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Sustainable Finance Trends and Developments in Africa

This paper provides an overview of sustainable finance policies and practices on the African continent, focusing in particular on i) stocktaking environmental, social and governance (ESG) and other sustainability practices, and ii) a diagnostic of company-level responsible business conduct integration in the financial sector. Particularly, it examines the state of play with respect to sustainability disclosures, sustainable bonds and taxonomies, and three key measures policy makers are using to support sustainable finance in the private sector. This paper also includes a case study of existing and ongoing sustainable finance developments in Mauritius, looking at both policies and practices.

The paper was prepared by the OECD for the Regional Centre of Excellence (RCE) of Mauritius in the context of the OECD-RCE policy workshop series on Integrity, Sustainability and Transparency in the Financial Sector held in Mauritius on 22-24 January 2024, providing both input to and capturing the outcomes of the discussions. It was produced with the generous support of the Financial Services Commission of Mauritius and the Bank of Mauritius.

Abbreviations and acronyms

ABML	Absa Bank Mauritius	IIRC	International Integrated Reporting Council
AFD	Agence Française de Développement	ILO	International Labour Organization
AfDB	The African Development Bank	IMF	International Monetary Fund
AGMs	annual general meetings	IOSCO	International Organization of Securities Commissions
ASEAN	The Association of Southeast Asian Nations	ITA	Income Tax Act
BADEA	Arab Bank for Economic Development in Africa	JSE	Johannesburg Stock Exchange
BOM	Bank of Mauritius	LSEG	London Stock Exchange Group
BOMo	Bank of Mozambique	MCB	Mauritius Commercial Bank
BON	Bank of Namibia	MEDB	
BOT	Bank of Tanzania	MOEFPD	Ministry of Finance, Economic Planning and Development
CBK	Central Bank of **Kenya**	MRA	Mauritius Revenue Authority
CBS	Central Bank of Seychelles	MTF	multilateral trading facility
CCC	Climate Change Centre	NCCAMS	National Climate Change Adaptation and Mitigation Strategy
CDP	The Carbon Disclosure Project	NCCG	National Code of Corporate Governance
CDSB	Climate Disclosure Standards Board	NDCs	national determined contributions
CFSL	CIM Financial Services Ltd	NGFS	Network of Central Bank and Supervisors for Greening the Financial System
CIM		NPF	National Pension Fund
CMSA	Capital and Securities Market Authority	NSIF	National Social Inclusion Foundation
COP28	28th Conference of the Parties	NTRSA	National Treasury of Republic of South Africa
COSSE	Committee of SADC Stock Exchanges	OECD	Organisation For Economic Co-Operation and Development
CPI	Consumer Price Index	OTC	over-the-counter
CRE	Centre for Regional Excellence	RBC	Responsible Business Conduct
CSR	Corporate Social Responsibility	SASB	the Sustainability Accounting Standards Board
DBM	Development Bank of Mauritius	SBG	Sustainability Bond Guidelines
DFIs	development finance institutions	SBM	State Bank of Mauritius
E&S	environment and social	SDGs	sustainable development goals
EDB	Economic Development Board	SEM	Stock Exchange of Mauritius
ESG	Environmental, Social and Governance	SICOM	State Insurance Company of Mauritius
EU	European Union	SLBP	Sustainability-Linked Bond Principles
FDI	Foreign Direct Investment	SLBs	Sustainability-Linked Bonds

FSC	Financial Services Commission	SMEs	small and median enterprises
GBP	Green Bond Principles	TBA	Tanzania Bankers Association
GHG	greenhouse gas	TCFD	Task Force on Climate-Related Financial Disclosures
GOM	Government of Mozambique	TSE	Tunis Stock Exchange
GRI	Global Reporting Initiative	UN PRI	UN Principles for Responsible Investment
GSS	green, social and sustainability	UNEP FI	United Nations Environment Programme Finance Initiative
ICMA	International Capital Market Association	UNFCCCAPH	United Nations Framework Convention on Climate Change and the Action Plan for Hyogo
ICT	information and communication technology	USD	United States Dollar

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1 Introduction

1. Africa is one of the continents most susceptible to the consequences of climate change while accounting for only 3.9% of total Greenhouse Gas (GHG) emissions (CDP, 2022[1]). Its financial markets are particularly exposed to physical and transition risks (AFD, 2023[2]; IMF, 2019[3]), which also in turn hinders its ability to finance its transition and adaptation strategy. In response, sustainable finance is increasingly attracting the attention of regional investors and policy makers. The emergence of sustainability-labelled financial products, along with the increase in related policy guidance attests to the relevance of sustainable finance for regional market participants.

2. African jurisdictions are incorporating policy responses aiming to support sustainable finance practices, including the strengthening tools and methodologies that underpin climate-related disclosure. Supporting such an effort, the OECD has outlined aspirational policy recommendations for emerging sustainable finance good practices (OECD, 2022[4]) and mapped the sustainability-related practices in the financial market (OECD, 2024[5]).

3. This report provides an overview of sustainable finance policies and practices on the African continent. Particularly, it examines the state of play with respect to sustainability disclosures, sustainable bonds and taxonomies, and three key measures policy makers are using to support sustainable finance in the private sector.

4. This report also includes a case study of existing and ongoing sustainable finance developments in Mauritius, looking at both policies and practices. It draws on OECD instruments on Responsible Business Conduct (RBC) and associated due diligence expectations for financial institutions i.e., institutional investors, commercial banks, and development finance institutions (DFIs) and highlights insights both in terms of policy and practice that can be leveraged by policy makers and practitioners.

5. This report aims to serve as a valuable resource for policy makers to advance sustainable finance across Africa by aligning sustainability market practices[1] and fostering responsible business conduct.

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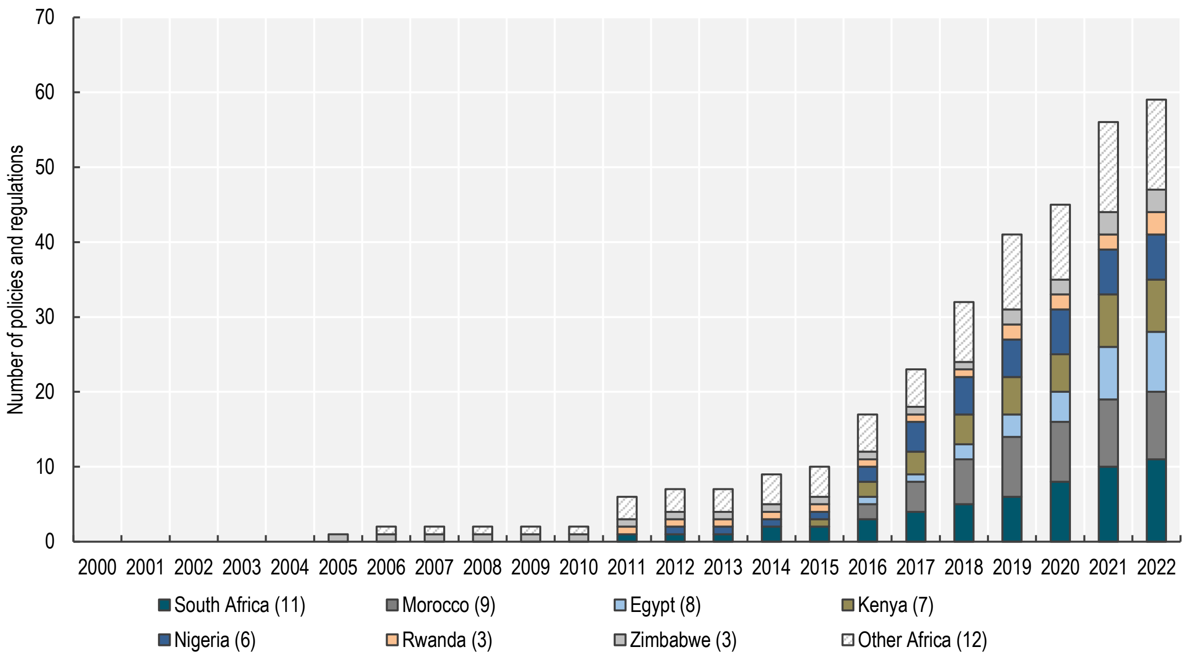
[1] The data is drawn from the OECD Corporate Sustainability data set. The coverage of the dataset used in this report varies depending on the specific data point and includes information on 14 400 companies listed on 83 markets with a total market capitalisation of USD 90 trillion at the end of 2022 with respect to whether they disclosed sustainability information. In Africa, 219 companies listed on 13 markets are covered in this report regarding sustainability-related information disclosure, with a total market capitalisation of USD 470 billion. Unless otherwise mentioned, all shares in the report are calculated over 43 970 worldwide listed companies with a market capitalisation of USD 98 trillion. In the sample, the difference of 29 570 listed companies represents the companies for which the information is unavailable in the commercial databases used to develop the Corporate Sustainability dataset.

2 Trends in sustainable finance policies and practices from Africa

Overview of sustainable finance policies in Africa

6. Sustainable finance policy and regulation in Africa is on the rise, reflecting similar trends globally. In the last 15 years, there has been a significant increase in the number of sustainable finance policies enacted. According to the Green Finance Platform, the total count of policies has risen from an initial zero two decades ago to a cumulative total of 59 by 2022 (**Error! Reference source not found.**), indicating a growing commitment to addressing sustainability challenges across Africa. South Africa, Morocco, Egypt, Kenya, and Nigeria have contributed substantially to this growth. As such, Africa accounts for 8% of the total 774 sustainable finance policies globally tracked on the platform, partially reflecting the smaller size of its financial market.

Figure 2.1 Green Finance Policies and Regulation in Africa, 2000-22



Source: Green Finance Platform (n.d.[6])

7. Of the 59 policy measures listed by the Green Finance Platform, more than half relate to investment products, and approximately one quarter to insurance and banking, respectively (Figure 2.). These measures tend to focus primarily on the reallocation of capital (53%), i.e., policy measures to promote and incentivise capital allocation to "green" sectors. They include predominantly measures related to green bond frameworks or taxonomies. Approximately one in five policy measures (21%) refer to broad and more aspirational measures such as sustainable finance roadmaps, 16% refer to reporting and disclosure, and 10% refer to responsibilities of financial institutions (e.g., clarifications on the role of ESG for the fiduciary duties of pension funds). Sustainability discourse, bonds and taxonomies are explored in detail below as they represent some of the leading tools used by policymakers in this space.

Figure 2.2 African sustainable finance policies by asset class and focus area, 2000-22

Source: Green Finance Platform (n.d.[6])

8. African policy makers consulted by the OECD from Mauritius, Mozambique, Namibia, Tanzania and the Seychelles identified sustainable finance as a growing policy priority.[2] In this respect, four major motivations for developing sustainable finance policy reform projects were noted: (1) aligning financial markets with international standards on sustainability, (2) attracting additional investors or diversifying the national investor base, (3) supporting a domestic market for sustainable finance instruments through signalling and benchmarking roles, and (4) bolstering domestic financing in line with specific climate or net-zero commitments. Concerns related to climate vulnerability particularly define much of the sustainable finance policy across these jurisdictions (Table 2.1).

[2] In preparation for the Mauritius Centre for Regional Excellence (CRE)'s Workshop on Integrity, Sustainability and Transparency in the Financial Sector – Day 2 Sustainable Finance Sessions, the OECD has consulted relevant policy makers across the region on sustainable finance practices. Participants include policy makers from the central banks of Mauritius, Mozambique, Namibia, Seychelles, and Tanzania.

Table 2.1 Sustainable finance policies from the consultation with five African countries

Country	Vulnerability to climate change	International Engagement	National Engagement	Key financial regulators
Mauritius	Tropical cyclone basin: temperature and sea levels, coastal erosion, and coral bleaching	NGFS signatory (2020)	*Mauritius Sustainable Finance Framework* (MOEFPD, 2023[7]) *Guideline on Climate-related and Environmental Financial Risk Management* (BOM, 2022[8]) *Guide for the Issue of Sustainable Bonds in Mauritius* (BOM, 2021[9])	Bank of Mauritius (BOM); Ministry of Finance, Economic Planning and Development (MOEFPD)
Mozambique	Tropical storms, cyclones, droughts, and floods	UNFCCCAPH signatory (2005 – 2015) NGFS signatory *(In process)*	Approved the National Climate Change Adaptation and Mitigation Strategy (2013-2025) (GOM, 2013[10]) Integration of climate risks into macroprudential and monetary policies *(In process)*	Government of Mozambique (GOM); Bank of Mozambique (BOMo)
Namibia	Semi-arid, droughts	NGFS signatory *(In process)*	Established a dedicated sustainability function Integrating climate stress testing models *(In process)* Conducting policy reforms on sustainable finance *(In process)*	Bank of Namibia (BON)
Seychelles	Rising sea levels, floods, high dependency on natural ecosystems	Access to the IMF's Resilience and Sustainability Trust (2023) NGFS member (2020) Adoption of the TCFD and IFRS *(In process)*	Guidelines on reporting and disclosure for the banking sector on climate-related risks *(In process)* Bank reserves in line with ESG investment *(In process)* Capacity building and raising awareness on climate change *(In process)*	Central Bank of Seychelles (CBS)
Tanzania	Floods, earthquakes, tsunamis		*Sustainable Finance Principles* (TBA, 2024[11]) Guidelines on climate-related risks (BOT, 2022[12]) Capacity building (BOT in partnership with the CMSA)	Bank of Tanzania (BOT); Tanzania Bankers Association (TBA) Capital and Securities Market Authority (CMSA)

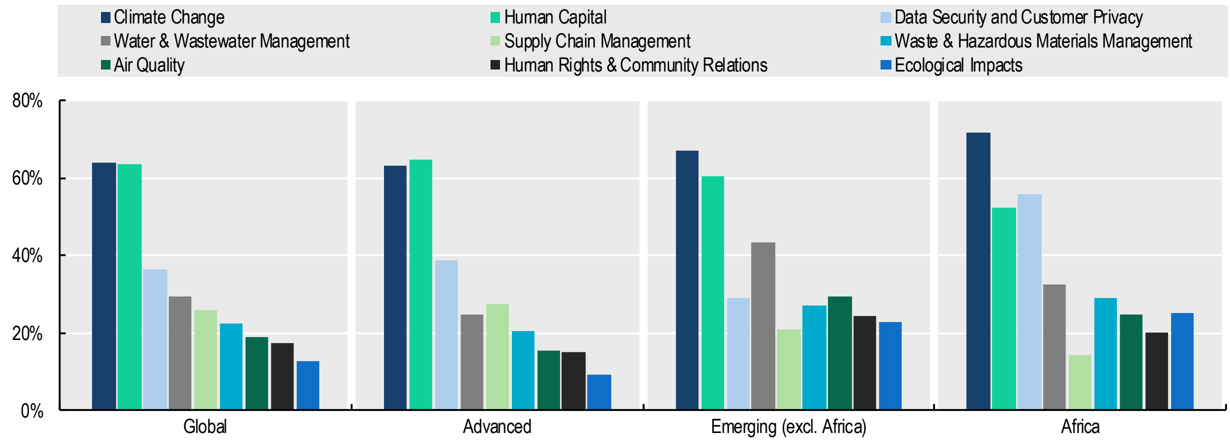
Notes: UNFCCCAPH: United Nations Framework Convention on Climate Change and the Action Plan for Hyogo. NCCAMS: National Climate Change Adaptation and Mitigation Strategy. NGFS: Network of Central Banks and Supervisors for Greening the Financial System
Source: OECD based on country consultations.

9. Indeed an analysis of the sustainability risks that companies are considered to be facing according to the SASB Sustainable Industry Classification System® Taxonomy ("SASB mapping") shows that climate change was considered to be a financially material risk for listed companies representing 71% of market capitalisation in Africa, compared to 67% in emerging economies excl. African economies, and 63% in advanced economies (Figure 2.).

10. In Africa, data security and customer privacy appeared to be the second largest sustainability risk faced by companies, accounting for 56% of market capitalisation. However, less than 40% of listed companies by market capitalisation in the advanced economies and the emerging economies (excl. Africa) considered data security and customer privacy as key sustainability risks.

11. Water and wastewater management is also one of the critical sustainability risks, as it directly impacts resource availability, environmental health, and regulatory compliance for companies. In the emerging excl. Africa economies, water and wastewater management was considered as a key sustainability risk by 43% of listed companies by market capitalisation.

Figure 2.3 The share of market capitalisation by selected sustainability risk, 2022



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Sustainability-related disclosure

12. Sustainability-related disclosure provides investors with a better understanding of the governance and management structures and processes for managing climate and other sustainability risks, as well as identifying related opportunities. Assessing current practices of sustainability-related disclosures and GHG emission targets can drive better-informed decision-making by investors. Likewise, a lack of quality disclosures continues to be a key barrier to understanding and managing ESG risks by financial service providers. This has been particularly underscored in the context of climate issues. For example, the ESRB has noted that improving disclosures on climate risks to address current information gaps will be a crucial step to better understanding systemic risks and performance differentials associated with climate impacts. (ESRB, 2020[14])

13. As such many African countries have issued voluntary or mandatory guidance on sustainability disclosure. (See broadly Figure 2.1 Green Finance Policies and Regulation in Africa)

14. Stock exchanges from African jurisdictions have also delivered local guidance documents on environmental, social and governance (ESG) disclosure (**Error! Reference source not found.**). These documents typically cite additional international standards such as the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SASB), the Carbon Disclosure Project (CDP), Task Force on Climate-related Financial Disclosures (TCFD), and the Climate Disclosure Standards Board (CDSB).

Table 2.1Sustainable stock exchanges' initiatives in Africa

Jurisdiction	Stock Exchange	Year	ESG Guidance	CDSB	CDP	GRI	IIRC	SASB	TCFD
Egypt	Egyptian Exchange	2016	Model Guidance for Reporting on ESG Performance and SDGs	X	X	X	X	X	X
Ghana	Ghana Stock Exchange	2022	ESG Disclosures Guidance Manual			X		X	X
Kenya	Nairobi Securities Exchange	2021	ESG Disclosures Guidance Manual		X	X			
Morocco	Bourse de Casablanca	2017	ESG reporting guide on enterprise social responsibility				X		
Nigeria	Nigerian Exchange	2018	Sustainability Disclosure Guidelines			X			
South Africa	Johannesburg Stock Exchange	2022	JSE Sustainability Disclosure Guidance	X	X	X	X	X	X

Tunisia	Bourse des Valeurs Mobilières de Tunis	2021	TSE - ESG Disclosure Guidelines	X	X	X	X	X	X

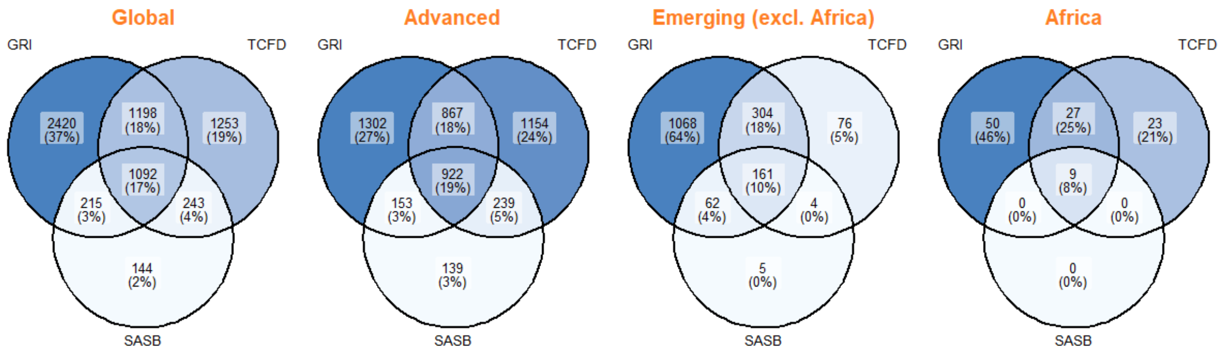
Notes: "X" indicates that the ESG guidance cited the corresponding international standard or framework. Source: Sustainable Stock Exchanges Initiative, https://sseinitiative.org/esg-guidance-database.

15. The comparability of sustainability-related information disclosed by companies in different jurisdictions enhances the efficiency of the capital market. In this regard, companies have been using different accounting standards and frameworks to disclose sustainability information. Globally, the Global Reporting Initiative (GRI) Standards were used by 4 925 companies, accounting for 60% of global market capitalisation. The Task Force on Climate-Related Financial Disclosures (TCFD) recommendations were used by 3 786 companies representing 54% of market capitalisation, and SASB Standards were used by 1 694 companies representing 37% of market capitalisation.

16. Some of these companies used more than one standard or framework when reporting sustainability information. Globally, 6 565 listed companies applied at least one of those abovementioned standards, among which 17% (1 092) applied all those three standards, ranging from 8% in Africa and 19% in Advanced economies (Figure 2.).

17. GRI and TCFD Standards were almost equally preferred by listed companies in advanced economies, while the GRI Standard was mostly used in emerging economies (excl. Africa) and Africa. Among those who applied at least one of those three standards, 64% uniquely used GRI in Emerging economies (excl. Africa) and 46% in Africa.

Figure 2.4 Use of sustainability standards by listed companies in 2022



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

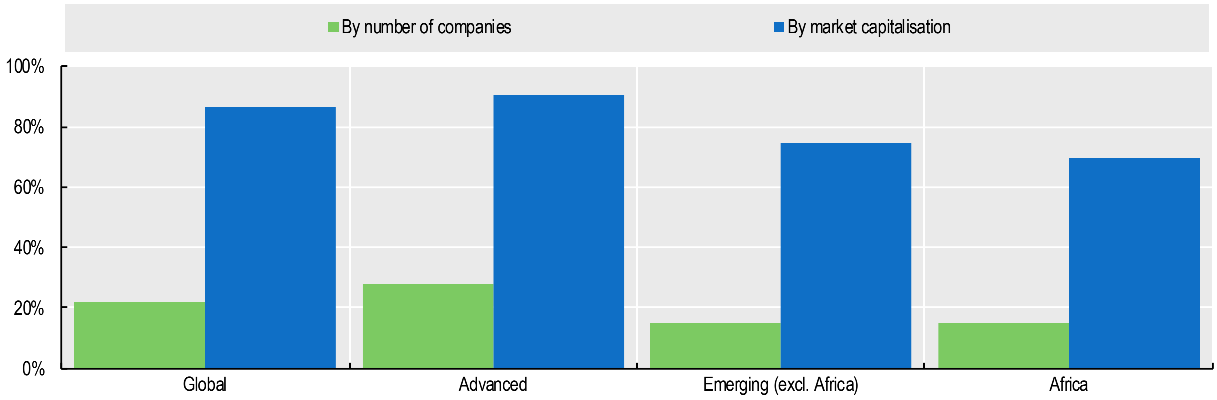
Sustainability disclosure practice by listed companies

18. In Africa, 14% of the 1 207 listed companies reported sustainability-related information in 2022, accounting for 68% of the total market capitalisation. The Emerging economies (excl. Africa), holding almost 16 times the number of listed companies as Africa, exhibited a similar pattern, with 15% of companies disclosing sustainability information, accounting for 75% of the total market capitalisation.

19. Out of the 43 970 listed companies globally with a total market capitalisation of USD 98 trillion, almost 9 600 disclosed sustainability-related information in 2022 or 2023 (Figure 2.5). The companies that

disclosed sustainability-related information represented 22% of the total number of listed companies and 86% of the global market capitalisation. Advanced economies performed slightly better in disclosing sustainability-related information than the global average.

Figure 2.2 Disclosure of sustainability-related information by listed companies in 2022

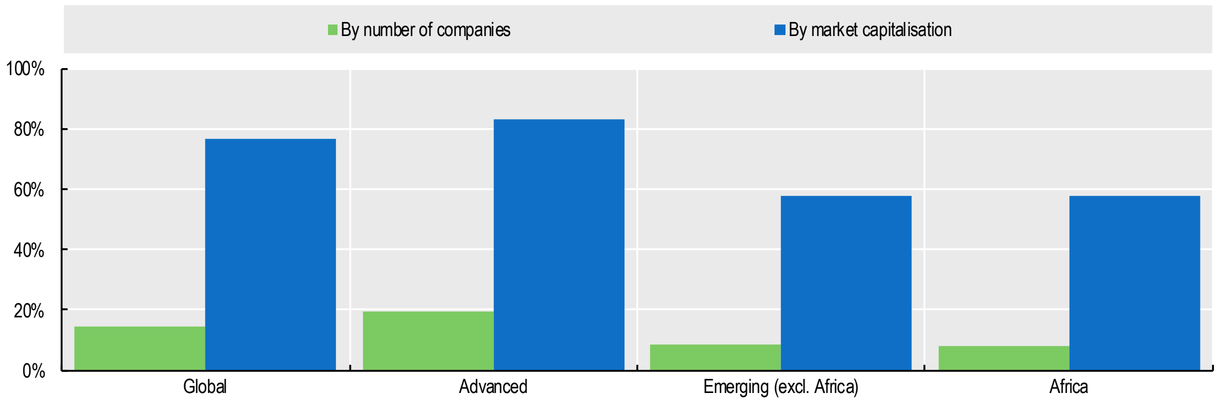


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

20. Public awareness and regulatory actions around climate change have accelerated in recent years, generating a greater interest by investors in companies' GHG emissions. A reporting system is an important first step in any effort to reduce GHG emissions. It requires an accurate measuring, reporting and tracking system of the emissions resulting directly from the activities carried out by the company (scope 1), indirect emissions related to energy consumption (scope 2) and emissions generated in the supply chain or by companies financed by financial institutions (scope 3).

21. Globally, 6 308 companies representing 77% of market capitalisation disclosed scope 1 and scope 2 GHG emissions in 2022 (Figure 2.3). Advanced economies had the highest share of companies disclosing GHG emissions directly from companies' activities and energy consumption (83% by market capitalisation), followed by the emerging economies (excl. Africa) (58% by market capitalisation) and Africa (57% by market capitalisation).

Figure 2.3 Disclosure of Scope 1 and 2 GHG emissions by listed companies in 2022

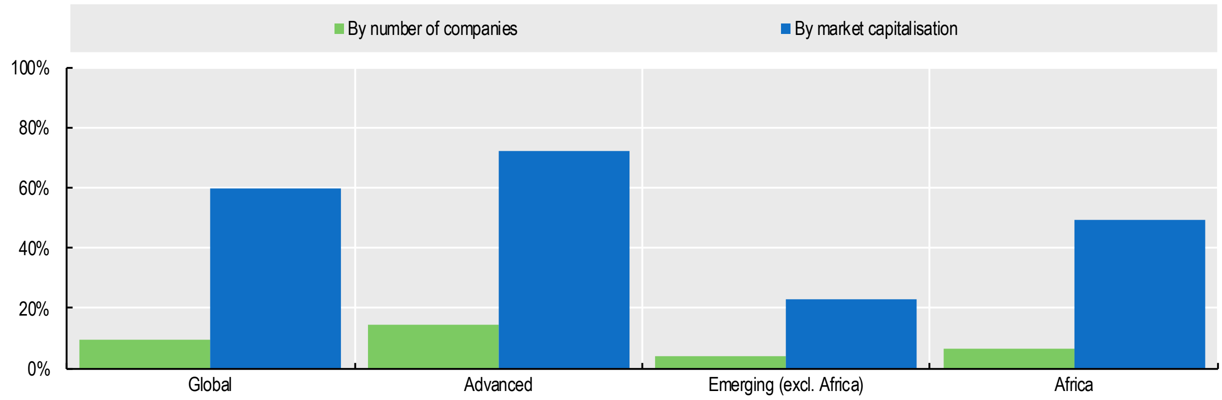


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

22. Globally, the disclosure of scope 3 GHG emissions was 17 percentage points lower than the disclosure of scope 1 and scope 2 GHG emissions (by market capitalisation) (Figure 2.4). In 2022, 4 246 companies (60% by market capitalisation) reported scope 3 GHG emissions, with the highest disclosure share in advanced economies (72% of market capitalisation).

23. Compared to the emerging economies, the Africa region performed better in reporting supply chain emissions. In Africa, 77 listed companies reported scope 3 GHG emissions, representing 48% of market capitalisation. This doubled the market capitalisation share in the emerging economies (excl. Africa) (23%).

Figure 2.4 Disclosure of scope 3 GHG emissions by listed companies in 2022

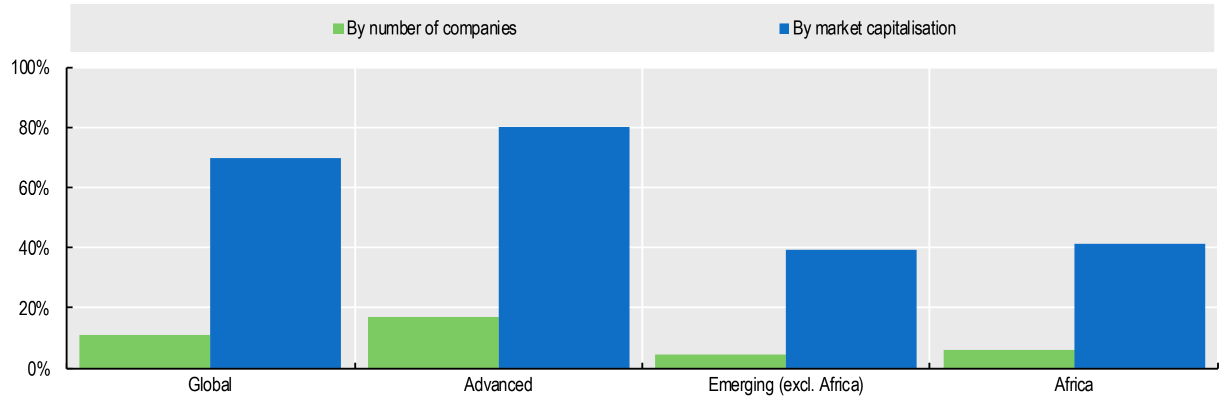


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

24. Disclosing GHG emission reduction targets is crucial to address climate change as it promotes transparency and accountability, enhances investor confidence by demonstrating commitment to sustainability, and ensures regulatory compliance, helping companies avoid legal and financial penalties. It also provides a competitive advantage by positioning companies as leaders in sustainability, aids in risk management by identifying and mitigating climate-related risks and aligns with increasing market pressure to meet established standards.

25. The disclosure intensity of GHG emission reduction targets by listed companies was higher than that of scope 3 GHG emissions but lower than that of scope 1 and scope 2 GHG emissions. Globally, more than two-thirds of the companies by market capitalisation disclosed a GHG emission reduction target (Figure 2.5). In the advanced economies, the share of companies was larger, representing 80% of total market capitalisation. However, Africa (41%) and the emerging economies (excl. Africa) (40%) stand below the average.

Figure 2.5 Disclosure of GHG emission reduction targets by listed companies in 2022



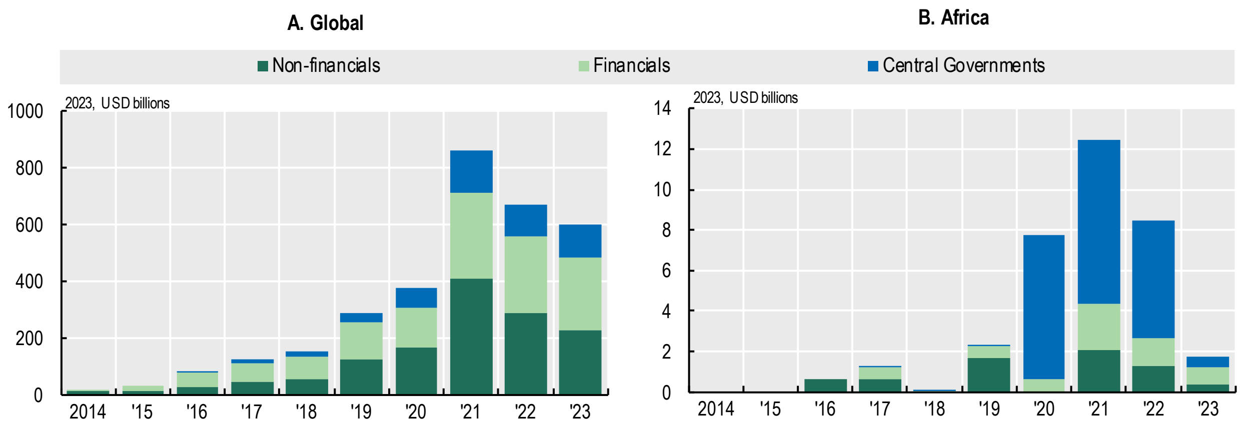
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Sustainable bonds

26. Over the past five years, sustainable bonds have experienced a noteworthy growth as a source of capital market financing for both the corporate and government sectors (OECD, 2024[5]). Globally, the total amount issued through corporate sustainable bonds was six times larger in 2019-23 than in 2014-18 (Figure 2.6). Similarly, the amount issued by the central government in the last five years was 14 times larger compared to 2014-18. Moreover, in 2021 a record amount of USD 713 billion was issued by corporates, of which 57% was issued by non-financial companies.

27. Central governments issued nearly twice more sustainable bonds in Africa than the corporate sector in 2020-22 on average. Sustainable bonds issued by companies and central governments in Africa both displayed record amounts in 2021 with a total amount issued of USD 4 billion and USD 8 billion, respectively. Among the sustainable bonds issued by central governments in Africa, Ivory Coast's central government issued the largest amount, totalling USD 2 billion on average during 2020-22, followed by Senegal (USD 904 million) and Egypt (USD 883 million). In 2023, central government sustainable bond issuance was 94% smaller than in 2021, while the corporate sustainable bond issuance was 71% smaller.

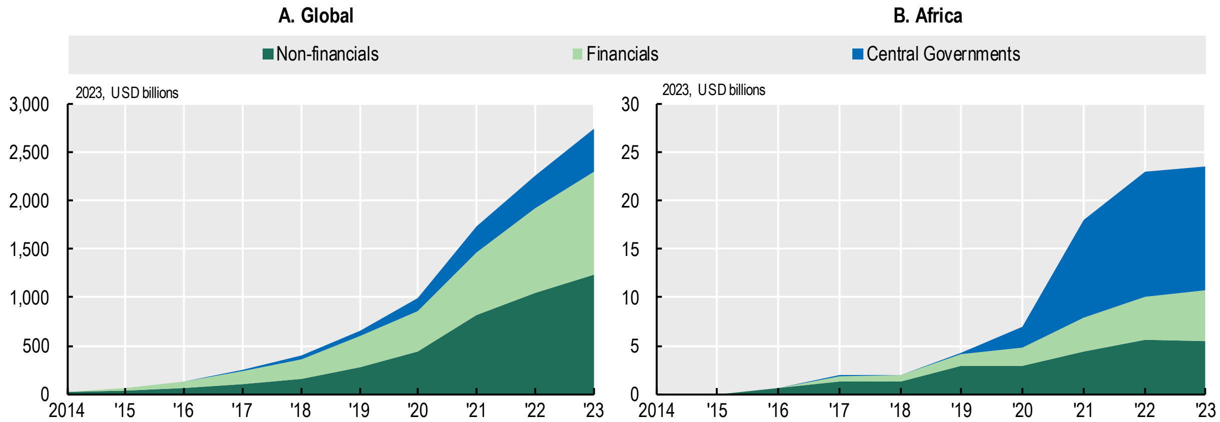
Figure 2.6 Sustainable bond issuance by issuer type, 2014-23



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

28. Corporate sustainable bond issuance in Africa is less than 1% of the global issuance of sustainable bonds by the corporate sector, with the lowest share (0.46%) in 2023 and the highest share (0.79%) in 2017 (Figure 2.7, Panel B). Since 2021, the outstanding amount of sustainable bonds issued by central governments in Africa has surpassed that of the corporate sector, reaching USD 13 billion in 2022 and 2023. Moreover, the financial corporate sector issued more sustainable bonds than the non-financial corporate sector since 2019.

Figure 2.7 Outstanding sustainable bonds by issuer, 2014-23



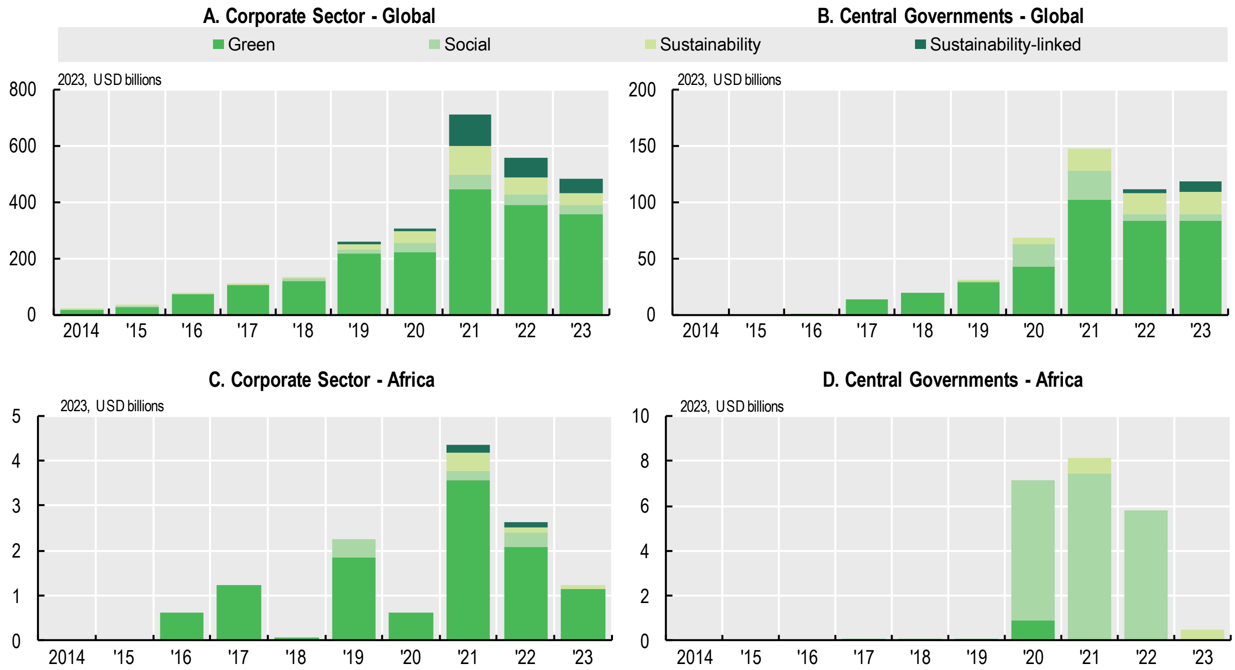
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

29. Sustainable bonds fall into two main categories: “Use of Proceeds Bonds” and “Sustainability-Linked Bonds” (SLBs). SLBs have variable financing costs based on the issuer meeting specific sustainability targets, but the proceeds do not have to be allocated to sustainable projects, whereas, for “Use of Proceeds Bonds”, the proceeds are earmarked for financing or refinancing eligible green, social or sustainable projects. This category specifically includes green, social and sustainability bonds (GSS bonds). Green bonds fund environmentally beneficial projects, including specific categories like “blue bonds” and “climate bonds”. Social bonds target projects addressing social issues, while sustainability bonds finance a mix of both green and social projects (OECD, 2024[15]).

30. Most of the issued corporate sustainable bonds were green, accounting for 74% of all the amount issued via sustainable bonds globally (Figure 2.8, Panel A) and 93% in Africa (Figure 2.8, Panel C) in 2023. Sustainability corporate bonds represented 9% of the amount issued through sustainable corporate bonds globally and 7% in Africa in 2023. Globally, SLBs issued by the corporate sector increased massively from USD 11 billion in 2020 to USD 114 billion in 2021, while in Africa SLBs only accounted for 4% of the amount issued through sustainable corporate bonds in 2021.

31. The issuance of different types of sustainable bonds in Africa is neither consistent nor stable. Green bonds were the only type of sustainable bonds issued in Africa during 2017-19, while social bonds dominated the sustainable bonds issued by central governments from 2020 to 2022 but reduced to zero in 2023 (Figure 2.8, Panel D).

Figure 2.8 Sustainable bond issuance by type, 2014-23

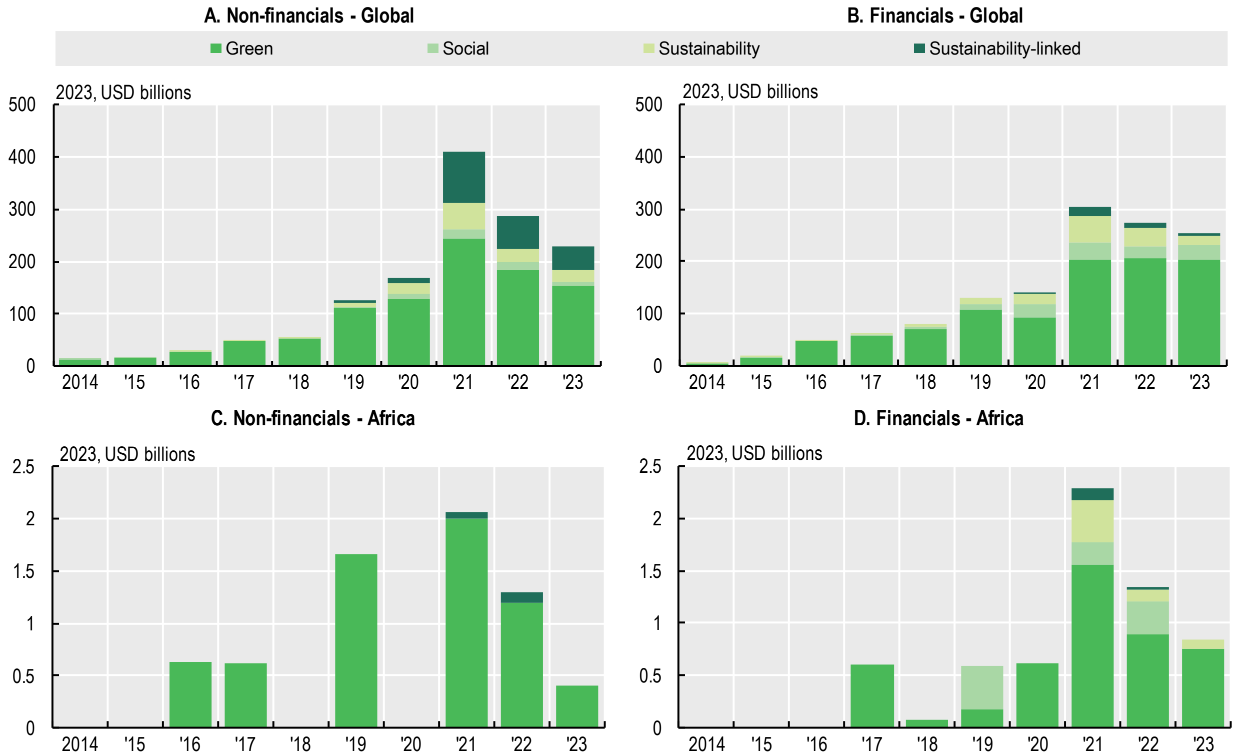


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

32. Globally, SLBs issued by the non-financial corporate sector were more than ten times more than the financial corporate sector in 2023, while the issuance of GSS bonds had a similar amount in both financial and non-financial corporate sectors (Figure 2.9, Panel A and Panel B).

33. In Africa, the non-financial corporate sector only issued green bonds and SLBs so far, while the financial sector issued other types of sustainable bonds (2.11, Panel C and Panel D). For example, the financial sector issued USD 405 million in social bonds in 2019 and USD 407 million in sustainability bonds in 2021.

Figure 2.9 GSS bonds and SLBs issuance by corporates, 2014-23

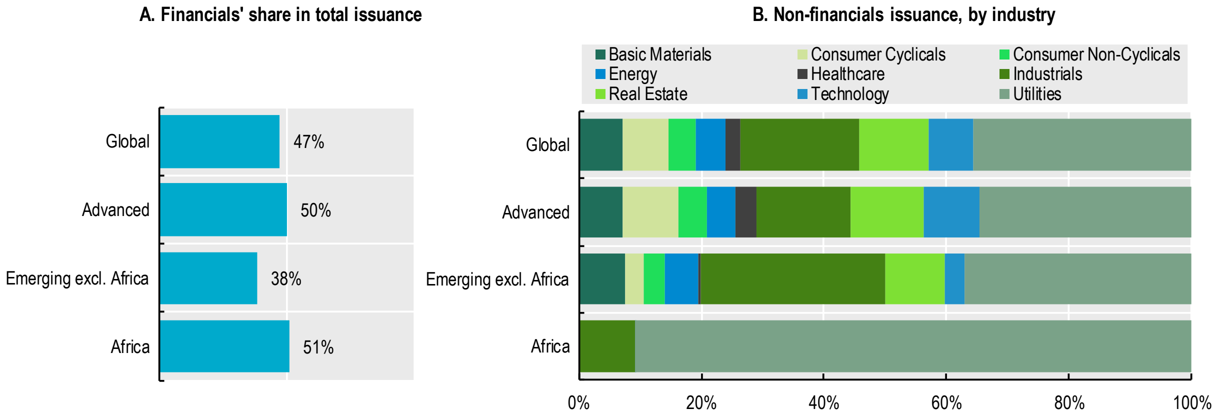


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

34. Although financial companies represented nearly half of the global issuance amount in corporate sustainable bonds over 2019-23, there were substantial regional differences (Figure 2.10, Panel A). Financial companies have been the most important issuers in Africa (51%), the Advanced economies (50%), and the Emerging excl. Africa economies (38%).

35. Panel B of Figure 2.102.12 shows the industry distribution of the issuers of sustainable bonds while excluding financial companies, which provide loans to companies in different industries. Utilities are the largest non-financial sector issuers of sustainable bonds in Africa (91%) as well as in the emerging economies (excl. Africa) (37%) and the advanced economies (35%). Industrials are the second largest non-financial sector in terms of the issuance of sustainable bonds, ranging from 9% in Africa to 30% in the Emerging excl. Africa economies.

Figure 2.10 Industry distribution of sustainable bonds, 2019-23



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

36. As sustainable bond issuance has increased in popularity as a tool to enhance resource allocation to activities with social or environmental objectives have sought to introduce guidance or rules to ensure that such products meet certain levels of environmental or social integrity.

37. **The African Development Bank** (AfDB) published the new sustainable bond framework (AfDB, 2023[16]) in 2023, providing guidance to the issuance of green, social and sustainability bonds in its regional member countries. This regional framework aligns with the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines published by the International Capital Market Association (ICMA). More recently, AfDB has sought to work closely with the IFRS Foundation to advance sustainability-related disclosure practices in Africa (AfDB & IFRS, 2024[17]).

38. In support of the key sustainable development projects in Sub-Saharan Africa, the Arab Bank for Economic Development in Africa (BADEA) also issued Sustainable Finance Framework (BADEA, 2023[18]) in 2023. Back in 2020, Financial Sector Deepening Africa (FSD Africa) released the Africa Green Bond Toolkit (FSD Africa, 2020[19]) to guide the issuance of green bonds in the African capital markets.

39. At the country level, the National Treasury of the Republic of **South Africa** (NTRSA) has published the technical handbook on issuing municipal sustainable bonds in South Africa (NTRSA, 2022[20]).

Sustainable finance taxonomies

40. Taxonomies are another key tool to provide clear classification systems for identifying products, economic activities, and projects in line with sustainable development goals (SDGs). Taxonomies have the potential to mobilise investment in the context of a broader supportive policy framework, attracting foreign direct investment. There are two types of taxonomies: official sector taxonomies and market-based taxonomies. Market-based taxonomies align with sustainable finance market, while official sector taxonomies consider several sustainable objectives, social criteria and avoided conflicts (ICMA, 2021[21]).

41. Even though taxonomies are mostly at the national level, two regional taxonomies are adopted by the **European Union** (EU) and the **ASEAN**. EU's Taxonomy Regulation was published in June 2020 and entered into force in July 2020. EU taxonomy is one of the earliest green taxonomies, navigating economic activities to meet environmentally sustainable conditions. In November 2021, ASEAN published ASEAN Taxonomy for Sustainable Finance (ASEAN, 2021[22]) to guide capital flows and advance its sustainability agenda. Those two regional green taxonomies, plus the Green Bond Catalogue (Green Bonds, 2021[23]),

are commonly used as benchmarks by countries in designing national taxonomies in line with these established frameworks.

42. Several African countries have developed national level taxonomy frameworks.

43. For example, in **South Africa**, the NTRSA released the first edition of Green Finance Taxonomy (NTRSA, 2022[24]) in March 2022 as part of its Sustainable Finance Initiative, setting a key regional benchmark in Africa. A study shows that EU's green Taxonomy and South African Green Finance Taxonomy have a high degree of similarities (NTRSA, 2022[25]). In such taxonomy, it is recommended that an evaluating process of sustainable bonds aligns with the same international standards used by the AfDB sustainable bond framework.

44. During COP28, **Rwanda** announced the launch of national green finance taxonomies, which is the second nation in Africa to put a green finance taxonomy in place. The Rwandan taxonomy, with a focus on addressing climate change mitigation to achieve its nationally determined contribution commitments, has the following objectives (ROR, GC, GIZ, 2023[26]):

- To develop standardised definitions for sustainable economic activities and sustainable investments to attain priority environmental and sustainability goals,
- To increase the country's attractiveness to responsible investors, including those pursuing impact-investing strategies in the domestic and international arena,
- To support the growth of domestic sustainable finance markets, and
- To enable tracking and reporting of public expenditures and private investments addressing specific sustainability issues based on categories that are technically sound and aligned with international best practices.

45. In 2024, the Central Bank of **Kenya** (CBK) released the draft Kenya Green Finance Taxonomy for public consultation (CBK, 2024[27]), which is intended to serve as a tool and a guide to allow market participants classify whether particular economic activities are 'green' or environmentally sustainable.

3 Country spotlight: sustainable finance in Mauritius

46. Despite accounting for only 0.01% of global GHG emissions, Mauritius is highly exposed to natural disaster shocks i.e., the country is ranked 106th out of 193 countries most vulnerable to climate change. A large share of the population and production facilities are exposed to multiple natural hazards, such as tropical cyclones, floods, and droughts, translating into tangible economic costs, with direct losses from tropical cyclones and floods averaging 0.8% of GDP annually (World Bank, 2021[28]).

47. In response, the government of Mauritius has set ambitious objectives, such as reducing the country's GHG emissions by 40% by 2030 in its national determined contributions (NDCs) under the 2015 Paris Agreement. Mauritius requires funding estimated at USD 6.5 billion to meet its NDCs and the government and domestic private sector are expected to fund up to 35% of that amount. The remaining 65% or USD 4.3 billion would have to be financed externally by 2030.

48. Meanwhile, Mauritius has emerged as a prominent cross-border financial services hub in recent years. The financial services sector now constitutes a pivotal component of the Mauritian economy, contributing approximately 13% to GDP (Mauritius International Financial Centre, 2024[29]). At the crossroads between Asia and Africa, the island nation is ideally positioned to finance the development of the neighbouring continents. 43% of total outward investment flows (USD 83 billion) went to African countries (MEDB, 2023[30]) and 40 billion investments directed to Africa were structured through Mauritius in 2019. Similarly, Mauritius represents the largest source of foreign direct investment (FDI) equity flows into India (FDI Intelligence, 2021[31]), amounting to USD 161 billion over the period 2000-22.

49. Against this background, Mauritius is well-placed to establish a strong regulatory and policy framework on sustainable finance. Such policy environment can help the island nation attract quality investments that support the country's development needs while enhancing its adaptation to climate change. At the same time, embedding RBC principles and standards into a sustainable finance policy framework further enables financial institutions to address environmental, social and governance risks in their investment decisions and align financial flows with SDGs.

Regulatory and policy developments

50. While at an early stage, Mauritian financial regulatory authorities have taken steps toward developing a comprehensive sustainable finance framework, including on ESG disclosure, sustainable bonds, climate-related risk management and corporate governance. Sustainable finance policies and regulations are established by the main financial sector regulators in Mauritius: The Bank of Mauritius (BoM), the Financial Services Commission (FSC), and the Stock Exchange of Mauritius (SEM) (see Table 3.1).

Table 3.1. Financial Sector Regulators in Mauritius

Entity Name	Key legal reference	Competency
Bank of Mauritius	Bank of Mauritius Act (1966), Bank of Mauritius Act (2004), Banking Act (2004)	Conventional central bank competency; Regulation and supervision of banks and other financial institutions such as non-bank deposit taking institutions; Supervision of national payment systems
Financial Services Commission	Financial Services Development Act (2001), Securities Act (2005), Insurance Act (2005), Financial Services Act (2007), Private Pension Schemes Act (2012), Captive Insurance Act (2015)	Regulation and supervision of non-banking financial institutions
Stock Exchange of Mauritius	Stock Exchange Act (1988), Securities Act (2005)	Administration and enforcement of listing rules

Sources: BoM (n.d.[32]), SEM (n.d.[33]), FSC (2013[34])

51. In terms of sustainability disclosure, the Code of Corporate Governance, revised in 2016, constitutes a set of eight principles aimed at improving Mauritian companies' corporate governance practices. The Code is binding for "public interest entities", comprising all companies listed on the SEM, banks and non-banking financial institutions, and other companies exceeding certain turnover and asset thresholds. Principle 6 ("Reporting with Integrity") sets out that Boards should "present a fair, balanced, and understandable assessment" of the organisation's ESG performance and outlook in its annual report and on its website. Reporting is based on a "comply-or-explain" approach, providing a degree of flexibility to the reporting entity (NCCG, 2016[35]).

52. ESG reporting and integration is not mandated by law for institutional investors or financial intermediaries (except for specific projects related to smart cities and Property Development Schemes).[3] However, in November 2023, the FSC launched a public consultation on Disclosure and Reporting Guidelines for ESG Funds, prompting such funds to "provide sufficient information on their ESG strategies and products for investors to make better-informed decisions" (FSC, 2023[36]). The principles laid out in the Guidelines are in line with Recommendation 2 of IOSCO's 2021 Recommendations on Sustainability Related Practices, Policies, Procedures and Disclosure in Asset Management4 (IOSCO, 2021[37]).

53. Similarly, while there is no legal obligation for financial institutions to include specific ESG considerations in their risk management frameworks, regulators have undertaken significant efforts to provide guidance to support investors and lenders in addressing ESG risks and impacts, with a specific focus on climate change. In October 2021, the BoM launched the Climate Change Centre (CCC), which acts as Mauritius' central institution to address climate-related issues and promote sustainability across the country's financial sector. The Centre's core objectives encompass integrating climate and environmental financial risks into regulatory, supervisory, and monetary frameworks of the BoM, enhancing disclosure practices by financial institutions, and providing training and capacity building to financial service providers (BoM, n.d.[38]).

54. In April 2022, the BoM, unveiled the Guideline on Climate-related and Environmental Financial Risk Management. The Guideline aims to assist in the incorporation of governance and risk management practices related to climate-related and environmental financial risks into commercial lending institutions'

[3] An environmental or social impact assessment may be required in these cases.

[4] Recommendation 2 provides that "securities regulators and/or policymakers, as applicable, should consider clarifying and/or expanding on existing regulatory requirements or guidance or, if necessary, creating new regulatory requirements or guidance, to improve product-level disclosure in order to help investors better understand: (a) sustainability-related products; and (b) material sustainability-related risks for all products."

risk management frameworks (BoM, 2022[39]). Under the Guideline, licensed banks and non-bank deposit taking institutions are required to submit within six months from the effective date a roadmap outlining the establishment of internal policies, procedures, and risk management frameworks for managing climate and environmental financial risks to the BoM, as well as semi-annual progress reports.

55. The SEM has emerged as an important facilitator for companies actively pursuing sustainability efforts. In 2015, the SEM launched the SEM Sustainability Index. This index evaluates companies based on sustainability practices, disclosed using a set of criteria aligned to international standards and relevant to the local context. The set of criteria includes four pillars or themes (corporate governance, environment, social, and economy).

Box 3.1. RBC insight 1: OECD standards on RBC in sustainable finance regulations

The acceleration in the adoption of sustainable finance regulations and laws around the world has been a key driver of responsible investment practices. Policies do not only increase in number and across jurisdictions but also in variety, ranging from sustainability disclosure requirements to taxonomies as well as due diligence expectations. In that regard, OECD standards on RBC have been reflected and directly referenced in several sustainable finance policies and laws with various objectives, including to:

- Support financial service providers in reporting ESG risks and impacts while also addressing greenwashing (e.g., EU Sustainable Finance Disclosure Regulation, and EU Corporate Sustainability Reporting Directive).
- Identify, prevent, mitigate and account for ESG risks and impacts of their investments (e.g., France Duty of Vigilance Law, Norwegian Transparency Act).
- Address potential social and human rights impacts of the green transition (e.g., EU, Malaysian or South African Taxonomies).

Source: OECD (n.d.[40])

56. In addition, Mauritius has taken tremendous steps to guide and harmonise the issuance of sustainable and green bonds and develop disclosure. In June 2021, the BoM introduced a comprehensive Guide for the Issue of Sustainable Bonds in Mauritius (BoM, 2021[41]). The Guide aims to enhance consistency and safeguard the integrity of Mauritius' sustainable finance ecosystem by fostering the understanding of the legal and regulatory requirements for the issue and listing of sustainable bonds aligned with the Green Bond Principles and Climate Bonds Initiative. The FSC subsequently published the Guidelines for Issue of Corporate and Green Bonds in Mauritius under section 7(1)(a) of the Financial Services Act (FSA) of 2007, which further elaborated on various regulatory requirements related to Green Bonds (FSC, 2021[42]). The Listing Division of the Stock Exchange of Mauritius has played an integral role in contributing to the formulation of the Guidance for Green Bonds by the Committee of SADC Stock Exchanges (COSSE) working group (SEM, 2022[43])

57. In 2022, CIM Financial Services Ltd (CFSL) became the first Mauritian company to issue a Green Bond in Mauritius in line with the FSC Guidelines. The bond raised USD 10 million, and USD 7 million of which was disbursed and used to finance eligible green vehicles (CIM Finance, 2022[44]). In 2023, CFSL also became the first Mauritian company to list and trade a Green Bond on the SEM (SEM, 2023[45]). The Bonds were issued under the CFSL Green Bond Framework, developed in accordance with the recommendations of the ICMA. The Framework identifies five categories of projects that can deliver

positive and sustainable results for the country and are likely to be financed by the proceeds of these green bonds.[5]

58. In addition, Mauritius mandates profitable entities, including financial service providers, to devote 2% of their previous year's chargeable income to Corporate Social Responsibility (CSR) activities in line with Section 50L of the Income Tax Act (ITA) 1995. The ITA defines CSR programmes as any programme "having as its objects the alleviation of poverty, the relief of sickness or disability, the advancement of education of vulnerable persons or the promotion of any other public object beneficial to the Mauritian community". This is applicable priority areas of such CSR funds include various ESG considerations such as sustainable development, social housing, and socio-economic development. Since 2019, companies must transfer 75% of their CSR contributions to the Mauritius Revenue Authority (MRA), redirected to the National Social Inclusion Foundation (NSIF), earmarked for redistribution to NGOs (MRA, 2023[46]).

Sustainable finance uptake and practice among financial institutions

59. This section outlines the sustainable finance practices of the country's five largest institutional investors five largest commercial lenders, and the national bilateral development bank. It is important to note Mauritius' unique context in that some financial institutions are registered in the country but have their operations internationally. During the selection of the largest financial institutions in Mauritius, this report considered institutions irrespectively of the geography of their operations.

60. Increasingly, financial institutions are facing growing expectations from governments, clients and civil society to make positive contributions to sustainable development and to mitigate the adverse impacts of their investments and lending practices on the environment and society. The *OECD Guidelines* and supporting due diligence guidance provide practical recommendations on risk-based due diligence to identify, prioritise, manage and report on critical environmental and social impacts such as climate change, biodiversity loss or labour rights violations in investment and lending portfolios. The OECD has developed guidance documents to reflect the core expectations of the OECD RBC due diligence framework for institutional investors (OECD, 2017[47]), commercial banks (OECD, 2019[48]) and for project and asset finance transactions (OECD, 2022[49]). It complements the OECD Due Diligence Guidance for Responsible Business Conduct (OECD, 2018[50]), which provides practical support to enterprises on the implementation of the *OECD Guidelines*.

Sustainable finance strategies of Mauritian institutional investors

61. To date, some of the main strategies used by institutional investors globally to integrate ESG issues include the following: 1) active ownership and engagement, 2) ESG screening, 3) exclusion and 4) thematic ESG focus. Active ownership implies using the tools associated with share ownership such as proxy voting at annual general meetings (AGMs) and shareholder engagement to improve ESG practices of issuers as well as direct engagement with management of companies on ESG issues. ESG screening applies a positive screen to broad or specific issues, such as carbon emissions or human rights abuses, and implies building portfolios with highly ranked assets. Exclusion or avoidance strategies apply a negative screen and often exclude controversial sectors or carbon-intensive industries (divestment).

[5] These categories are: renewable energy (including the purchase, installation and maintenance of technologies such as solar panels); energy efficiency (projects that reduce energy consumption or mitigate greenhouse gas emissions in building construction); clean and sustainable forms of transportation (the purchase of electric and hybrid cars); green building (construction or renovation of certified sustainable buildings), and sustainable agriculture (sustainable water and wastewater management with projects that improve water quality, efficiency and conservation).

Finally, thematic ESG focus relies on a portfolio tilt in favour of an investment theme and includes green, sustainable and social bonds and microfinance funds.

62. Five Mauritian institutional investors were considered for this study: the three largest asset owners i.e., the National Pension Fund (NPF), Swan General, and the State Insurance Company of Mauritius (SICOM) and the two largest asset owners i.e., Rogers Capital and Confident Assessment Management. Rogers Capital, part of the ENL Conglomerate, provides fiduciary and credit services (see Table 3.2).

Table 3.2. Top 5 Institutional Investors in Mauritius

Type	Name	AUM (USD Mln)	PRI	Climate Action 100+	Nature Action 100	Paris Aligned Asset Owners
Asset owner	National Pension Fund (NPF)	2,720	No	No	No	No
	Swan General	1,670	No	No	No	No
	State Insurance Company of Mauritius (SICOM)	1,500	**Yes**	No	No	No
Asset manager	Rogers Capital	40,000	No	No	No	No
	Confident Asset Management	0,270	No	No	No	No

Source: OECD Compilation (AUM figures from Entities' FY22/23 annual reports)

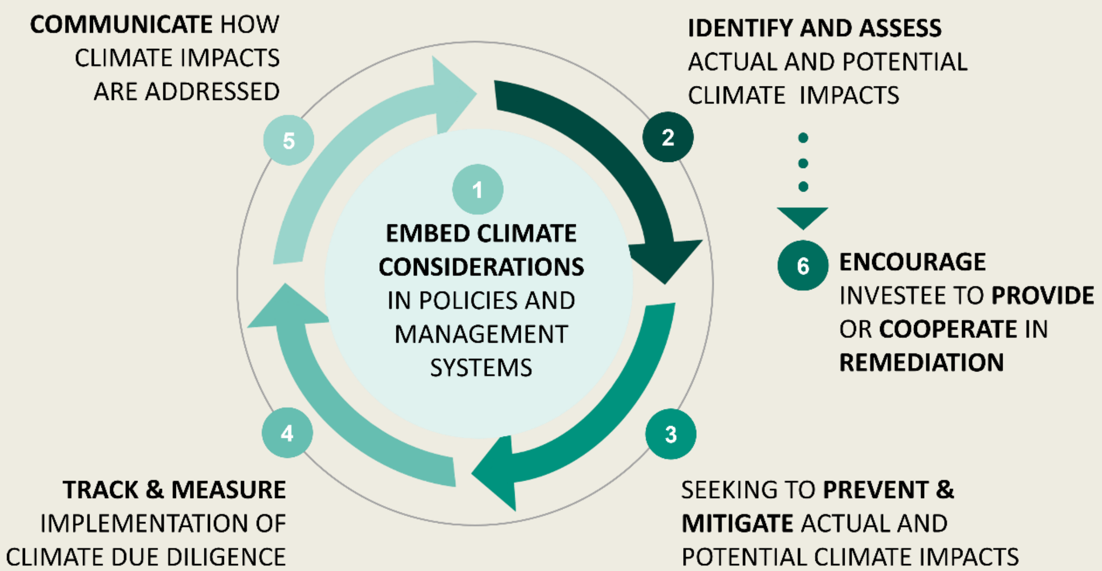
63. At the time of writing, the adoption of ESG practices in institutional investment remains marginal. SICOM is the only investor in scope being part of a voluntary sustainable finance initiative and signatory to the UN Principles for Responsible Investment (UN PRI).

Box 3.2. RBC insight 2: Managing Climate Risks and Impacts Through Due Diligence for Responsible Business Conduct

Institutional investors have increasingly been using stewardship approaches to operationalise their net zero targets. To support such efforts, the OECD has developed a tool on "Managing Climate Risks and Impacts through Due Diligence for Responsible Business Conduct", which practical recommendations to investors on how to align their stewardship activities with climate mitigation goals of the Paris Agreement and translate net zero commitments into real-economy decarbonisation.

While different in scope and nature, risk-based due diligence and stewardship activities share a number of similarities as both seek to reduce the real economy's contribution to climate change by exerting leverage on investee companies. The risk-based approach of the due diligence process further provides a useful framework for institutional investors on how to tailor and prioritise their engagement based on the severity and likelihood of the risks, as investors are not expected to engage with every company in their portfolio.

Figure 3.1. RBC due diligence process and supporting measures applied to climate risks and impacts



Source: (OECD, 2023[51])

Sustainable finance strategies of Mauritian commercial and development banks

64. Banks have different approaches to address environmental and social risks in their lending portfolios, taking into consideration their limitations in exercising leverage over clients and projects in which they invest in. As such, to date, the main strategies to integrate ESG issues in corporate lending practices include 1) risk screening and identification and 2) exclusion policies. Environmental and social risk screening and identification has typically been used for project finance transactions, but a growing number of lenders are instituting such practices to mitigate risks in general corporate loans. Exclusion policies refer to the exclusion of loans to industries or activities that may be black-listed or that surpass the risk thresholds identified by banks.

65. In Mauritius, the banking sector comprises 22 registered banks, including 10 foreign-owned subsidiaries, five local banks, four branches of foreign banks, two private banks, and one joint venture (Mauritius Finance Network, 2024[52]). All the banks are licensed by the BoM and regulated by the FSC to carry out banking business locally and internationally. Mauritius' banking industry provides and facilitates a wide range of services such as fund administration, custodial services, trusteeship, structured lending, structured trade finance, international portfolio management, investment banking, private client activities, as well as treasury and specialised finance to corporate, institutional, and private clients.

66. The five largest commercial lending institutions in Mauritius are the Mauritius Commercial Bank (MCB), the State Bank of Mauritius (SBM), Absa Bank Mauritius (ABML), and AfrAsia Bank Mauritius. They exhibit lending portfolios ranging from USD 3.2 billion (MCB) to USD 578 million. To provide a broader perspective, the scope of this analysis has been extended to include the Development Bank of Mauritius (DBM), the country's bilateral development bank with the primary objective of promoting sustainable economic growth and development in the country. The DBM finances various infrastructure projects, including energy, water, transport and social infrastructure. As such, the lending institutions considered for this analysis comprise four commercial private banks and one DFI.

Table 3.3. Top 4 Commercial lenders and development banks in Mauritius

Type	Entity Name	Commercial Loan Portfolio (USD Mln)	Equator Principles	PRB	UNGC
Commercial banks	Mauritius Commercial Bank	3,259	**Yes**	**Yes**	**Yes**
	State Bank of Mauritius	1,762	No	No	**Yes**
	Absa Bank Mauritius	1,333	No	No	**Yes**
	AfrAsia Bank Mauritius	578	No	No	**Yes**

Source: OECD compilation

67. Mauritian banking institutions have integrated ESG risk management practices in their commercial lending activities to varying extents but overall demonstrate a higher degree of maturity in embedding RBC-related practices compared to institutional investors. As of March 2024, MCB is the only commercial bank that has publicly disclosed its E&S risk policy and related risk management processes. Its policy includes an exclusion list and applicable thresholds in relation to the type of financing (MCB, 2023[53]). There is limited information and documentation available in relation to any applicable threshold for the application of ESG risk management system, if any, in relation to the other commercial banks. AfrAsia's 2023 Sustainability Report refers to the Agence Française de Développement's (AFD) exclusion list of prohibited and restricted lending activities, involving child and forced labour, trade in weapons and causing harm to critical habitat.

68. In addition, MCB became a signatory of the Equator Principles in 2012. As such, its ESG risk management system includes the assessment of transactions against exclusion lists, national legal requirements and potentially significant ESG risks inherent to the sector or transaction. Activities barred from loans and investments across the business comprise, or activities involving forced labour or child labour according to relevant ILO conventions, cross-border trade in waste products, trade in endangered species, infrastructure and trade in coal, drift net fishing, and destruction of critical habitat (MCB, 2023[53]). Transactions are assigned a risk category (A to C) in accordance with the Equator Principles which determines the applicability and scope of subsequent ESG due diligence. MCB is bound to disclose information in relation to Category A projects, such as the development of power plants, oil and gas, and chemical plants (The Equator Principles, 2020[54]). MCB has also articulated its Sustainability Strategy, launched in 2018 and composed of four pillars: a vibrant and sustainable local economy (i); preservation

of environmental and cultural heritage (ii), individual and collective well-being (iii); responsible behaviour, prevention of corruption and protecting human rights (iv) (MCB, Sustainability Report 2023).

69. Moreover, several banks have incorporated or are in the process of incorporating ESG into their ESG-related products (BoM, 2022). After the BoM released the Guide for Sustainable Bond Issuance, several commercial lending institutions started developing and introducing specialized green financing products, such as green loans (UNEP FI, 2021[55]). MCB (Sustainable loan products), SBM (Eco Loan), Cim Finance (Green Bond) and MauBank (Green Financing Scheme) all introduced different types of sustainable debt instruments.

70. MCB has strengthened its sustainable financing offer, through a dedicated USD 213 million credit line. Its Sustainable Loan intends to provide financing for a variety of ESG projects, including: energy transition and efficiency (electricity generation, transmission, equipment production), pollution prevention and control (emissions, waste management waste to energy, circular economy), sustainable management of living natural resources and land use (smart agriculture or aquaculture,, reforestation), green buildings, coastal protection and breach rehabilitation, clean transportation, sustainable water and wastewater management eco-efficient and/or circular economy adapted products, production technologies and processes.

71. Reportedly, SBM is in the process of setting its governance structure in relation to ESG considerations, starting at the Board level. A Corporate Governance Committee is established (in line with applicable local requirements) as well as a Sustainability Committee since the end of 2023. SBM's product offering includes an SBM Eco Loan targeted at individuals, SMEs, and corporates to invest in eco-orientated equipment and technology. It is geared towards the financing of projects promoting climate change mitigation projects (such as solar PV, wind farms, hydro, biomass, green buildings, and electric mobility) and climate adaption projects (sustainable agriculture, coastal zone protection and rehabilitation, rainwater harvesting, etc).

72. Based on interviews with MCB and SBM, financial institutions in Mauritius continue to face challenges, including insufficient internal expertise and scarcity of skilled professionals around ESG and climate, as well as limited availability of reliable data in this regard.

Sustainable finance strategies of Mauritius' development bank

73. In addition to commercial banks and corporate lending activities, the OECD has also developed tools for development banks engaged in project and asset finance transactions (OECD, 2022[49]). It provides a common framework for development finance institutions on how to carry out due diligence to identify, respond to, and publicly communicate environmental and social risks associated with projects and assets they finance.

74. The DBM was established in 1964 for the purpose of facilitating the industrial, agricultural and economic development of the country. It plays an important role in development banking and the financial services sector and acts as the government's main financial intermediary in implementing tailor-made loan schemes, targeting SMEs in the agricultural, tourism and industrial sectors as well as sustainable resources management or women entrepreneurship. With the diversification of the economy, new schemes were designed to cover the ICT, seafood hub, construction and service sectors (DBM, n.d.[56]). As such, it is required to consider positive economic and social impacts alongside financial returns as part of its core lending strategy.

75. Where DBM predominantly operates within Mauritius territory, the Mauritius' Economic Development Board (EDB) mandated a report on the impact of investments overseas, with particular focus on Africa. In 2021, EDB commissioned a study on the impact of investments stemming through Mauritius on the African continent. The findings highlighted that FDI towards Africa amounted to USD 82 billion (approx. 10% of investments to Africa), generated USD 6 billion annually in tax revenue for African states

and supported 4.2 million jobs (which created an additional USD 30 billion in spending power). In this context, Mauritius is seeking to develop an ESG framework to further catalyse sustainable and impactful investments, further positioning the country as Africa's financial hub.

4 Conclusion

76. Many African countries have already or will soon deliver policy toolkits for sustainable finance, covering different topics. Particular progress can be noted in the inclusion of voluntary or mandatory disclosure regimes relating to sustainability-related information by financial institutions. Countries with a more advanced trajectory in sustainable finance are considering requirements for labelling sustainability-related financial market products through taxonomies or guidance around sustainable bonds. Likewise, these countries are incorporating guidance on the use of sustainability-related metrics by market participants and third parties, including on transparency of methodological elements for current and forward-looking metrics.

77. While there has been significant progress in sustainable finance policy across Africa and other jurisdictions, there is limited transparency and comparability of sustainability-related metrics, including climate transition metrics and ESG metrics. These challenges hinder the effective allocation of financial flows consistent with the Paris Agreement, translating into a slower accomplishment of international decarbonisation ambitions.

78. Most listed companies by market capitalisation disclosed sustainability-related information in 2022, but the coverage varies across different metrics. Scope 1 and scope 2 GHG emissions are more frequently reported than scope 3 GHG emissions and GHG emission targets. The African region has similar disclosure shares as Emerging economies (excl. Africa) for scope 1 and scope 2 GHG emissions, GHG emission reduction targets, and the use of GRI standards. However, Africa is more advanced in disclosing scope 3 emissions and providing assurance of sustainability reports.

79. Sustainable bond issuance in Africa has surged since 2020 but decreased significantly in 2023. Central governments have been key issuers in Africa, with significant issuances in Ivory Coast, Senegal, and Egypt during 2020-2022. Most corporate sustainable bonds issued were green bonds, with financial companies being the most important issuers. In addition to the financial sector, the issuers of these bonds are concentrated in a few sectors in Africa, primarily Utilities and Industry.

80. In Mauritius, financial regulators have recently started to promote ESG practices among financial institutions. Sustainable finance policies and practices in the country’s lending sector are more mature than those of financial markets. ESG policies, regulations and initiatives are nascent, but efforts have accelerated in recent years, driven by policy makers. In particular, initiatives such as the Disclosure and Reporting Guidelines for ESG Funds can help strengthen financial market participants’ responsible investment practices, address risks of greenwashing and provide foreign investors with greater transparency over the ESG risks and impacts management on Mauritius financial sector.

81. Mauritius’s banking sector, both in terms of policies and practices, is operating a shift toward more sustainable practices. Mauritian lenders are increasingly setting up positive impact products such as sustainable loans – some institutions are doing so with the support of development finance institutions while others have a longstanding mandate of supporting social and community development. However, Mauritian lenders have yet to adopt more comprehensive risk management frameworks aligned with international standards. Finally, there is a clear opportunity to position Mauritius as a sustainable finance hub and a platform for sustainable investments toward the African continent.

References

References

Annex A. Methodology for data collection and classification

A.1. OECD Corporate Sustainability dataset

A.1.1. Regional classification

82. The category "Advanced" includes all jurisdictions that are classified as advanced economies in IMF's World Economic Outlook Database. "Africa" includes all jurisdictions that are fully located in the region which is in line with the list of geographic regions of Africa used by United Nations Statistics Division in its databases and publications. "Emerging excl. Africa" includes mostly jurisdictions that are classified as emerging market and developing economies in IMF's World Economic Outlook Database excluding Africa categories.

A.1.2. Listed companies

83. The dataset contains information for 43 970 worldwide listed companies with a market capitalisation of USD 98 trillion at the end of 2022. The raw financial dataset contains all security observations listed on each stock exchange. The following cleaning steps are applied:

a. Firms listed on an over-the-counter (OTC) market are excluded.
b. Firms listed on a multilateral trading facility (MTF) are excluded.
c. Security types classified as "units" and "trust" are excluded.
d. Security types identified as "REITs" and "investment funds" are excluded.
e. Firms identified as delisted are excluded.
f. For firms with multiple observations but different countries of domicile, their true country of domicile is manually checked to remove duplicate observations.
g. For firms listed on several stock exchanges, only the primary listing is kept.

84. In the advanced economies, there are 23 731 listed companies spread across 37 markets, collectively holding a market capitalisation of USD 73 trillion. Emerging economies (excl. Africa) consist of 19 032 listed companies in 47 markets, with a market capitalisation of USD 24 trillion. The Africa region comprises 1 207 listed companies in 16 markets, with a market capitalisation amounting to USD 659 billion.

A.1.3. Corporate sustainability

85. This firm-level dataset presents information on whether companies disclose sustainability information and the used accounting standards, the external assurance of sustainability information, GHG emission reduction targets, the presence of a sustainability committee reporting directly to the board, self-reported board level oversight of climate-related issues, executive remuneration linked to sustainability factors, employee representation on the board, disclosure on stakeholder engagement and policies on shareholder engagement.

86. The dataset's coverage varies depending on the specific datapoint but, for instance, it includes information on 14 400 companies listed on 83 markets with a total USD 90 trillion market capitalisation at

the end of 2022 with respect to whether they disclosed sustainability information or not in 2022 or latter. In the example, the difference of 29 570 listed companies represents the companies for which the information is unavailable in the commercial databases used to develop the Corporate Sustainability Dataset.

87. The main data sources (LSEG and Bloomberg) were controlled against each other to ensure consistency. Information was retrieved as of mid-September 2023.

88. Sustainability disclosure by trusts, funds or special purpose acquisition companies was excluded from the universe under analysis. Sustainability disclosure for years prior to 2021 was also excluded.

89. **Error! Reference source not found.** displays the shares of companies that disclosed sustainability-related information (by no. of companies and by market capitalisation) among all listed companies within each region. It includes the disclosure in either English or another language of a sustainability report, an integrated annual report with sustainability data, a corporate social responsibility report with substantial data and a full or partial report of GHG emissions scope 1 and 2 or scope 3.

90. Figure 2.3 displays the shares of companies that disclosed scope 1 and 2 GHG emissions (by no. of companies and by market capitalisation) among all listed companies within each region. Only the companies that reported both scope 1 and scope 2 GHG emissions are counted in the analysis.

91. Figure 2.4 displays the shares of companies that disclosed scope 3 GHG emissions (by no. of companies and by market capitalisation) among all listed companies within each region.

92. **Error! Reference source not found.** displays the shares of companies that had their sustainability information verified by an independent third party (by no. of companies and by market capitalisation), among all listed companies disclosing sustainability information within each region. For instance, in the case of the global category, the share is calculated over 9 957 worldwide listed companies that disclosed sustainability-related information with a market capitalisation of USD 85 trillion. In the 372 cases globally where there was a discrepancy between LSEG and Bloomberg databases ("Yes" in one and "No" in the other one), it was considered that the company did not assure its sustainability--related information.

93. Figure 2.6 displays the shares of companies that disclosed GHG emission reduction targets (by no. of companies and by market capitalisation) among all listed companies within each region.

A.1.4. Sustainable bonds

94. Sustainable bonds are mainly collected from LSEG. This dataset contains deal-level information of nearly 14 400 bonds issued by both the corporate and official sectors from 103 jurisdictions since 2013. This dataset provides a detailed set of information for each sustainable bond issue, including the identity, nationality, and industry of the issuer; the type, interest rate structure, maturity date and rating category of the bond, the amount of and "use of proceeds" obtained from the issue. The issuance amounts were adjusted by 2023 US Consumer Price Index (CPI).

95. For sustainable bonds, values for corporations correspond to the "gross proceeds" (i.e. the amount paid by investors to acquire the bonds) in most cases. Where the information on the gross proceeds could not be retrieved, the "original amount issued" (i.e. the face value of the bonds in their legal documentation) has been used as follows: 22% of the amount issued from 2013 to 2023 corresponds to the original amount issued, whereas the remaining 78% corresponds to the gross proceeds. For that 78% in which the gross proceeds are used, the original amount issued is 2.9% higher. However, the amount issued in "all corporate bonds", which includes conventional bonds, corresponds to the gross proceeds amounts in all cases.

96. LSEG data contains both Regulation S and Rule 144A sustainable bonds. Rule 144A presents a safe harbour from the registration requirements of the Securities Act for resales of securities not fungible with securities listed on a US securities exchange to qualified institutional buyers. Regulation S provides a

safe harbour from the registration requirements of the Securities Act for offerings made outside the United States (Bruckhaus, 2017[30]). The calculations presented take account of this factor, and an exercise to eliminate the duplication when a single bond was issued both under Regulation S and Rule 144A was performed.

97. When calculating the outstanding amount of bonds in a given year, issues that are no longer outstanding due to being redeemed earlier than their maturity should also be deducted. Outstanding values refer to the "principal amount" or otherwise to the "original amount issued" (i.e. the face value of the bonds in their legal documentation) when the "principal amount" could not be retrieved. The early redemption data are obtained from LSEG and cover bonds that have been redeemed early due to being repaid via final default distribution, called, liquidated, put or repurchased. The early redemption data are merged with the primary bond market data via international securities identification numbers (i.e. ISINs).

A.1.5. Venn diagrams

98. Venn diagram used in this report is to show the intersection of the application of some frameworks by listed financial institutions. Venn diagram is generated using the R language.

- The diagram displays both numerical counts and percentages within the circles. The numbers inside circles represents the counts of listed financial institutions adopting the respective framework. The percentages in the brackets illustrate the proportion of companies using those frameworks exclusively or in combination, relative to the total sample of financial institutions employing at least one of the three frameworks.
- The shape of those circles depicts the relationship between the application of frameworks by financial institutions. A circle with no overlaps signifies that companies exclusively apply this single framework. Overlapping areas between two circles indicate the simultaneous usage of corresponding two frameworks by companies. Similarly, the intersection of three circles refers to the situation that companies have adopted all three frameworks.
- In addition, the intensity of the colour in each region highlights the prominent situation among those listed financial institutions. Corresponding to the range of numbers from minimum to maximum, the colours in each area transition from light blue to navy blue.

99. In **Error! Reference source not found.**, the three circles represent the three sustainability standards (GRI, TCFD and SASB) that are adopted by listed in 2022. Globally, 6 565 listed companies who applied at least one of those three standards, 4 776 in Advanced economies, 1 680 in Emerging excl. Africa economies, 109 in Africa. The numbers in the circles refer to the amounts of listed companies who adopted the correspondent standard. The percents in the brackets show the share of the counts to the total number of companies who applied at least one of those three standards.

A.2. SASB Sustainable Industry Classification System® Taxonomy

100. © 2021 Value Reporting Foundation (merged into the IFRS Foundation in July 2022). All Rights Reserved. OECD licenses the SASB SICS Taxonomy (or "SASB Mapping"). The SASB Mapping presents 26 sustainability issues categorised into 5 dimensions, classifying which issues would be financially material in each of 77 industries in total.

101. **Error! Reference source not found.** merges some sustainability issues in the SASB mapping: "Climate Change" is a merger of "energy management", "GHG emissions" and "physical impacts of climate change" in the SASB mapping; "Human Capital" merges all three sustainability issues within this dimension in the SASB mapping; "Data Security and Customer Privacy" are two different issues in the SASB mapping.