GUIDE FOR THE ISSUE OF SUSTAINABLE BONDS IN MAURITIUS

June 2021

TABLE OF CONTENTS

DISCLAIMER
This Guide has been issued for information purposes only with a view to assisting potential issuers in better understanding the legal and regulatory requirements for the issue of Sustainable Bonds in Mauritius.

Although reasonable care has been taken to ensure the accuracy of the information in this Guide as at the date of publication, this Guide is provided for ease of reference and no warranty or representation as to the accuracy, reliability or completeness of the information contained therein is provided. This Guide does not constitute professional, legal, financial or investment advice and must not be used as a basis for making investment decisions nor does it substitute or override prevailing legal and regulatory requirements and obligations. The Guide is in no way intended, directly or indirectly, as an attempt to market or sell any type of financial instrument. Advice from a suitably qualified professional should always be sought in relation to any particular matter or circumstances and no liability whatsoever shall be incurred for the consequences of actions/ decisions taken based on this Guide.

FOREWORD

Sustainable development, as defined by the United Nations, is development that "*meets the needs of the present without compromising the ability of future generations to meet their own needs*"[1]. Promoting sustainable, inclusive and equitable economic growth, creating greater opportunities for all, reducing inequalities, raising basic standards of living, fostering equitable social development and inclusion, and promoting integrated and sustainable management of natural resources and ecosystems are sine qua non conditions to the achievement of sustainable development.

In 2015, the *2030 Agenda for Sustainable Development*[2] was adopted by all United Nations Member States, including Mauritius. This Universal Agenda, comprising 17 Sustainable Development Goals (SDGs) and 169 targets to be met by 2030, set out a transformative plan of action and established a global partnership towards Sustainable Development.

In order to channel efforts towards the implementation of the SDGs in a holistic manner, the Government of Mauritius requested the United Nations Development Programme (UNDP) for support, and in 2016, a UNDP team fielded a mission in Mauritius to assist in the development of a Roadmap for the implementation of the 2030 Agenda.

This Roadmap, which was published in 2017, listed out 6 critical success factors for the implementation of the 2030 Agenda, with one critical success factor being the *financing of the SDGs*[3] It was noted that achieving Mauritius' ambitious national development priorities would require significant investments in sustainable development, and a financing strategy was of utmost importance to ensure that resource constraints do not become an obstacle. One key recommendation in this context was the development of a Green Finance framework for Mauritius and the exploration of the issuance of innovative financial instruments, including Green Bonds.

In the 2020/2021 Budget[4], the Minister of Finance, Economic Planning and Development announced that the Bank of Mauritius (BOM) would come up with a framework for Blue and Green bonds. Subsequently, a technical committee (hereinafter 'the technical committee') was set up, comprising of representatives of the BOM, Ministry of Financial Services and Good Governance, the Financial Services Commission (FSC), the Stock Exchange of Mauritius (SEM) and Standard Chartered, in order to work on the development of the domestic sustainable bonds market in Mauritius. The United Nations Resident Coordinator's Office also acted as a consultant to the technical committee. Guidance was also received from the World Bank and the Agence Française de Développement.

[1] Source : *Our Common Future,* Report by the Bruntland Commission of the United Nations
[2] Source : Transforming our world: the 2030 Agenda for Sustainable Development (https://sustainabledevelopment.un.org/post2015/transformingourworld)
[3] Source : Mauritius Roadmap for SDG Implementation (2017) (Section IV)
[4] Source : http://budget.mof.govmu.org/ (Budget measure 100(e))

The technical committee noted that providing clear guidance for issuers, investors, and intermediaries, such as verifiers, was a key step towards the establishment and development of a domestic sustainable bonds market. Hence, this Guide on Sustainable Bonds has been published to provide an overview of the requirements and process for the issuance of Sustainable Bonds and the listing of these Bonds on Exchanges licensed in Mauritius.

This Guide also seeks to ensure the integrity of the sustainable financing ecosystem in Mauritius and to prevent inter alia “green washing”. An overview of the relevant sanctions that could be applicable in the event of green washing is therefore outlined in this document.

There is currently a vast funding gap between the financial needs of Africa to meet the SDGs and the availability of global green financial flows which are currently directed towards Africa. Climate change impacts in Africa are predicted to comprise extreme losses to agriculture production, livestock, water supply, and human health, which, if not addressed, could result in major social, economic and national security issues. To plug this funding gap, African Governments and private companies could leverage on the Sustainable Bonds ecosystem in Mauritius to raise capital from the international investor community.

Finally, one important lesson that can be learnt from the 2020 Coronavirus pandemic is that Environmental, Social, and Governance (ESG) factors, sustainability and resilience are very important, both for markets and economies. Sustainable Bonds are therefore, more relevant than ever to help channel sustainable finance towards recovery and long-term resilience in a post-COVID world.

1. DEFINING SUSTAINABLE BONDS

1.1 WHAT are Sustainable Bonds?

Sustainable Bonds constitute financial instruments aimed at supporting sustainable development by raising capital to finance or re-finance Green or Social or Sustainability-linked projects.

In general, Sustainable Bonds can be distinguished from regular bonds by the specific use of the funds raised. Thus, in addition to evaluating the standard financial characteristics (such as maturity, coupon, price, and credit quality of the issuer), investors also assess the specific environmental and/or social purposes of the projects that the bonds intend to support

Figure 15 and Table 1 below describe the labelled Sustainable Bonds universe and provide a definition of the different types of Sustainable Bonds, respectively.

Figure 1: The Bond Universe

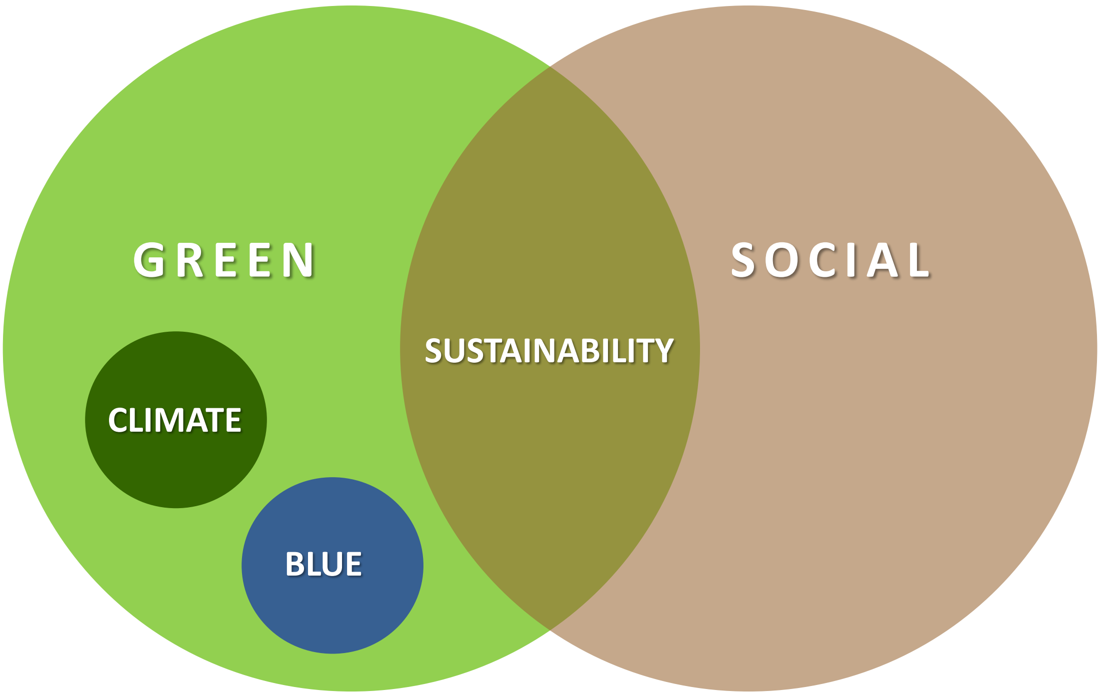


Figure 1 represents the Green, Social and Sustainability bond universe. Climate bonds and Blue bonds are considered subsets of green bonds.

[5] Source: Climate Bonds Initiative

Green Bond	A Green bond is a debt instrument which facilitates capital-raising and investments into new and/or existing qualifying Green projects which have environmental benefits and can mitigate risks associated with climate change. Some examples of qualifying Green projects may be projects having regard to renewable energy, energy efficiency, sustainable waste management, sustainable land use (forestry and agriculture), biodiversity, clean transportation and clean water
Blue Bond	Blue Bonds are a subset of Green Bonds, where the funds raised are used to finance the resilience of marine and coastal ecosystems, particularly in line with SDG 14 (Conserve and sustainably use the oceans, seas and marine resources for sustainable development). Related SDGs such as the sustainable management of water and action to combat climate change, may also be financed through the issuance of Blue Bonds.
Climate Bond	A Climate Bond is a subset of green bonds, where the proceeds are directed to projects/assets that have specific climate benefits.
Social Bond	A Social Bond is one where the proceeds of the bond are used for projects and assets with positive social outcomes such as health care and education.
Sustainability Bond or SDG Bond	A Sustainability Bond, also known as an SDG Bond is one that is used for the financing of a range of both social and environmental projects/assets. A SDG Bond invests in projects and assets that are aligned and contribute to the achievement of the Sustainable Development Goals (SDGs).

Table 1: Sustainable Bonds definitions

1.2 WHY issue Sustainable Bonds?

Sustainable Bonds benefit companies, investors, and the planet as a whole.

For instance, transitioning away from carbon-reliance and adapting to climate change is a serious challenge. The need for funds to combat climate change has been estimated as running into trillions of dollars, a sum which exceeds the budgets of the most developed Nations of the world. Green bonds, including subsets of Green Bonds such as Climate Bonds, Blue Bonds and Sustainability Bonds are financial instruments which provide a wide range of stakeholders, including governments, with the opportunity to fund a wide variety of projects which have an environmental and/or social impact.

Green Bonds can also foster the adoption of innovative new technologies, finance projects that provide green jobs, and facilitate the establishment of public-private partnerships that may accelerate the pace of green investment and promote economic and climate resiliency across regions. As for Blue Bonds, they help unlock the ocean economy, while also protecting the marine biosphere.

Similarly, Social Bonds can play a key role in providing access to capital for projects that contribute to socio-economic advancement and empowerment, affordable housing and infrastructure, access to essential services, employment generation, and food security. Moreover, recognizing that there is often a need to finance both environmental and social goals in tandem, Sustainability Bonds offer issuers the opportunity to fund a mix of green and social projects with their proceeds.

In the space of barely a decade, Green Bonds have gone from being an esoteric fringe product to a mainstream product in the international capital markets. Social Bonds, a more recent innovation, are also gaining momentum and are expected to expand rapidly as the race to reduce the inequality gap gathers pace. Social Bond issuances have been garnering increasing attention since the outbreak of the Coronavirus pandemic in early 2020, especially with investors seeking to achieve positive social outcomes while also achieving financial returns.[6]

The funds raised by Sustainable Bonds can be mobilized with traditional bonds. Being labelled as “Green” or “Blue” or “Climate or “Social” or “Sustainability”, however, allows Sustainable Bonds issuers to potentially benefit from:

- Investor diversification and the opportunity to tap into new markets
- Closer engagement with investors
- Increased corporate awareness / reputation
- Improved internal processes and awareness with regard to sustainability
- Government support and incentives

As for investors, labelled bonds are a way for them to easily and effectively support climate-smart or social investments through liquid instruments without giving up financial returns.

1.3 WHO can issue Sustainable Bonds?

There is no restriction on the type of organisation that can issue Sustainable Bonds. Issuers may be States, State corporations, supranational institutions and generally, subject to domestic requirements, any legal entity which can issue a bond may also engage in the issue of Sustainable Bonds.

[6] Source : IFC Thought leadership (*Social Bonds Can Help Mitigate the Economic and Social Effects of the COVID-19 Crisis* - By Sophie Peeters, Maud Schmitt, and Ariane Volk)

2. GLOBAL BENCHMARKS AND STANDARDS

Global benchmarks have been established to promote integrity in Bonds with 'Green' or 'Social' or 'Sustainability' labels through standards that recommend transparency, disclosure and reporting.

At the international level, two main voluntary processes for Green Bonds issuance have emerged:

- **Green Bond Principles (GBP)**, established by *the International Capital Market Association (ICMA),* focus on the process for labelling Green Bonds and provide potential issuers with guidance around four core principles:

  1. Use of Proceeds

  2. Process for Project Evaluation and Selection

  3. Management of Proceeds

  4. Reporting.

- **International Climate Bonds Standards**, established by the *Climate Bonds Initiative (CBI)*

  incorporates the GBP process into a standardised framework and provides guidance on 'what is eligible for green bonds', via an extensive list of green definitions.

The above also apply to subsets of Green Bonds, such as Blue Bonds and Climate Bonds.

With regard to Social Bonds issuance, the *ICMA* has issued **Social Bond Principles** that recommend transparency, disclosure and reporting along the same four core principles as the GBP. They are intended for use by market participants and are designed to drive the provision of information needed to increase capital allocation to social projects.

For Sustainability Bonds, where the proceeds will be used to finance or re-finance a combination of both Green and Social Projects, the *ICMA* has issued **Sustainability Bond Guidelines.** The four core principles of the GBP and their recommendations on the use of external reviews and impact reporting also apply to Sustainability Bonds.

RESOURCES

For more information on the ICMA's Green Bond Principles:
https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

For more information on the CBI Standards:
https://www.climatebonds.net/standard

For more information on the ICMA's Social Bond Principles:
https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/

For more information on the ICMA's Sustainability Bond Guidelines:
https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/

3. THE PROCESS FOR STRUCTURING AND ISSUING A SUSTAINABLE BOND

The infographic below provides an overview of the general pre-issuance, issuance and post-issuance process for a Sustainable Bond. This is covered in more detail on the next page.

STAGE	PRE-ISSUANCE	ISSUANCE	POST-ISSUANCE
FOCUS	Design of the Issuer's Green / Social / Sustainability Bond Framework	Preparing and making the Offer	Monitoring and Reporting
STEP 1	1. Establishing the targeted 'Use of proceeds'	1. Preparing the relevant documentation, depending on the type of offer	1. Management of the proceeds in line with the Issuer's Green / Social / Sustainability Bond framework
STEP 2	2. Establishing the process for project evaluation and selection	2. Obtaining regulatory approval for the offer	2. Reporting on the allocation of resources to the Green / Social / Sustainability projects
STEP 3	3. Establishing how the proceeds will be managed	3. Opening the offer	3. The issuer may also report on selected KPIs to provide an update of the status of the Green / Social / Sustainability projects
STEP 4	4. Undertaking an External Review	4. Offer distribution and allocation	

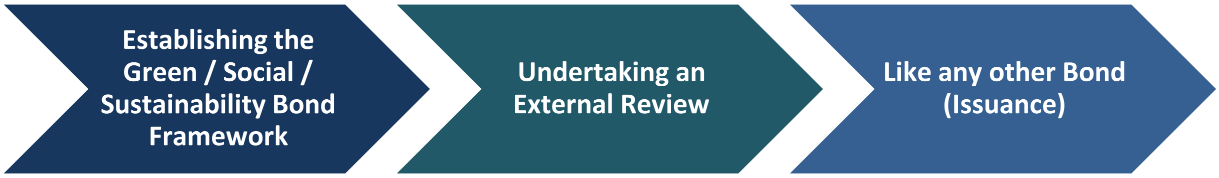
Figure 2: Overview of the general pre-issuance, issuance and post-issuance processes for a Sustainable Bond

3.1 Pre-issuance

3.1.1 Establishing the Issuer's Green / Social / Sustainability Bond Framework

The Sustainable Bond structuring process is similar to the process for structuring a regular bond, with an added emphasis on governance and transparency, especially with regard to the "Green" / "Social" / "Sustainability" aspect, to increase investors' confidence in the "Green" / "Social" / "Sustainability" credentials of the bond.

Steps to structure a Sustainable Bond:



Sustainable Bond Issuers need, first, to draft a document that details the type of projects to be financed, the use of proceeds, the management of proceeds and the issuer's commitment to reporting. This is called the Green Bond Framework / Social Bond Framework / Sustainability Bond Framework.

In order to establish their Sustainable Bond Framework, Issuers can refer to some widely-accepted guidelines and standards, as described in the following section and summarized in Table 2 on page 12.

For Green Bonds, issuers may align with the ICMA's Green Bond Principles, the Climate Bonds Initiative's (CBI) Climate Bonds Standard eligibility taxonomy or to other established standards. *(See Section 2 of this document for more information about international standards*)

There are several broad categories of eligibility for green projects which are aligned with the ICMA Green Bond Principles and the CBI taxonomy, including but not limited to:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green buildings which meet regional, national or internationally recognised standards or certifications

Projects that support or promote certain specific activities will not be eligible under this Guide. Exclusions[7] include, but are not limited to the following activities / industries:

- Exploration and production of fossil fuels
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source can be considered as trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Production or activities involving harmful or exploitative forms of forced labor[8]/harmful child labor[9]
- Production or trade in wood or other forestry products other than from sustainably managed forests; and
- Production or trade in any product or activity deemed illegal under National laws or regulations or international conventions and agreements.

Issuers of Blue Bonds and Climate Bonds may also align their framework with the ICMA's Green Bond Principles, the Climate Bonds Initiative's (CBI) Climate Bonds Standard eligibility taxonomy or to other established standards.

For Social Bonds, issuers may align with the ICMA's Social Bond Principles. As per the Social Bond Principles, some of the most commonly used types of projects supported by the Social Bond market include, but are not limited to, providing and/or promoting:

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)
- Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services)
- Affordable housing
- Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance
- Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient

[7] Exclusion list includes items from the *IFC Exclusion List (2007) (http://www.ifc.org/exclusionlist)*
[8] Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
[9] Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)
- Socioeconomic advancement and empowerment

As for Sustainability Bonds, where the proceeds are applied to finance or re-finance a combination of both Green and Social Projects, according to the *Sustainability Bond Guidelines* published by the *ICMA*, these can be aligned with both the *Green Bond Principles* and *Social Bond Principles* with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

LABELLED BOND	RELEVANT GUIDELINES AND STANDARDS
Green Bond	*ICMA's Green Bond Principles*, the *Climate Bonds Initiative's (CBI)* Climate Bonds Standard eligibility taxonomy or to other established standards.
Blue Bond	*ICMA's Green Bond Principles*, the *Climate Bonds Initiative's (CBI)* Climate Bonds Standard eligibility taxonomy or to other established standards.
Climate Bond	*ICMA's Green Bond Principles*, the *Climate Bonds Initiative's (CBI)* Climate Bonds Standard eligibility taxonomy or to other established standards.
Social Bond	*ICMA's Social Bond Principles*
Sustainability Bond or SDG Bond	*ICMA's Green Bond Principles* and ICMA's *Social Bond Principles,* with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.
Sustainability-linked Bond	*ICMA's Sustainability-Linked Bond Principles*

Table 2: The relevant guidelines and standards applicable to the different Sustainable Bonds

Issuers who intend to launch a Sustainable Bond in line with the *ICMA's Green Bond Principles/ Social Bond Principles* are required to comply with a Green Bond Framework / Social Bond Framework having the following four core components, as illustrated in Figure 3 and described in more detail below:

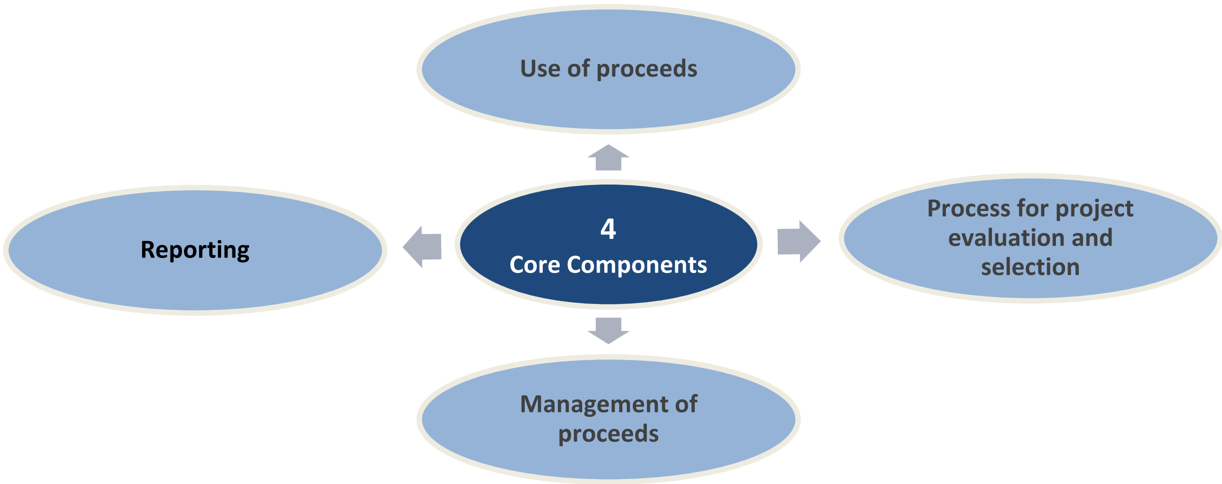


Figure 3: The 4 core components of the *Green Bond Principles / Social Bond Principles*

(1) Core Principle 1: Use of proceeds

It is imperative that the proceeds are utilized to finance or re-finance Green / Social projects, and this should be appropriately described in the legal documentation underlying the security. All designated Green Projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer, and a similar degree of disclosure is also applicable with regard to the use of proceeds for Social projects in the case of Social Bonds.

Issuers are required to define and disclose which Green / Social projects, assets or activities they will be funding and how they will be managing and allocating the funds. Issuers are also encouraged to describe how their Green / Social projects contribute to which Sustainable Development Goal.

The Green Bond Principles / Social Bond Principles explicitly define the eligible 'Green'/ 'Social' project categories

(2) Core Principle 2: Process for project evaluation & selection

Green/Social/Sustainability Bond issuers should clearly communicate the Bond's environmental/social/sustainability objectives to their investors, as well as the process by which the issuer determines the 'Green /'Social' eligibility of the project.

The issuer should ensure at least the following information are disclosed to the FSC or BOM, as applicable, as well as to investors, and to the Securities Exchange (if listed) before issuance:

(a) The internal process for evaluating how the proposed project is classified as a qualifying Green / Social project

(b) The expected environmental / social benefits of the proposed project.

(c) The internal process around the selection and approval of the proposed project.

(d) Any standards or certifications referenced in the proposed project.

(e) The process endorsed to identify and manage potential environmental / social risks associated with the proposed projects.

Any standards or certifications used and the findings of an external review *(see Section 3.1.2 – External Review)* should be clearly stated in the documentation underlying the Sustainable Bond.

(3) Core Principle 3: Management of proceeds

The *Green Bond Principles / Social bond Principles* recommend a high level of transparency and an issuer should, to the best of its ability, clearly describe the process by which it will be managing the proceeds.

For instance, *The Green Bonds Principles* recommend that "*The net proceeds of the Green Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer's lending and investment operations for Green Projects.*" It also recommends that, as long as the Green bond is outstanding, the issuer should disclose periodic reconciliation of the green account against project expenditures and how the unallocated balance is placed. The use of an auditor or third party to verify internal tracking and allocation process is also encouraged.

(4) Core Principle 4: Reporting

Reporting is an integral part of an issuer's Green / Social / Sustainability Bond Framework. Issuers are required to report on the allocation of proceeds to eligible projects. This is usually communicated in an annual report where the issuer can specify the list of eligible projects, provide a brief description of the projects and stipulate the respective allocations. The issuer may also report on the expected impact of its Sustainable Bond.

In addition to annual reporting, Issuers are encouraged to provide more frequent periodic reporting which would increase transparency on the allocation of proceeds and investor confidence. Other formats such as Use of Proceeds Reports, Audit/Verification reports, ESG/Sustainability Reports featuring information on the funding behind the security, Newsletters (or equivalent) giving appropriate information on the use of proceeds (projects, sectors, geographies and, if possible, expected impact) and/or Impact Reports may also be considered.

3.1.2 The External Review

It is recommended that, in connection with the issuance of a Sustainable Bond, issuers appoint an external review provider, who may be a consultant or an institution with recognised expertise in environmental sustainability or other aspects of the issuance of a Sustainable Bond.

The external review provider must be independent from the issuer, as well as the issuer's advisor (if any) for its Green / Social / Sustainability Bond framework. Moreover, the external review provider should be authorised or registered by the FSC or BOM, as applicable.

All institutions providing external reviews should be guided by the following five fundamental ethical and professional principles:
1. Integrity
2. Objectivity
3. Professional Competence and Due Care
4. Confidentiality
5. Professional Behaviour

Depending on the type of external review being provided (i.e. Second Party Opinion, verification, certification or Green, Social or Sustainability Bond scoring/rating), external reviewers should:
- Have expertise in the eligible Green and/or Social Bond Project categories;
- Assess the environmental and/or social benefits and impact targeted by the eligible Green and/or Social Projects financed by the Sustainable Bond;
- Confirm/review the alignment with the four core components of the Green Bond Principles / Social Bond Principles, as applicable;
- Evaluate where relevant the potentially material environmental and/or social risks associated with the Projects, identified by the issuer; and
- State their independence from the issuers in their review report.

An external review can be provided in one or more of the following forms[10]:

- **Second Party Opinion**: A Second Party Opinion provided by consultants, audit firms and/or institutions with expertise in relation to sustainability or other aspects of the issuance of a Sustainable Bond. It normally entails an assessment of the alignment of the Bond with the Green Bond Principles or Social Bond Principles, as applicable, and it can include an assessment of the issuer's objectives, strategy, policy and/or processes relating to environmental / social sustainability, and an evaluation of the environmental / social features of the projects for which capital is being raised through the Bond.

[10] Source: June 2018 Green Bond Principles Voluntary Process Guidelines for Issuing Green Bonds

- **Verification**: Performed by qualified independent parties, such as auditors, it provides assurance on the alignment of the issuer's claims or its internal framework.
- Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from the Sustainable Bond proceeds, statement of environmental / social impact or alignment of reporting with the Green Bond Principles or Social Bond Principles, as applicable, may also be termed verification.

- **Certification**: Provided by qualified third parties/certifiers, it endorses the bond, its framework or its use of proceeds against an external green or social assessment standard (e.g. The Climate Bond Initiative standards[11]). For example, an issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified third parties, which may verify consistency with the certification criteria.

- **Rating report**: Given by specialised research providers or rating agencies, Green / Social bond ratings apply to individual securities (or issuance/programmes).

An issuer can have its Sustainable Bond, associated Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology.

3.2 Issuing a Sustainable Bond

Generally, Sustainable Bonds, once structured, may be issued like regular bonds, either:

- by making an offer to the public; or
- by way of a preferential offer

Specific requirements may, however, apply where the BOM acting as agent of the Government raises loans for investment in projects promoting the sustainable economic development in Mauritius.

3.2.1 An offer to the public

When making an offer to the public, the Sustainable Bonds Issuer must register a Prospectus with the FSC, in line with the Securities Act and the Securities (Public Offer) Rules. Part V of The Securities Act and the Securities (Public Offer) Rules provide for the conditions to be fulfilled when making an offer of securities to the public, as well as the contents of the Prospectus.

RESOURCES
The FSC has issued a Circular regarding the procedures to register a Prospectus. For more information, you may refer to the following link:
https://www.fscmauritius.org/media/2425/circular-letter-procedures-for-registration-of-prospectus-24-sep-15-89485.pdf

[11] Source : https://www.climatebonds.net/

3.2.2 A preferential offer

A preferential offer, as per the Securities (Preferential Offer) Rules 2017, is defined as:

(a) an offer or issue of securities that is a private placement;

(b) an offer or issue of securities that is made only to sophisticated investors; or

(c) an offer or issue of securities only to related corporations of the issuer of the securities.

The Securities (Preferential Offer) Rules 2017 *interalia* cater for the following:

(a) Conditions to be fulfilled

(b) Allotment of securities

(c) Notification to be made to the Commission

(d) Contents of the Preferential Offer document

(e) The minimum cost of subscription for a private placement is Mur 1 million.

An issuer of debt securities who is targeting 25 investors or more shall:

(a) seek a listing on a securities exchange; or

(b) be rated by a credit rating agency licensed by the Financial Services Commission (FSC) or an authority which is a signatory to the International Organisation of Securities Organisation Multilateral Memorandum of Understanding (IOSCO MMoU).

3.3 Post-issuance

Once the Sustainable Bond has been issued, the Issuer needs to report on the allocation of the proceeds to the eligible projects on a periodical basis, in line with its established Bond Framework. The issuer may also report on the expected impact of the Sustainable bond by using select KPIs.

Post-issuance reporting is important as provides confirmation that the proceeds have been applied as indicated in the Sustainable Bond's Framework and this provides comfort to the investors who have subscribed to the Sustainable Bond.

3.4 Regulation

3.4.1 Raising of loans by the BOM

Any loan raised by the issue of securities for investing in projects promoting the sustainable economic development of Mauritius including the blue and green economy may be effected by the BOM acting as agent of Government of Mauritius pursuant to section 57 of the Bank of Mauritius Act which provides that the BOM may undertake the issue and management of loans publicly issued in Mauritius by Government. Public loans issued in Mauritius must also comply with the Public Debt Management Act.

3.4.2 Other Sustainable Bond issuance

All other Sustainable Bonds, including:

(i) Sustainable Bonds issued or marketed in Mauritius by Sovereign issuers, other than the Government of Mauritius; and

(ii) Sustainable Bonds issued or marketed by local or foreign corporates in Mauritius to 25 or more investors;

shall be regulated by the Financial Services Commission.

Sustainable Bonds listed on a Securities Exchange are also governed by the Rules and Regulations of the Exchange. For instance, Sustainable Bonds listed on the Stock Exchange of Mauritius are governed by the Listing Rules or Development & Enterprise Market Rules of the Stock Exchange of Mauritius.

3.4.3 Compliance with AML/CFT requirements

The Sustainable Bond issuer shall ensure strict compliance with applicable AML/CFT requirements to ward off potential risk that these bonds may be misused to launder proceeds of crime.

The BOM and the FSC, as applicable, will enforce compliance with applicable AML-CFT legal and regulatory requirements with respect to the issuance of sustainable bonds and impose sanctions for potential breaches.

4. LISTING SUSTAINABLE BONDS

A listing can provide much-needed visibility to a Sustainable Bond, and can help to attract investors' interest, enhance secondary trading liquidity and facilitate capital raising.

This section provides an overview of the process for listing, firstly a Sovereign Sustainable Bond issued by the Government of Mauritius, and secondly a Sustainable Bond issued by a company, on the Stock Exchange of Mauritius (SEM).

For more information regarding listing on the SEM, the Listing Division of the SEM can be contacted on **+230 212 9541** or via email at **listings@sem.intnet.mu.**

4.1 Listing a Sovereign Sustainable Bond on the SEM

Issuing and listing a Sovereign Sustainable bond on the SEM can send a strong signal of the Government's commitment to sustainable development. This can inspire the private sector to follow suit. Moreover, by undertaking the exercise of categorizing eligible assets and projects while structuring a Sustainable Bond programme, Government can improve its awareness of the alignment] between its balance sheets and green / social / sustainability ambitions and potentially improve government tracking of climate-related / social-related / sustainability-related expenditure.

Other benefits of listing a Sovereign Sustainable Bond include reputational benefits and investor diversification, as the Bond could attract new socially responsible investors and asset managers with responsible investment mandates. For example, Poland experienced considerable investor diversification following its sovereign Green Bond issue, with green investors making up 61% of the investor pool. Most of these green investors were new and had not previously invested in Polish sovereign bonds.[12]

Sovereign Sustainable Bonds can also provide a nascent Sustainable Bond market with the necessary scale and liquidity to encourage trading and facilitate price discovery. A sovereign issuance also indirectly sets good practice issuance processes and standards for the whole market. Moreover, a Sovereign Sustainable Bond issue is a way for Governments to channel private sector investments into sustainable development projects.

The listing process for a Sovereign Sustainable Bond on the SEM can be summarized as follows:

Figure 4: Summarised process for the listing of a Sovereign Sustainable Bond on the SEM

[12] Source: "A greener hue to European sovereigns", Institutional Investor, April 2017.

4.1.1 Submission of listing application

- A very simplified Listing Particulars listing out all the key terms relating to the bond and the allocation of the proceeds, completed application forms and a document certifying objectively the true "Green" / "Social" / "Sustainable" nature of the bond, as applicable, need to be submitted to the SEM
- Listing application fees are also waived for Sovereign securities.

4.1.2 Approval by the SEM

- Once the listing of the Sovereign Sustainable Bond has been approved by the SEM, an announcement to that effect has to be published in at least two daily newspapers of wide publication and posted on SEM's website.

4.1.3 Admission to listing and trading on the SEM's platform

- The Sovereign Sustainable Bond can then be admitted to listing and trading on the SEM's platform
- Additional marketing material and investor presentations can be developed in connection with the listing to promote the issuance, showcasing the projects financed, the main elements of the Bond framework (eligible sectors, the guidelines/standards of reference, management of proceeds, reporting), and alignment with the Government strategy for economic growth/ job creation/poverty alleviation/transition to a low-carbon economy.

4.1.4 Post-listing requirements

- Sovereign securities are not required to fulfil listing requirements with regard to filing of accounts
- However, reporting on the use of proceeds is an important part of the transparency process of the Sustainable Bond market. It is at the issuer's discretion to choose its preferred reporting format, KPIs and frequency when deciding upon its Bond Framework, and to report accordingly. Minimum frequency is once during the lifecycle of the security but reporting can be more frequent on a voluntary basis. The reporting should be supplied within 12 months following the listing of the bond.

4.2 Listing of a Corporate Sustainable Bond on the SEM

The SEM has established itself as an attractive regional capital raising platform and an Exchange of reference in Africa. Over the last decade, out of the 183 new listings, 96 are new foreign listed securities listed in international currencies. Out of a total amount of USD 6.7+ billion raised by SEM listed issuers since 2010, USD 5 billion have been raised by international issuers listed on SEM. Listing on the SEM will enable the Sustainable Bond issuer to raise capital from international investors and asset managers who have set aside funds for responsible investments. International issuers may also have resort to dual listing on the SEM to widen their investor reach.

Moreover, the SEM operates a unique platform whereby issuers can list, trade and settle in multiple currencies, including the USD, GBP, EURO, ZAR and MUR. The SEM also offers a dual-currency trading facility. A Sustainable Bond can therefore avail of these facilities when listed on the SEM to hone its attractiveness and accessibility towards its target investors.

A listing on the SEM may also improve liquidity in the listed Sustainable Bond.

The listing process for a Sustainable Bond on the SEM can be summarized as follows:

Figure 5: Summarised process for the listing of a Corporate Sustainable Bond on the SEM

4.2.1 Submission of listing application

- The Issuer must meet the SEM's requirements for listing on the Official Market or the Development & Enterprise Market (DEM) and prepare a Listing Particulars or an Admission Document accordingly, for submission to the SEM as part of its listing application.
- The Listing Particulars or Admission Document must provide detailed information on the intended 'Green' / 'Social' / 'Sustainability' nature of the bond and the allocation of the proceeds.
- A copy of the External review (*see Section 3.1.2 – External Review*) should also be submitted to the SEM at the time of application.
- In the case of a public offer, the Issuer will also need to submit a Prospectus (this may be the same document as the Listing Particulars / Admission Document) to the FSC.

4.2.2 Approval by the SEM

- The SEM does not take a position with regard to the labelling of the Sustainable Bond. It is the Issuer's responsibility to ensure that it is aware of the relevant criteria to label a Bond as 'Green' / 'Blue' / 'Climate' / 'Social' / 'Sustainability and declare that it complies accordingly. The use of proceeds applicable to the Bond shall be described in the Issuer's documentation and supporting materials provided to the Exchange and confirmed in the external review submitted as part of the application.
- Once approval has been obtained from the SEM's Listing Executive Committee, an announcement has to be published in at least two daily newspapers of wide publication and posted on SEM's website after same will have been communicated to the market via the investment dealers.

4.2.3 Admission to listing and trading on the SEM’s platform

- The Sustainable Bond may then be admitted to listing and trading on the SEM’s platform.
- Additional marketing material and investor presentations can be developed in connection with the listing to promote the issuance, showcasing the projects financed and the main elements of the Sustainable Bond’s framework.

4.2.4 Post-listing requirements

- Following the listing of the Sustainable Bond on the SEM, the Issuer has to make a compulsory registration with the FSC as a Reporting Issuer pursuant to Section 86 of the Securities Act 2005 and Rule 3 of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007.
- Under Section 86 of the Securities Act 2005, “reporting issuer” interalia means an issuer whose securities are listed on a securities exchange in Mauritius.
- The Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 provide for the ongoing obligations in terms of general obligations, Submission of financial statements and reports, notifications to the Commission and Securities Exchange, winding up and liquidation among others.
- In addition to the post-listing requirements as per the SEM’s Listing Rules or DEM Rules, Sustainable Bond Issuers must provide information about the intended and actual use of proceeds.
- It is at the issuer’s discretion to choose its preferred reporting format, KPIs and frequency when deciding upon the Sustainable Bond’s Framework, and to report accordingly. Minimum frequency is once during the lifecycle of the security but reporting can be more frequent on a voluntary basis. The first reporting should be supplied within 12 months following the listing of the bond.

5. NON-COMPLIANCE OF THE SUSTAINABLE BOND ISSUER WITH ITS COMMITMENTS AND OBLIGATIONS AND THE CONSEQUENCES OF SUCH NON-COMPLIANCE

Green washing is the practice of making an unsubstantiated or misleading claim about the environmental benefits of a product, service, technology or company practice.

When issuing a Sustainable Bond, Issuers can protect the credibility of their Bond and dispel concerns over potential green washing or such similar non-compliance with the Bond's commitments as per its established framework by:

- Defining Sustainable Bond criteria clearly in line with a well-established Guideline, such as ICMA's Green Bond Principles / Social Bond Principles.
- Being transparent with investors: we recommend transparence about the bond criteria and use of proceeds, in order to avoid any misunderstanding on how funds will be allocated.
- Putting in place robust management processes and controls: we recommend issuers develop processes and controls in line with the ICMA's Green Bond Principles / Social Bond Principles
- Measuring and reporting regularly on the environmental / social outcomes of the funded projects throughout the life of the Sustainable Bond
- Providing independent external review / third party assurance to provide investors with confidence in the processes, controls and information reported

Non-compliance with one or more commitments undertaken under a Sustainable Bond issue subjects the issuer to the legal and regulatory sanctions, which may include a direction to ensure compliance with Guidelines issued under section 7(1) (b) of the Financial Services Act 2007 and sanctions under section 7(1) (c) of the Financial Services Act 2007.

In the case of unlisted Sustainable Bonds, the FSC shall communicate to the issuer the breach and authorize the issuer to take remedial steps to rectify the breach, subject to an agreed timeframe.

In the case of listed Sustainable Bonds, in addition to the above, the SEM shall also communicate to the issuer the breach and authorize the issuer to take remedial steps to rectify the breach, subject to an agreed timeframe, failing which the SEM shall sanction the issuer as per the provisions of its Listing Rules / DEM Rules.

In addition to this, bondholders could sue the issuer in a Court or law and ask for compensation or even nullity of the transaction.

ANNEX 1: THE GLOBAL RISE OF GREEN BONDS

The global Green Bonds markets have grown exponentially since the first issue of AAA-rated Green bonds by the European Investment Bank and World Bank in 2007. November 2013 was a turning point in the market, with the issue of the first corporate green bond by Vasakronan, a Swedish property company, which paved the way for many other large corporate issues. The first green municipal bond was issued by Massachusetts in June 2013.

The mix of issuers has now evolved to include governments and agencies, utility companies and other corporations, who are making use of this instrument to raise capital for projects relating to renewable energy, energy-efficient buildings, sustainable forestry and agriculture, low-emissions transit and other initiatives for positively combating climate change.

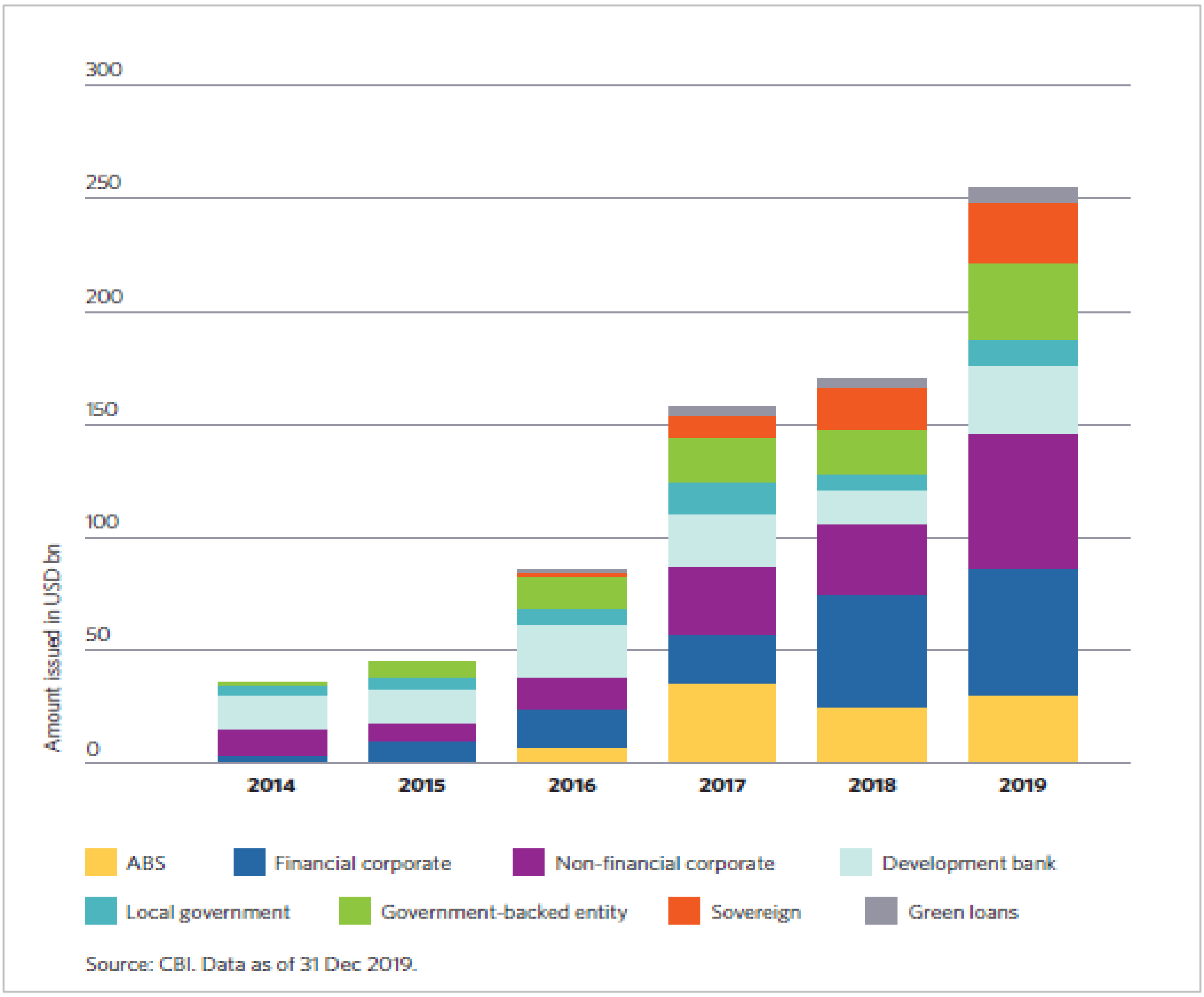


Figure 6: Growth of the Green Bonds market by Issuer type

For the African continent, Sustainable finance and Sustainable Bonds have significant potential to drive progress towards sustainable development goals. Moreover, the COVID-19 pandemic has further highlighted the importance of sustainability and resilience and the trends driving the shift towards sustainability are here to stay.

THIS PAGE INTENTIONALLY LEFT BLANK