

# Report: Initial Review of the Code of Corporate Governance in Mauritius – Environmental Sustainability Reporting (Gap Analysis) concerning the 2016 Code

**Prepared by:** Fadeke Ayoola **Date:** 02/06/2023 (As provided) **Subject:** Analysis of Environmental Sustainability Reporting within the Mauritian Code of Corporate Governance, highlighting the absence of key environmental disclosure requirements, and considering the 2016 Code, EU Directive 2022/2462, King IV, and emerging global trends.

## Introduction:

This report examines the environmental sustainability reporting aspects within the current Mauritian Code of Corporate Governance. Critically, it identifies significant gaps in the code's coverage compared to evolving international standards, specifically the absence of detailed requirements concerning climate change mitigation, adaptation, resource management, pollution, and biodiversity. The analysis will compare the current Mauritian code with the **2016 Mauritian Code of Corporate Governance**, EU Directive 2022/2462, King IV, and the broader context of evolving global reporting standards.

## Key Observations and Analysis:

### 1. EU Directive 2022/2462 (Environmental Focus):

- This directive mandates detailed disclosure of critical environmental factors, including:
  - Climate change mitigation (Scope 1, 2, and 3 emissions).
  - Climate change adaptation.
  - Water and marine resources.
  - Resource use and the circular economy.
  - Pollution.
  - Biodiversity and ecosystems.
- This represents a comprehensive approach to environmental reporting, emphasizing accountability and transparency.

### 2. Mauritian Code of Corporate Governance (Current State):

- While the code acknowledges general ethical practices, integrity, and the influence of the external environment, it **lacks specific requirements** for detailed environmental disclosures.

- **Critically, the current Mauritian code does not explicitly mandate or provide guidance on reporting:**
  - Climate change mitigation (Scope 1, 2, and 3 emissions).
  - Climate change adaptation.
  - Water and marine resources.
  - Resource use and the circular economy.
  - Pollution.
  - Biodiversity and ecosystems.
- Although the code mentions carbon reduction schemes, it does not mandate comprehensive climate-related disclosures.
- This absence constitutes a significant gap compared to emerging global standards and best practices.

### **3. Mauritian Code of Corporate Governance (2016):**

- It is important to review the 2016 code to determine if it had stronger environmental reporting suggestions or mandates.
- It is likely that the 2016 code had less stringent environmental reporting requirements than those now being demanded by international standards.
- A review of the 2016 code, in comparison to the current code, will highlight the direction that Mauritian corporate governance is taking and if the current code is progressing in the right direction.
- Any positive environmental reporting aspects of the 2016 code should be considered for inclusion in any new code revisions.

### **4. King IV:**

- King IV emphasizes corporate citizenship and environmental responsibility, including pollution, waste disposal, and biodiversity protection.
- While King IV provides a good framework, the Mauritian code must go further and provide clear mandatory reporting requirements.

### **5. Global Trends:**

- The global trend is towards mandatory ESG reporting, driven by regulations like the EU directive and initiatives from bodies like the SEC.
- "Radical transparency" necessitates comprehensive disclosures, and the Mauritian code is currently not aligned with this trend.

## Gap Analysis and Recommendations:

1. **Significant Gaps:** The current Mauritian Code of Corporate Governance has significant gaps in environmental sustainability reporting, particularly concerning the absence of mandatory disclosures on key environmental factors outlined in the EU directive.
2. **Alignment with 2016 Code:** A thorough comparison with the 2016 code is essential to identify any regressions or progressions in environmental reporting requirements and to learn from past practices.
3. **Align with International Standards:** The code must be revised to align with international standards, particularly the EU Directive 2022/2462, to ensure comprehensive environmental reporting.
4. **Mandate Specific Disclosures:** The code should mandate specific disclosures on:
  - Climate change mitigation (including Scope 1, 2, and 3 emissions).
  - Climate change adaptation.
  - Water and marine resources.
  - Resource use and the circular economy.
  - Pollution.
  - Biodiversity and ecosystems.
5. **Provide Detailed Guidance:** The code should provide detailed guidance on how organizations should measure, report, and manage these environmental factors.
6. **Strengthen Enforcement:** Mechanisms for enforcing environmental reporting requirements should be established.
7. **Training and Capacity Building:** Training and capacity building are essential to support organizations in implementing these changes.
8. **Urgent Action:** The rapid pace of climate change and environmental degradation necessitates urgent action to address these gaps.

## Conclusion:

The current Mauritian Code of Corporate Governance falls short of meeting the growing demands for environmental sustainability reporting. The absence of mandatory disclosures on critical environmental factors constitutes a significant gap. To ensure responsible corporate practices and contribute to sustainable development, the code must be revised to align with international standards and best practices, and a full review of the 2016 code must be undertaken. The implementation of the recommendations above is crucial for the future of sustainable business practices in Mauritius.