (c-suite, management, and operational), training will be a core component to ensure that human resources are well equipped to contribute to the “transformation” of entities.

Recommendation – Regulators (BOM and FSC) along with the Business Associations could organise training sessions for the various stakeholders for FIs - being directors, C-Suite

executives, management and operational teams. For more information on training that could be performed refer to chapter 0. Regulator can also set up a thinktank/body which will comprise participants from various fields willing to further develop and improve the local sustainability ecosystem.

Currently, the government charges a HRDC Training Levy for every employee. This levy is collected by the Human Resource Development Council which has been vested the responsibility to look after and promote the development of the labour force in Mauritius in line with the requirements of a fast-growing economy. For every levy contributed, employers when training their employees (accredited courses only) can receive a refund on the training cost. The refund varies depending on certain criteria. The application of HRDC refunds could be revisited to include sustainability related courses. This will also incentivise employers to fund sustainability courses for their workforce.

Rationale – Having a defined training plan at the regulatory level is expected to usher “training compliance” as well as setting the tone at the top. Mandatory training sessions would form the basis of continual investment in sustainability knowledge.

Expected outcome – Enhanced sustainability knowledge, facilitated by a well-structured training plan, is anticipated to lead to more informed and sustainable decision-making within Financial Institutions. This, in turn, contributes to the overall success of sustainability initiatives and aligns with the evolving regulatory landscape.

6.2.5. Set up a local taxonomy aligned with the EU taxonomy

Observation – The Ministry of Environment, Solid Waste Management and Climate Change (MoE) is in the process of developing a local taxonomy. Details on the taxonomy were not available at the time of the study.

Recommendation – The MoE is advised to use the EU Taxonomy as a reference point when deciding on the final version of the local taxonomy.

Rationale – Greater alignment with the EU Taxonomy will contribute to reduced fragmentation across green taxonomies and increase the ability of non-EU firms screening their ESG data on the request of their EU partners to use overlapping data when preparing their taxonomy alignment reports.

Expected outcome – Increased ease of meeting EU Taxonomy reporting requirements.

6.3. Recommendations for the EU Delegation in Mauritius

6.3.1. Provide technical assistance

Observation – While some sampled companies partially adopted reporting practices based on the GRI and TCFD standards, the study found that none of the sectors were sufficiently able to provide the quantity and quality of information required under ESRS, SFDR or EU GBS reporting requirements.

Recommendation – It is therefore recommended that the EU’s technical support to Mauritius on sustainability reporting should focus on the following areas.

- **Governance Implementation:** setting up the right organizational structure to governance and report on material sustainability IROs.

- **Topical standards:** build knowledge on the high and medium priority topical standards for the sectors These are:
 - **Materiality:** guidance on conducting a materiality assessment that fulfils the needs for the reporting requirements of EU-based companies.
 - **Climate Change:** Greenhouse Gas Accounting (Scopes 1, 2 and 3), climate risk management and defining a transition plan.
 - **Product Strategy:** guidance on green products & services, requirements, access to these products and client targeting.
 - **Own Workforce:** managing social matters with regards to the own workforce in the dimensions of collective bargaining, diversity, adequate wages & social protection, persons with disabilities, employee training, health and safety, work-life balance as well as workers' rights and human rights impacts.
 - **Business Conduct:** setting up appropriate processes and systems for managing material IROs arising from the prevention and detection of bribery and corruption, political influence and lobbying, management of relationships with suppliers as well as payment practices, and greenwashing.
- **Product-specific trainings** on key sustainable/green products developed by the EU as part of its sustainability strategy. This will cover:
 - **EU Green Bonds:** How to access or emit EU Green Bonds
 - **EU Climate Benchmark:** provide guidance with respect to the available universe of indices (to the extent EU indices are concerned) and best practice to set-up an EU climate benchmark/index

Rationale – This will help address the areas of improvement identified in the study for the financial industry in Mauritius: Technical assistance will strengthen the industry's understanding and ability to meet EU's sustainability reporting requirements.

Expected outcome – The financial industry in Mauritius will build the right level of understanding of sustainability reporting requirements set by the EU. Further improvement in sustainability reporting will enforce the position of the industry in the region and attract more capital from the EU.

6.3.2. Provide financial support to enhance ESG data management

Observation – A key challenge identified from the study was a lack of sufficient resources and data infrastructure to produce sustainability reporting to the granularity and quality required by CSRD and other product disclosures requirements.

Recommendation – It is recommended for the EU to consider providing financial support to Mauritius aimed at supporting the financial industry to develop systems and frameworks for managing ESG data. This financial support could assist financial institutions in:

- Defining and implementing robust ESG data strategy and governance arrangements: Supporting companies in establishing effective strategies and governance frameworks for managing ESG data.
- Setting up necessary IT infrastructures: Assisting in the establishment of IT infrastructures to support the collection, aggregation, processing, and validation of ESG data.
- Augmenting staffing levels: Providing support for increasing staffing levels to ensure effective reporting processes.

- Implementing ongoing learning and capacity building measures: Facilitating continuous learning and capacity building measures for staff involved in sustainability reporting.
- Conducting third-party assurance on reported data: Supporting companies in conducting third-party assurance on the reported data to enhance credibility.

The Government can also tap in the newly formed Capacity-building Alliance for Sustainable Investment (CASI) to benefit from quality learning programs, technical assistance, and best practice to support and accelerate the development of sustainable finance.¹⁹

Rationale – Enhanced data collection processes and quality assurance are crucial for addressing challenges in reporting Greenhouse Gas Emissions, as identified in the study. Improved data management will contribute to better sustainability management in priority areas aligned with the European Strategy, focusing on green transition, green financing and the green economy.

Expected outcome – The financial support is expected to enhance data management processes, strengthen sustainability reporting practices, and contribute to the achievement of sustainability goals in alignment with the European partnership with Mauritius.

6.4. Recommendations for Business Associations

6.4.1. Provision of Technical Assistance

Observation – Business Associations play a vital role in the implementation of sustainability reporting practices as they can streamline efforts within the sectors and provide valuable sector-specific resources to companies.

Recommendation – Financial business associations in Mauritius are encouraged to focus on facilitating the implementation/advancement of sustainability reporting practices within the financial industry. This can be achieved by developing toolkits, guidance documents, and tools tailored to help financial institutions improve the quality of their ESG data.

- **Capacity building:** Following the recommendation given to the European Union, a comprehensive training scheme should enable companies to understand and implement the requirements successfully. The following aspects are recommended as focus fields for the trainings:
 - **Governance Implementation:** setting up the right organization for managing and reporting on the material sustainability Impacts, Risks and Opportunities
 - **Topical Standards:** build knowledge on the high and medium priority topical standards for the sectors.
 - **Data Management:** focus on how to build a data governance that ensures provision of correct and complete data
 - **Third Party Verification:** preparing for and conducting third party verification to ensure the integrity of the sustainability-related data and information
- **Working Groups:** Working Groups can be a valuable resource for business to promote understanding of the requirements and to share best practices as well as

¹⁹ Source : <https://www.cfainstitute.org/en/about/press-releases/2023/capacity-building-alliance-of-sustainable-investment>

lessons learned. Therefore, we recommend the business associations to set up Working Groups on most relevant sustainability topics for the financial industry.

- **Avenues of communication:** Creation of avenues for coordinated multi-stakeholder dialogue can strengthen effective collaboration on regulatory requirements by providing opportunities to exchange best practices and share information.
- **Green Bond Standards:** Business association could set-up or partner with an external reviewer service provider for the emission of EU GB. This external reviewer could then perform review on EU GB that could be emitted by Mauritius financial institutions. By finding this external reviewer, business association could encourage local banks to emit EU GB.
- **Lobbying:** Business associations could lobby regulators or other associations on the creation of sustainability reporting standards including feedback and considerations from Mauritius' financial institutions. For instance, they could advocate for aligning the current green bond standard in Mauritius with the EU GBS requirements, by adding requirements on external reviewers and allocation of proceeds according to the local green taxonomy.
- **Promotion of index:** Business association could support the integration of some Mauritius financial institutions into the EU climate benchmarks / index.

Rationale – Providing financial institutions with sector-specific resources will enhance their capacity to meet diverse and evolving sustainability reporting standards. Financial business associations, by creating targeted tools, contribute to the sector's overall readiness and compliance with ESG reporting requirements and the promotion of green products.

Expected outcome – The development and dissemination of toolkits, products and resources are expected to empower companies, ensuring they have the necessary tools and knowledge to meet sustainability standards. This collaborative effort will foster a more unified and effective approach to sustainability reporting within each sector.

6.5. Recommendations for Financial Institutions

6.5.1. Governance

6.5.1.1. Design and implement a sustainability governance structure

Recommendation – FIs should implement a sustainability governance structure wherein roles and responsibilities related to sustainability issues are clearly defined, allocated and formalized. This involves updating the responsibilities of Boards, Board delegated committees and senior management to incorporate sustainability-related matters. FIs may choose to create new roles dedicated to sustainability matters and/or modify existing roles to include sustainability-related responsibilities. The governance structure is here to clarify the exchange of information between specialists, managers, senior managers, executives, and the Board of Directors. FIs should also look at disclosing their new governance arrangements as defined in ESRS 2 General Disclosure.

Expected outcome – FIs implementing a sustainability governance structure can expect:

- Meeting stakeholders and investors' expectations of having a clear and formalized sustainability governance structure.

- Better positioning companies to fulfil ESRS 2 general disclosure requirements, which are mandatory for all companies subject to the CSRD. This ensures transparency on how sustainability is embedded in the company's governance.
- Readily available information on sustainability governance which is required by voluntary reporting disclosures and for sustainability ratings.

6.5.1.2. Formulate a comprehensive and well-defined sustainability strategy

Recommendation – FIs should understand the potential impact from sustainability risks and opportunities on the business environment they operate in the short-, medium- and long-term to make informed strategic and business decisions.

This involves setting-up an action plan to address sustainability risks and opportunities in the FI's strategy, but also integrating sustainability risks and opportunities within strategy by updating policies, developing sustainable products and services. FIs will then have to monitor, review and update the strategy and the action plan on a regular basis to reflect evolution in the understanding of sustainability. A regular reporting on the strategy and its evolution will be a good practice for FIs.

Expected outcome – FIs can expect to have a clear strategy to navigate sustainability challenges and opportunities and enhance their brand reputation and create new business opportunities. If the FI is reporting on its sustainability strategy to stakeholders and to the public, it shows clear management approach which is often required by customers, rating agencies and international investors.

6.5.1.3. Establish internal reporting procedures on sustainability matters

Recommendation – FIs should implement an ongoing process for reporting sustainability information to relevant committees at both Board and executive levels. FIs should also, when possible, establish a dedicated sustainability committee responsible for regular reviews of the sustainability agenda's status and decision-making on corrective measures. The reporting sustainability process entails regularly reviewing ESG data and assessing progress toward the institution's sustainability priorities. It is essential to set appropriate reporting frequency and define escalation points to promptly address critical issues.

Expected outcome – Having clear internal sustainability reporting structures will support the achievement of the financial institution's sustainability goals and targets. It will also ensure suitable decisions and actions are taken in steering material sustainability matters for the institution.

6.5.1.4. Set-up incentive schemes based on ESG related indicators

Recommendation – Financial Institutions are recommended to define sustainability-related criteria in remuneration policies and schemes for rewarding the company's non-financial performance. The updated remuneration criteria should be derived from the institution's publicly communicated objectives. It should be integrated into a framework that ensures systematic review and assessment of the incentive structure. Incentivizing staff on non-financial KPIs is expected to drive the achievement of ESG-related targets.

Expected outcome - In implementing these incentive schemes, financial institutions can focus on well-established or high priority areas such as GHG emissions. There can be a transitional period where qualitative targets are initially emphasized before progressing to quantitative benchmarks. Companies can start with the remuneration policy for individuals

responsible for overseeing sustainability matters. The criteria and scope of staff covered can be enhanced over time.

6.5.2. Reporting

6.5.2.1. Develop and execute a training programme on sustainability reporting standards

Recommendation: FIs are recommended to i. assess training needs and define target audience, ii. define programmes' content and modules, iii. determine delivery format and duration, and iv. plan engagement and feedback.

See further details in section 8 of the report.

Expected outcome: Fulfilling the recommendation will ensure better understanding of sustainability reporting requirements by FIs. It will also increase efficiency in working with the standards and in replying to customer requests.

6.5.2.2. Define and assign roles and responsibilities for ownership of sustainability reporting

Recommendations: FIs should i. evaluate the scope and complexity of sustainability reporting requirements, ii. identify specific areas within the organization that require dedicated staffing for sustainability reporting, iii. determine the teams or departments responsible for overseeing sustainability reporting, iv. consider cross-functional collaboration, involving areas such as finance, compliance, and environmental management, v. identify the necessary skills and expertise required for sustainability reporting, vi. assess existing staff skills and identify any gaps that may need to be filled, vii. identify the necessary skills and expertise required for sustainability reporting, viii. assess existing staff skills and identify any gaps that may need to be filled, ix. establish mechanisms for capacity building within the organization, x. provides resources and tools for continuous learning and skill development, xi. set an appropriate frequency for sustainability reporting processes, xii. define points of escalation beyond standard reporting cycles to address critical issues promptly.

Expected outcome: Fulfilling the recommendation will help FIs i. enhance reporting accuracy as proper staffing ensures that individuals with the right skills and expertise are dedicated to sustainability reporting, ii. comply with standards and reduced risk of non-compliance, iii. report in a timely manner as defined reporting frequencies and escalation points will help in the timely submission of sustainability reports and escalation mechanisms address critical issues promptly.

6.5.2.3. Comprehend and harmonize disclosure with the requirements specified by relevant sustainability indices

Recommendation: FIs should i. confirm the company is in scope of index related disclosure requirements, ii. understand and assess the index disclosure requirements, iii. develop a plan to meet the requirements of the index disclosure, iv. implement the plan by taking the necessary steps to meet the requirements of the index disclosure - this may include changes to the business processes, products offering, systems, and reporting, v. monitor progress towards meeting the requirements of the index disclosure and report on progress to the senior management / strategy committee.

Expected outcome: Fulfilling the recommendation will help FIs access to additional external investment/capital by being listed on an index and align with index benchmark requirements.

6.5.2.4. Comprehend and align disclosure with the product-related disclosure requirements

Recommendation: FIs are recommended to i. define its appetite to developing such sustainability-linked products and making use of the sustainable EU market, ii. understand and assess the product disclosure requirements (GBS, SFDR), iii. develop a plan and methodologies to meet the requirements of the product disclosure, iv. implement the plan by taking the necessary steps to meet the requirements of the product disclosure - this may include changes to the business processes, systems, and reporting, and v. •monitor your progress towards meeting the requirements of the product disclosure and report on your progress to the senior management / strategy committee.

Expected outcome: Fulfilling the recommendation will help FIs expand the product offering and the client base, answer to the evolution of investors' requirements, and access to the sustainable investment market.

6.5.2.5. Establish processes and procedures to prepare entity-level sustainability reporting

Recommendation: FIs are recommended to i. understand the sustainability reporting requirements at entity level, ii. gather data and metrics at entity-level, iii. define a process to perform sustainability reporting at entity-level, and iv. feed the sustainability reporting to the group level

Expected outcome: Fulfilling the recommendation will help FIs in i. collecting the necessary sustainability information at entity-level, ii. developing entity-level knowledge on sustainability reporting, iii. providing entity-level clients with a view of entity-level sustainability performance, iv. aligning with CSRD requirements for subsidiaries of European companies, and v. improve reporting at group level.

6.5.3. Data

6.5.3.1. Conduct a materiality assessment and implement a process for future iterations

Recommendation - FIs are recommended to i. define the scope of the analysis, including the organizational boundaries and the products, services, and activities to be considered, ii. identify and engage with key internal and external stakeholders, iii. consider customers, employees, investors, regulators, suppliers, and local communities, iv. compile a list of potential sustainability issues relevant to the financial industry and the organization, v. utilises existing sustainability frameworks (e.g., GRI, SASB) and financial industry standards, vi. seek inputs from stakeholders through surveys, interviews, workshops, or other engagement methods, vii. understand stakeholders' perspectives on the importance of various sustainability issues, viii. engage with internal teams, including departments such as sustainability, risk management, and strategy, ix. assess the organization's operational and strategic risks and opportunities related to sustainability issues, x. creates a materiality matrix to visually represent the significance of ESG issues, xi. Plot the importance to stakeholders against the impact on the organization, xii. develop a scoring system to rank and prioritize sustainability issues, xiii. consider factors such as regulatory requirements, reputational

impact, financial implications, and stakeholder expectations, xiv. validate the results with key stakeholders and internal decision-makers, xv. review the analysis regularly to ensure it remains aligned with changing business contexts, xvi. integrate the materiality analysis findings into the organization's strategic planning, xvii. establish a process for continuous improvement of the materiality analysis, xviii. stay informed about emerging sustainability issues and adjust priorities accordingly.

Expected outcome – Fulfilling the recommendation will help FIs in i. selection of most relevant topics for ESG reporting to avoid overburden of the organisation, ii. meeting disclosure requirements from sustainability reporting standards (CSRD/ESRS, ISSB, GRI), and iii. increase transparency and accountability to stakeholders. Developing a data catalogue and inventory will help to minimize the potential for incomplete reporting of ESG data. They will also improve coverage of ESG data and facilitate the timely and effective remediation of identified ESG data gaps.

6.5.3.2. Formulate policies and establish targets for the effective management of material sustainability topics.

Recommendation: FIs are recommended to i. follow results of the materiality assessment (as per corrective measure #10), define and allocate an owner for each material sustainability topic in the company, ii. assess adequacy of existing policies and strategies to meet the requirements of ESRS and SFDR around each material sustainability topic. Develop a clear plan to remediate weaknesses identified, iii. engage with stakeholders to understand which sustainability data could be provided and prioritized, and iv. determine suitable measurable and outcome-oriented targets to meet policy objectives for each material sustainability topic, v. define process to monitor progress against targets and track the effectiveness of policies and actions undertaken.

Expected outcome: Fulfilling the recommendation will help FIs develop a framework for steering sustainability matters, set targets and thresholds that will help FIs monitor their sustainability metrics and their potential exposition to sustainability risks, and facilitate the achievement of companies' sustainability-related objectives.

6.5.3.3. Perform a comprehensive data gap analysis and formulate a data inventory to encompass the necessary material ESG data.

Recommendation: FIs are recommended to i. follow results results of the materiality assessment (as per corrective measure #10), identify all quantitative indicators required per material Disclosure Requirement in the ESRS, SFDR (or any regulation impacting the FI) as well as any other additional sustainability related information, ii. define the scope of the ESG data collection in relation to the corresponding financial data (see ESRS 1 for details), ii determine methodology to calculate relevant metrics e.g. Scope 1, 2 and 3 using the GHG Protocol, iii. where relevant, breakdown metrics into data points and necessary conversions e.g. break-down of non-hazardous waste volumes to waste streams or determination of emission factors to use for GHG emissions, iv derive an inventory of required sustainability data that indicates the status of availability and define if the data is available centrally (through existing collection processes, e. g. for HR data) or needs to be collected in a decentralised manner from sites/subsidiaries. This will require coordination with data collectors or the establishment of new data collection processes where data is not available. Methodologies to obtain these data should be detailed, v. conduct a gap analysis to evaluate

current availability of the required ESG data and extent to which they are covered through existing data collection process, vi. consolidate identified data gaps into a data catalogue, vii. define process to monitor and internally report the remediation status of gaps in the data catalogue, viii. allocate responsibilities for sourcing and remediating each identified data gap, ix. set up a data management plan.

Expected outcome: FIs will ensure oversight of data requirements for full implementation of reporting standards, improve data quality by clear allocation of responsibilities, and achieve higher alignment with chosen reporting frameworks, improving report quality and accountability.

6.5.3.4. Develop a process to classify activities according to a green taxonomy

Recommendation: FIs are recommended to:

- Determine the scope of the activities that need to be classified according to the EU/local taxonomy. This includes identifying the relevant business lines, products, and services.
- Understand the EU/local taxonomy and its criteria for classifying activities as environmentally sustainable,
- Assess their activities against the EU/local taxonomy criteria. This involves evaluating the environmental sustainability of their activities and determining whether they meet the green taxonomy criteria (cf. chapter 3.3),
- Develop and implement a classification system that aligns with the A green taxonomy. This involves defining the categories of environmentally sustainable activities and developing a process for classifying activities according to these categories,
- Compute the relevant ratio on alignment with the EU/local taxonomy (cf. chapter 3.34.3).

Expected outcome: Fulfilling the recommendation with help FIs get easier access to green finance for activities aligned with the EU/local taxonomy ii. increase transparency on the FI activities, and iii. identify and manage environmental risks associated with non-aligned activities. This can help reduce the risk of financial losses due to climate-related and environmental factors.

6.5.4. Controls

6.5.4.1. Establish an internal audit process for sustainability information and reporting based on international best practices, anticipating local guidelines upon their release

Recommendation – FIs develop their own internal audit process of sustainability information by assessing their current sustainability information and reporting against international best standards including the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-Related Financial Disclosures (TCFD). This internal audit process should be developed across their business lines, products, and services to perform regular audit review of the sustainability information to be ready when local guidelines are released.

Expected outcome – Undertaking an internal audit process will provide improvement of data quality through implementation of controls and documentation of methodology and increase the accountability with customers and other stakeholders.

6.5.4.2. Undertake independent / third party verification of sustainability reporting

Recommendation – Companies can engage with their external auditors or third-party providers to obtain independent verification of sustainability reports. This verification can also include a review of data governance framework, data aggregation capabilities, quality of data and reporting processes. A good practice could be to plan for a “dry-run” auditing process one period before the third-party verification is needed.

Expected outcome – Undertaking third-party verification will provide comfort on the reliability and accuracy of sustainability information reported. It will also enable companies to provide EU counterparties with information that is external audit ready.

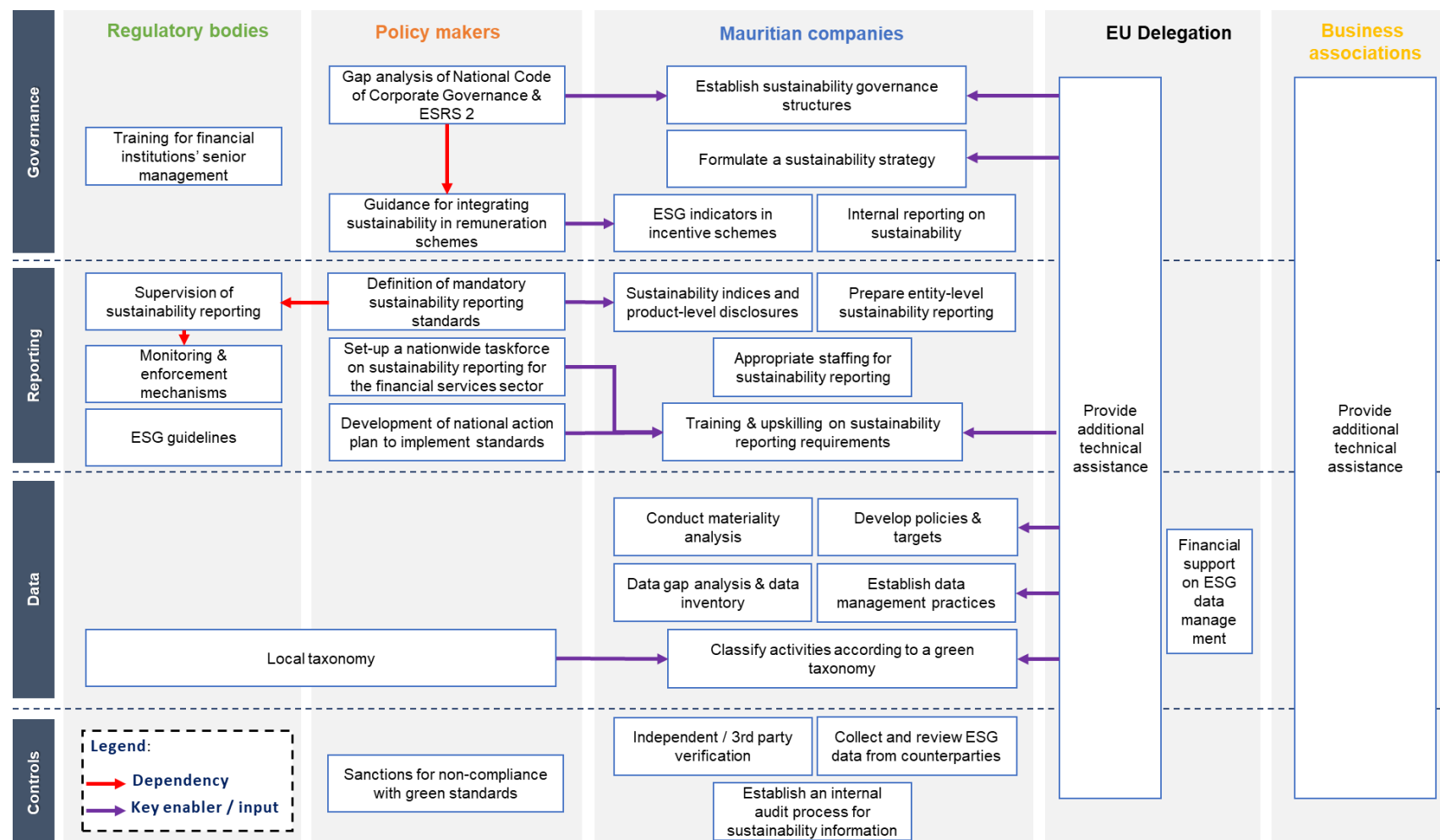
6.5.4.3. Develop and implement strategy to collect and review ESG data received from supplier and other third parties

Recommendation – Companies should ensure they implement processes to collect and validate ESG data from business counterparties such as suppliers, vendors and other companies in the value chain. Companies should implement quality criteria, methodology requirements and validation across the ESG data points required from counterparties. This can include environmental product declarations based on ISO 14.025 standard or benchmarking of product GHG emission intensities with database reference values from EcolInvent. To streamline ESG data collection, companies can use pre-defined Excel templates or IT tools for suppliers to input data. Review of ESG data requirements and quality should be incorporated into ongoing engagement meetings with business counterparties. Although, a documentation on the data points collected, methodology chosen, and quality criteria defined to be communicated to suppliers.

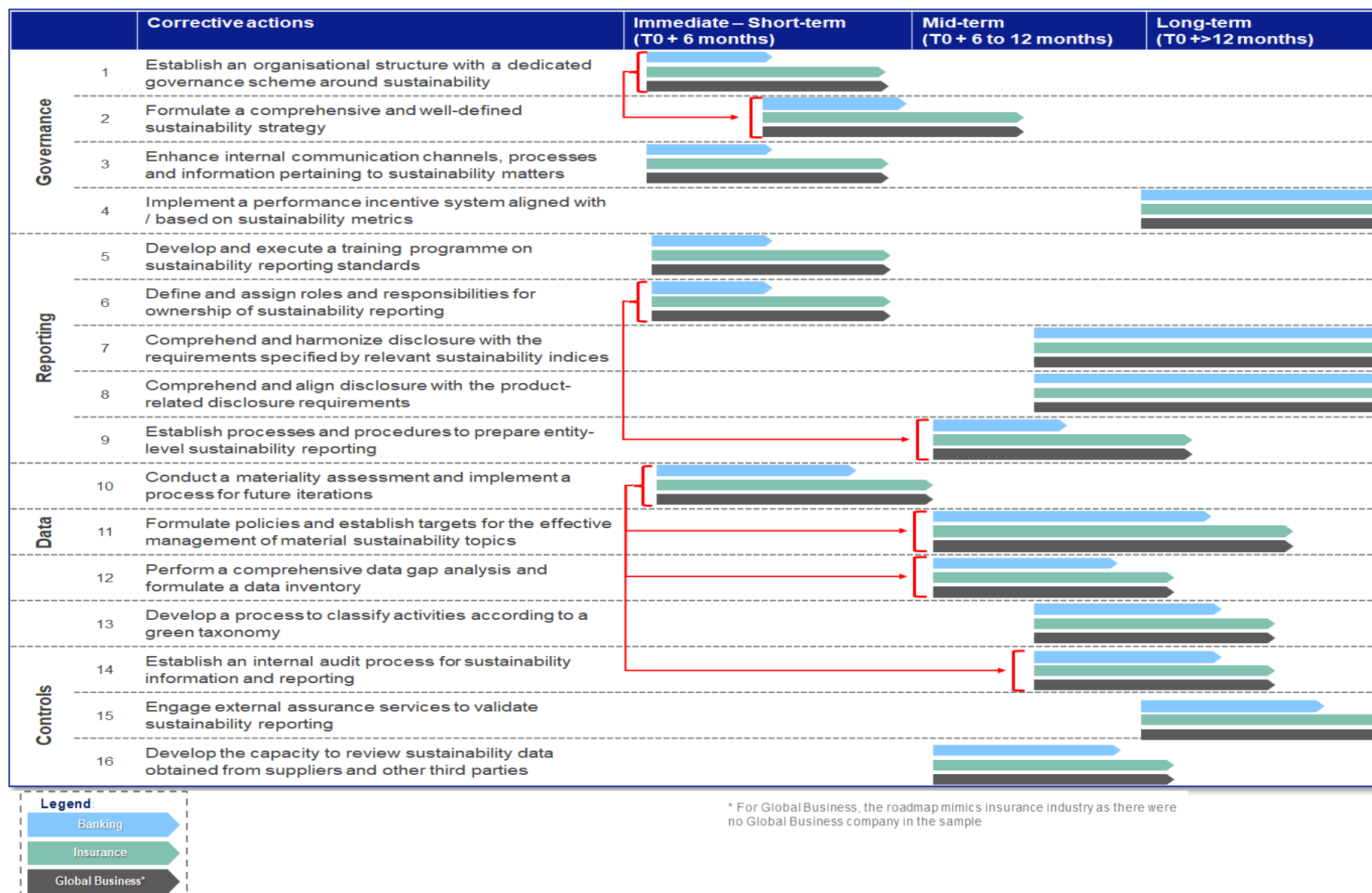
Expected outcome – This will increase quality of data received from counterparties and facilitate a common understanding of CSRD/ESRS requirement

7. High level roadmap

Figure 1.



The recommended corrective measures are consolidated in a high-level implementation roadmap and grouped as follows:



8. Capacity building mechanisms

Effective capacity building requires a multi-pronged approach:

- Combining different mechanisms like peer-to-peer learning, training, and mentorship can cater to diverse learning styles and needs.
- Tailoring the approach to the specific context of the company, its industry, and its existing sustainability practices is crucial.
- Continuous monitoring and evaluation are essential to ensure that the capacity building efforts are achieving their desired outcomes.

By implementing these mechanisms and adapting them to their specific needs, companies can effectively build their capacity for robust and transparent sustainability reporting, contributing to a more sustainable future.

8.1. Training recommendations

8.1.1. Peer-to-peer learning

Platforms and networks that connect companies facing similar challenges can be invaluable resources for sharing best practices, case studies, and lessons learned in implementing and improving sustainability reporting.

Examples of financial industry sustainability associations can be found below:

- **Global Sustainable Investment Alliance (GSIA):** A collaboration of membership-based sustainable investment organizations around the world. They have members from Europe, Asia, North America, and Australia/New Zealand.
- **Network for Greening the Financial System (NGFS):** As it stands, Bank of Mauritius is already a member of the NGFS which is a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change. The BOM could closely follow the latest research and technical guidelines from the NGFS proposes and bring updates to its existing guideline on CR&E financial risks.
- **Sustainable Finance Network (SFN):** A global network of financial centres that aims to accelerate the transition to a sustainable economy by mobilizing capital towards sustainable finance.
- **Global Impact Investing Network (GIIN):** A nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. They have members from over 50 countries.
- **Principles for Responsible Investment (PRI):** A United Nations-supported international network of investors working together to put the six Principles for Responsible Investment into practice. They have signatories from over 100 countries. One sampled company already adheres to the UN PRI which could set the tone/scene for other leading banks to follow suit.
- **Principles for Responsible Banking (PRB):** A United Nations-supported international network of banking institutions working together to put the six Principles for Responsible Banking into practice. They have over 330 signatory banks representing over half of the global banking industry. One sampled company already

adheres to the UN PRB which could set the tone/scene for other leading banks to follow suit.

- **Global Reporting Initiative (GRI):** An international independent standards organization that helps businesses, governments, and other organizations understand and communicate their sustainability impacts. They have members from over 100 countries.
- **Carbon Disclosure Project (CDP):** A global environmental disclosure platform that enables companies, cities, states, and regions to measure and manage their environmental impacts. They have members from over 90 countries.
- **Sustainability Accounting Standards Board (SASB):** They identify the subset of sustainability issues most relevant to financial performance in each of 77 industries.
- **World Business Council for Sustainable Development (WBCSD):** This is a CEO-led organization of over 200 international companies working on a variety of issues related to sustainable development. It works to achieve the Sustainable Development Goals (SDGs) through the transformation of six economic systems: circular economy, cities and mobility, climate and energy, food, land and water, people, and redefining value.

8.1.2. Training and workshops

Across all sectors, there was a general lack of well-coordinated ESG data collection systems and sustainability departments had little experience in implementing a sustainability reporting process (see findings in section **Error! Reference source not found. Error! Reference source not found.**). Companies and business associations can offer tailored training programs and workshops, which can equip employees with the knowledge and skills needed to effectively collect, analyse, and report on ESG data.

These programs can cover topics like sustainability standards and reporting frameworks, ESG metrics, materiality assessments, and stakeholder engagement.

8.1.2.1. Structure of a training programme

To structure a training programme for a company's employees involved in sustainability reporting and build capacity, the following steps are recommended. Several of them can leverage the work performed as part of this study and take the findings as a starting point for addressing the necessary preparedness actions.

Needs assessment and target audience

- Start by understanding the company or the sector's existing knowledge and practices around sustainability reporting. What are their current reporting obligations? What are their goals for improvement? This can be leveraged from this study.
- Identify the target audience for the training. This could include employees from various departments, which are involved in sustainability reporting and ESG data collection such as finance, operations, marketing, and HR. Tailor the content and depth of the training to their specific needs and roles.

Delivery format and duration

- Consider a blended learning approach that combines interactive workshops with online learning modules and resources.

- The duration of the programme will depend on the company's needs and the level of existing knowledge. Consider offering shorter introductory sessions followed by more in-depth workshops for specific departments or topics.

Engagement and feedback

- Use interactive exercises, case studies, and role-playing activities to keep participants engaged and actively learning.
- Encourage questions and discussions throughout the program.
- Gather feedback from participants at the end of the programme to evaluate its effectiveness and identify areas for improvement.

Programme modules and content

A successful implementation of enforcement mechanisms for sustainability reporting presupposes sufficient knowledge on these matters on the part of the Board and top management and pertains particularly to those responsible for managing sustainability matters in various departments, but also to teams and individuals responsible for data collection and risk and compliance management. Therefore, we recommend introducing a capacity building mechanism that equips Mauritian companies with a solid understanding and practical knowledge about sustainability reporting standards and the reporting process.

For details on all recommended modules and training content please refer to table 8.1.2.2. below.

8.1.2.2. Modules and content

Topic	Target audience	Reference to areas of improvements – Section 6
Introduction to sustainability reporting		
<ul style="list-style-type: none"> Understanding the purpose and benefits of sustainability reporting. Key international sustainability frameworks and standards (GRI, SASB, TCFD). Analyse the specific reporting requirements relevant to the company's industry and location to choose the most relevant and meaningful disclosures for the company. Introduction to the specific requirements of CSRD and ESRS implemented in the EU. Understanding the interoperability of key sustainability standards with the ESRS and how existing processes to report against other frameworks can be leveraged. 	Board of Directors Executive Committee C-suite executives and senior managers Individuals in charge of preparing sustainability reports Individuals in charge of reviewing sustainability reports Legal and compliance officers	<i>Addresses 6.2.4. Organise training for financial institutions' senior management</i>
The starting point - Materiality assessment under the CSRD / ESRS		
<ul style="list-style-type: none"> Understanding the concept of impact materiality and financial materiality (double materiality). Materiality assessment process. How to identify and prioritize relevant sustainability topics throughout the value chain. <ul style="list-style-type: none"> Identifying and evaluating sustainability issues that directly affect the company's operations, reputation, and financial performance. Assessing the potential risks and opportunities related to sustainability matters within the company itself. Identifying and assessing the impacts of the company's activities on external stakeholders, communities, and the environment. 	C-suite executives and senior managers Teams (operative people) facing employees, customers, regulators, communities Subject matter experts Team or individuals responsible for risk assessment and management Individuals in charge of preparing sustainability reports Auditors	<i>Addresses 6.5.3.3. Perform a comprehensive data gap analysis and formulate a data inventory to encompass the necessary material ESG data a materiality assessment and implement a process for future iterations.</i>

Topic	Target audience	Reference to areas of improvements – Section 6
<ul style="list-style-type: none"> ○ Evaluating risks and opportunities related to sustainability matters that originate outside the organization but can significantly affect the company. • Stakeholder engagement. <ul style="list-style-type: none"> ○ Identification of stakeholders. Internal (Employees, shareholders, executives, and other individuals within the organization) and external (customers, suppliers, local communities, NGOs, regulatory bodies, investors, and others with an interest in the company). ○ Engagement process. Mapping stakeholders (Identify and prioritize stakeholders based on their influence and impact on the company and vice versa), communication channels (determine the most effective channels for engaging with different stakeholder groups (e.g., surveys, meetings, reports, online platforms)), dialogue and consultation (actively involve stakeholders in two-way communication, seeking their input, feedback, and perspectives on sustainability issues). ○ Purpose of engagement. Materiality assessment, risk identification and building trust. ○ Reporting and disclosure. Incorporation of stakeholder feedback and transparent communication. • Data collection, analysis, and verification methodologies. 		
The hottest topic - Climate risk management		
<ul style="list-style-type: none"> • Identification of climate change related risks, impacts, and opportunities. <ul style="list-style-type: none"> ○ Consideration of both physical and transition risks. 	C-suite executives and senior managers Individuals in charge of performing GHG inventory	<i>Addresses 6.5.3.1 Conduct a materiality assessment and</i>

Topic	Target audience	Reference to areas of improvements – Section 6
<ul style="list-style-type: none"> ○ How to explore various climate scenarios, including both gradual changes and extreme events, to understand the range of potential impacts. ○ The need for sectoral analysis to identify industry-specific risks. ○ The possibility of engaging internal and external stakeholders, including employees, investors, customers, and community representatives, to gather diverse perspectives on climate-related risks and opportunities. ○ The importance of analysing the entire value chain to identify climate-related risks and opportunities. This includes suppliers, operations, distribution channels, and end-users. ○ The necessity to assess the financial implications of climate risks and opportunities: consider how these factors may affect revenue streams, cost structures, and overall financial performance. ○ The identification of business opportunities that arise from climate change, such as the development of sustainable products and services, entering new markets, and building resilience in the supply chain. ○ The integration of climate change risks and opportunities into the overall business strategy: ensure alignment with the organization's mission, vision, and long-term goals. ● Calculation and comprehensive reporting of GHG emissions. <ul style="list-style-type: none"> ○ Scope of emissions and definition of organizational boundaries. ○ GHG Protocol standards. ○ Data collection. How to identify data sources - Determine the sources of data needed for emissions calculations, considering 	<p>Risk management team</p> <p>Individuals in charge of providing data</p> <p>Operational and technical personnel</p> <p>Subject matter experts regarding supply chain – upstream and downstream, including procurement and sourcing teams</p>	<p><i>implement a process for future iterations</i></p>

Topic	Target audience	Reference to areas of improvements – Section 6
<p>energy consumption, fuel use, and other relevant activities. How to perform accurate measurement - Ensure accurate measurement units and conversion factors for different types of greenhouse gases.</p> <ul style="list-style-type: none"> ○ Emissions calculations. What are the appropriate methodologies to calculate GHG emissions for each scope and the correct emission factors to convert activity data into equivalent CO2 emissions. ○ Reporting. ○ Verification and assurance. • Formulation of GHG emissions reduction targets once the baseline is established as part of climate change mitigation strategy. <ul style="list-style-type: none"> ○ How to set credible and meaningful targets? Short- and long-term. ○ What are the existing trajectories that can be leveraged? ○ To what extent can on incorporate innovation and technology that can contribute to emission reduction? ○ Data tracking - How to establish a robust monitoring system to track progress toward targets. Regular reporting - How to report on emissions and progress toward targets. 		
Reporting practices and techniques		
<ul style="list-style-type: none"> • Effective storytelling and communication in sustainability reporting. Clear messaging, transparency about both success and areas for improvement, tailored messages to different stakeholders and acknowledgement of the unique interests and concerns of investors, customers, employees, and 	<p>C-suite executives and senior managers</p> <p>Individuals in charge of preparing sustainability reports</p>	<p><i>Addresses 5.2.1.2. Awareness of sustainability reporting standards existing strengths in reporting</i></p>

Topic	Target audience	Reference to areas of improvements – Section 6
<p>communities, focus on material issues, quantification of impact, inclusion of forward-looking statements and measurable targets.</p> <ul style="list-style-type: none"> • Writing informative reports that resonate with stakeholders. • Visualizing data and metrics effectively for clear communication. • Integration with financial reporting and corporate communications. • Using technology and reporting tools to streamline the process. 	<p>Individuals in charge of reviewing sustainability reports</p> <p>Financial and accounting team members</p> <p>Marketing and communication team members</p> <p>Data and Digital</p>	
Industry-specific sustainability challenges and opportunities		
<ul style="list-style-type: none"> • Tailoring reporting to your specific industry and sector. • Identifying and addressing relevant sustainability risks and opportunities. • Benchmarking against industry peers and best practices. • Reporting on progress towards industry-specific sustainability goals. • Navigating evolving regulatory requirements and reporting standards 	<p>Board of Directors</p> <p>Executive Committee</p> <p>C-suite executives and senior managers</p> <p>Individuals in charge of preparing sustainability reports</p> <p>Individuals in charge of reviewing sustainability reports</p>	<p><i>Addresses 6.5.1.2. Formulate a comprehensive and well-defined sustainability strategy</i></p>
Measuring and monitoring sustainability performance		
<ul style="list-style-type: none"> • Developing a robust monitoring and evaluation framework. • Setting measurable targets and tracking progress towards goals. • Using data to inform decision-making and identify areas for improvement. • Assurance and verification of reported sustainability information. • Continuous improvement and reporting cycle 	<p>C-suite executives and senior managers</p> <p>Individuals in charge of preparing sustainability reports</p> <p>Individuals in charge of reviewing sustainability reports</p> <p>Data managers</p>	<p><i>Addresses 6.5.1.4. Set-up incentive schemes based on ESG related indicators</i></p>

Topic	Target audience	Reference to areas of improvements – Section 6
Developing Green Finance products and services		
<ul style="list-style-type: none"> Integrating ESG factors into investment analysis and decision-making. Managing climate risk and stranded assets. Developing sustainable investment policies and practices. Understanding green bonds, impact investments, sustainable infrastructure projects. Developing and marketing sustainability-oriented financial products. Communicating the value proposition of sustainable investment options. 	Board of Directors Executive Committee C-suite executives and senior managers Individuals in charge product and service development Individuals in charge financial investment	Addresses 6.5.1.2. Formulate a comprehensive and well-defined sustainability strategy
Verification and assurance		
<ul style="list-style-type: none"> How to make information auditable establishing a documentation process Choosing an auditor and understanding the audit process 	C-suite executives and senior managers Individuals in charge of preparing sustainability reports Individuals in charge of reviewing sustainability reports Auditors	Addresses 6.5.4.2. Undertake independent / third party verification of sustainability reporting
Beyond reporting: embedding sustainability in the companies' culture		
<ul style="list-style-type: none"> Integrating sustainability into corporate strategy and decision-making (such as integrating ESG-related performance in incentive schemes) Employee engagement and training plan / programme on sustainability practices. 	Board of Directors Executive Committee C-suite executives and senior managers	Addresses 6.5.1.2. Formulate a comprehensive and well-defined sustainability strategy

Topic	Target audience	Reference to areas of improvements – Section 6
<ul style="list-style-type: none"> • Building a culture of transparency and accountability. • Stakeholder collaboration and partnerships for sustainability progress. • Communicating sustainability achievements to stakeholders 	Human resources [Representatives from all departments]	

Suggestions have been made in terms of audience. Here are some additional aspects that can be considered for selecting participants:

- Identify champions: Encourage individuals who are passionate about sustainability and can motivate others to participate.
- Consider future needs: Anticipate the future growth and complexity of your sustainability reporting requirements and train individuals with the potential to take on additional responsibilities.
- Balance representation: Ensure the training includes participants from diverse departments and backgrounds to foster a comprehensive understanding of your company's sustainability challenges and opportunities.

Providers would be sustainability consultancies, research institutions, universities, and professional organizations.

8.1.3. Online learning resources

Numerous online resources, including webinars, tutorials, and e-learning modules, offer convenient and flexible learning opportunities for busy professionals.

Examples include GRI Academy, CDP, SASB, UNCC and sustainability-focused online platforms.

Specifically, sustainability reporting frameworks such as GRI and CDP regularly offer in-depth trainings as well as webinars on applying their standards and guidance. This could provide beneficial insights and low- to no-cost training for teams involved in preparing and reviewing sustainability reports.

Science Based Targets website also offers nine training modules tailored specifically for financial institutions to kickstart their science-based targets journey.

[Sustainable Finance Initiative](#)

[GRI - Reporting tools \(globalreporting.org\)](#)

[CDP workshops and webinars - CDP](#)

[Financial institutions - Science Based Targets](#)

[Home | One UN Climate Change Learning Partnership \(unccelearn.org\)](#)

8.1.4. Benchmarking and data analysis

An analysing industry benchmarks and competitor performance can be extremely helpful for financial institutions to identify areas where they can improve their sustainability reporting practices and to remain competitive and align to industry expectations or best practice. Mauritian financial institutions can perform gap analyses by assessing competitor's or industry peers' sustainability reports and ESG data disclosures, and noting to which reporting frameworks, sustainability ratings, and disclosures are adhered. Financial institutions should also note in what format and to what extent KPIs, targets, policies, and management explanations are disclosed. After gaps are identified, improvement measures can be recommended, and action plans to implement necessary changes can be formulated. Peer-to-peer learning platforms can also facilitate a similar status quo assessment of a company's current sustainability reporting practices in comparison to others in the industry.

Tools and databases like CDP, DJSI, and RobecoSAM provide valuable data and insights for benchmarking.

Tools and databases like CDP, DJSI, and RobecoSAM provide valuable data and insights for benchmarking.

8.2. Guidance available

8.2.1. A solid starting point to understand corporate sustainability reporting and get starting with the fundamentals – The UNEP Corporate Sustainability Reporting Toolkit

Financial institutions who were found to be only “partially familiar” with sustainability reporting standards, as well as the fishing sector who demonstrated no familiarity (see section **Error! Reference source not found. Error! Reference source not found.**), are recommended to make use of the UNEP Corporate Sustainability Reporting Toolkit. This toolkit offers good foundational guidance for those who do not have experience in sustainability reporting and address the gaps in know-how of the staffing responsible for sustainability reporting and/or sustainability-related data collection.

[Corporate Sustainability Reporting Toolkit \(unep.org\)](https://www.unep.org/csr/toolkit)

Linked recommended actions:

- *Formulate policies and establish targets for the effective management of material sustainability topics:*
The reporting provides specific direction on a number of the key elements of sustainability reporting and provides readers with action-oriented guidance to apply the research to their work. For example, section B1 and B2 of the report provides useful information in respect to policies and other mechanisms that can contribute to increase the quantity and quality of corporate sustainability reporting; they discuss the most frequently reported social and environmental topics; and they provide information on the role of monitoring and performance indicators.
- *Develop the capacity to review sustainability data obtained from suppliers and other third parties, along with an assessment of the methodologies employed in external tool:*
The toolkit provides guidance on how to collect, analyse, and report sustainability data. It also provides a set of indicators that can be used to assess the sustainability performance of suppliers and other third parties. Additionally, the toolkit offers guidance on how to assess the methodologies employed in external tools, such as sustainability rating agencies, to ensure that the data obtained is reliable and accurate. The toolkit also provides a guideline on how to approach and engage with SMEs client over sustainability reporting to include institution’s clients and supply chain sustainability impacts.
- *Perform a comprehensive data gap analysis and formulate a data inventory to encompass the necessary material ESG data:*
The section B3 of the report presents approaches for effectively managing sustainability data (data availability, data accuracy and comparability). It provides a good understanding of the role of government in the respect of data but also the different data management systems that could exist and which could help institutions to gather relevant data for their sustainability reporting.

8.2.2. Introduction to the most recognized voluntary sustainability reporting framework – The GRI Sustainability reporting tools

To address the sectors' limited knowledge of the diverse information and metrics mandated by sustainability reporting standards (see section **Error! Reference source not found.**

REF _Ref157588226 \h **Error! Reference source not found.**), we recommend the use of GRI's sustainability reporting tools and services, intended to help reporters of all levels and experience to better manage the reporting process. As the main difference between ESRS and GRI is their approach and methodology, not the indicators, GRI content index templates and SDG mapping add-ons could support the sectors in ensuring a comprehensive sustainability reporting inventory. Further, GRI's online training for sustainability professionals, webinars, as well as extended networks of commercial partners who support the use of the GRI Standards, is an accessible way of addressing the lack of organisational know-how on the quality and breadth of data that is required by internationally recognised sustainability reporting standards.

[GRI – Reporting tools \(globalreporting.org\)](https://globalreporting.org)

Linked recommended action:

- *Establish processes and procedures to prepare entity-level sustainability reporting:*
GRI SR tools would address the recommendation action by providing a system with criteria for different sectors and topics. GRI provides a wide variety of tools and services to help reporters better manage the reporting process. These tools include software applications that use GRI content, which guarantee access to additional reporting tools and reliable software for reporting practitioners. It is accessible to all and easy to use for reporting practitioners beginning in sustainability reporting.
Consequently, to establish processes and procedures to prepare entity-level sustainability reporting, financial institutions can use the GRI Standards as a framework to identify and report on their material topics, their related impacts, and how they are managed. The Standards are designed as a modular set, delivering an inclusive picture of an organization's material topics, their related impacts, and how they are managed. Being used by all entities could help institutions consolidate their group-level reporting.

8.2.3. If companies already report against the GRI, how to leverage that and assess alignment with the ESRS – The GRI and ESRS Interoperability Index

Financial Institutions that already report “in accordance with” or “informed by” GRI, could benefit from developing an understanding of the framework's commonalities with the ESRS. Further, institutions within the financial sector who are yet to adapt a sustainability reporting framework, could use the tool as a starting point for developing an understanding of how the EU counterparts' data and information requests for can be met by reporting according to the GRI standard. To this end, we recommend the [draft] GRI and ESRS Interoperability Index. Given the high level of interoperability achieved, entities reporting under ESRS can be considered as reporting ‘with reference’ to the GRI Standards (see GRI 1: Foundation 2021). The [draft] index shows the relationship between the ESRS and GRI disclosures to facilitate reporting ‘with reference’ to the GRI Standards.

[GRI-ESRS Interoperability Index \(draft\)](#)

Linked recommended actions:

- *Establish processes and procedures to prepare entity-level sustainability reporting:* It provides a framework for mapping the ESRS and GRI disclosures. This can help financial institutions identify the commonalities between the two standards and streamline their reporting processes. For companies already following the GRI disclosures standards, the tool will facilitate reporting according to ESRS requirements.

8.2.4. Understand the principle of ‘extra-territoriality’ of the CSRD and therefore the extent to which it is applicable to non-EU companies under certain conditions - Mazars’ guide to CSRD for non-EU groups

To support the understanding of the EU’s CSRD legislation and its implications on non-EU companies, we recommend the use of Mazars’ guide to CSRD for non-EU groups and their EU subsidiaries. This guide seeks to clarify the applicable reporting requirements relevant for parent companies located outside the EU. It also highlights the main challenges in implementing CSRD, from the perspective of both the non-EU parent company and their EU subsidiaries. It includes practical case studies of how CSRD can be applied in different illustrative cases and key considerations in each case when producing sustainability reports.

[Guide to EU Corporate Sustainability Reporting Directive \(CSRD\) – for non-EU groups and their EU subsidiaries.](#)

8.2.5. For a more indepth understanding of sustainbaility reporting for Banks: The UNEP Principles for Responsible Banking and the UNEP Guidelines for Climate Target Setting for Banks

The UNEP Principles for Responsible Banking toolkit is a comprehensive set of resources designed to help banks align their core strategy, decision-making, lending, and investment with the United Nations Sustainable Development Goals and international agreements such as the Paris Climate Agreement. The toolkit includes a diverse set of resources such as the Impact Protocol, an interactive guide and case studies, a suite of Impact Analysis Tools, thematic guidance on target-setting, mappings (sector/impact), and databases (indicators, needs data). Additionally, it provided guidance to banks on measures they can take to implement each Principle.

The UNEP FI’s collective commitment to climate action group of 38 signatories have developed the Guidelines for Climate Target Setting, which outlines the key principles to underpin the setting of credible, robust, impactful and ambitious targets to achieve the objectives the Paris Agreement. The guidelines outline four principles for target-setting, which will help meet these objectives, the guide recommends banks to set targets to support the transition to a net-zero economy by 2050.

[Guidelines for Climate Target Setting for Banks – United Nations Environment – Finance Initiative \(unepfi.org\)](#)

[Principles for Responsible Banking – United Nations Environment – Finance Initiative \(unepfi.org\)](#)

Linked recommended actions:

- *Conduct a materiality assessment and implement a process for future iterations:*
The PRB requires signatory banks to conduct a materiality assessment²⁰ to identify and prioritize the most significant environmental, social, and governance (ESG) risks and opportunities that are relevant to their business. The PRB also requires signatory banks to implement a process for future iterations of the materiality assessment. This process should include regular reviews of the materiality assessment to ensure that it remains up-to-date and relevant to the bank's business and stakeholders. By conducting a materiality assessment and implementing a process for future iterations, banks can contribute to the UN SDGs and the Paris Agreement but also improve their alignment with the EGD requirements.
- *Formulate policies and establish targets for the effective management of material sustainability topics:*
The climate Adaptation Target Setting guidance²¹ aims to help banks accelerate their efforts on managing climate-related impacts and financing climate adaptation, by setting adaptation targets using the PRB impact framework. The document provides a list of considerations for setting impact targets and reflects how bank actions lead to increase in their positive impacts on climate resilience (positive contribution) and decrease in negative ones (maladaptation, minimum safeguards and Do No Significant Harm (DNSH)²²).
The foundation for climate mitigation target setting guidance²³ helps banks gaining a good understanding of the regulatory and policy environment of a bank's activities such as for example the EU's sustainable finance strategy and provides a good overview of the range of tools and methodologies in the market to set-up policies and targets on climate mitigation and report annual progress against targets, sector specific targets, absolute emissions.

8.2.6. For a more indepth understanding of sustainability reporting for Insurers - ClimateWise Principles

ClimateWise Principles are a set of guidelines that support organizations within the insurance industry to disclose their specific response to the risks and opportunities of climate change to the financial markets. All ClimateWise members are required to report annually on their individual actions, allowing members to benchmark progress against their peers. An annual, public review highlights the overall progress being made by the ClimateWise community. The ClimateWise Principles are aligned with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. The principles have led the insurance industry in climate disclosure since 2007.

The guides cover topics such as climate risk management, scenario analysis, and climate-related disclosures. ClimateWise also publishes a Climate Disclosures Dashboard, which recommends metrics across 5 key disclosure categories - transition risk, physical risk, financed emissions and portfolio alignment, financing the transition and engagement.

[Disclosure – The ClimateWise Principles | Cambridge Institute for Sustainability Leadership \(CISL\)](#)

²⁰ Source: [PRB-Reporting-and-Self-Assessment-Template.docx \(live.com\)](#)

²¹ Source: [PRB-Adaptation-Target-Setting-Guidance.pdf \(unepfi.org\)](#)

²² Source: Refers to 3.3 EU Taxonomy.

²³ Source: [Foundations-for-climate-mitigation-target-setting.pdf \(unepfi.org\)](#)

Linked recommended actions:

- *Formulate a comprehensive and well-defined sustainability strategy:*
ClimateWise has included strategy as one of their key topics under their robust foundations for change guide, they require firms to set more mature sustainability strategies which can lead to more robust and easily identifiable business opportunities. Under principle 2 of the CISL the organisations board must incorporate climate-related issues into their strategies. These recommendations put forward by CISL will ensure firms develop a well-defined sustainability strategy that will incorporate climate-related strategies.
- *Develop and execute a training programme on sustainability reporting standards:*
Under principle 3 of ClimateWise's guide (lead in identification, understanding and management of climate risk) they have included three lines of defence to manage climate risks, under the 2nd line of defence training has been highlighted as an important part. For a firm to comply with ClimateWise's guide they will have to execute some form of training on sustainability reporting.
- *Formulate policies and establish targets for the effective management of material sustainability topics:*
Within principle 2 (incorporating climate-related issues into our strategies and investments) of the ClimateWise principles they recommend firms to incorporate the material outcomes of climate risk scenarios into business (and investment) decisions-making. In order for a firm to comply with ClimateWise's robust guide they would need to incorporate materiality into their business decisions.

8.2.7. For a more generic approach to climate-related disclosures on Governance, Strategy, Risk Management and Metrics & Targets - TCFD recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) toolkit provides guidance and practical tools to help financial institutions align their climate-related disclosures with the recommendations of the TCFD. The toolkit includes a maturity matrix to help assess the level of maturity within a financial institution on climate change, a range of stand-alone templates, step-by-step guidance notes, and tools to help financial institutions practically implement actions to embed climate change and in doing so to improve their level of climate change maturity over time. The toolkit is structured around the four pillars of the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets and how to report on each of the four pillars.

[Recommendations | Task Force on Climate-Related Financial Disclosures \(fsb-tcfd.org\)](https://fsb-tcfd.org/)

Linked recommended action:

- *Establish an organisational structure with a dedicated governance framework for sustainability at the entity level and ensure the disclosure of sustainability governance arrangements:*
The TCFD report has provides a particular path on how an organisations governance around CR&E risks and opportunities are disclosed. Section C of the TCFD report highlights the importance of governance disclosures. Firms following TCFD must describe the boards oversight of climate-related risks and opportunities and they need to describe the management role in assessing and managing climate related risks and opportunities.
- *Formulate a comprehensive and well-defined sustainability strategy:*
Again, strategy has been highlighted as one of the core elements of TCFD, they have recommended to disclosing climate related risks and opportunities over the short, medium, and long term. As well as the impact of climate-related risks and opportunities

on the organizations business, strategy and financial planning. With these recommendations given by the TCFD a firm would need to formulate well defined sustainable strategies.

- *Establish processes and procedures to prepare entity-level sustainability reporting:*
The TCFD has recommendations in section F on disclosures, an organisation reporting should provide a thorough overview of its exposure to potential climate-related impacts, the disclosures should be written with the objective of communicating financial information that serves a range of users. They require reporting at a level beyond compliance with the minimum requirements with granular disclosures to inform sophisticated users. TCFD requires disclosures to be subject to internal governance processes that are the same or substantially similar to those used for financial reporting.
- *Formulate policies and establish targets for the effective management of material sustainability topics:*
The TCFD has recommendations on materiality throughout their report, in section D of the TCFD report the guidance on managing climate related risks includes a section on how materiality is determined within the organisation and is highlighted as being important. The TCFD recommends disclosures related to strategy and metrics and targets which involve an assessment of materiality. With this guidance firms would have to include targets and policies in their materiality assessment to be in line with the TCFD recommendations.

8.2.8. Understand the principle of ‘extra-territoriality’ of the CSRD and therefore the extent to which it is applicable to non-EU companies under certain conditions - Mazars’ guide to CSRD for non-EU groups

To support the understanding of the EU’s CSRD legislation and its implications on non-EU companies, we recommend the use of Mazars’ guide to CSRD for non-EU groups and their EU subsidiaries. This guide seeks to clarify the applicable reporting requirements relevant for parent companies located outside the EU. It also highlights the main challenges in implementing CSRD, from the perspective of both the non-EU parent company and their EU subsidiaries. It includes practical case studies of how CSRD can be applied in different illustrative cases and key considerations in each case when producing sustainability reports.

[Guide to EU Corporate Sustainability Reporting Directive \(CSRD\) – for non-EU groups and their EU subsidiaries.](#)

8.2.9. A digest of the ESRS – Set 1 – What companies should know to prepare - Mazars ESRS – Set 1 guide

All the relevant Mauritian economic stakeholders wishing to gain an introductory understanding of the ESRS, are recommended to use the Mazars ESRS reporting guide. This toolkit provides guidance about ESRS and how companies can prepare to meet the sustainability reporting requirements therein. It provides in-depth information into key elements of the ESRS reporting framework, how companies can identify sustainability information, interactions of ESRS with other EU legislations and expected developments companies need to follow.

[European Sustainability Reporting Standards \(ESRS\), Set 1 – What companies should know to prepare](#)

8.3. Supporting tools

8.3.1. Selecting the right sustainability reporting tool(s) – The Mazars Sustainability Tool Scout

To help address the challenges related to maintaining the ongoing quality of ESG data, including those related to the manual handling of metrics and information during the data collection processes, (see section **Error! Reference source not found. Error! Reference source not found.**), we recommend the companies within the sectors in focus to consider the implementation of an ESG sustainability reporting tool. To assist the ESG-tool selection process, Mazars recommends its free [Sustainability Tool Scout](#) to find the right tools to track, measure and document the sustainability of a company's business processes and its business environment. ESG IT-tools offer ready-made solutions for sustainability reporting processes. The benefit of those is their prepared alignment to certain sustainability reporting frameworks, ensuring that the reporting is complete and in-line with the framework's requirements. This supports the data collection processes by providing the inventory of necessary information and metrics to be reported on, automatize the workflows, and removing the challenges related to manual handling of data and ensuring the integrity of the metrics and information requested by EU trade partners.

8.3.2. Calculating the GHG emissions using the widely adopted as a global standard for corporate greenhouse gas accounting – The GHG Protocol calculation tools and guidance

As European companies work on transitioning towards a greener economy and thereby greater quality and granularity of their climate-related data across their value chains, Mauritian trade partners will have to regard climate change disclosures with high priority. To address the challenges linked to the reporting of Greenhouse Gas Emissions (see section **Error! Reference source not found. Error! Reference source not found.**), we recommend the use of the Greenhouse Gas (GHG) Protocol and its greenhouse gas calculation tools. Beyond providing standards, guidance, and tools for effectively measuring and managing GHG emissions, GHG Protocol offers a series of trainings for business and government to effectively report on the emissions. It is an internationally recognized standard for carbon accounting and for reporting to disclosures required by most sustainability reporting frameworks, able to support the sectors in ensuring alignment and comparability in their emission reporting.

[Calculation Tools and Guidance | GHG Protocol](#)

8.3.3. Going further and performing lifecycle assessment (LCA) – The Ecoinvent LCA tool

It is expected that EU trade partners will increasingly seek to improve their value chain data, in particular metrics and information for their purchased goods and services, to better estimate their value chain emissions and therewith better steer their climate target achievement. To ensure preparedness for the data and information requests on the prioritised topic of climate change (see section **Error! Reference source not found. Error! Reference source not found.**), we recommend that exporting Mauritian companies make use of carbon accounting and lifecycle assessment (LCA) tools. These are integrated into ESG IT-Tools or individual solutions specializing in calculating GHG emissions in accordance with

the GHG Protocol. Introducing such tools can offer a good option for when know-how on carbon accounting is limited or time-consuming, while coming at a smaller price than sustainability reporting and monitoring systems.

<https://ecoinvent.org/life-cycle-assessment/>

8.3.4. Third Party Data Provider

There's a great number of third-party data providers on the market offering a range of services to help institutions in the financial industry with their sustainability reporting. These services include:

- **Data provision:** Third-party data providers offer ESG data that can be used to identify risks and opportunities related to sustainability topics. Data provider can furnish data on climate risks (physical, transition, scenario), ESG ratings (environment, society, and corporate governance), GHG emissions, etc.
- **Data analysis:** Third-party data providers can help institutions analyse ESG data to create sustainable portfolios, hedge risks, and improve their corporate governance practices. ESG data can also be used by companies themselves to report on their social and environmental performance.
- **ESG data benchmarking:** Third-party data providers can benchmark institutions' ESG performance against their peers and competitors. This can help institutions identify areas for improvement and set targets for future sustainability performance.
- **ESG data visualization:** Third-party data providers can help institutions visualize ESG data to identify trends and patterns. This can help institutions make informed decisions about their sustainability performance <https://www.esganalytics.io/insights/top-10-esg-data-providers> and provide better sustainability reporting to their shareholders.
- **ESG data reporting software:** Third-party data providers offer software that can help institutions automate their sustainability reporting processes. This can help institutions save time and resources while ensuring that their reports are accurate and up to date.

8.3.5. Open-source data

Financial firms can also use open-source data available for free online. These open-source data offer most of the time data on climate related risks that can then be used by financial institutions to assess their exposure to climate-related and environmental risks and feed their sustainability reporting.

8.3.6. UN Global Pulse

Global Pulse is an innovation initiative of the UN Secretary-General on data science. Global Pulse promotes awareness of the opportunities big data presents for sustainable development and humanitarian action, develops high-impact analytics solutions for UN and government partners through its network of data science innovation centres, or Pulse Labs, in Indonesia (Jakarta), Uganda (Kampala) and the UN Headquarters (New York), and works to lower barriers to adoption and scaling.

Recommendations on how companies in the Mauritian financial services sector can build capacities and skills through training, using toolkits, and leveraging technologies to effectively implement the recommended roadmaps and improve sustainability reporting.

Links:

- [GRI - Reporting tools \(globalreporting.org\)](https://globalreporting.org)
- [CDP workshops and webinars - CDP](#)
- [Calculation Tools and Guidance | GHG Protocol](#)
- [GRI-ESRS Interoperability Index \(draft\)](#)
- [Corporate Sustainability Reporting Toolkit \(unep.org\)](https://unep.org)
- [Double Materiality Guidelines \(efrag.org\)](https://efrag.org)

9. Conclusion

This study has assessed the readiness of the Mauritian Financial Institutions to comply with the sustainability reporting requirements of the EGD, namely the CSRD/ESRS, the SFDR, EU Green Bond Standards, EU Climate Benchmarks, and Sustainability preferences. The EGD is expected to have impacts, both directly and indirectly, on Mauritian FIs. While the requirements of the EGD primarily target EU entities, non-EU FIs should recognize that their involvement with EU entities - funds, investors, or subsidiaries - bring them under the EU sustainability reporting requirements' purview. However, FIs that do not engage with EU entities will experience only marginal effects from these sustainability requirements. The primary impact they may encounter would stem from emerging local requirements related to sustainability reporting. As recipients of EU funds, Mauritian FIs will directly be expected to uphold reporting of sustainability related matters. In addition, given the nature of the Mauritian economy and its susceptibility to climate change, resource availability, and market demands, Mauritian FIs are exposed to the local economy by virtue of their operations (e.g. credit or insurance exposure). Although, it is imperative to underscore that FIs, owing to their pivotal position within a market economy, hold a significant influence in driving the transition towards enhanced sustainability reporting and management across all sectors of the economy of Mauritius. Indeed, FIs have a dual responsibility. First, they must enhance their own sustainability practices by transparently reporting on ESG factors. Second, they play a catalytic role in encouraging other organizations to adopt sustainable practices. They can produce robust sustainability reporting only by being able to obtain equivalent from their clients. Enhanced sustainability reporting is expected to improve ESG management and performance in these FIs and increase accountability with stakeholders. Improved ESG data management will also aid some companies to align with Mauritius' national sustainability goals addressing climate change, renewable energy, and promoting a circular economy. The influence FIs have on the wider economy and their ability to lead in setting new standards, however, are contingent upon robust support from public authorities and effective local regulation.

This study shows that FIs across the in Mauritius are at an early stage in their sustainability reporting journey, although the banking industry has been leading the way. Overall, the focus is primarily on meeting legal and regulatory ESG compliance requirements and addressing direct customer ESG data requests. There is notable emphasis on mandatory reporting rather than an expansion into voluntary sustainability reporting. This emphasis is reflected in the quality of the sustainability reporting, which overall lacks disclosures of critical sustainability information. This includes low disclosure on the management of impacts, risks, and opportunities, as well as the absence of specific strategies and policies to address material sustainability issues.

While some sector-specific patterns emerged from the gap assessment, differences among the FIs were largely attributed to the industry in which they operate, their familiarity with and maturity in sustainability reporting. The banking industry is already under reporting obligations under the BOM's guideline on climate related and environmental financial risks (which recommends TCFD as a starting point). The insurance industry on the other hand has started to consider certain aspects of sustainability (notably from an investment perspective), although there are no mandatory reporting requirements. Certain FIs from the global business sector have been already subject to sustainability reporting, on a case-to-case basis (based on the requirements of investors). However, the limited representation from the said sector limited our analyses.

FIs not following sustainability reporting standards faced challenges in identifying relevant disclosures and determining the breadth and depth of required data.

The gap assessment on sustainability reporting mechanisms has also revealed weaknesses in the sustainability management of the selected companies, many of which were already recognised by the FIs themselves. However, despite these challenges, all FIs exhibited a strong desire and commitment to enhancing transparency in their sustainability information. They acknowledged the significance of advancing their sustainability reporting practices.

Corrective measures along with capacity building mechanisms have been recommended and will support Mauritian FIs to integrate sustainability in their business strategies and model by clearly identifying material issues and reporting on the management of material impacts, risks, and opportunities. Through these measures, FIs can strengthen reporting processes and improve alignment with the CSRD/ESRS, SFDR, EU Green Bond Standards, EU Climate Benchmarks, and Sustainability preferences.

10. Appendix

10.1. Initial discussion with governance and financial bodies

During the first two weeks of the mission, Mazars, with support from Business Mauritius/AETS held meetings with public authorities and industry associations in Mauritius.

Information gathered from preliminary discussions with these stakeholders was an input into our work to define the key factors in the assessment. It helped us better understand the:

- Interaction between Mauritius financial industry and their European commercial partners,
- Current understanding of EGD in Mauritius,
- Current “state of play” of sustainability reporting in Mauritius (including the freshly issued ISSB standards)
- Sustainability-related information and metrics currently required by multiple regulations and frameworks relevant for financial institutions in Mauritius.

We engaged with representatives from the following government and financial bodies:

- Ministry of Finance, Economic Planning and Development
- Ministry of Environment, Solid Waste Management and Climate Change
- Ministry of Foreign Affairs
- Bank of Mauritius
- Ministry of Financial Services and Good Governance
- Mauritius Finance
- Stock Exchange Mauritius
- Financial Reporting Council
- Associations (Maurice Strategie, Mauritius Banker Association, National Committee on Corporate governance, Mauritius Chamber of Agriculture, Mauritius Chamber of Commerce and Industry, Association of Mauritian Manufacturers, IBL group, ENL group, ...)

10.2. Preliminary desktop research

The preliminary desktop research brought out further information that helped to define key factors in the assessment through:

- Researching and mapping the interaction between the EU Sustainable Finance Framework measures and other disclosures and reporting frameworks that the selected companies implement such as sustainability reporting standards from ISSB and other relevant Mauritius regulations.
- Identifying which sustainability-related information and metrics overlap and which ones will contribute to additional demand for adequate sustainability reporting by non-EU countries that lie in the European value chains.

Beyond assessing the sample FI's readiness to align with the required sustainability information, the study aimed to assess the management of sustainability-related matters, namely the governance of sustainability reporting, the data collection tools and processes, as well as the control systems in place. For this reason, upon confirming the sampled FIs, we conducted preliminary research to develop an initial understanding of the FI's business models, activities, nature of business relationship with European counterparties, and the sustainability information they publicly disclosed.

10.3. Introductory interviews

During the introductory interviews, the sampled FIs were provided with necessary information on the study, including its purpose, assessment approach, expectations of the companies'. To collect important information on the company's own perspective of their sustainability reporting practices up to date, the following questions were addressed during the discussion:

- Do you produce any sustainability-related information?
- How do you integrate sustainability risk in your risk register?
- What is your governance structure around sustainability?
- Do you have KPIs around sustainability?
- What data/tools do you consider for sustainability reporting?

For interviews, Mazars requested to speak to representatives of the sample FI responsible for:

- Non-financial reporting (Sustainability Officer, representatives responsible for sustainability reporting, representatives responsible for CSR reporting, representatives responsible for gathering necessary information that goes into non-financial reporting)
- Financial reporting (representatives responsible for annual report preparations)
- Strategy (representatives responsible for sustainability strategy)
- Other representatives responsible for sustainability

The answers to these initial questions provided us with an overview of the companies' experience and knowledge of sustainability reporting, their processes to managing this matter and their plans to improve their sustainability reporting.

10.4. Data request

A data request was sent to sampled FIs aimed at gathering information and relevant documents to better understand:

#	Document	Version
1	Annual Report	Last 3 financial years
	Information on the FI's business relationship with the EU (investing, lending, financing, borrowing, underwriting, distribution, counterparties).	The latest

#	Document	Version
2	Sustainability Reports (including any GRI specific reports and draft disclosures as per BOM Guideline on CR&E Financial risks (for banks only)	Last 3 financial years
3	Any documentation on the sustainability reporting framework	The latest
4	Outcome of any completed review / audit of sustainability reporting framework and/or reports and metrics produced	The latest
5	Carbon footprint analysis	The latest
6	Materiality analysis (if available) or process to identify material topics.	The latest
7	Top and Emerging Risks report	The latest
8	ESG risk assessment	The latest
9	ESG risk appetite or metrics / indicators being considered for development	The latest
10	ESG-related policies for investing, underwriting, lending, financing activities (governance, ESG factors management)	The latest
11	List and description of ESG-labelled financial products	The latest
12	Policy for labelling ESG financial products (classification, criteria, due diligence performed, thresholds)	The latest
13	Sample of prospectuses and periodic report for financial / investment products	The latest
14	Information provided as part of client sustainability preference assessment (questionnaire sent to clients, financial instrument recommended and proportion of sustainable investments per instruments, sustainable classification of instruments)	The latest
15	Green lending initiatives	The latest
16	Documentation on green bond framework if any exists	The latest
17	Information on potential alignment with Principles for Responsible Banking (PRB) and Principles for Responsible Investing (PRI)	The latest
18	SEM Sustainability Index (SEMSI) information or DJSI, MSCI ESG indexes, if applicable.	The latest
19	Any other tracked sustainability metrics or Key Performance Indicators (KPIs) not disclosed in the sustainability report.	The latest
20	Transition plan (if existing)	The latest
21	Any other relevant documents that have been produced to monitor and report on sustainability.	The latest

- Business activities and model.
- Nature of business relationship with European counterparties.
- Sustainability related information currently being provided to European counterparties.
- Any sustainability report currently being publicly disclosed.
- Any policies on the reporting framework in place which cover sustainability report / information being produced.
- Any planned work around sustainability reporting.

- Any relevant periodic or ad-hoc sustainability information shared with different stakeholder groups.

This provided us with the opportunity to conduct a more granular analysis of FI's status quo on reporting relevant sustainability related information and data. This helped us in identifying company- and sector- specific strengths and weaknesses. It also indicated the topics to further discuss during the interview phase. Refer to appendix for the list of documents sampled FIs were requested to provide.

10.5. Gap assessment and tool

We assessed readiness of the sampled FIs to meet the different sustainability reporting requirements such as disclosure of the respective policies, targets, actions, and metrics, forming a detailed picture of where the datapoint gaps lie. This allowed us to analyze each sample FI's readiness to disclose the key topics required by each measure of the EU Sustainable Finance Framework.

Our gap assessment involved comparing relevant sustainability disclosure requirements with the information gathered from the interviews, sustainability and annual/integrated reports, and documents provided. Refer to the appendix for details of the relevant sustainability reporting requirements across each regulation.

10.6. Validation of findings

To ensure accuracy of the gap assessment findings, each participating company was invited to review the summary of discussions held during the meetings and e-mail exchanges of meetings (sent by way of electronic mail) to confirm our initial findings and to provide any necessary clarifications.

This step enabled us to consider useful inputs into our analysis as companies were able to provide more information on why certain data points were either missing or not at the required depth and quality and validate the findings.

10.7. Finalised findings

Following this rigorous process, we carefully categorized these findings into three distinct groups:

- Sector-agnostic: Applicable across all financial services sectors within the study.
- Sector-specific: Unique to a specific financial services sector represented in the sample. These were findings which applied to more than half of the sampled companies within a particular sector.
- Company-specific: Tailored to individual financial institution within the same sector.

The report will set out findings that are sector-agnostic and sector-specific. Company specific findings will not be included in this report but have been communicated to the respective sampled companies during the validation process.

For clarity and ease of understanding, the findings per sector were categorized along the following dimensions:

- **Governance:** This dimension assessed the definition and allocation of roles and responsibilities within each company for effective oversight and accountability regarding sustainability information.
- **Reporting process:** This dimension evaluated the extent to which the companies' current sustainability information and metrics align with the requirements set forth in the EGD.
- **Data:** This dimension analysed the availability of data necessary for sustainability reporting within each company, ensuring their readiness to comply with the mandated requirements.
- **Controls:** This dimension assessed the implemented controls for ongoing data integrity within each company, such as independent reviews and assurance processes.

In presenting our findings along the above dimensions, we have set-out the following:

- **Observation:** This presents a factual representation from reviewing sustainability reporting practices of the sampled companies within each sector.
- **Key strengths:** This outlines our conclusion on strengths of the economic sector which will help in meeting the EGD sustainability reporting requirement.
- **Areas of improvements:** This outlines our conclusion on the identified gaps where corrective measures would be required. To reflect the severity of each identified area of improvement, we assigned a High-Medium-Low rating based on the below:
 - *Level of preparedness* – This assessment the sector's readiness to comply with the EGD's sustainability reporting requirements.
 - *Extent of impact* – This evaluates the potential consequences of a particular gap on future compliance with sustainability reporting practices and expectations in the EU market.

Below sets the definition of the rating scales used:

Rating	Rating description
High	A critical gap which is expected to negatively impact companies' ability to meet EU counterparties' request for sustainability reporting to comply with EGD requirements.
Medium	A major gap which is expected to negatively impact companies' ability to meet EU counterparties' request for sustainability reporting to comply with EGD requirements.
Low	A gap which is not expected to have a significant negative impact but would support companies' ability to meet EU counterparties' request for sustainability reporting to comply with EGD requirements.

10.8. The Mauritian Government's response so far

The Mauritian government has acknowledged the EGD's potential impacts and is taking steps to adapt. Some key initiatives include:

- **Developing a national climate change strategy:** This strategy outlines Mauritius' goals for emissions reduction and climate resilience, aligning with the EGD's objectives.
- **Investing in renewable energy:** The government is promoting renewable energy projects and offering incentives to encourage their adoption.
- **Promoting sustainable tourism:** The government is developing eco-tourism initiatives and promoting responsible tourism practices.
- **Building partnerships:** Mauritius is collaborating with the EU and other countries on various Green Deal initiatives, such as knowledge sharing and technology transfer.
- **Developing the Mauritius' Sustainable Finance Framework (MSFF):** In Q4 2023, the Government launched the MSFF, which will be applied for government borrowing going forward.
- **Issuing draft Disclosure and Reporting Guidelines for ESG Funds:** In Q4 2023, the Financial Services Commission issued the guideline for consultation targeting ESG funds.

Overall, the EGD presents both challenges and opportunities for Mauritius. By implementing appropriate policies, investing in sustainable technologies, and collaborating with international partners, Mauritius can navigate these challenges and capitalize on the EGD's potential for a more sustainable and prosperous future.

10.9. Corrective actions and high-level sector roadmaps

For areas of improvements for the financial services sectors, we identified corrective measures that should be undertaken to achieve compliance with the EGD reporting requirements.

We ensured that recommended corrective measures are pragmatic and proportionate given the varying sizes and complexities of financial institutions within each studied sector. This approach is expected to efficiently support the implementation phase.

The recommended corrective measures were consolidated in a high-level implementation roadmap. We considered the following in building the roadmap:

- Any dependencies or constraints
- Level of prioritization of each action based on factors such as:
 - Rating of areas of improvement
 - Time horizon by which compliance / completion is expected
 - Expected workload / time required – ease of implementation

10.10. Capacity building mechanisms

We identified ways to build the capacity of companies within the analysed sectors to support implementation of the recommended actions in the high-level roadmap. We provided the following types of capacity building measures:

- Trainings - a list of training topics that can be provided, expected learning outcomes and who these trainings can be geared towards
- Toolkits – description of toolkits, summary of how these toolkits can be used, providers of these toolkits.

- Technologies – type of technologies available, nature of inputs and outputs, if it is open source, technology provider.

10.11. Limitations of our study

10.11.1. Size of the sample

This study was based on a small sample of five financial institutions of large and medium size as per market share from the banking and insurance sectors. Therefore, practices observed may not be a representative reflection of all financial institutions within each sector, especially the smaller ones. A larger and more diverse sample in terms of size and exposure to foreign, mainly EU, counterparties would benefit any future similar studies. In addition, greater participation from sampled companies would provide further insights on their understanding and perceived importance of sustainability and sustainability reporting requirements.

Notwithstanding, the conclusions reached, and actions recommended in this report will provide useful insights for financial institutions to prepare for the sustainability reporting requirements arising from EGD.

10.11.2. Lack of involvement from the global business sector

Our sample did not include companies from the global business sector as none of invited companies confirmed their willingness to participate in the study. This meant we had limited information on the sustainability reporting practices and availability of ESG data within this sector. We therefore relied on publicly available information disclosed by companies to develop our conclusions for this sector.

10.12. Timeline

The study was performed between August and November 2023. The corrective measures report was finalised in December 2023. Any changes to sustainability reporting practices and related regulations in Mauritius post October 2023 were not factored into the report.

Certain delays were encountered during the course of the assignment, which resulted in extended timelines. Certain FIs, mainly from global business, did not express a willingness to participate in the study.

The final process steps were completed by the following timelines:

Process Step	Involved parties	Timeline
Assessment of relevant sustainability reporting requirements	Mazars	Aug 1 – Aug 31
Preparation of the self-assessment questionnaire and the data request list	Mazars	Aug 14 – Sep 1
Selection of sampled FIs	Business Mauritius	Aug 14 – Oct 4
Preliminary desktop research of sampled companies	Mazars	Aug 14 – Sep 11
Introductory meetings with sampled companies	Mazars & Sampled companies	Sep 12 – Oct 10

Gap analysis of self-assessment questionnaire and provisioned documents from data request list	Mazars	Sep 18 – Oct 24
Validation of results via e-mail exchange	Mazars & Sampled companies	Oct 10 – Dec 1
Consolidation of findings	Mazars	Oct 16 – Nov 10
Recommend corrective measures	Mazars	Nov 13 – Dec 20
Build a roadmap	Mazars	Dec 4 – Dec 20
Onsite train-the-trainers and handover	Mazars, Business Mauritius, Sampled companies & stakeholders	March 2024

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