

## **Priscilla Muthoora Thakoor: Supervision of climate risks**

Speech by Dr Priscilla Muthoora Thakoor, Governor of the Bank of Mauritius, at the workshop on supervision of climate risks, Port Louis, 26 February 2026.

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Mr Rajeev Hasnah, First Deputy Governor, Bank of Mauritius

Dr Désiré Vencatachellum, Chief Executive, Financial Services Commission

Mr Jose Maria Troncoso Perera, Counsellor and Head of Cooperation at the Delegation of the European Union to the Republic of Mauritius

Ms Laetitia Habchi, Director, Agence Française de Développement, Mauritius

Mr Stéphane Tourte, Chef de mission Contrôle Bancaire, Autorité de Contrôle Prudentiel et de Résolution (ACPR), Banque de France

Chief Executive Officers of banks and Mauritius Bankers Association

Colleagues from the Bank of Mauritius

Members of the press

Ladies and Gentlemen,

Good morning.

I am pleased to welcome you all to this workshop on supervision of climate risks, which will be conducted by Mr Stéphane Tourte from Banque de France.

[Merci M. Tourte d'avoir fait tout ce chemin de Paris pour partager avec nous votre vaste expérience en matière d'intégration de risques climatiques dans la supervision bancaire et pour la formation de nos équipes.] Thank you very much Mr Tourte for coming all the way from Paris to share your vast experience in bank examinations and train our on-site teams.

This mission is part of the Technical Assistance from Banque de France under the EU/ Agence Française de Développement (AFD) SUNREF Cap sur la Finance Durable Programme. I wish to express my heartfelt gratitude to the EU and AFD for their noticeable contribution towards greening the financial system and the Mauritian economy.

In view of the theme of the workshop and in the light of the recent publication of the World Bank's Country Climate and Development Report (CCDR) for Mauritius, I will focus my address today on two main areas: First, the progress and challenges in relation to the implementation of the Bank of Mauritius Guideline on Climate related and

Environmental Financial Risk Management. Second, the expected contribution of banks in the mobilisation of climate finance to accelerate the transition to a low-carbon and resilient economy.

The CCDR confirms that Mauritius is expected to experience significant climate disruptions over the next 25 years, including extreme temperatures, increased cyclone severity, more frequent flash floods, sea warming, and sea level rise. The authors of the report have underlined that under a "Compound Shocks Scenario", whereby multiple shocks occur in quick succession, the potential aggregate impact on our GDP could be up to 10 per cent in a single year. This is indeed food for thought not only for CEOs of banks but also for us, the regulator, in view of our mandate to maintain price and financial stability.

From the Bank of Mauritius' perspective, it is about identifying, quantifying and mitigating the risks that are most relevant to financial stability. We are increasingly aware of how physical risks can affect macroeconomic outcomes, including inflation. Transition risks need to be further explored to understand the exposure of banks and the financial stability risks from rapid adjustment in equity prices and the impact on banks' balance sheets. Integration of climate change and climate risks into our policy frameworks is not mandate creep. It is about ensuring the resilience of our banking sector and our economy.

Ladies and Gentlemen

Around the world, central banks are mainstreaming climate risk in their frameworks and operations. Against this backdrop, the Bank has set up its Climate Change Centre (CCC) in October 2021 with the main objectives of integrating climate risk considerations into its regulatory, supervisory and monetary policy frameworks. The CCC also aims to support the development of sustainable finance and reduce the Bank's carbon footprint.

The successful attainment of these objectives is, however, challenging, as climate risk is a new and complex area that requires the development of additional competencies, supported by peer learning and dedicated capacity building efforts. This technical assistance from Banque de France will contribute to meeting our climate objectives in terms of strengthening our regulatory, supervisory and macroprudential frameworks on climate risk, thereby reinforcing our internal capabilities on climate modelling and measuring and reducing carbon emissions from our physical operations.

Ladies and Gentlemen

I will now focus on the supervisory assessment with regard to the management of climate risks by banks.

Our Guideline on Climate-related and Environmental Financial Risk Management, which is effective as from January 2024, sets out clear expectations for financial institutions to adopt prudent risk management practices. It requires financial institutions to integrate climate risks in their operations and internal frameworks and also issue public climate-related disclosures. The Guideline also requires banks to consider opportunities that would arise from the transition to a low-carbon economy and

accordingly lend to adaptation and mitigation projects which could provide appropriate risk-return trade-offs.

Banks have already published their climate disclosures in their annual reports and we are pleased to note progress in the integration of climate risk into their governance structures, strategic planning and risk management frameworks. However, at this stage, disclosures remain largely qualitative due to persistent data limitations.

In parallel, the Bank launched its first climate related scenario analysis for the banking sector to assess potential credit losses under two plausible climate scenarios. To complement its off-site assessment, the Bank will also integrate climate risk in its on-site examinations of banks in the coming months to assess how far banks have implemented supervisory expectations and are prepared to manage climate-related risks.

In the light of insights from the on-site examinations, I have called upon my team in the CCC and Supervision department to engage more actively with banks to support them in their climate-related work.

Ladies and Gentlemen

I will now share my thoughts on the key role banks are expected to play in the mobilisation of climate finance.

We have reached a critical juncture. The climate crisis is no longer a distant threat- it is a current reality, manifesting in severe floods, scorching droughts, and devastating wildfires. We know that the solutions exist, but they remain locked behind a wall of underinvestment.

Most countries have Nationally Determined Contributions (NDCs) in the context of the Paris Agreement to decarbonize the economy by reducing anthropogenic GHG emissions. For Mauritius, under the NDC 3.0, investment in climate adaptation and mitigation will require substantial investment.

This ambitious target can only be achieved if private sector action on climate change is scaled up and global finance flows are reoriented towards low-carbon development and climate resilience. Climate finance from the public sector alone will be insufficient. A key issue is how to mobilise climate finance on a scale.

Indeed, results from our surveys indicate noticeable growth in banks' green exposures over the last few years, supported to some extent by guarantees and credit lines under the SUNREF program. However, as a ratio of banks' total loan portfolio, green exposures are still very low. The CCDR estimates that over 70% of the annual climate finance gap of around USD 213 million per year over the next five years, could potentially be funded by banks. The implementation of targeted de-risking mechanisms together with policy clarity and certainty are crucial to unlock private capital towards projects that are aligned with our national environmental objectives.

There is also consensus that a supportive financial ecosystem, in terms of climate finance taxonomies, climate disclosure standards, and climate-related statistics, is

essential to facilitate more accurate market pricing of risks, enable more informed investment decisions, and foster the growth of climate finance.

The green taxonomy framework is being finalised and the Mauritian authorities are working on a roadmap for the eventual adoption of the ISSB standards, IFRS S1 and IFRS S2 in Mauritius. However, a major concern is the persistent climate data gaps that are hindering proper assessment and reporting of climate risks. The Bank of Mauritius will contribute to national initiatives aimed at strengthening the domestic climate data infrastructure.

I make an appeal to banks to proactively adapt their business models, innovate their financial products, and support clients in their sustainability transitions. As part of the banking sector ESG strategy set out in the Future of Banking in Mauritius Report, banks are encouraged to commit to net-zero and create relevant ESG offerings. With the right partnerships and forward-looking strategies, the domestic banking sector can become a powerful engine for sustainable development, resilience, and inclusive economic transformation.

Together, we can ensure that Mauritius is not only protected against climate risks, but fully prepared to seize the opportunities for a greener and more sustainable future.

With these words, I wish you all a productive and insightful workshop.

Thank you.