Report: The Critical Role of Investor Relations in Driving Sustainability Reporting in Mauritius

Prepared by: Fadeke Ayoola **Date:** 02/06/2023 (As provided) **Subject:** Analysis of the importance of investor relations in driving sustainability reporting, particularly concerning climate change and environmental factors, within the context of the Mauritian Code of Corporate Governance review.

Introduction:

This report underscores the critical role of investor relations in driving robust sustainability reporting practices, specifically focusing on the disclosure of climate change mitigation (Scope 1, 2, and 3 emissions), climate change adaptation, water and marine resources, resource use and the circular economy, pollution, and biodiversity and ecosystems. The analysis will be conducted in the context of the Mauritian Code of Corporate Governance review and will draw on the principles of the United Nations Principles for Responsible Investment (UNPRI).

The Importance of Investor Relations in Sustainability Reporting:

Investors are increasingly demanding transparency and accountability on ESG (Environmental, Social, and Governance) issues. They recognize that sustainability factors can significantly impact long-term financial performance and risk management. Effective investor relations are crucial for communicating an organization's sustainability strategy, performance, and outlook.

Key Linkages to UNPRI Principles:

The UNPRI provides a framework for integrating ESG considerations into investment practices. The following principles are particularly relevant to the role of investor relations in sustainability reporting:

- **Principle 1: Incorporating ESG Issues into Investment Analysis and Decision-Making:**
  - Investor relations professionals play a vital role in providing investors with the necessary information to assess ESG risks and opportunities.
  - This includes disclosing data on climate change mitigation, adaptation, and other environmental factors.
- **Principle 2: Being Active Owners and Incorporating ESG Issues into Policies and Practices:**
  - Investor relations facilitates dialogue between companies and investors on ESG issues, enabling active ownership and engagement.

    - This dialogue can encourage companies to improve their sustainability performance and disclosures.
- **Principle 3: Seeking Appropriate Disclosure on ESG Issues:**
    - Investor relations professionals are responsible for ensuring that companies provide clear, consistent, and comparable ESG disclosures.
    - This includes using standardized reporting frameworks like the Global Reporting Initiative (GRI) and integrating ESG information into annual reports.
    - Specifically, investors are demanding clear data on:
        - Climate change mitigation (Scope 1, 2, and 3 emissions).
        - Climate change adaptation strategies.
        - Water and marine resource management.
        - Circular economy initiatives and resource use.
        - Pollution control and reduction.
        - Biodiversity and ecosystem conservation.
- **Principle 6: Reporting on Activities and Progress:**
    - Investor relations professionals are responsible for communicating the company's progress on ESG goals and initiatives to investors.
    - This includes disclosing how ESG issues are integrated into investment practices and reporting on active ownership activities.

Investor Expectations and Demands:

Investors are increasingly focused on:

- **Climate-related risks and opportunities:** Investors want to understand how companies are managing climate change risks and transitioning to a low-carbon economy. This requires detailed disclosure of Scope 1, 2, and 3 emissions, as well as climate adaptation strategies.
- **Environmental impact:** Investors are concerned about the impact of companies' operations on water resources, biodiversity, and ecosystems. They are looking for data on resource use, pollution, and conservation efforts.
- **Transparency and comparability:** Investors need access to standardized and comparable ESG data to make informed investment decisions.
- **Long-term value creation:** Investors recognize that sustainability is essential for long-term value creation. They want to invest in companies that are committed to sustainable business practices.

Recommendations for the Mauritian Code of Corporate Governance:

1. **Strengthen ESG Disclosure Requirements:** The code should mandate comprehensive ESG disclosures, including specific requirements for climate change, resource management, and biodiversity.
2. **Promote Standardized Reporting:** Encourage the use of standardized reporting frameworks like GRI and the Task Force on Climate-related Financial Disclosures (TCFD).
3. **Enhance Investor Engagement:** Promote regular dialogue between companies and investors on ESG issues.
4. **Integrate ESG into Financial Reporting:** Encourage the integration of ESG information into annual financial reports.
5. **Educate Investors and Companies:** Provide training and resources to educate investors and companies on ESG reporting and best practices.
6. **Focus on Materiality:** Ensure that ESG disclosures are focused on material issues that are relevant to the company's business and stakeholders.
7. **Emphasise Scope 3 emissions reporting:** Due to the complexity, and importance, of Scope 3 emissions, this should be given extra attention within the code.

Conclusion:

Investor relations play a vital role in driving sustainability reporting and promoting responsible investment. By engaging with investors, companies can improve their ESG performance, enhance transparency, and create long-term value. The Mauritian Code of Corporate Governance should recognize the importance of investor relations and incorporate provisions that encourage robust sustainability reporting practices.