MOZAMBIQUE
JLA ADVOGADOS

FIRM INFORMATION

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1. SOURCES AND OVERVIEW

1.1 Main substantive ESG-related laws in the Republic of Mozambique ("Mozambique")

Mozambique does not yet have specific legislation dedicated to ESG criteria, as these are defined and applied at international level. However, the country does have a number of pieces of legislation and legal norms that address each of the ESG pillars separately.

As far as the environmental component is concerned, there are rules that ensure the sustainable management of natural resources by companies, by promoting the rational use of environmental elements and the conservation of biodiversity. There are also rules for carrying out environmental impact assessments, audits and inspections, as well as obligations for investors to implement active policies to protect the environment and nature, as is the case with Law no. 20/97, of 1 October, the Environmental Law.

With regard to the social pillar, the Mozambican legal system includes rules that protect human rights and workers' rights, especially with regard to social security, gender equality and equal pay for work of equal value, such as the Law No. 13/2023 of 25 August, the Labor Law, the Law No. 4/2007 of 7 February, the Social Protection Law and the Law No. 7/2008 of 9 July, the Law for the Promotion and Protection of the Rights of the Child.

Finally, in the field of governance, there are rules aimed to the promotion of transparency, good management and integrity in public and private institutions. An example of this is Law no. 14/2023, of 28 August, on Money Laundering, Terrorist Financing and the Proliferation of Weapons of Mass Destruction.

1.2 ESG disclosure requirements in Mozambique

In Mozambique, there is currently no harmonized legal framework requiring the disclosure of ESG information in all sectors, nor is there legislation requiring the mandatory adoption of international ESG standards, such as GRI, SASB, TCFD or IIRC. However, some sector-specific regulations, combined with the requirements of international financial institutions and the voluntary adoption of global standards, have contributed to a fragmented but gradually evolving ESG disclosure landscape. For example, Decree No. 54/2015, which regulates the environmental impact assessment ("EIA") process, establishes rules for assessing the environmental implications of development projects. In addition, many companies voluntarily adopt international ESG frameworks to increase their credibility, improve risk management and facilitate access to foreign funding.

1.3 Compulsory versus discretionary ESG-related disclosures in Mozambique, and the frequency of such disclosures

In Mozambique, and apart from the sector-specific regulations mentioned above, ESG disclosures are discretionary.

1.4 If ESG-related disclosures are discretionary, are compulsory ESG disclosures being considered by the regulators in Mozambique and is it envisaged that such disclosures will, at some stage, become compulsory?

Although ESG disclosure in Mozambique is still mostly voluntary, there are already signs that regulators intend to move towards a more demanding model. Initiatives such as the National Development Strategy and ongoing revisions to environmental and mining laws point to a possible future obligation, especially in sectors with a greater environmental and social impact.

1.5 Significant private sector initiatives relating to ESG-related laws and/ or disclosures in Mozambique

In the private sector, there is a growing interest in ESG-related practices in Mozambique. For example, Access Bank promotes green financing and sustainability training; Coca-Cola Sabco Mozambique runs the "World Without Waste" programme, focusing on packaging collection and recycling; and Hidroeléctrica de Cahora Bassa ("**HCB**") has adopted environmental and social responsibility measures in its operations. Additionally, platforms such as the ESG Talks organised by Mozambican institutions and international partners have emerged to promote dialogue and capacity-building on ESG integration. These examples show a rising commitment to ESG, even without direct legal mandates.

2. PRINCIPAL SOURCES OF ESG PRESSURE

2.1 Investor and Asset/ Investment Manager Perspectives on ESG Compliance and Influence Strategies

In Mozambique, compliance with ESG standards is becoming increasingly important, especially among international investors and financial institutions that demand compliance as a condition for financing, especially in areas such as mining, energy and large infrastructures. Among local investors and asset managers, the integration of ESG principles is still limited, but has been growing, driven by the need to attract foreign capital and align with the demands of the global market. Internally, some institutions have begun to adopt investment policies with defined ESG criteria and to include these aspects in their risk analysis. Externally, the influence manifests itself through refusal to invest or divestment from companies that do not comply with ESG principles, as well as demands for greater transparency and disclosure, based on references such as the IFC Standards, the Equator Principles and the GRI guidelines.

2.2 Stakeholder Influence on ESG Compliance

In Mozambique, funders and shareholders are increasingly attentive to compliance with ESG standards. Financial institutions have promoted financing linked to sustainability, showing a tendency to align investments with responsible practices. In addition, events such as the ESG Talks highlight the importance of adopting operating models in line with international standards in order to access green funds and promote sustainable development in the country.

2.3 Principal regulators of ESG compliance in Mozambique and their focus areas

In Mozambique, the main regulators of compliance with ESG standards are the Mozambique Stock Exchange, the Bank of Mozambique and the Government, through its sectoral bodies. The BVM has been promoting the adoption of sustainable practices and greater transparency by listed companies, emphasising the role of these practices in attracting investors. The Bank of Mozambique has also been taking a more active role in promoting sustainable practices and good governance in the financial sector. For its part, the government, although without a fully standardized or integrated regulatory framework for ESG, have been creating policies incorporating environmental, social, and governance elements, particularly in strategic sectors such as mining, energy, and agriculture. The creation, implementation, and enforcement of these policies is ensured by various ministries and public institutions. The Ministry of Agriculture, Environment, and Fisheries is responsible for environmental regulation, overseeing environmental licensing, environmental impact assessments, and the implementation of environmental management plans. It is also responsible for rural and agricultural development, with a focus on sustainability, land use, and food security. This ministry plays a central role in ensuring that development projects meet environmental sustainability standards. The Ministry of Mineral Resources and Energy oversees activities in the extractive and energy sectors, ensuring compliance with environmental and social obligations, which are especially relevant given the high exposure to ESG risks in these areas. For its part, the Ministry of Labor, Gender, and Social Action plays a crucial role in monitoring working conditions, occupational safety, and social inclusion, ensuring that companies respect labour rights, social protection standards, and the well-being of communities, especially in sectors that employ vulnerable labour. Despite progress, there is still a need for greater coordination between these bodies and a more integrated approach to ESG regulation in Mozambique.

2.4 Liability and Penalties for ESG Non-Compliance: Piercing the Corporate Veil

In Mozambique, although there is still no specific and comprehensive legislation on penalties related to non-compliance with ESG standards, there are already provisions in areas such as the environment, labour and finance that provide for sanctions in cases of non-compliance. For example, environmental legislation establishes fines, civil and even criminal liability for those who cause damage to the environment. In the financial sector, both the Mozambique Stock Exchange and the Bank of Mozambique have the power to issue warnings, fines and even suspend companies that fail to fulfil obligations of transparency, reporting or ethical conduct.

In addition, personal liability for mismanagement, fraud or gross negligence is a principle applied whenever a company fails to fulfil its legal obligations, including those related to environmental, social and governance practices. In other words, directors and managers can be held personally liable, especially in more serious cases of non-compliance with these standards.

Under the terms of the Mozambican Commercial Code, namely Articles 159 to 163, directors can be held personally and jointly and severally liable to the company (Article 160), creditors (Article 162), as well as partners, shareholders and third parties (Article 163), for damages caused by acts or omissions committed in violation of the law. Liability requires verification of fault in the director's actions and also covers cases of bad faith or omission of the duty to prevent unlawful acts by others.

Although the ESG regulatory framework is still evolving, the legal risks for those responsible are already real and can be quite severe, especially in the environmental and corporate governance areas.

2.5 Material ESG Enforcement Actions in Mozambique

In Mozambique there are still no specific, public enforcement actions relating exclusively to compliance with ESG standards. The country is in the early stages of regulating these practices. Although there have already been sanctions in areas such as the environment and the financial sector, these cases are not formally classified as ESG enforcement. The lack of integrated legislation makes it difficult to uniformly apply specific penalties for compliance with these standards.

2.6 ESG Litigation Risks and Emerging Legal Exposure

In Mozambique the legal culture around ESG and specific legislation are still in their infancy. There are no public records of legal proceedings for greenwashing and green-hushing, however, although the track record is limited, there have been cases involving the rights of local communities in the context of large-scale projects, indicating the potential for litigation risks tied to the failure to comply with ESG-related issues. With the growth of environmental and social awareness, and international pressure on sustainability practices, it is likely that in the medium term the country will see an increase in the risks of ESG litigation, especially in the mining, energy and natural resources sectors, where socio-environmental impacts are more evident.

Therefore, although ESG litigation is not common today, the scenario could change in the coming years as the regulatory framework and enforcement evolve.

2.7 Key ESG Compliance Concerns in Mozambique

Currently, those advocating compliance with ESG standards in Mozambique are mainly concerned about the lack of clear and complete legislation on the subject. In addition, many companies face difficulties due to a lack of technical and financial resources to implement these practices properly. Without well-defined legislation, it is difficult to establish clear standards, and companies' lack of capacity limits the adoption and consistent reporting of sustainable practices.

2.8 Shareholder Activism Triggered by ESG Non-Compliance

In Mozambique, shareholder activism on failures to comply with ESG standards is still very rare, as the local market is still underdeveloped. But with increased international interest in ESG, this type of activism may increase in the future.

3. ENVIRONMENTAL METRICS AND GOALS

3.1 Carbon Footprint Disclosure Requirements: Scope 1, 2 and 3 Emissions

In Mozambique, there is no legal requirement for organisations to calculate and disclose their carbon footprint.

3.2 Emissions Reduction Targets and Enforcement in Mozambique

Mozambique's Updated First Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change sets conditional emissions reduction targets of 40 $MtCO_2e$ by 2025 and 76.5 $MtCO_2e$ by 2030, compared to a business-as-usual scenario. These targets are voluntary and depend on international support, covering sectors such as energy, forestry, agriculture, waste, and land use. There are no legal penalties for non-compliance, but the country remains committed to transparency through international reporting mechanisms and is preparing a long-term low-carbon development strategy.

3.3 Sector-Based Environmental Disclosure Requirements

In Mozambique, organisations are obliged to measure, monitor and disclose water use, waste production and other environmental impacts as part of the environmental licensing process, as provided for in the Environment Law (Law no. 20/97, of 1 October), the Environmental Impact Assessment Regulation (Decree no. 54/2015, of 31 December) and the Environmental Licensing Regulation (Decree no. 25/2011, of 15 June). In the case of using public water resources through private abstraction, holders of water use rights must comply with a set of obligations established by the Water Law (Law no. 16/91, of 3 August). These include using water rationally and efficiently, respecting the authorised terms of use, protecting water quality, providing information to the competent authorities, and paying the applicable fees, as set out in Article 30. Companies in high-impact sectors, such as mining and agriculture, are subject to stricter requirements, including mandatory environmental impact studies, resource and waste management plans, and mitigation and rehabilitation measures, and in the case of mining, the closure plan must also provide for the assessment and mitigation of environmental impacts. Other sectors such as manufacturing, construction, energy and hydrocarbons also have similar obligations. Sectors with an indirect environmental impact, such as banking, although they are not obliged to directly measure the use of natural resources or waste generation, are increasingly under pressure to integrate ESG criteria into their financing decisions, requiring, for example, that financed projects comply with current environmental legislation.

3.4 Statutory Obligations for Renewable Energy and Efficiency Reporting

In Mozambique, there is currently no legal obligation for all companies to measure, monitor and publicise the use of renewable energy and energy efficiency. These requirements apply specifically to Renewable Energy Plants that are connected to the National Electricity Transmission or Distribution Network, as established in the Renewable Energy Code, approved by Ministerial Diploma No. 119/2023. This diploma stipulates, among other things, that power stations connected to the grid must install metering and telemetering systems to ensure that the energy produced and used is monitored. However, companies that only consume energy, even if it comes from renewable sources for self-consumption, are not covered by these obligations. Despite this, given the National Strategy for the Development of New and Renewable Energies and commitments to the energy transition, it is expected that measures will be adopted in the near future to promote the measurement and publicising of the use of renewable energies and energy efficiency in wider sectors, including business.

3.5 Biodiversity Disclosure Obligations in Operations and Supply Chains

In Mozambique, there is no specific and extensive legal obligation requiring all organisations to measure, monitor and disclose the impacts on biodiversity in their operations and supply chains. However, environmental legislation, in particular the Environment Law (Law No. 20/97, of 1 October) and the Regulation on the Environmental Impact Assessment Process (Decree No. 54/2015), imposes an obligation to assess, mitigate and monitor environmental impacts, including effects on biodiversity, for projects that may cause significant impacts on the environment.

In other words, companies and projects that are subject to EIA must include information on biodiversity in their reports, as well as implement management and monitoring plans. These requirements are assessed and approved by the competent environmental authority (at central or provincial level).

There is still no across-the-board legal requirement for all organisations to routinely disclose biodiversity data in their value chains. However, there is a growing trend, driven by international commitments made by Mozambique, such as the Convention on Biological Diversity, which may lead to the creation of stricter and more comprehensive standards in this regard in the near future.

4. CLIMATE RISK ASSESSMENT

4.1 What physical climate risks have been identified in your jurisdiction?

According to the Master Plan for Disaster Risk Reduction 2017-2030, and Mozambique's National Adaptation Plan, Mozambique faces physical climate risks such as cyclones, floods, droughts, rising sea levels and earthquakes, which are exacerbated by climate change. Vulnerability stems from geographical location and weak structural resilience.

4.2 Challenges of Transitioning to a Low-Carbon Economy

In Mozambique, the transition to a low-carbon economy poses significant risks for the state and the economy. One of the main challenges stems from the strong dependence on fossil energy resources - such as natural gas (mainly in the Rovuma Basin), coal (in Tete) and, to a lesser extent, oil - which represent a significant part of tax revenues, exports and foreign investment. The progressive reduction in global demand for these resources could jeopardize public revenues, cause asset devaluation and reduce the interest of international investors. In addition, the pressure to align national policies with the international commitments made under the United Nations Framework Convention on Climate Change ("**UNFCCC**") could lead to the approval of more demanding environmental legislation, with a direct impact on sectors with carbon-intensive processes, such as the extractive industry and energy production. The adoption of clean technologies, although necessary, faces obstacles such as high implementation costs and limited national technical capacity. There is also the reputational risk: the perception that the country or companies are not sufficiently committed to sustainability can affect access to external financing, commercial partnerships and investments, in a global context that is increasingly guided by ESG criteria.

4.3 Statutory Integration of Climate Risks into Enterprise Governance

In Mozambique, there is still no legal obligation for climate risks to be integrated into companies' risk management. However, the Bank of Mozambique has submitted for public consultation a draft notice proposing rules for financial institutions, including the identification of climate risks, stress tests and disclosure of information on the impact of climate change. Although not yet in force, it shows a trend towards greater regulation in the sector.

4.4 Insurance Coverage for Climate Hazards and Anticipated Exclusions

In Mozambique, insurers still don't systematically exclude extreme weather events from their policies, but coverage depends on the type of insurance and the conditions contracted. Hollard offers parametric agricultural insurance that protects against droughts and cyclones, triggered on the basis of meteorological data. EMOSE participates in sovereign coverage mechanisms for natural disasters, guaranteeing financial support in cases such as cyclones. Indico Seguros, meanwhile, includes natural phenomena such as floods and storms in property and motor insurance, as long as they are provided for in the contract. With the increased frequency and intensity of these events, it is possible that insurers will review the conditions of cover in the near future.

4.5 Climate Adaptation Strategies by State, Business and Civil Society

In Mozambique, the government has invested in the National Strategy for Adaptation and Mitigation of Climate Change (ENAMMC) for the period 2013-2025, which aims to increase the country's capacity to face the effects of climate change and protect vulnerable communities. This effort is complemented by Mozambique's National Adaptation Plan, submitted in 2023 under the UNFCCC framework.

In the business sector, we have Mozal as an example, which has implemented initiatives to improve energy efficiency and sustainably manage water resources, thus reducing environmental impacts and helping to adapt to climate change.

And finally, as far as civil society organisations are concerned, we have the example of AMA (Environmental Association) and Kulima, which develop practical projects in communities, including rainwater harvesting systems and reforestation actions, which help to increase the resilience of local populations in the face of climate challenges.

5. INTEGRATION OF ESG INTO STRATEGY, BUSINESS OPERATIONS AND PLANNING

5.1 ESG Oversight: Board and Management Responsibilities

In Mozambique, although there is no specific legislation on ESG, responsibility for complying with environmental, social and governance standards generally falls to the Board of Directors. It must ensure that the company's strategy is aligned with the applicable laws and integrate sustainable practices whenever these are required by sector standards, such as environmental legislation, labour legislation or financial sector regulations. It is the Board's responsibility to define and update internal policies that reflect these commitments, even in the absence of a unified legal framework on ESG.

5.2 Statutory Governance Mechanisms for ESG Oversight

In Mozambique, there is no general legal obligation for companies to create specific governance mechanisms to oversee ESG compliance. However, in some sectors, such as the financial sector, there are regulations that require the mandatory adoption of governance mechanisms, such as Banco de Moçambique Notice No. 8/GBM/2021, which imposes policies, codes of conduct and risk management systems aligned with ESG principles. The Commercial Code requires directors to act responsibly and in accordance with the law. It is up to the Board of Directors to monitor the company's management and ensure that it complies with legal obligations, which can include ESG matters when they arise from legal obligations such as environmental, labour or transparency standards. Although it is not compulsory, some companies may set up internal committees to deal with these matters as part of good governance practices.

5.3 ESG-Linked Remuneration and Incentive Structures

In Mozambique, it is not common practice to link the remuneration of directors and executives to the fulfilment of ESG targets. Most companies still do not include these criteria in their evaluation systems or bonus plans.

5.4 Operational Integration of ESG Compliance Across Sectors

In Mozambique, although the integration of ESG practices is not yet widespread, some companies already apply concrete measures in their operations. In terms of procurement and supply chains, HCB requires its suppliers to comply with environmental, social and human rights responsibility criteria, including the prohibition of child labour, in accordance with ILO convention 138. In terms of products and services, Coca-Cola Sabco Mozambique implements the 'World without Waste' programme, which aims to make all packaging recyclable by 2025 and collect the equivalent of 100% of PET bottles by 2030, promoting a more sustainable logistics chain. In terms of organisational policies, Access Bank Mozambique has promoted green financing and trained the private sector in sustainability. In the field of workers' health and safety, HCB maintains strict policies, with risk mitigation plans, periodic audits and internal occupational health and safety programmes. As for well-being and incentives, Coca-Cola invests around 31 million meticais a year in recycling and entrepreneurship, benefiting thousands of families. Finally, initiatives linked to diversity and inclusion, albeit incipient, are beginning to emerge in companies with international capital, with training programmes for women and young people. These examples demonstrate a gradual but significant movement towards integrating ESG criteria into business operations in the country.

5.5 Determining ESG Materiality for Disclosure and Reporting

In Mozambique, there is neither a statutory definition nor a widely adopted materiality test for ESG disclosure purposes, either voluntary or mandatory.

5.6 Board and Management Adaptation to ESG Oversight Requirements

ESG Compliance is a growing concern when it comes to investments, not least because the law that regulates investment establishes, on the one hand, as investors' duties, respect for the rules in force regarding the environment, nature protection and waste management, and for the labour rules in force and, on the other hand, establishes as their social responsibility the promotion of active policies to defend and protect the environment. As such, the growing investment is an indicator that boards and management are increasingly concerned about adopting policies or measures to oversee, manage and monitor ESG Compliance.

5.7 Data Security and Privacy Requirements for Organisations in Mozambique

In Mozambique, organisations are legally obliged to guarantee the security of personal data and the privacy of customers, under the terms of Law No. 3/2017, the Electronic Transactions Law. The law does not describe in technical or detailed terms the systems that must be used, but it does impose the duty to adopt adequate protection measures. Article 63 requires data to be protected against risks such as loss, unauthorised access, destruction or misuse, without, however, indicating what type of technologies should be applied. Article 64 reinforces this obligation, but also without providing concrete solutions. It is therefore up to organisations to ensure this protection on the basis of good practices and the complementary regulations that may be approved.

5.8 Cybersecurity Risk Management Requirements for Organisations

In Mozambique, organisations, especially financial institutions, must manage and monitor cyber risks in accordance with Bank of Mozambique Notice No. 2/GBM/2024, which defines guidelines for cyber security, including risk assessment, incident response and rapid reporting. In addition, an INTIC legal bill is under discussion to regulate cyber security more broadly, in line with the National Cyber Security Policy approved by the government.

5.9 Compliance with Global Data Protection Standards (e.g. GDPR)

Currently, Mozambique does not have specific legislation requiring organisations to comply with international data protection regulations, such as the GDPR

6. FINANCE

6.1 How Financiers Apply ESG Ratings in Mozambique

In Mozambique, financiers, investors and debt providers and equity financiers do not yet rely heavily on ESG ratings, but their importance is growing, mainly due to pressure from foreign investors. They increasingly demand compliance with external ESG standards before investing or contracting. Internally, some companies are beginning to adopt ESG practices, but still in a poorly systematised way. Thus, there is a growing dependence on externally developed ESG ratings and criteria, especially to attract international investment.

6.2 Top ESG Rating Agencies in Mozambique

None.

6.3 Ensuring Consistency in ESG and Financial Reporting in Mozambique

In Mozambique, there is no specific legislation requiring consistency between financial reporting and ESG. Companies in regulated sectors sometimes follow international standards at the request of financiers. The practice is voluntary and varies according to exposure to the international market. There is a trend towards future harmonisation with global standards.

6.4 Role of Green and Social Bonds in Mozambique

Currently, green and social bonds do not yet play a significant role in Mozambique's financial market. However, there is a draft decree underway that aims to establish the legal regime for issuing sustainable bonds, including green, blue and social bonds. The proposal envisages financing projects such as renewable energies, social inclusion and environmental protection. Although it has not yet been approved, it is hoped that these instruments will gain traction in the near future, with the involvement of the Mozambique Stock Exchange.

6.5 Role and Outlook of Sustainability-Linked Bonds in Mozambique

Sustainability-linked bonds are not yet used in the Mozambican market. However, the draft decree on sustainable bonds already includes this type of instrument, showing the intention to create a legal framework for their issue. With the approval of the new regime, they are expected to gain ground as a financing mechanism linked to sustainability goals.

6.6 Key Barriers to Sustainable Bond Adoption in Mozambique

The main factors impacting the use of social, green and sustainability-linked bonds in Mozambique include the lack of a consolidated legal framework, since the draft decree on sustainable bonds is still being analysed and has not been approved. In addition, the limited institutional capacity hinders the effective implementation of these instruments, above all due to the lack of adequate infrastructure for monitoring and reporting. The low liquidity of the capital market represents another challenge, making these bonds less attractive to investors. Finally, the lack of knowledge and awareness on the part of both issuers and investors also limits the adoption of these instruments in the country.

6.7 Assurance and Regulation of Green Bond Verification in Mozambique

In Mozambique, the verification and guarantee process for green bonds is still under development, as the legal framework for these bonds has not yet been approved. The proposed decree that has been presented stipulates that the issue of these bonds be accompanied by an independent assessment, guaranteeing that the projects financed fulfil environmental and social criteria. Although this proposal is still pending, it is hoped that, when approved, the Mozambique Stock Exchange will play an important role in supervising and regulating these processes.

7. TRENDS

Material trends related to ESG Compliance and disclosure in Mozambique

In Mozambique, ESG compliance and disclosure are becoming more important. Companies are feeling growing pressure from international investors to meet environmental and social standards. EIAs are required for big projects to make sure environmental risks are properly managed. There's also more attention on social issues, like respecting local communities and ensuring fair working conditions. Mozambique is part of the Extractive Industries Transparency Initiative (EITI), which pushes for more openness around revenues and contracts in the mining and energy sectors. Although ESG reporting isn't mandatory for all companies yet, some are starting to adopt international standards voluntarily to attract investors and improve their image. The biggest challenges are enforcement and making sure companies and regulators have the know-how to meet these standards.