



REGIONAL CENTRE OF EXCELLENCE

In collaboration with

CHARTERED FINANCIAL ANALYST (CFA) SOCIETY MAURITIUS

Joint-Free Hybrid Workshop on “Environmental, Social & Governance (ESG) Shaping the Future – Challenges and Opportunities”

Speech of the Chief Executive of the Financial Services Commission

27 APRIL 2023

Board members of the FSC;

Members of the RCE Governing Board;

Mr Rajeev Hasnah, President of the CFA Society Mauritius;

Ms Dana Day, Managing Director of the Europe, Middle East and Africa CFA Institute;

Representatives from the CFA Society Mauritius;

Distinguished Speakers;

Members of the Press;

Distinguished Guests;

Ladies and Gentlemen;

All protocols observed;

I wish you all a very good afternoon.

I wish to welcome the participants who have come in person at the FSC Regional Centre of Excellence (RCE) for this workshop as well as those who are following us virtually.

The RCE, as you all know is the fruit of a collaboration between the Government of Mauritius and the Organisation for Economic Co-operation and Development (“OECD”) with the objectives to:

1. deliver capacity building programmes, aimed at primarily financial services regulators and law enforcement agencies from the Southern and Eastern African region;
2. conduct research on topical areas relevant to financial services and financial malpractices for the regional market; and
3. Advise on minimum standards that need to be introduced at regional level.

While we have so far run seminars and workshops with the OECD exclusively, this is our first collaboration with the CFA Society of Mauritius. I therefore wish to put on record, our appreciation to the CFA Society of Mauritius for this initiative and commend the RCE for putting up this workshop at short notice, given that we are also organising a major event within a month’s time. Please watch out the RCE’s calendar.

Dear Audience

This workshop on ‘**Challenges and Opportunities relating to Environmental Social and Governance (ESG)**’ comes at a very opportune moment and it gives me immense pleasure to be in your midst today. Although the term ESG was coined back in 2004, it is now becoming an increasingly common term. With the visible and perceptible impact of global warming through forest fires, extreme droughts and floods, the need for environmental awareness is becoming an urgency. The environment related themes are finding their way on the agenda of most major summits. But E, S and G all form part of the same communicating vessel. You can’t act on one aspect at the expense of the others. It requires

sound Governance to act in a socially responsible manner and invest in sustainable projects, which in turn adds value to the society and consolidates the Governance principles.

The FSC, ladies and gentlemen, will not miss any opportunity to support ESG related initiatives. The reasons being multi-fold, but the main ones being that fact that ESG already forms part of one of the pillars of the Commission's Strategic Plan and its implication for the financial industry. In this respect, the FSC, as a responsible regulator, is guided by the shared global goals for sustainable development and has already embarked on some key initiatives for ESG which includes the issuance of the Guidelines for the issue of Corporate and Green Bonds in Mauritius which was published in December 2021 and amended in April 2022.

Dear Audience,

As part of our engagement at international level, I would like to share that the FSC is a member of the International Association of Insurance Supervisors (IAIS) Climate Risk Steering Group which is responsible for the overall coordination of the IAIS work on climate risk, which is a strategic theme of the IAIS 2020-2024 Roadmap. At the local level, the FSC is an active member of the Task Force on Regulation & Supervision with respect to Climate-Related and Environmental Financial Risks, set up by the Bank of Mauritius and has in this respect carried out a survey for insurers with the aim to capturing the impact of climate related and environmental risk drivers on their internal operations.

In addition, in January 2023, the FSC launched a survey for regulated Investment Businesses and Funds to understand the type of sustainable investment products being offered, the ESG risk management policies and reporting made to investors including key performance indicators under each ESG theme. The survey revealed that 70% of the

respondents already integrate ESG factors into their investment strategies. We are going to use the outcome of the survey as a stepping stone for the upcoming guidelines for Investment Funds on which the FSC is currently working on.

Moreover, the FSC recognises that there is a dire need for professional education and training. This will allow fund managers and investment advisers to develop the relevant expertise such that sustainability-related risks and opportunities are duly considered in investment decision making. With this in mind, the FSC will continue to work with all the stakeholders, fellow regulators and the financial industry as ESG initiatives continues to gain traction.

Dear Audience

I would like to mention the 2 main priorities for the coming months:

First, the FSC is currently working on an ESG disclosure framework for investment funds. The objective is for licensees to provide sufficient information on their ESG strategies and products for investors to make better informed decisions. This is a step in the right direction which will help in the fight against greenwashing practices.

Second, the FSC is also currently working on the recognition of independent external reviewers/certifiers for green bonds in line with the Guidelines for issue of Corporate and Green Bonds in Mauritius.

Ladies and Gentlemen,

The other reason for supporting ESG related initiatives is the positive impact on the financial services in Mauritius. Let us have a look at the global picture.

In January 2022, Bloomberg Intelligence reported that [I quote] “*Global ESG assets may surpass 41 trillion US Dollars by 2022 and 50 trillion US Dollars by 2025, one-third of the projected total assets under management globally*”. [End of quote] As per a report published by the Morgan Stanley Institute for Sustainable Investing, it was highlighted that investors’ interest in sustainable funds remained strong in 2022. At the end of 2022, the asset under management for sustainable funds was approximately 2.8 trillion US Dollars. Europe ranked first in terms of sustainable assets under management and fund counts, followed by North America for the year 2022. In January 2023, S&P Global Market Intelligence reported that on the global market, issuers sold 444 billion US Dollars’ worth of green bonds in 2022 which is lower when compared to the previous period. However, it has also been reported that with supportive policies and stable interest rate environment, green bond issuance is anticipated to rebound in 2023.

Ladies and Gentlemen,

This leads to the obvious question, how do we operationalise ESG in our product offerings? ESG is expected to bring about a greater influx of fund structures, especially but not limited to, major DFIs that will be looking for ESG compliant jurisdictions. This will require the Mauritius IFC to, not only have a fully operational internationally benchmarked framework for ESG, but also, to have the framework recognised. The product offerings will take the form of fund structures but will also require robust disclosure requirements.

The recent years have witnessed the emergence of new financial products with claims about the environmental benefits or practices. The social considerations are expected to gain in importance in the future. Interest for ESG fintech which is the use of fintech to address issues on ESG, financial services and technology, have sparked. In fact, corporate sustainability leaders value the need to work with their supply chains while making efficient use of resources, innovations and technical advancements.

Ladies and Gentlemen

As concluding remarks, I would like to stress that it's now the time to act. We have done enough of talking and studying. And we need now to start implementing the principles advocated by ESG at all levels. It is not only a matter of top management. Everybody should be thinking, acting and behaving according to the ESG principles, and this is the only way we are going to, as an industry, as a jurisdiction and as a country achieve the objectives under ESG.

With these words, ladies and gentlemen, I would like to wish you a very fruitful deliberation ahead and thank you for your kind attention.

Dhanesswurnath Thakoor

27 April 2023