

The Bank of Mauritius Climate Change Pledge

Background

It has been recognised worldwide that, after the COVID-19 pandemic, the next major threat that will likely affect the global financial system is climate change. The nature of climate change is such that if actions are not taken now, its effect on the economy would be devastating. Economies worldwide and economic growth would be impacted, with snowballing effects on livelihood.

As regards Mauritius' vulnerability to climate risks, the country has been listed in the World Risk Report 2021 as 51st out of 181 countries with the highest disaster risk. Extreme weather events, such as flash floods, are being experienced and are becoming more severe. Mauritius is also experiencing climate change-induced sea-level rises to the order of 5.6mm per year and has witnessed beach erosion of nearly 20 meters over the past decade. On the flip side, despite experiencing increasingly severe flash floods, the overall rain precipitation in Mauritius has been on the decreasing trend and, in the coming years, the island may become a water-stressed area.

In this respect, the Bank of Mauritius (Bank) recognises that climate-related and environmental risks constitute economic threats. Thus, they may have important impact on the safety and soundness of financial institutions and pose risks to financial stability. In light thereof, the Bank has incorporated climate-related and environmental risks on its agenda to ensure that these financial risks are identified, addressed and mitigated. It is underscored that the stance of the Bank is in line with the United Nations Sustainable Development Goals and the Paris Agreement.

The Bank became a member of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) in July 2020 to keep abreast of latest developments in the field as well as to participate in the sharing of experience and expertise. This membership also translates the Bank's focus on sustainable development and on embedding the concept of a greener banking sector in Mauritius.

On 14 October 2021, the Bank established its Climate Change Centre to facilitate the achievement of its objectives regarding climate change and environmental issues.

Commitments of the Bank in line with the NGFS' recommendations in the Guide for Supervisors:

- (i) The Bank will provide its full support to the Climate Change Centre to achieve its objective vis-à-vis climate change and environmental issues**
- (ii) The Bank will continue its outreach sessions with the financial sector players and relevant stakeholders to build awareness and knowledge on climate-related and environmental risks and their impact on the financial system; and**
- (iii) The Bank will issue a Guideline on Climate-related and Environmental Financial Risk Management by the first quarter of 2022.**