Sustainability: From scepticism to survival

Deepa: MCB has scaled up its commitment to sustainability to Rs25 billion just three years after it launched this green offering with a credit line of Rs10 billion.
Now, while this is amazing news - and we shall explain why in the conversation that follows-, it also raises the question that has been rearing its head ever since the notion of sustainable development became popular.
So, we ask, is it a contradiction in terms or is there really such a thing as a development that is kinder to the planet, that doesn't exploit, that conserves?
Today we ask those questions to two people who would know: Vanessa de Speville, MCB Group's Head of Sustainability, and Aldo Sydonie, who heads MCB's Mauritian and Regional corporates and to whose clients this offering is mostly aimed.

Welcome to MCB Talk.

Deepa: Welcome both and thank you very much for agreeing to address those important questions. And Vanessa, I'm going to start with you because I want to set the tone for this interview by telling it like it is.

And I know to what extent you view cases of greenwashing as cautionary tales, and there have been a few recently, albeit not in Mauritius. But I want to ask you, do you think that a bank can use finance for good?

Vanessa: Thank you, Deepa, for the question. Greenwashing is actually one of the biggest threats for any organisation in the global world, not only for banks.

But I don't think we should stop communicating either because we have many good stories to tell. And I think communication can be a very powerful tool as well for any organisation trying to accelerate their journey towards a more sustainable development. And it can be a very powerful tool to engage the stakeholders, engage the employees, set a vision, a clear vision, set the ambition.

The CEO can set a very powerful ambition in five years, ten years' time, so that everyone has a clear direction as to where to move forward.

Deepa: So as long as the actions follow.

Vanessa: Exactly. But it needs to be backed by evidence, that's for sure. We need to set clear targets. And even if you don't manage to achieve those targets, you need to communicate clearly why you didn't manage to achieve those targets.

So it's a matter of communicating in a more responsible manner. And when you think of it like that, it is actually a powerful tool. But you need to make sure that you're not over-claiming either.

But when a bank like MCB tries to finance, I don't know, the fight against climate change, be it in terms of adaptation, of avoiding beach erosion, trying to accelerate the energy mix agenda for the country, these are great stories. Or even boosting the local economy, the local production, these are great stories. And I think as a bank, it is our role, our responsibility to inspire our clients with concrete examples.

So, communication is actually a powerful tool, from my perspective.

Deepa: Ok, so banks can also be the good guys?

Vanessa: At least we need to lead by example. And we need to, because we have such an extensive portfolio of clients, make sure we direct capital toward strong examples and concrete projects that will actually help. It can be in terms of adaptation, social inclusion, or climate mitigation as well.

Deepa: All right, great. So, Aldo, from where you sit with your clients who count on you to finance their continued growth, can development be sustainable? I mean, I ask because isn't the notion of development more compatible, let's say, and I'm going to say the word, more compatible with degrowth rather than continued growth?

Aldo: Hello, Deepa. Actually, I think the question to ask is, can development be anything but sustainable? Talking to a number of our clients, this is high on their sustainability agenda for different reasons. And recently, there was a survey done by the UN Global Compact, which actually shows that 88% of CEOs surveyed around the world think that sustainability is even more important than five years ago.

OK, when we bring it home, talking to the CEOs in my portfolio, we can see three main reasons why sustainability has to be at the centre of their strategy. The first part is quite obvious. It saves a lot of costs in terms of, for example, when you transition to a more renewable source of energy, moving towards PV, for example, they can see a clear cost reduction, which is great.

The second part is that the demand from, and the ask of, the clients is actually evolving towards a more sustainable ask. Take the example of some of our tourists coming to Mauritius. They are after more eco-friendly resorts.

They would choose resorts if the resort is aggregated by one of those LEED or other aggregations. If they're not, they will not visit that resort. So, it's a form of defending the turf.

So some of the hoteliers have to defend the turf by moving to sustainable development.

And thirdly, and we see more and more, especially with Gen Z, is about talent retention, about recruitment. We've seen that a number of employers that demonstrate that sustainability is at the heart of their strategy and part of their DNA are more able to recruit than companies who, I would say, have sustainability lower on their agenda.

So for us, talking to all these CEOs, it's clear that for them, sustainability is very important and actually part of their growth in terms of portfolio.

Deepa: OK, so you're saying it makes financial sense, and I get that, but there is often a lot of scepticism that follows those claims. Do you understand where they're coming from?

Aldo: Yes, I do. And I think a degree of scepticism is actually good. And for us at the bank, what we've done is to have a clear sustainable finance framework, which gives us guidance in terms of what type of projects can be classified as sustainable or not.

One thing that I'd like to say, though, is that a lot of focus is on the E part of ESG, on the environmental part of ESG.

However, not enough attention is on the S part. And especially coming from a developing country like Mauritius, I think we, together with our clients, ought to focus a bit more on the S part, the social part of our finance framework.

Deepa: Right. We can get to that in a minute. But Vanessa, I would like you to tell us more about that framework and why it means it is proof that sustainability is not just a slogan.

Vanessa: I think sustainability is about, as I said earlier, it's about transparency.
And if you want to be credible in this sustainability and sustainable finance journey, you need to make sure that everyone understands the same thing about what is sustainable and what is not. It's not about Aldo's views, Vanessa's views, or Aldo's clients' views. It's about making sure that any project that we finance under the sustainable finance framework is assessed today in a way that is credible and that is in line with the framework.

So this is key if we want to be, as I said earlier, credible and if we want to make sure that everyone speaks the same language. We have a common understanding of what is sustainable for MCB in 2026. But this document is dynamic, and it can evolve over years.

And my guess is that in two, three years, this is going to evolve because our ambition will probably be higher as well. And the pressure we'll be having from climate change will also be more visible. So it is important, if we want to be credible, whether with our clients, with our investors, or with the market at large.

If we want to raise money from DFIs, we need to be credible, and we need to have a common understanding of what is sustainable and what is not sustainable. And I would say that because we are not going to mark our own homework in a way, we need a second-party opinion. So this is also being reviewed by someone else.

Deepa: So it gives it credibility.

Vanessa: Exactly. Right. This is key. I'd like to add something to what Aldo said about the S component of the framework.
I think, as bankers, the key is to have a fruitful discussion with the client. It's for us to understand what the main challenges are and maybe to add to the conversation not only the E side, but also the S. For instance, if we are to finance a PV plant, for instance, for the client. Maybe ask the client a question, but what about the communities? Is it near to a, I don't know, to a village or something? Are there planters around? Can we think of an agri-PV, for example, that could be worth checking if the communities would have something out of it as well? So in a way, it's a conversation, it's a constant conversation.

And this is about just transition. It's about adding the social part to any environmental project. And this is the kind of discussion we need to have as bankers with our clients right now.

Deepa: A holistic approach then? But Aldo, how does it work in practice for you? Let's say now that we have the sustainable finance framework, there's also the, I know it's not the same thing, but it's connected, right? The ESRM environment and social risk management. It's a whole philosophy, right? And what you were saying as well about being holistic.

How has this impacted the way you and your team work?

Aldo: 100%. It has changed the way we think and also assess projects. Back in the day, we used to assess projects on pure financial metrics, okay? Nowadays, we need to understand the impact on the environment, the impact also on the social aspect of the project, what the social aspects can be of the project.

So fundamentally change the conversation. We have the CEO; it's a lot about strategy, it's a lot about how we can accompany them in their development. So when we're assessing the development, when we're assessing financing the client for its refurbishment, we need to factor that in as well.

Vanessa: And climate risk is ultimately, it's about financial risk. It's a business risk.

Deepa: So, well, there's this theory that in a few years, that distinction between mainstream finance and climate finance won't even matter. Do you agree?

Aldo: I fully agree. And the bank as well agrees with that. A few years ago, when we started the 10 billion sustainable finance line, which will now increase to 25 billion - It's not about headlines.

It's an ask from our clients, okay? And I'm going to bore you with another of my surveys that I've just read in the press recently, actually done by Wharton Business School, which found that 62% of Gen Z are more likely to buy sustainable than non-sustainable. And another 62%, 72% are ready to pay more for their sustainable product. So the consumption framework, the consumption way, is going to change in the future.

And when we talk to our clients, sustainability is at the heart of their strategy, as I mentioned earlier. So us accompanying our client in that direction is key. I think in a few years' time, we won't be talking about sustainable finance, we'll be talking about responsible finance.

Deepa: Okay. But I mean, I'm curious, how would it work though? If climate finance, sustainable finance becomes mainstream, that means anybody can be sustainable?

Vanessa: Of course. I mean, any sector has to be seen through a sustainable lens. I mean, ESG can apply to any sector, and it's a matter of staying in business. At the end of it, sustainability is about the long term. So if you want to stay in business in 5, 10, 20, 50 years, you need to adapt.

And you need to make sure that you have taken into account all those aspects of sustainability, the E, the S, the G, all of them at the same time. So we need to discuss with our clients, and the one who will be succeeding in the long run, or the one who will be preparing themselves now. So we need to trigger this discussion with all of them, and try to figure out how we're going to get there, how we're going to move this agenda forward, just to make sure that they're still in business in 20 years' time.

Deepa: Okay, so that world is changing. But it seems MCB has been getting it right, right? Because I know it's not going fast enough, but at least it's moving in the right direction, right? And Vanessa, I'd like to take you back a few years. How did this change happen? What happened that made MCB decide to take sustainability seriously and embed it in its business model?

Vanessa: I think MCB has always been at the forefront of philanthropy. I mean, we have always done a lot of philanthropy. We have financed a lot of NGOs; we have been financing, I don't know, scholarships for students. We started, I think, 25 years ago.

Yeah, corporate citizenship has always been at the core of the DNA of the MCB group. But back in 2017, something was happening in the corporate world globally. Everyone started talking about sustainability, and it actually started well before, for some companies like Patagonia, or some of the best in class.

But for banks, it was still a bit of an early stage. Some of them had taken strong commitments. But for MCB, it became very obvious that we're measuring the success, not only through the numbers, because numbers matter, but the GDP, it's beyond the numbers, right? It's not only about the GDP, but there are also other lenses for looking at success.

And this is healthy people, educated kids, and happy people, and making sure that there are not huge inequalities between communities and people. So this is embedded in our purpose and DNA. And this is how it started.

Yeah, it was a matter of transferring it. And the matter was trying to do, okay, the less bad is something, the philanthropic approach is something else. But now what we're trying to do, and I think many main banks internationally as well, is to try to embed this sustainability approach into our business model.

How does it work? Because to really make a difference, you need to ask yourself a question. The same question that we ask to our clients is about MCB Group in 2030 years. How is it going to still be a flourishing bank, a leading bank on the island? We need to integrate those ESG principles into our own operations to be able to stay and keep up the momentum in the long run.

Deepa: Aldo, I'm interested in your perspective on this, because, I mean, you who sit with the clients who might not necessarily want to hear about green finance or transition, maybe they do now, but, I mean, a few years ago, how did that transition go for you? How did that change your job?

Aldo: The transition has been remarkable. I mean, Vanessa, I remember 10 years ago, the conversation with our clients, it was something, sustainability was completely remote to them.

Completely. But now it's more and more prevalent in the boardroom discussion, in the investment committee, on the ESG committees. So, it has changed completely.

You can see that sustainability is at the core of their consideration in any business decision.

Deepa: At the end of the day, the truth of the matter, isn't it, that there is this profound disconnect between what the scientists expect from global warming and what investors or the overall financial world is prepared for? I mean, do you agree that there is this disconnect?

Vanessa: Of course, there is a disconnect, and we're not moving fast enough; that's for sure. Not only us, I mean, everyone, the clients and everything.

This is what I was saying: our role as bankers is to accelerate this transition, and it has to go through sometimes difficult conversations with clients as well. But, you know, it's never going to be enough and global warming is already a reality. It's a matter of: are we going to manage below two degrees, or is it going to be higher? But this is the kind of conversation we are now in.

It's not about if it's going to happen, because this is already happening and I think we all agree. And it's not only about climate, but it's also about biodiversity loss; it's about the water scarcity in Mauritius. I mean, it's becoming more and more of a problem right now.

And how is it going to happen for our clients, for instance? How are we going to operate a textile factory without water? This will have a major impact on their own activities and ultimately on us as well. So this is going to be a preparation process, and I think the ones who are going to succeed are the ones who will be prepared. And this is going to be- we need to start now.

So there is a huge gap, that's for sure, but I'm quite hopeful because today this topic is being discussed at a higher level. I mean, it's everywhere, the clients, but also the boardrooms. Now we have a governance at MCB whereby we discuss the sustainability issues at board level.

This is key if you want to change things. So it's being discussed everywhere, be it in committees, at the Bank of Mauritius, with clients, with the press, with everyone. It's everyone's business.

So maybe we're not moving fast enough, that's for sure, but the discussion is there and our role as bankers is also to make sure that these discussions are not about Vanessa's opinion or Aldo's convictions. It's about making sure that it's embedded in our operations, in our credit cycle, in our discussions at all levels, in our governance structure.

Deepa: But are the clients ready? I mean, let's go back to this sustainable loan that comes at a preferential rate that is significantly lower than your run-of-the-mill business loan.

Would clients have been going through with their green projects had the financial incentive not been there?

Aldo: I think it's an important incentive. I think it shows our commitment to motivate these companies to move towards sustainability and make the jump to transition. But our role goes beyond that.

Within the bank, we've got numerous teams who've accumulated years of experience on this agenda, on the sustainability aspect, who will advise, who will accompany our clients. So, for example, one of our clients is in the textile sector. Before the sustainable finance line, he was importing from, I'd say, non-sustainable sources.

Since they started the sustainable line, and through the advice we've given him as well, he's now transitioned to importing and sourcing raw materials from more sustainable sources.

Deepa: Amazing.

Aldo: So, it's not all about financing. It's about the advisory. It's about the framework we gave to the client to improve the sustainability of his product. Right.

Deepa: So, MCB is in its role in leading the way, is what you're saying?

Aldo: Absolutely.

Deepa: And obviously, it's not just about the sustainable loan.

MCB offers its clients, locally or abroad, a palette of green offers. And I'm going to quote it: sustainability-linked loan, green bonds, sustainability supply chain finance, green lease, green loan, sustainable trade finance solution, etc., etc. Vanessa, taken together, what exactly do those offerings seek to achieve? What impact does MCB want to have on the whole chain?

Vanessa: As I said earlier, I think our role as bankers is to find the appropriate instrument to finance our clients' projects.

And in a way that there is going to be an acceleration of their own transition toward a more sustainable business. This is just a financial instrument that will be adapted to the client's context and the client's reality, because they all operate in different industries.

Deepa: Okay. And I've been listening very carefully to both of you. And I still feel, even though the narrative is positive, that it still feels like it's a balancing act, right? Because at the end of the day, globally speaking, there's still that tug of war between countries and companies that are backpedalling on their commitments at some point or honouring them. How do you see the situation evolving globally and for Mauritius, obviously?

Vanessa: I think it's definitely a tug of war between trying to balance the E, the S, the G and everything.

But at the end of the day, there are some years, some moments where, obviously, we seem to be backpedalling on some topics. It's normal. On some particular topic, we're going to lead.

On some others, we're going to comply, because this is going to come with strong compliance as well. But for me, you need to be genuine. You need to be transparent.

You need to set targets, ambitious targets, and to make sure that no matter what happens, you have a clear vision of where you want to go, because it's a matter of adapting to what's coming up. And the whole context is changing. I mean, we can't really think with the old way of thinking.

These are new. We're going to face climate change. I don't know, cyclones, the extreme situation, the droughts, everything.

So how are we going to adapt? And we need to be... It's a matter of innovation, actually. How do we innovate for ourselves, but also for our clients, and try to help them survive in this new era of, I don't know, global warming that is coming up?

Deepa: It's a journey, huh?

Vanessa: It's definitely a journey. And I want to mention something important as well.

The ESG is... Obviously, the E is important, the S is important, but don't forget about the G part. Because this is actually where Mauritius needs to prove as well that we are building a Mauritius IFC as well. So we need to be completely aligned with all the guidelines and international standards and everything to be credible, because we still need to attract a lot of investors and clients, and this is the trust we are building with our clients as well.

It's based on the compliance, and we need to be very rigorous on that.

Deepa: Yeah, it's important that you say it, because we do tend to focus on the E and the S, but governance is such an important part of it. Aldo?

Aldo: And I think, from my perspective, I think that the journey or the conversation journey around sustainability has evolved from having none 10 years ago or 15 years ago, there was nothing, and then moved on to being an ethical conversation, and now it's about business.

It's about how to remain relevant in the future. I think if you are not on board, you risk losing your business. I think it's as clear as if you don't do that, you will run a risk of driving your business to the ground.

And a number of the large companies have realised that. So it's very high on the boardroom agenda.

Vanessa: This is our role also to ask those questions and to make sure they are well prepared, because this is key. Our role as bankers is to make sure that they are sustainable in the long run, and they still are profitable, because this is it. This is the key of the story.

You need to be profitable to be able to be in business.

Deepa: For sure.

Aldo: 100%.

Deepa: Back to money.

Thank you very much. I thoroughly enjoyed this conversation. Thank you for watching.

Bye-bye.