

DISCLOSURE AND REPORTING GUIDELINES FOR ESG FUNDS

Issued under section 7(1)(a) of the Financial Services Act

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1. Background and Objective

- 1.1. In recent years, as interest in environmental, social and governance ('ESG') related investment products has gained prominence, there is a growing need for quality and comparable information on ESG matters to supplement investors' investment decisions.
- 1.2. With the emergence of new financial products incorporating ESG principles, regulators worldwide are aware of the importance of issuing guidelines in order to avoid concerns pertaining to "greenwashing"¹.
- 1.3. The International Organization of Securities Commissions ('IOSCO') has, *inter alia*, in its Report titled '*Recommendations on Sustainability Related Practices, Policies, Procedures and Disclosure in Asset Management*'² (November 2021), recommended securities regulators to consider issuing guidance to improve product-level disclosure, with a view to helping investors better understand sustainability-related products and material sustainability-related risks.
- 1.4. As part of its statutory functions, the Financial Services Commission, Mauritius (the 'Commission') is mandated to take measures for the better protection of consumers of financial services.
- 1.5. The Commission, as the integrated regulator for the non-bank financial services sector and the global business sector, is issuing these guidelines for investment businesses so that they provide sufficient information on their ESG strategies and products for investors to make better informed decisions.
- 1.6. These guidelines are being published for investment businesses with embedded ESG strategies/ objectives aligned with the United Nations Sustainable Development Goals ('UN SDGs') or other widely accepted goals.

¹ In the Report titled 'Recommendations on Sustainability Related Practices, Policies, Procedures and Disclosure in Asset Management', IOSCO defines "greenwashing" as "*the practice of misrepresenting sustainability-related practices or the sustainability-related features of investment products.*"

² <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD688.pdf>

1.7. Hence, for the purposes of these guidelines, the definition of ESG as provided by the United Nations Principles for Responsible Investment Reporting Framework is being reproduced as follows:

“Environmental, social and governance issues that are identified or assessed in responsible investment processes.

- Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems.

- Social factors are issues relating to the rights, well-being, and interests of people and communities.

- Governance factors are issues relating to the governance of companies and other investee entities.”

1.8. ESG as defined under other recognised institutions/frameworks/standard setters can also be considered.

1.9. The principles laid down in these guidelines are aligned with Recommendation 2 of IOSCO’s Report referred to in paragraph 1.3.

1.10. Terms and words used in these guidelines shall, unless otherwise specified, have the same meaning as under the relevant Acts.

1.11. The guidelines may be subject to review and may be amended by the Commission from time to time.

2. Scope

2.1. These guidelines apply to authorised Collective Investment Schemes and Closed-end Funds³ which use or include ESG factors as their key investment focus and strategy (‘ESG Schemes’). 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 ESG-focused⁴.

2.2. In the event that the two-third requirement is no longer met, the ESG Scheme will have to bring the portfolio into compliance with the above requirement within 90 days.

³ Including sub-funds of Variable Capital Companies

⁴ For the purposes of paragraph 2.1, a scheme that only uses negative screening, or a scheme that merely incorporates or integrates ESG considerations into its investment process to seek financial returns, would not be regarded as having an ESG investment focus.

- 2.3. ESG factors include those which are aligned with one or more of the ESG criteria forming part of the UN SDGs or other widely accepted goals.

3. ESG Scheme Register

- 3.1. To enhance the visibility of ESG Schemes, a Register of all ESG Schemes will be accessible on the Commission's website.

4. Registration by way of continuation

- 4.1. A scheme established in a jurisdiction other than Mauritius may be registered by way of continuation as an ESG Scheme if it is authorised by the Commission as a Collective Investment Scheme or Closed-end Fund.
- 4.2. Where an ESG Scheme is registered by way of continuation, it shall be subject to these guidelines, FSC Rules and other prevailing laws in Mauritius.

5. Name of ESG Scheme

- 5.1. The name of an ESG Scheme must be appropriate and not be misleading.
- 5.2. No Collective Investment Scheme or Closed-end Fund other than an ESG Scheme shall name or market itself as an ESG fund and use terms, such as 'Environment', 'Social', 'ESG', 'Green', 'Sustainability' or any combination thereof or similar terms, incorporated in their names.

6. Disclosure

6.1. Offering Document

The offering document of an ESG Scheme must disclose the following:

(a) Investment Objective

- (i) A description of ESG focus (e.g. Climate change and carbon emissions, sustainability, gender and diversity); and

- (ii) the relevant ESG criteria, methodologies or metrics (e.g. third-party or proprietary ratings, labels, certifications) used to measure the attainment of the scheme's ESG focus.

(b) **Investment Strategy**

- (i) A description of the investing strategy used by the ESG Scheme to achieve its ESG focus, the binding elements of that strategy in the investment process and how the strategy is implemented in the investment process on a continuous basis; and
- (ii) a description of the relevant ESG criteria, metrics or principles considered in the investment selection process (e.g. a climate-focused fund may use climate-related indicators such as carbon footprint, weighted average carbon intensity, and greenhouse gas emissions).

(c) **Asset Allocation**

- (i) The percentage of the scheme's net asset value used to attain its ESG investment objective; and
- (ii) the offering document must also include a description as to how the scheme is investing the remaining of its net asset value⁵.

(d) **Reference Benchmark**

- (i) Where the ESG Scheme is tracking an ESG benchmark (e.g. an index fund), details of the benchmark being tracked including the characteristics and general composition of the benchmark; or
- (ii) where the ESG Scheme seeks to measure its ESG focus against a designated reference benchmark, an explanation of how the designated reference benchmark is relevant to the fund.

(e) **Risks**

Description of risks associated with the ESG Scheme's focus and investment strategy (e.g. concentration in investments with a certain ESG focus, limitations of methodology and data, lack of standardised taxonomy or reliance on third-party information sources).

⁵ The remaining investment must not compromise the scheme's ESG focus.

6.2. Sustainability Reporting

6.2.1. The ESG Scheme must annually submit a Sustainability Report to the Commission and its investors, disclosing the following information:

- (a) an explanation on how and the extent to which the scheme's ESG focus has been met during the financial period, including a comparison with the previous period (if any);
- (b) the actual proportion of investments that meet the scheme's ESG focus;
- (c) a comparison of the performance of the fund's ESG factors against the designated reference benchmark (if any);
- (d) any action taken by the scheme in attaining the scheme's ESG focus (e.g. stakeholder engagement activities);
- (e) explanation for non-compliance with the scheme's ESG focus (not meeting the two-third requirement);
- (f) changes, if any, carried out in the methodologies or processes which are deemed relevant for achieving ESG-related objectives; and
- (g) any other information, considered necessary by the scheme.

6.3. Disclosure on Website

6.3.1. An ESG Scheme must disclose to investors or prospective investors the following on its website (if any):

- (a) how the ESG focus is measured and monitored, and the related internal or external control mechanisms that are in place to monitor compliance with the scheme's ESG focus on a continuous basis (including methodologies used to measure the attainment of the scheme's ESG focus, if any);
- (b) a description of due diligence carried out in respect of the ESG-related attributes of the fund's underlying assets;
- (c) a description of the engagement (including the proxy voting) policies (if any); and
- (d) a description of the sources and processing of ESG data or a description of any assumptions made where relevant data is not available.

7. On-Going Monitoring/Sanction

7.1. The governing body of the ESG Scheme or its CIS manager where appointed must:

- (a) satisfy itself that the ESG scheme is and continues to be managed in accordance with its constitutive documents; and
- (b) regularly monitor and evaluate the underlying investments to ensure the ESG Scheme continues to meet the stated ESG focus and requirements.

- 7.2. Where an ESG Scheme no longer wishes to pursue its stated ESG focus, the governing body of the ESG Scheme or its CIS Manager must notify its investors and the Commission as soon as reasonably practicable.
- 7.3. An ESG Scheme which is no longer able to meet the requirements in these guidelines will be removed from the list of ESG Scheme on the Commission's Register of ESG Scheme.
- 7.4. The Commission may take regulatory action for failure to meet the stated investment objective and/or strategy in the offering document of the ESG Scheme.

8. Resources

- 8.1. An ESG Scheme must ensure it has adequate resources with the appropriate qualifications, skills, and experience responsible for the implementation and/or oversight of ESG investment.

9. Certification

9.1. Offering

- 9.1.1. New application for Collective Investment Schemes and Closed End Funds submitted on or after the effective date of these guidelines must be accompanied with an independent third-party certification or a self-certification confirming that the investment objective and strategy as described in the offer document are aligned with the UN SDGs or other widely accepted goals.
- 9.1.2. Where an existing fund is changing its investment objective to pursue an ESG focus strategy, it must provide an independent third-party certification or a self-certification confirming that the investment objective and strategy as described in the offer document are aligned with the UN SDGs or other widely accepted goals.

9.2. Sustainability Report

- 9.2.1. The disclosures to be made by the ESG Scheme in the Sustainability Report must be accompanied by an independent third-party certification confirming that investments made by the ESG Scheme are compliant with its offering document.

10. Independent External Certifier

- 10.1. For the purpose of these guidelines, an independent external certifier may be one of the following and having the relevant and sufficient expertise in the field of ESG:
- (a) an auditor duly registered with the Financial Reporting Council;
 - (b) a credit rating agency duly licensed by the Commission or as recognised by the Commission; or
 - (c) any other independent service provider as may be approved by the Commission.

11. Effective Date and Implementation

- 11.1. The effective date of these guidelines is 24 March 2025.

12. Existing ESG Scheme

- 12.1. An existing Collective Investment Scheme or Closed-end Fund authorised by the Commission which qualifies as an ESG Scheme pursuant to paragraph 2.1 above must submit an application for registration to the Commission together with the revised offering documents in view of the requirements prescribed in these guidelines by 01 August 2025.
- 12.2. The revised offering document must be accompanied with an independent third-party certification or a self-certification confirming that the investment objective and strategy as described in the offer document are aligned with the UN SDGs or other widely accepted goals.