

THE NATIONAL CODE OF CORPORATE GOVERNANCE FOR MAURITIUS (2016)



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Message of the Hon Minister

The new National Code of Corporate Governance 2016, introduced way back in 2003, marks a new epoch in the Corporate Governance regime of Mauritius.

Since 2003, high profile corporate debacles across the world have amplified the debate and sharpened our focus on the importance of Corporate Governance. Today, it is generally acknowledged that Corporate Governance affects all of us. Our future depends on organisations being run responsibly and managed effectively for long-term prosperity and for creating sustainable value for shareholders, stakeholders and the nation. We all relate to the simple fact that Corporate Governance means doing the right things, in the right way, at the right time, in a responsible manner and for the right persons.

The launch of the new Code is a momentous occasion in the history of Mauritius. Established on eight basic Corporate Governance principles and an innovative “apply and explain” concept, the Code gives a new impulse to the corporate world setting the country’s Corporate Governance standards at par with international best practices while maintaining all relevance to the local context. The Code will undoubtedly help to further entrench and uphold the country’s leading position on the Mo Ibrahim Index of African Governance thereby boosting investor confidence. For instance, auditors will have the responsibility to highlight non-compliance with the codified principles.

Revising and polishing this Code has been a long process requiring protracted consultations and deep commitment to the cause. I wish to express sincere appreciation to all those who were involved with the process, namely the Consultant, Dr Chris Pierce, the Chairman and Members of the National Committee on Corporate Governance (past and present) for their committed efforts, knowledge and time. I also wish to express appreciation to the staff of my Ministry for their dedicated involvement.

More than an edict, new National Code of Corporate Governance 2016 is an imperative. I wish the new Code the very best of success.

Hon Dharmendar Sesungr

Minister of Financial Services, Good Governance and Institutional Reforms

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Definitions

Board	The principal governing body of an organisation.
Board charter	A document that defines the Board's governance role.
Chief Executive Officer	The person responsible for the conduct of the business of the organisation under the immediate authority of the Board of directors.
COBIT	Control Objectives for Information and Related Technology (COBIT) is a framework created by ISACA for information technology (IT) management and IT governance COBIT 5 was published in 2012.
Code of ethics	A document that defines an organization's values, responsibilities and ethical obligations. It provides guidance for handling difficult ethical situations related to the business.
Corporate governance	A framework of processes and attitudes within an organisation that focuses on adding value to the business, ensuring its long-term continuity and success and building its reputation.
Corporate governance Code	A set of principles and recommendations aimed at improving and guiding the governance practices of organisations within a country.
COSO	Committee of Sponsoring Organisations of the Treadway Commission.
Cross-directorships	A cross-directorship exists when two (or more) directors sit on the Boards of the other.
Corporate Social Responsibility	Corporate Social Responsibility is the concept whereby companies act to balance their own economic growth with the sustainable social and environmental development of the country. A Company performing highly in CSR is one that goes beyond compliance with the legal framework to actively pursue positive impacts on local communities and the environment.
Executive director	A member of the Board who is an employee of the organisation.
Holder of a category 1 global business licence	A resident corporation licensed by the Financial Services Commission which conducts its business outside Mauritius, has at least 2 directors resident in Mauritius, of sufficient calibre to exercise independence of mind and judgment; maintains at all times its principal bank account in Mauritius; keeps and maintains, at all times, its accounting records at its registered office in Mauritius; prepares, or proposes to prepare its statutory financial statements and causes or proposes to have such financial statements to be audited in Mauritius.
Internal auditing	Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes.
Management Companies	Management Companies act as intermediaries between clients and the Financial Services Commission and operate under the Financial Services Commission Guidance Notes for Management Companies.

Non executive director	A member of the Board who is not an executive director and who is not associated with the day-to-day activities of the organisation.
A public interest entity	<p>A public interest entity is currently defined as:</p> <ul style="list-style-type: none"> ● All companies listed on the Stock Exchange of Mauritius ● All banks and nonbanking financial institutions ● Any Company which has, during 2 consecutive preceding years, at least one of the following: <ul style="list-style-type: none"> ○ an annual turnover exceeding 500 million rupees; or ○ total assets exceeding 500 million rupees. ● Any group Company which has, during 2 consecutive preceding years, at least one of the following: <ul style="list-style-type: none"> ○ an annual turnover exceeding 1 billion rupees; or ○ total assets exceeding 1 billion rupees.
Risk appetite	The level of risk needed to be taken to attain appropriate or sought after returns.
Risk tolerance	The acceptable level of variation relative to the achievement of a specific objective.
Scorecard	A scorecard is a quantitative tool to measure the level of observance of a Code and/or a standard of corporate governance.
Shareholder	The owner of share capital, including a registered shareholder and a beneficial owner. It also applies to the intermediaries and agents employed to assist shareholders in scrutinising governance arrangements.
Stakeholder	Any person or group that is affected by the affairs of the organisation. This may include the regulator, trade unions, employees, customers, suppliers and the local community.

TABLE OF CONTENTS

Preface.....	5
Governance and the Code.....	7
The Corporate Governance Principles.....	9
Code Application and Implementation.....	11
Guidance on Applying the Principles.....	14
• Generic Guidance.....	15
• Guidance for Banks.....	39
• Guidance for Stock Exchange Listed Companies.....	40
• Guidance for Family Companies (unlisted).....	42
• Guidance for Statutory Bodies.....	45
• Guidance for Groups and Subsidiaries.....	48
• Guidance for holders of a Category 1 Global Business Licence and Management Companies.....	52
Appendix 1: The Role of Relevant Organisations.....	54
Appendix 2: Document Exemplars.....	56
Charters.....	56
Position Statements.....	86
Statutory Bodies.....	89
Letter of Appointment.....	90
Director Induction.....	93
Ethics.....	97
Appendix 3: Scorecard for Governance Framework and Self Evaluation.....	101
Appendix 4: Contributors.....	113
Appendix 5: References.....	114

PREFACE

First published in October 2003, the Code of Corporate Governance for Mauritius (the Code) is held in high regard by both the national and the international business community. A survey in 2014 identified that all respondents from public interest entities had used the Code in their accounting and auditing activities, and four out of every five respondents found the current Code clear and understandable. Moreover, for the past nine consecutive years, the Mo Ibrahim Foundation has recognised Mauritius as having the highest standards of corporate governance in Africa, and the World Bank Group has commented favourably on the Code in its governance evaluation of the country.

However, the Code is now over 12 years old, and the majority of the respondents to the 2014 National Committee of Corporate Governance survey believed that the current Code needed to be revised. Reasons for revisions include the need to align the Code with new laws and guidelines (e.g., the Bank of Mauritius Guidelines); recognise, learn and apply governance lessons from the global financial crisis that began in 2008 and the BAI and Bramer Bank collapses in 2015; and identify and apply international best practices.

The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of an organisation. Corporate governance is therefore about what the Board of an organisation does and how it sets the values of the organisation. It is to be distinguished from the day-to-day operational management of the organisation by full-time executives. Although corporate governance can be defined in many ways, this Code conceives it as an organisational framework of processes and attitudes that focuses on long-term continuity and success to add value to the organisation and build its reputation. Evidence of the beneficial impacts of good corporate governance is compelling. In particular, improvements in corporate governance are associated with increases in organisations' operational effectiveness and sustainability, financial efficiency, greater access to capital funding, higher values and stronger reputations.

This Code comprises a set of principles and guidance aimed at improving and guiding the governance practices of organisations within Mauritius. It forms part of a larger body of existing laws, rules, regulations, principles and best practices that include:

- Laws of Mauritius (e.g., the Companies Act, 2001)
- Regulations
- Listing rules (e.g., the Listing Rules for the Stock Exchange of Mauritius)
- Standards, guidelines and Codes of best practice (e.g., the Bank of Mauritius Guidelines) Corporate rules and provisions (e.g., by laws)
- Formal documents within an organisation (e.g., Board charters)

The Code recognises that scandals arising from poor governance that impact upon Public Interest Entities should primarily be dealt with by legislation.

This new Code supplements the move to improve the governance practices in Mauritius that is being led by Mr Sudarshan Bhadain, G.C.S.K, the Minister of Financial Services, Good Governance and Institutional Reforms.

Using an “apply and explain” methodology, this Code aims to encourage high-quality corporate governance with inbuilt flexibility that allows organisations to adapt their practices to their particular circumstances. It emphasises the need for Boards to focus on the effective performance of their key tasks. It is intended that the Code will:

- Advance corporate governance reforms in both the public and private sectors in Mauritius by creating a corporate governance framework of principles for business leaders to apply.
- Encourage positive change amongst the Mauritian business community by focusing on improving the effectiveness of governance practices.
- Provide maximum flexibility through a focus on principles rather than mandatory regulations and rules.

The development of this new Code was led by Dr Chris Pierce, a governance expert with vast worldwide experience in leading governance reforms. In 2014, under the leadership of Tim Taylor, who was then the Chairperson of the National Committee of Corporate Governance, five task committees were set up. These committees provided oversight and advice to Dr Pierce during the consultations that involved questionnaires, meetings and interviews with key stakeholder individuals and groups. I would like to record my thanks, appreciation and admiration to Dr Pierce, all of the National Committee members both past and present, the task committee members and all of the other individuals who were involved in the consultation process for their input in developing this Code.

I am confident that this new Code will have a significant impact upon the governance practices in Mauritius. As the newly appointed Chairperson of the National Committee on Corporate Governance, I am looking forward to the Committee overseeing the implementation of this new Code. The Committee is also committed to providing additional governance advice and information on our website at www.nccg.mu.

Arnaud Lagesse
Chairperson of the National Committee on Corporate Governance
November 2016

GOVERNANCE AND THE CODE

Principles-Based versus Rules-Based Approach

Mauritius has a mature and well-developed legal system based primarily on rules. Codes are different to other parts of the legal system since they adopt a principles-based rather than a rules-based approach. A principles-based approach provides an organisation with the flexibility to adopt systems and procedures that suit its individual circumstances, but the organisation must then explain how it has applied each principle.

The principles contained in this Code have been formulated so that organisations report on how they have applied each principle. Our recommended approach for corporate governance depends heavily on disclosure of corporate governance practices by organisations. Implementing the principles necessarily includes reporting about corporate governance practices to shareholders and other stakeholders, and this can be achieved best on the website and in the organisation's annual report.

'Apply-and-Explain'

As a result of extensive consultation, the Code, as far as possible, avoids taking a mandatory or prescriptive approach to governance practices that focus on compliance requirements. A 'tick-the-box' approach to governance reporting is not being recommended.

Based on a philosophy of application coupled with disclosure, the Code employs an 'apply-and-explain' methodology. The Code of Corporate Governance for Mauritius is the first to adopt this new approach to corporate governance. This is a departure from the 'comply-or-explain' approach associated with the Cadbury Report in the UK (1992) and the 'apply-or-explain' approach associated with the Dutch Tabaksblad Code of Corporate Governance (2004) and the King III Report in South Africa (2009). All public interest entities and other entities required to report on corporate governance are required to apply all the principles contained in the Code and to explain in their annual reports how these principles have been applied. The law and the regulatory framework, however, take precedence over the Code in any cases involving inconsistencies or conflicts.

Rather than being a rigid set of rules, the Code comprises eight principles on just two pages. The principles form the core of the Code. Every Board of directors should decide how to apply each principle.

The Board should focus on the annual report's explanation of how an entity has applied the principles. Guidance is provided to prompt the producers of the annual report to consider responses to the following questions:

- Have all the key areas of corporate governance been included in the annual report and / or on the website?
- Are the organisation's corporate governance activities consistent with the principles contained within the Code?
- Are the organisation's corporate governance activities contributing to the delivery of business objectives and adding value?

Where material deviation from any guidance contained within this Code occurs, however, the annual report should provide an explanation. The organisation's explanations may be affected by individual circumstances and, in particular, by the size, sector and complexity of the organisation and the nature of the risks and challenges it faces. Whilst shareholders and regulators have every right to challenge an organisation's explanations if they are unconvincing, such explanations should not be evaluated in a mechanistic and box-ticking way, and departures from the guidance should not automatically be treated as breaches.

Engaged shareholders and key stakeholders are a key ingredient of a healthy capital market. Shareholders and stakeholders should be careful to respond to the governance report within the annual report in a manner that supports the apply-and-explain process. They should communicate their views to the organisation, and both parties should be prepared to discuss the position. Satisfactory engagement between the Boards of organisations and the investors and other appropriate stakeholders is crucial to the health of the Mauritian corporate governance regime. Boards, shareholders and other stakeholders have responsibility for ensuring that apply-and-explain remain an effective alternative to a rules-based system.

THE CORPORATE GOVERNANCE PRINCIPLES

The following eight corporate governance principles have been designed to be applicable to all organisations covered by the Code.

Principle 1: Governance Structure

All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified.

Principle 2: The Structure of the Board and its Committees

The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties.

Principle 3: Director Appointment Procedures

There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders.

Principle 4: Director Duties, Remuneration and Performance

Directors should be aware of their legal duties. directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Each director must be able to allocate sufficient time to discharge his or her duties effectively. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information strategy, information technology and information security. The Board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives.

Principle 5: Risk Governance and Internal Control

The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.

Principle 6: Reporting with Integrity

The Board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its annual report and on its website.

Principle 7: Audit

Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's internal and external auditors.

Principle 8: Relations with Shareholders and Other Key Stakeholders

The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

CODE APPLICATION AND IMPLEMENTATION

Entities required to apply the Code

The Code of Corporate Governance shall apply to the following:

- **Public Interest Entities**
Public Interest Entities as defined by the Financial Reporting Act 2004
- **Public sector organisations**
Public sector organisations listed as public interest entities in Schedule 1 of the Financial Reporting Act 2004.
- **Other companies**
Other companies are encouraged to give due consideration to the application of this Code **insofar as the principles are applicable.**

Date of implementation

Application of this Code is from the reporting year (financial period) ending 30th June 2018 (i.e., companies should apply the principles of this Code from July 2017 onward). Earlier compliance, however, is encouraged.

Annual Report and Website

Within an organisation it is the Board of directors that have the responsibility for applying and implementing the principles contained in this Code. In their annual reports, they should state that the principles of the Code have been applied. The website and annual report should identify areas of material non-applicability of the principles and give reasons, where applicable, for any alternative practice(s) adopted.

Directors should satisfy themselves that all the principles of the Code are sufficiently covered in the narrative and should avoid simply ‘boiler plating’ and reproducing them. The focus should be on how the principles have been applied to the organisation’s particular circumstances. Recommended wording for alternative statements of compliance by the directors in the corporate governance section of the website and annual report is:

- The case where the entity has complied with the requirements of the Code**
“Throughout the year ended [date] to the best of the Board’s knowledge the organisation has complied with the Corporate Governance Code for Mauritius (2016). The organisation has applied all of the principles set out in the Code and explained how these principles have been applied.”
- The case where the entity has partially complied with the Code**
“Throughout the year ended [date] to the best of the Board’s knowledge the organisation has not applied ... (insert the principles of the Code). Reasons for non-application are.....”

iii. The case where the entity has not complied with the requirements of the Code

“Throughout the year ended [date] to the best of the Board’s knowledge the organisation has not complied with the Code at all.”

Compliance with all of the obligations and requirements under the Code requires the entity applying all of the eight principles and providing an adequate explanation of how these principles have been applied. The statement should be easy to find on the organisation’s website and in its annual report. It is recommended that the statement be self-contained and references to other parts of the annual report or the website should be minimised.

Reporting by Auditors

The auditor should assess the explanations given for non-compliance with any requirement of the Code. The alternative wording for the auditor’s report concerning compliance with the requirements of the Code is as follows:

i. The case where the entity has complied with the requirements of the Code

“The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code. In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.”

ii. The case where the entity partially complied with the Code

“The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the principles of the Code. The directors have not given satisfactory explanations on the principles of the Code which have not been complied with. In our opinion, except for the non-disclosure and/or failure to satisfactorily explain the reasons for non-compliance, the disclosure in the annual report is consistent with the principles of the Code.”

iii. The case where the entity has not complied with the principles of the Code and not provided explanations

“The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the principles of the Code. The directors have not prepared the corporate governance report as required by the Code of Corporate Governance. In our opinion, the non-disclosure in the annual report is not consistent with the principles of the Code.”

The auditor’s report on compliance with the Code of Corporate Governance should be made in the “Reporting on other legal requirements” paragraph in the Auditor’s Report in compliance with International Standards on Auditing (ISA) 700.

Financial Reporting Council Statement of Compliance

Every entity required to report on corporate governance should submit to the Financial Reporting Council a statement of compliance with the Code in accordance the Financial Reporting Act and General Notice 1016 (2013). Other organisations required to report on corporate governance (e.g., statutory bodies) may be required to make equivalent statements. Three alternative statements signed by the Chairperson and one director and sent to the FRC are currently permitted:

i. The case where the entity has complied with the requirements of the Code

“We, the directors of [*] confirm that to the best of our knowledge [*] has complied with all of its obligations and requirements under the Code of Corporate Governance.”

ii. The case where the entity has partially complied with the Code

“We, the directors of [*] confirm that to the best of our knowledge the [*] has not complied with ... (insert the principles of the Code). Reasons for non-compliance are annexed to this Statement of Compliance.”

iii. The case where the entity has not complied with the requirements of the Code

“We, the directors of [*] confirm that to the best of our knowledge the [*] has not complied with the Code at all. Reasons for non-compliance are annexed to this Statement of Compliance.”

The FRC is required to monitor the application and reporting of the Code regularly. It is expected that the content of the Code will evolve over time to reflect developments in good governance practices.

Overseas Companies

Overseas companies that follow other national or international Codes with similar objectives are not likely to find that the application of the Code duplicates or confuses their responsibilities. Company disclosures made in respect of those standards can also be used to demonstrate the extent to which they have complied with the Code. In a similar spirit, Mauritian companies that apply the Code should make their best efforts to apply its principles to overseas organisations.

GUIDANCE ON APPLYING THE PRINCIPLES

The Code recognises that ‘one size does not fit all’. The principles take into account that different types of organisations can take different approaches to achieving good corporate governance. Good governance practices should reflect the nature of each organisation, its ownership structure and the range of interests of its stakeholders.

The guidance does not detract from our view that different organisations can find different ways to achieve good corporate governance. Some of the guidance may not suit particular organisations for such reasons as size, Board composition, or cost.

Organisations do not need to report on whether they have followed the guidance contained in this section.

For any given organisation, the directors and executives are best placed to decide the details of structures and processes for applying the principles.

In the context of Mauritius, important differences must be respected between sectors of the economy. Information on sector regulation has, therefore, been included in this document, which covers the role of:

- the Bank of Mauritius;
- the Financial Reporting Council;
- the Financial Services Commission; and
- the Stock Exchange of Mauritius Ltd.

GENERIC GUIDANCE

Principle 1: Governance Structure

All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified.

Implementation Guidance

The Board should lead and control the organisation and be collectively responsible for its long-term success, reputation and governance. To apply this principle, Boards are advised to consider developing and ratifying the following documents:

- **A Board Charter**

A charter provides the terms of reference for the Board and describes how the Board operates. As the focal point of the corporate governance system, the Board is ultimately responsible and accountable for the performance and activities of the organisation. The role of the Board is to oversee executive management and the proper functioning of the organisation. To fulfil this role, the Board must have clear, well-defined and understood responsibilities and these should be defined in its charter. All organisations that do not already have a Board charter in a written format should consider developing one.

- **A Code of Ethics**

The Code should lay out clear corporate values and standards of behaviour in the organisation's dealings. When adopting a Code of ethics, the organisation should address primarily the issues relating to ethical practices of relevance to the particular circumstances of its business environment, including the practical application of its corporate values and the concepts of honesty and integrity. The Code of ethics should make clear what is acceptable and unacceptable practice and should be easily communicable to all stakeholders, especially the organisation's officers and employees who will rely on it to guide them in their dealings. All organisations that do not already have a Code of ethics in a written format should consider developing one.

- **Job Descriptions or Position Statements**

There should be a written job description or position statement for each senior governance position within an organisation (e.g., Chairperson, Chief Executive, Chairperson for each Board committee and Company Secretary). Senior governance positions may vary depending on the sophistication and scale of the organisation.

- **Organisational Chart and Statement of Accountabilities**

There should be an organisational chart (at a level of detail commensurate with the sophistication and scale of the organisation) and a written description of the major accountabilities within the organisation.

Examples of each of these key governance documents can be found on the National Committee on Corporate Governance website and annexed in document exemplars.

Recommended Disclosure

The corporate governance section of the annual report should include the following:

- Affirmation that the organisation is a public interest entity as defined by law.
- Statement that the Board assumes responsibility for leading and controlling the organisation and meeting all legal and regulatory requirements.
- Statement that the Board has approved its charter, the organisation's Code of ethics, appropriate job descriptions of the key senior governance positions, an organisational chart and a statement of accountabilities.

The organisation's website should include the following:

- The organisation's constitution;
- The Board's charter;
- The organisation's Code of ethics;
- Appropriate job descriptions of the key senior governance positions;
- An organisational chart; and
- A statement of major accountabilities within the organisation.

The organisation's website should also describe the approval, monitoring and review processes (including frequency) of these documents.

Principle 2: The Structure of the Board and its Committees

The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties.

Implementation Guidance

To apply this principle, Boards are advised to consider the following:

- **Board Structure**

The concept of a unitary Board is the favoured structure for companies in Mauritius. A one-tier or unitary Board typically consists of both non-executive directors (some of whom should be independent) and executive directors (who combine their Board role with a senior managerial position). Only Board members should attend Board meetings. The regular use of alternate directors is discouraged and should be kept to a minimum since they are normally unable to contribute as effectively as other directors to Board discussions.

The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the organisation to enable them to discharge their respective duties and responsibilities effectively. The Board and its committees should have sufficient diversity, including gender, to avoid ‘group think’.

- **Board Size**

The Board should be of sufficient size to meet the requirements of the business but should not be so large as to be unwieldy. The criteria for determining sufficiency might include:

- Size of the organisation in turnover or headcount.
- Geographical spread of operations or markets.
- Multiplicity of activities and sectors.
- Extent to which activities are subject to regulation.
- The number of Board committees.
- The extent of public scrutiny to which the organisation is subject.

- **Board Composition**

- **Chairperson** - All Boards should have a Chairperson who may be independent. The title, function and role of the Chairperson should be separate from that of the CEO. Boards should ensure that the Chairperson be able to commit sufficient time to carrying out his or her duties and responsibilities effectively. The duties and expected workload will vary according to the type, scale and complexity of the organisation. A job description for a Chairperson is listed on the NCCG website.
- **Executive Directors** - All Boards should consider having a strong executive management presence with at least two executives as members. The duties and expected workload will vary according to the type, scale and complexity of the organisation. A job description for a Chief Executive Officer (CEO) is listed on the NCCG website.
- **Non-executive Directors** - A non-executive director presence on the Board should be commensurate with the sophistication and scale of the organisation. Non-executive directors are entitled to seek independent advice where appropriate. This may be necessary to fully inform themselves about an issue before the Board and to effectively contribute to Board discussions.
- **Independent Directors** – Boards should normally have at least two independent directors. An independent director’s presence on the Board should be commensurate with the sophistication, scale and sector of the organisation. The Board should determine whether a director is independent in character and judgement and whether there are relationships or circumstances likely to affect, or appear to affect, the director’s judgement on an annual basis. When considering independence, the Board should take into account the following issues:
 - Has the director been an employee of the organisation or group within the past three years?
 - Has the director had within the past three years, a material business relationship with the organisation either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the organisation?

- Has the director received additional remuneration from the organisation apart from a director's fee or as a member of the organisation's pension scheme?
- Is the director a nominated director representing a substantial shareholder?
- Has the director close family ties with any of the organisation's advisers, directors or senior employees?
- Has the director cross directorships or significant links with other directors through involvement in other companies or bodies?
- Has the director served on the Board for more than nine continuous years from the date of his first election?

Affirmative answers to any of the above questions would lead to a director being defined as non-independent. A Board can have its own definition of independence, but if the Board allows any material divergence from any of the above criteria, it should be fully explained in the corporate governance section of the annual report and on the website. An explanation should be provided if a Board has less than two independent directors.

Organisations should not sacrifice knowledge and industry experience in favour of independence.

- o **Company Secretary** - All organisations should have a Company Secretary. The Company Secretary acts as a vital bridge between the Board and the executive management. The Company Secretary must have access to Board members (executive, non-executive, CEO and Chairperson).

The Board should consider assigning the tasks of applying and implementing the principles in the Code to the Company Secretary.

The duties and expected workload will vary according to the type, scale and complexity of the organisation. Boards should ensure that the Company Secretary be competent to carry out his or her duties. The Company Secretary should be able to commit sufficient time to carrying out these duties and responsibilities effectively. A job description for a Company Secretary is listed on the NCCG website and annexed in document exemplars.

- **Board Diversity** - All organisations should have directors from both genders as members of the Board i.e. at least one male and one female director. All Boards are encouraged to have a non-discrimination policy that covers its senior governance positions, including disability, gender, sexual orientation, gender realignment, race, religion and belief, and age.
- o **Mauritian Residency** - All organisations should have at least one director who ordinarily resides in Mauritius.
- o **Board Committees** - As the focal point of the corporate governance system, the Board is ultimately responsible and accountable for the performance and affairs of the organisation. Committees are a mechanism for assisting the Board and its directors in discharging their duties through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the Board. Delegating authority to Board committees or management does not in any way absolve the Board of its duties and responsibilities. Board committees should be transparent to the Board and practice full disclosure but avoid wasting the Board's time by repeating committee deliberations.

The Board has responsibility for establishing committees appropriate for its purposes. The overriding principle is that committees should be responsive and relevant to the nature of the organisation's business and should require the direct involvement of directors, particularly non-executives. The charter for all committees should be formally approved by the Board and published on the organisation's website. Board committees can provide the following benefits:

- Bringing a focus and appropriate expertise and specialisation to the consideration of a Board issue.
- Enhancing Board efficiency and effectiveness.
- Enabling issues to be studied in depth.

The roles and responsibilities of each Board committee should be included in the corporate governance section of the annual report. All organisations should have, at a minimum, an Audit Committee. If an organisation does not have an Audit Committee, it should explain its reasons. Board committees should comprise only members of the Board and should regularly make formal reports to the Board. All Board committees should have at least three members, and the majority should be non-executive and where possible, independent. In the case of the Audit Committee, the majority of the members should be independent.

The Chairperson of each of the Board committees should not normally be the Chairperson of the Board. The Chairperson of the Audit Committee should be an independent director. The CEO should not be a member of the Audit Committee.

A Secretary should be appointed for each committee. Minutes of each meeting should be recorded and submitted to the Board for noting.

Examples of terms of reference for committees can be found on the NCCG website and annexed in document exemplars.

Recommended disclosure

The corporate governance section of the annual report should include the following:

- Statement that the Board structure is unitary (one tier).
- Identification by name and status of every director (independent or non-independent, external or internal) and the Company Secretary, information probably best presented in tabular form.
- An explanation should be provided if a Board has less than two independent directors.
- Criteria the Board employed to determine its sufficient size and composition.
- Identification of the directors who ordinarily reside in Mauritius.
- Identification of the gender balance on the Board.
- Disclosure of the attendance record of directors at Board meetings, information probably best presented in tabular form.
- For every director, the details of each chair and external and internal directorship that he or she holds in other organisations. The details should include the name of organisation and type of directorship held. This information is probably best presented in tabular form.
- Definition of the roles and responsibilities of each Board committee, including the following information: the number of members, the number of independent members, the name of the committee Chairperson, and the names of the other members; the attendance record of all members at committee meetings; the scope of each committee's responsibility and how frequently the Board reassesses the charter of each committee.

Principle 3: Director Appointment Procedures

There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders.

Implementation Guidance

To apply this principle, Boards are advised to consider the following:

- **Election and Re-election**

Appointment processes vary depending on the type of sector and the sophistication and scale of the organisation. In particular, Statutory Bodies have appointment processes that significantly differ from those in the private sector. For information on public sector appointment processes, refer to the supplementary guidance for Statutory Bodies.

Companies should ensure that the word *director* is not included in the job title of a person unless he or she is a member of the Board.

Directors should be elected on a regular basis at the annual meeting of shareholders. If Board elections are not held every year, the election frequency should be stated in the annual report and an explanation provided. Each director should be elected by a separate resolution. In the papers accompanying a resolution to elect a non-executive director, the Board should indicate its reasons for believing that an individual should be elected. All directors who wish to be re-elected should be submitted for re-election at the meeting of shareholders. For election of new directors brief biographical details of each director should be included in the notice published in the annual report to enable shareholders to take an informed decision on their election. Re-election should be subject to continued satisfactory performance. When proposing re-election, the Chairperson should confirm to shareholders that, following a formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.

Organisations are encouraged to allow minority shareholders the opportunity to nominate a person during the nomination process.

The appointment process should commence with a profile of an ideal candidate based on the requirements of the position and the skills and expertise required. The Board should set out in writing the specific expectations of its non-executive directors, including the time commitment.

All directors should be able to allocate sufficient time and focus to the organisation to discharge their responsibilities effectively. The duties and expected workload will vary according to the type, scale and complexity of the organisation. The Chairperson and both non-executive and independent directors should be judicious in the number of directorships they accept so that they can do full justice to their onerous and demanding responsibilities as Board members.

For the appointment of a Chairperson, there should be a job description, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A Chairperson's other significant commitments should be disclosed to the Board before appointment and included in the annual report. Changes to such commitments should be reported to the Board as they arise and their impact explained in the next annual report.

It is recommended that the terms and conditions of the appointment of non-executive directors be published on the organisation's website. The letter of appointment should set out the expected time commitment. Non-executive directors should ensure that they have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the Board before appointment, with a broad indication of the time involved, and the Board should be informed of subsequent changes. A model letter of appointment is listed on the NCCG website and annexed in document exemplars.

- **Induction and Orientation**

All directors should receive an induction and orientation upon joining the Board. This process should contribute to ensuring a well-informed and competent Board. It is vital therefore that a suitable induction and orientation programme be in place which meets the specific needs of both the organisation and the individual and enables any new director to make the maximum contribution as quickly as possible. Although it is the responsibility of the Chairperson to ensure the relevance and quality of the programme of the induction and orientation training, itself may often be delegated to the Company Secretary. Indicative content for director induction is listed on the NCCG website and annexed in document exemplars.

- **Professional Development**

The Chairperson should regularly review and agree with each director on his or her training and development needs. The Chairperson should ensure that the directors continually update their skills and knowledge. The organisation should provide the necessary resources for developing and updating its directors' knowledge and capabilities.

- **Succession Planning**

Succession planning processes vary depending on the type of sector and the sophistication and scale of the organisation. The Board should satisfy itself that suitable plans are in place for the orderly succession of appointments to the Board and to senior management positions in order to maintain an appropriate balance of knowledge, skills and experience within the organisation and on the Board and to ensure progressive refreshing of the Board.

Recommended disclosure

The corporate governance section of the annual report should include the following:

- Statement that the Board assumes the responsibilities for succession planning and for the appointment and induction of new directors to the Board.
- Short biographies of each director that include experience, skills, expertise and where applicable continuing professional development.
- Affirmation that all new directors have attended and participated in an induction and orientation process.
- Statement that the Board has reviewed the professional development and ongoing education of directors.

The corporate governance section of the website should include the following:

- Details of the nomination and appointment process.
- Short biographies of each director that include experience, skills, expertise and where applicable continuing professional development.
- Short biography of the Company Secretary that includes experience, skills, expertise and where applicable continuing professional development.

Principle 4: Director Duties, Remuneration and Performance

Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information, information technology and information security. The Board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives.

Implementation Guidance

To apply this principle, Boards are advised to consider the following:

- **Legal Duties**

Directors should be aware of their legal duties. The duties of directors are listed in the Companies Act (2001), but other legal obligations are contained in other legislation. Directors are required to exercise that degree of care, skill and diligence which a reasonably prudent and competent director in his or her position would exercise.

- **Code of Ethics**

All organisations that do not already have a Code of ethics should consider developing one. The organisation website should contain the Code of ethics. A Code of ethics should typically include the following elements:

- A section on conflicts of interest, including a full description of how directors and employees should behave when dealing with matters in which he or she has a personal interest. It should include a statement that the Audit Committee has been given explicit responsibility for reviewing and approving any conflicts-of-interest and related-party transactions and for working with the auditor on detecting and reporting on related-party transactions.
- A statement on proper use of the organisation's property.
- A policy on fair dealing with customers, clients, employees, suppliers, competitors and other stakeholders.
- A policy on procurement, giving and receiving gifts and facilitation payments.
- A statement on compliance with laws and regulations including tax management activities.
- A process for reporting unethical behaviour and decision-making.
- A director endorsement statement to live by the Code.

In the formulation of its Code of ethics, an organisation should consider the specific circumstances and identify risk areas within the particular industry in which it operates. Where necessary, reference should be made to relevant laws, rules and regulations that apply to the organisation's activities and services. A Board should regularly monitor and evaluate compliance with its established ethical principles and standards. All Boards are encouraged to put whistleblowing procedures in place and to describe these in their Code of ethics.

It is important that the Board set the correct tone, starting with the top leadership of the organisation. The directors should lead by example and ensure that good standards of behaviour permeate all levels of the organisation. This example will help prevent misconduct and unethical practices and support the delivery of long-term success.

- **Conflicts of Interest**

Conflicts of interest inherent in related party transactions should be addressed. The potential abuse of related party transactions is an important issue in all market sectors but particularly in those where corporate ownership is concentrated. Banning these transactions is normally not a solution as there is nothing wrong per se with entering into transactions with related parties provided the conflict of interest inherent in these transactions are adequately addressed including through proper monitoring, approval and disclosure.

A director should make his best effort to avoid conflicts of interest or situations where others might reasonably perceive such a conflict. Transactions between the organisation and its managers, directors or large or dominant shareholders are sources of such conflicts. The personal interests of a director, or persons closely associated with the director, must not take precedence over those of the organisation and its shareholders. Any director appointed to the Board at the instigation of a party with a substantial interest in the organisation—such as a major shareholder, substantial creditor or significant supplier or adviser—should recognise that their duty and responsibility as a director is always to act in the interests of the organisation and not the party who nominated them.

The Company Secretary should be responsible for maintaining an interests register. It is the responsibility of each director to ensure that any interests be recorded in this register. Full and timely disclosure of any conflict, or potential conflict, must be made to the Board.

All Boards should develop a conflict of interest and related party transactions policy that outlines the procedures for addressing issues arising in these areas. The Board should consider delegating oversight questions relating to related party transactions and conflict of interest to the audit committee. These issues may also involve discussions with the auditors. Shareholders may also be given a role in approving certain transactions with interested shareholders being excluded.

In instances of an actual or potential conflict of interest, the director concerned should not be present at that part of the meeting in which the conflict or potential conflict is discussed and should not participate in the debate, vote or indicate how he or she would have voted on the matter in the Board or the committee meeting. The fact that conflicts of interest have been effectively managed should be noted in the annual report.

- **Information, Information Technology and Information Security Governance**

The Board should oversee information governance within the organisation. The Board should ensure that the performance of information and information technology (IT) systems lead to business benefits and create value.

The Board should ensure that information assets be managed effectively and should delegate to management the implementation of a framework on information, information technology and information security governance. Boards are encouraged to appoint an information technology steering group or similar forum to assist with its governance of information technology. There should be a relevant representation from business and information technology in this structure. The Board should monitor and evaluate significant investments in information technology and expenditures.

The Board should ensure that the information security policy be regularly reviewed and monitored. Management should regularly demonstrate to the Board that the organisation has adequate business reliance arrangements in place for business continuity.

The Board should ensure that IT policies and strategy be in place and effective. It is recommended that the information governance system adhere to the standards set by internationally recognised bodies (e.g., ISACA) and frameworks (e.g., COBIT 5). The Board should consider receiving independent assurance concerning the effectiveness of its information, information technology and information security governance systems.

- **Board Information**

The Chairperson is responsible for ensuring that the directors receive accurate, timely and clear information. The Company Secretary's responsibilities should include ensuring good information flows within the Board and its committees and between senior management and non-executive directors. Management has an obligation to provide accurate, timely and clear information, but directors should seek clarification or amplification where necessary.

The Board should ensure that directors, especially non-executive directors, have access to independent professional advice at the organisation's expense in cases where the directors judge it necessary for discharging their responsibilities as directors.

All directors must keep matters relating to the organisation, learned in their capacity as directors, strictly confidential and private and must not divulge them to anyone without the authority of the Board.

The Company Secretary should arrange appropriate Directors and Officers Insurance for all Board members, the Company Secretary and other appropriate staff.

- **Board Evaluation and Development**

Board evaluation and development processes vary depending on the type of sector and the sophistication and scale of the organisation. In general, the Board is encouraged to undertake a formal, regular and rigorous evaluation of its own performance and that of its committees and individual directors and produce a development plan on an annual basis. An evaluation is likely to include several elements:

- o The structure of the Board and its committees (this includes Board and committee organisation and dynamics, such as the mix of skills, knowledge, diversity, experience and independence; how the Board works as a unit; and the tone set by the Chairperson and CEO).
- o Board efficiency and effectiveness (this includes individual performance; clarity of purpose, direction and values of the organisation; quality of leadership and key Board relationships).
- o Risk management and governance.
- o Strategic review and resource allocation.
- o People issues and succession planning.
- o Ethics management.
- o Business performance (this includes the level and quality of reporting measures).
- o Board committees.

The Board should report in the annual report on how the performance evaluation of the Board, its committees and its individual directors has been conducted.

The evaluation of individual directors should aim to show whether each director continues to contribute effectively and demonstrate commitment to the role, including dedication of time to Board and committee meetings and any other duties.

The Chairperson should act on the results of the evaluation by recognising the strengths and addressing the weaknesses of the Board and, where appropriate, proposing that new members be appointed to the Board or seeking the resignation of poor performing directors.

Evaluation of the Board by an external and independent facilitator is encouraged and should be regularly considered by the Board. If an external facilitator is employed, the evaluator should be identified in the annual report and independence affirmed.

If an external evaluator is not used, the evaluation should be led by the Chairperson.

The non-executive directors, led by the lead independent director (if one exists), should be responsible for the performance evaluation of the Chairperson. The evaluation should take into account the executive directors' views.

Directors who do not discharge their duties and responsibilities to the satisfaction of the Board (including those who miss meetings without an acceptable explanation) should be removed, after training has failed and after relevant legal and other matters have been taken into consideration. The Chairperson should lead this process.

Remuneration

Adequate remuneration is necessary for attracting, retaining and motivating high-quality directors and senior executives. The determination of remuneration and the remuneration levels vary according to the type of sector and the sophistication and scale of the organisation. All organisations should include a statement of their remuneration policy in their annual report, so that shareholders and stakeholders can understand the Board's policy and motivation in determining remuneration for directors (both executive

and non-executive) and senior executives in accordance with specified benchmarks. The remuneration policy should set remuneration levels that are fair and reasonable in a competitive market for the skills, knowledge and experience required by the organisation.

In addition, all Boards should consider disclosing details of the remuneration paid to each individual director in their annual report. Privacy considerations may need to be taken into consideration, and if so, explained. Such remuneration should include salaries, fees, severance payments, share options and any other benefits whether received from or through the organisation, or from or through any subsidiary of the organisation, or any organisation on which the director serves as a representative. Executive director remuneration should be clearly differentiated from non-executive director remuneration. Non-executive directors should not normally receive remuneration in the form of share options or bonuses associated with organisational performance. The Board should consider whether remuneration packages for executive directors should include an element dependent on organisational and individual performance. Some Boards may benefit from appointing a remuneration committee to make recommendations on packages for executive directors and other senior executives. Individual directors and senior executives should not determine their own remuneration.

Recommended disclosure

The corporate governance section of the annual report should include the following:

- Affirmation that the directors are aware of their legal duties.
- Affirmation that the Board regularly monitors and evaluates compliance with its Code of ethics.
- Statement that the Company Secretary maintains an interests register and is available for consultation to shareholders upon written request to the Company Secretary.
- Affirmation that all conflicts-of-interest and related-party transactions have been conducted in accordance with the conflicts-of-interest and related-party transactions policy and Code of ethics.
- Affirmation that an information, information technology and information security policy exists.
- Description of how the Board oversees information governance.
- Identification of any restrictions placed over the right of access to information.
- Discussion of how the organisation monitors and evaluates significant expenditures on information technology.
- Note on when an evaluation of the effectiveness of the Board, its committees and its individual directors was conducted.
- Identify whether an independent Board evaluator was employed and, if so, how the evaluator was appointed and the name of the person or body responsible for the conduct of the evaluation within the organisation.
- Outline of the evaluation methods (e.g., meeting discussion, questionnaire, survey, interviews, or observation or a combination of methods).
- Significant actions to be taken as a result of the evaluation.

The remuneration section of the annual report should include the following:

- Statement of the remuneration policy and the rationale for any changes.
- Affirmation that the Board or a specified committee has reviewed the adequacy of directors' and senior executives' remuneration and the form of that remuneration.
- Appropriate details of directors' remuneration to include: an explanation of the proportions of fixed and

variable remuneration; details of any long-term incentive plans and a description of any link between executive remuneration and organisation performance.

- Assurance that the non-executive directors have not received remuneration in the form of share options or bonuses associated with organisational performance.

The corporate governance section of the website should contain:

- The Code of ethics.
- The conflicts of interest and related party transactions policies.
- The information, information technology and information security policies.

Principle 5: Risk Governance and Internal Control

The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.

Implementation Guidance

Risk Governance

Risk is part of life, and avoiding all risk results in no achievement, no progress, no reward and no value creation. Risk management is a fundamental element of corporate governance involving the management of ‘tomorrow’s surprises today’. Risk is associated with possible events which, should they occur, could prevent an organisation from fulfilling its mission, meeting its commitments and achieving its objectives. Risks may adversely affect the organisation’s strategy, people, assets, environment or reputation.

The Board is responsible for the governance of risk and should ensure that the organisation develop and execute a comprehensive and robust system of risk management. It is responsible for determining the nature and extent of the principal risks it is willing to take in line with the business model and in achieving its strategic objectives—that is, assessing its risk appetite and tolerance. Once these risks have been identified, the Board should agree on how these risks will be managed and mitigated and keep the organisation’s risk profile under review. The Board should satisfy itself that management systems include appropriate controls.

The Board should apply risk management standards and requirements from the relevant regulator as may be applicable.

The Board should ensure that appropriate culture and reward systems have been embedded throughout the organisation.

The Board should possess a reasonable knowledge of the risks specific to the entire spectrum of the organisation’s activities and ensure that the processes in place enable complete, timely, relevant, accurate and accessible risk disclosure to shareholders and other stakeholders.

The Board should oversee and ensure management's continual monitoring of risk, and management should consider and implement appropriate risk responses that involve the following: taking risk (when the risk is present, is within the risk tolerance and otherwise represents a missed opportunity); addressing risk when it is too high and when application of internal controls can mitigate it; transferring risk when the risk is too high but can be transferred to a third party; or terminating when the risk is too high and cannot be mitigated or transferred to a third party. Management should be held accountable to the Board for the design, implementation and detailed monitoring of the risk management processes.

The Board should ensure that risk management policies be communicated to management and all other employees as appropriate to their roles within the organisation and should satisfy itself that communication has been effective and understood.

It is the responsibility of the Board to disclose information on the risk management processes, which, at a minimum, include the following:

- The structures and processes in place for the identification and management of risk. The three lines of defence model can be used as the primary means to demonstrate and structure roles, responsibilities and accountabilities. The three lines of defence in the risk management model are: management control; the various risk control and compliance oversight functions established by management; and independent assurance provided by Internal Audit.
- The methods by which internal control and risk management are integrated.
- The methods by which the directors derive assurance that the risk management processes are in place and effective.
- A brief description of each of the key risks identified by the organisation and the way in which each of these is managed.

The directors should state whether they have a reasonable expectation that the organisation will be a going concern and meet its liabilities as they fall due drawing attention to any qualifications or assumptions as necessary.

Risk management should include the reporting, the consideration and the taking of appropriate action on the risk exposure of the organisation in at least the following areas of risk:

- Strategic
- Financial
- Operational
- Compliance

In organisations exposed to major risks, the Board should constitute a Risk Committee with appropriately knowledgeable members that have the right skill set for reviewing the risk management processes. An organisation may establish a Risk Committee composed of members of the senior management team who report regularly to the Audit Committee on risk management. The role of the committee is to regularly advise the Board on the total process of risk management and risk governance within the organisation and to support management in the continuous management of risk.

The Board may obtain objective assurance on the effectiveness of risk management from independent providers. The risk management assurance should adhere to requirements from the relevant regulator (if applicable) and consider those set by internationally recognised bodies (such as the Committee of Sponsoring Organisations of the Treadway Commission, known as COSO, or the Institute of Risk Management).

Internal Controls

- Internal controls are designed to provide the following:
- Reasonable assurance on achievement of organisational objectives with respect to the effectiveness and efficiency of operations.
- Safeguarding of the assets and data of the organisation.
- Reliability of financial and other reporting.
- Prevention of fraud and other irregularities.
- Acceptance and management of risk.
- Conformity with the Codes of practice and ethics adopted by the organisation.
- Compliance with applicable laws, rules, regulations and regulatory requirements.
- Internal controls are used in validating the operational and financial processes used during a cycle with the purpose of exposing weaknesses and identifying areas for improvement.

Internal control is one of the mechanisms used to reduce risk to an acceptable level. Internal control should be operated by the organisation's Board, its management and staff and should be embedded in the daily activities of the organisation. Internal controls should apply to the holding Company, intermediate holding companies and subsidiaries. Management should be responsible for the design, implementation and monitoring of the internal control system. Senior management's role should be to oversee the establishment, administration and assessment of the system and processes.

The Board should monitor the internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance. The Board should satisfy itself that the system of internal control is functioning effectively. The Board should be apprised of the assessment of internal control deficiencies, the management actions to mitigate such deficiencies and how management assesses the effectiveness of the organisation's system of internal controls.

Recommended disclosure

The corporate governance or risk section of the annual report should include the following:

- Statement that the Board is responsible for the governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.
- Outline of the structures and processes in place for identifying and managing risk.
- Description of the methods by which the directors derive assurance that the risk management processes are in place and are effective.
- Description of each of the principal risks and uncertainties faced by the organisation and the way in which each is managed.
- Identification and discussion of the risks that threaten the business model, future performance, solvency and liquidity of the organisation.
- Affirmation that the Board or an appropriate Board committee has monitored and evaluated the organisation's strategic, financial, operational and compliance risk.
- Assurance that by direction of the Board or an appropriate Board committee management has developed and implemented appropriate frameworks and effective processes for the sound management of risk.
- Outline of the systems and processes in place for implementing, maintaining and monitoring the internal controls.

- Description of the process by which the Board derives assurance that the internal control systems are effective.
- Identification of any significant areas not covered by the internal controls.
- Acknowledgement of any risks or deficiencies in the organisation’s system of internal controls.
- Report on whistle-blowing rules and procedures; possible protections could include confidential hotlines, access to a confidential and independent person or office, safe harbours and rewards, or immunity to whistle blowers.

Principle 6: Reporting with Integrity

The Board should present a fair, balanced and understandable assessment of the organisation’s financial, environmental, social and governance position, performance and outlook in its annual report.

Implementation Guidance

In the annual report, the directors should affirm their responsibility for preparing the annual report and accounts and state that they consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders and other key stakeholders to assess the organisation’s position, performance and outlook.

The Board is responsible for:

- The preparation of accounts that fairly present the state of affairs of the organisation and the results of its operations and that comply with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the Companies Act.
- Selecting appropriate accounting policies based on reasonable and prudent judgements.

In preparing the annual accounts, the Board should adopt the going-concern basis of accounting and identify any material uncertainties about the organisation’s ability to continue over a period of at least 12 months from the date of approval of the financial statements. Table 1 identifies the key principles associated with effective reporting.

Table 1: The Key Principles Associated with Effective Reporting

Brevity	The annual report should be brief but not omit anything essential.
Consistency	The annual report should use consistent terms, short sentences, appropriate font style and size and, as appropriate, tables and other graphics.
Exception	The annual report should emphasise material exceptions rather than produce voluminous data that reiterate items and activities in detail where there has been little, if any, change from the previous report.
Simplicity	Wherever possible, the annual report should use language that people without specialized training can understand.
Relevance	The annual report should provide information that will benefit the reader and not contain any irrelevant information.

Narrative reporting contains the critical contextual and non-financial information that is reported alongside an organisation's financial information to provide a broader, more meaningful understanding of an organisation's business, its market position, strategy, performance and future prospects. It normally includes quantified metrics for these areas.

Organisations are encouraged to strengthen their narrative reporting. An increase in narrative reporting may provide a number of specific benefits:

- Improvement in the quality of information available to providers of financial capital, thereby enabling a more efficient and productive allocation of capital.
- Promotion of a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

The narrative section of the annual report would normally comprise several key elements:

- *An organisational overview.* An organisational overview normally describes the organisation's culture, ethics and values; the ownership and operating structure; its principal activities; and key quantitative information (e.g., the number of employees, revenue and number of countries in which the organisation operates). The review should highlight any significant changes from prior periods.
- *An overview of the external environment.* An overview of the external environment identifies the organisation's principal markets; the competitive environment and its position within the market; and significant factors affecting the external environment and the organisation's response. Significant factors affecting the external environment include aspects of the political, economic, social, technological, legal and environmental issues that influence the organisation's ability to create value.
- *The business model.* An organisation's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aim to fulfil the organisation's strategic purposes and create value over the short, medium and long term. The business model can be shown in any format. Organisations should consider graphic visual representations of the information.
- *Risks.* The narrative report should identify the specific risks that affect the organisation's ability to create value and describe how the organisation is dealing with them.
- *Key performance indicators, performance and outlook.* The Board should identify in the annual report the key performance indicators that it employs to evaluate the performance of the organisation. It is recommended that key performance indicators focus upon energy efficiency and renewable resources combine financial measures with other components (e.g., the ratio of CO₂ emissions or water use to sales). The narrative report should identify the challenges and uncertainties that the organisation is likely to encounter in pursuing its strategy and consider the potential implications for its future performance. It should highlight anticipated changes over time and provide information on the organisation's expectations about the external environment and how the organisation is currently equipped to respond to likely challenges and uncertainties. The report should reflect positive and negative aspects of the organisation's performance to enable a reasoned assessment of overall performance.

- *Sustainable development*. Sustainable development can be defined in many different ways. The United Nations defines sustainable development as a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs'.¹

It is recommended that the Board consider reporting on the following:

- **Environmental Issues** - Business activities can have a profound impact on the environment, especially in Mauritius, a small, densely populated and geographically isolated island. Environmental issues are therefore vital to the economy in Mauritius, and organisations should not only be aware of the importance of these issues but also should be actively involved in managing their activities in a way that minimises any negative impact on the environment. Boards should monitor and evaluate the environmental impact of their organisation's activities and report their findings in the annual report. It is recommended that organisations have a policy on carbon reduction schemes. The organisation should report on what is being done or what is being planned to reduce carbon emissions.
- **Health and Safety Issues** - Organisations should develop and implement health and safety policies and practices at least to comply with existing legislative and regulatory frameworks. The executive management should identify health and safety risks and undertake assessments leading to sound risk management strategies in the organisation's particular field of activity. Boards should regularly monitor and evaluate health and safety compliance and report their findings in the annual report.
- **Social Issues** - Boards should regularly evaluate their impact on society and report their findings in the corporate governance section of the annual report. Organisations in Mauritius play an important role in sustaining social harmony, especially through their employment policies and their ownership structure. It is essential that enterprises in the private and public sectors practice, and are seen to practice, non discriminatory policies in recruitment and promotion. Organisations should therefore adopt both transparent and merit-based procedures.
- **Corporate Social Responsibility** - An organisation that accepts responsibility for its corporate social responsibility (CSR) activities will actively take into account its impact on local communities and the environment. The Government of Mauritius has established a policy mandating that registered companies pay 2 percent of their profit towards programmes that contribute to the social and environmental development of the country. This policy encourages companies to manage their own programmes; facilitates the support of existing programmes implemented by other companies, national agencies or nongovernmental organisations (NGOs); and promotes a co-operative community of NGOs with complementary work plans relevant to the national development programme. For further details, refer to www.csr.mu.
- **Charitable and Political Contributions** - It is the responsibility of the Board to decide whether the organisation should make donations to charities, political parties or other causes. Any donations or funding should be within the law and in the interests of the organisation. A donation includes gifts of money or other property; any sponsorship, membership subscription or fee; the payment of expenses; and the provision of services, facilities or loans other than on commercial terms. Political contributions include any expenditure incurred by the organisation for the preparation and distribution of publicity material for any political party or organisation or independent candidate or for any other activities

¹ United Nations (1987)

that could reasonably be regarded as intended to affect public support for a political party or organisation or independent candidate.

If the directors decide that it is appropriate to provide funds for charitable or political parties or causes, then that contribution should be declared in the annual report. Boards are encouraged to provide details of each contribution.

- **Governance** - Directors should satisfy themselves that all the principles of the Code are sufficiently covered in the narrative and should avoid simply ‘boiler plating’ and reproducing them. The focus should be on how the principles have been applied to the organisation’s particular circumstances.

Recommended wording for alternative statements of compliance by the directors in the corporate governance section of the website and annual report is found in section Code Application and Implementation.

The statement of compliance should be easy to find in the annual report.

The annual report should focus on the *what* and the *how* of governance. The use of graphics is recommended. Static information, where appropriate, should be put on the website rather than in the annual report.

Once a Board is satisfied with its narrative report, it could use the following wording:

“Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, we are satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable.”

For enhanced disclosure, the organisation should consider whether to adhere to the *Integrated Reporting Council Framework* (2013) or to the Global Reporting Initiative requirements.

Integrated reporting is about connecting information about an organisation’s strategy, risk, remuneration and performance and recognising that the economy, environment and society are inter-related. Information provided by an organisation for stakeholders to understand its performance in each of these areas needs to be viewed as whole. Integrated reports help Boards to see the issues they face more clearly, and enables them to explain their business rationale to stakeholders with greater clarity and authority.

Recommended disclosure

The annual report should include the following:

- Affirmation that the Board is responsible for the preparation of accounts that fairly present the state of affairs of the organisation.
- Statement that the accounts adhere to IFRS, IAS and Companies Act. If there has been any departure, it must be disclosed, explained and quantified. Any material uncertainties should be identified.
- Statement that the annual report is published in full on the organisation’s website.
- An assessment of the organisation’s financial, environmental, social and governance position performance and outlook.
- Governance report.

It is recommended that the following items should be considered for inclusion on an organisation's website:

- Annual Report and Accounts
- Board and committee charters
- Code of Ethics
- Details of the Board/governance structure
- Dividend policy and declarations
- Announcements made to the market (if applicable)
- Email alerts and RSS feeds (if applicable)
- Financial highlights
- Governance structure
- Investor presentations (if applicable)
- Newsworthy items
- Notice of Annual Meeting of Shareholders/Special Meeting of Shareholders
- Updated share price (if applicable)
- Webcasts (if applicable)

Principle 7: Audit

Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's auditors.

Implementation Guidance

Internal Audit

Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes. An internal audit helps the Board and management maintain and improve the process by which risks are identified and managed and helps the Board discharge its responsibilities for maintaining and strengthening the internal control framework. The internal audit function is not responsible for the implementation of controls or for the management and mitigation of risk, the responsibility for which remains with the Board and management.

The Board of an organisation without an internal audit function should review, at least annually, the need for one. If the Board decides not to establish an internal audit function, the reasons must be fully disclosed in the annual report, with an explanation of how assurance of effective internal controls, processes and systems will be obtained. The external auditor or any of its related or associated firms should not provide internal audit services to the organisation.

Internal auditors provide varying degrees of assurance about the effectiveness of the risk management and control processes in selected activities and functions of the organisation; they report at the appropriate organisational

level that allows them to fulfil their responsibilities and maintain their independence. The Board should delegate oversight of the internal audit function and responsibility for receiving internal audit reports to the Audit Committee. The head of internal audit should have ready and regular access to the Chairperson of the Board and the Chairperson of the Audit Committee. The head of internal audit should attend and report at all Audit Committee meetings.

Those performing the internal audit function must possess the appropriate skills and sufficient resources for the discharge of their duties. To that end, the internal audit function should be staffed with persons holding the relevant qualifications from recognised professional bodies (e.g., the Institute of Internal Audit). The internal audit function should adhere to standards of internationally recognised bodies, including the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

The appointment or dismissal of the head of internal audit should be with the agreement of the Audit Committee. The internal audit function must remain independent of the activities audited and must be objective in its work. The Audit Committee should monitor the independence and objectivity of the internal audit function and assess its performance against relevant standards (e.g., the Certified Internal Auditor of the Institute of Internal Auditors) and relevant work experience. In certain circumstances, the Boards of large and complex organisations should consider an external independent assessment of its internal audit function. A recommended checklist for evaluating the Internal Audit function is found in the Mauritius Audit Committee Forum Position Paper 2 – “Interaction of Audit Committee with Internal and External Auditors” (May 2015).

The Audit Committee and the Auditors

The Audit Committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors.

Auditors should observe the highest standards of business and professional ethics, and, in particular, their independence should not be impaired in any way. The proper functioning of the external auditors depends on their independence. Therefore, the audit fees should be set in a manner that enables an effective external audit on behalf of shareholders. Targeting audit fees as a means of cost savings to the organisation should be discouraged.

Auditors may compete with each other for the performance of non-audit functions, but this competition should not have the unacceptable consequence of impairing their effectiveness in the performance of their audit functions. The Audit Committee should determine whether joint audits are required and, if so, must provide an explanation in the annual report. In considering the use of the external auditors for non-audit services, the impact on the auditors' independence should be assessed by the Audit Committee. A description of non-audit services rendered by the external auditor should be provided in the annual report of the organisation, stating particulars of the nature of the services and amounts paid for each of the services described. Where appropriate, a supplementary explanation or justification for these services may be necessary.

The Audit Committee should encourage consultation between internal and external auditors. Co-ordination of efforts involves periodic meetings to discuss matters of mutual interest and the management letters and reports and to share common understanding of audit techniques, methods and terminology.

The auditors should identify the parts of the annual report that have been audited and note any inconsistencies. The Board may request the auditors to assess the organisation's application of the Corporate Governance Code. If applicable and subject to relevant laws or other regulatory requirements, the auditor should be reappointed every year at the annual meeting and the Board should consider putting the external audit contract out to tender at least every 7 years. The Board should also ensure that the audit partner is rotated at least every 5 years. A review of the audit process, the effectiveness and performance of the audit team and the output, quality and cost effectiveness of the audit is a valid alternative to the tender approach. A recommended checklist for evaluating the external auditor is found in the Mauritius Audit Committee Forum Position Paper 2 – "Interaction of Audit Committee with Internal and External Auditors" (May 2015).

Recommended disclosure

The annual report should include the following:

- Confirmation of the existence or otherwise of an internal audit function. For organisations without such a function, the Board should provide reasons and an indication of the frequency with which the organisation assesses the need to establish an internal audit function and the date of the last such review.
- Statement that internal audit reports regularly to the Audit Committee.
- Description of the areas, systems and processes covered by internal audit (including any non-financial matters) and an identification of any significant areas not covered (including joint ventures, subsidiaries and associates).
- Description of how the internal audit function maintains its independence and objectivity.
- Identification of any restrictions placed over the right of access by internal audit to the records, management or employees of the organisation.
- Statement that the structure, organisation and qualifications of the key members of the internal audit function are listed on the organisation's website.
- Description of the financial literacy or expertise of the members of the Audit Committee, if applicable.
- Identification of the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed.
- Outline of the approach taken to appoint or reappoint the external auditor.
- Affirmation that the Audit Committee has discussed critical policies, judgements and estimates with the external auditor.
- Disclosure of whether the Audit Committee has met regularly with the external auditor without management present.
- Description of the assessment of the effectiveness of the external audit process.
- Information on the length of tenure of the current audit firm and when a tender was last conducted.
- Information on non-audit services and the amount paid for each non-audit service.
- Explanation of how the auditor's objectivity and independence are safeguarded if the external auditor provides non-auditing services.

Principle 8: Relations with Shareholders and Other Key Stakeholders

The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

Implementation Guidance

To apply this principle, Boards are advised to consider the following:

- **Responsiveness to Shareholder and Stakeholder Concerns** - Whilst recognising that most contact between the organisation and its shareholders and other key stakeholders normally involves the CEO and Finance Director, the Chairperson should ensure that all directors be made aware of the concerns of the major shareholders and other key stakeholders. The Board should stay apprised of shareholders' and stakeholders' opinions in whatever ways are most practical and efficient. The Chairperson should ensure that their views be communicated to the Board as a whole and should include them in discussion of strategy and governance. Non-executive directors should be offered the opportunity to attend scheduled meetings with this constituency.

Wherever possible, organisations are encouraged to enter into a dialogue with keystakeholders on a variety of topics that may include the organisational position, performance and outlook.

The Board should state in the annual report how it ensures that its members, and in particular the non-executive directors, stay in touch with the views of the major shareholders and other stakeholders, for example, through direct face-to-face contact.

- **Shareholder Agreements** - Shareholder agreements are private contracts subject to contract law. Occasions can arise when an organisation's constitution is in conflict with the shareholder agreement - for example, conflicts relating to the management of the organisation and to the transferability of shares. Wherever possible, the constitution and the shareholder agreement should be aligned. However, both should be stand-alone documents, and the constitution should be the key document on which the directors and all shareholders must always be able to rely. Important aspects of any shareholder agreement which affect the governance of the organisation by the Board should be disclosed in the corporate governance section of the annual report.
- **Shareholder Information** - It is the duty of the Board to keep shareholders informed on the material events affecting the organisation, especially if such an event could have an effect on the share price. The Board should encourage shareholders to attend all shareholder meetings.
- **General Meetings** - At the annual meeting of shareholders, the Chairperson and the CEO —assisted by Chairpersons of Board committees (especially the audit, remuneration and nomination committees if applicable)—should be available to answer questions. All directors should attend and, where appropriate, be prepared to answer wide-ranging questions on the management of the organisation.

Through the services of the Company Secretary, the Board should arrange for:

- The notice of the annual meeting and other shareholder meetings and related papers to be sent to shareholders at least 14 days before the meeting. The notice should clearly explain the procedures on proxy voting and include the deadline for receiving proxies.
- Management to present major operational developments.
- The encouragement of shareholder questions and discussion.

The Board should use annual meetings to communicate with investors and to encourage their participation. Separate resolutions should be proposed on each substantially separate issue. For each

resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against the resolution.

The organisation should ensure that all valid proxy appointments received for annual meetings be properly recorded and counted. For each resolution for which a vote was taken on a show of hands, the organisation should ensure that the following information be given at the meeting and made available as soon as reasonably practical on the organisation's website:

- The number of shares for which proxy appointments have been validly made.
 - The number of votes for the resolution; the number of votes against the resolution.
 - The number of shares for which the vote was directed to be withheld.
- **Election of Directors** - It is recommended that each director be elected (or re-elected as the case may be) every year at the annual meeting of shareholders, and a brief biography of each new director standing for election should accompany the notice contained in the annual report. Each director should be elected by a separate resolution.
 - **Role of Institutional Investors** - It is imperative that institutional investors such as pension funds, insurance companies and investment managers play a role in encouraging good corporate governance practices. Institutional investors should ensure that good governance practices exist in their own organisations and should regard the vote associated with a share as an asset. To play an effective role, such investors should set out explicit statements of investment principles and clearly and unambiguously identify performance benchmarks.

Recommended disclosure

The annual report should include the following:

- Identification of those shareholders that hold a substantial percentage of total shares in the organisation.²
- Identification of its key stakeholders and explanation of how the organisation has responded to their reasonable expectations and interests.
- Affirmation that relevant stakeholders have been involved in a dialogue on the organisational position, performance and outlook.
- Affirmation that the organisation will hold an annual general meeting.
- Notice of the annual meeting and other shareholder meetings and related papers, to be sent to shareholders at least 14 days before the meeting in accordance with the Companies Act.

²This would be a minimum of 5 percent of the total shares within an organisation but may vary between sectors

GUIDANCE FOR BANKS

Banks' special position of trust in the national economy makes their corporate governance of considerable importance. A number of relevant acts affect Mauritian banks: the Companies Act (2001), the Banking Act (2004), the Securities (Central Depository, Clearing and Settlement) Act (1996), the Financial Intelligence and Anti Money Laundering Act (2002), the Prevention of Corruption Act (2002), the Financial Reporting Act (2004), the Securities Act (2005), and the Insolvency Act (2009). In addition, many rules and regulations were made under the Financial Services Act (2007). The Bank of Mauritius also issues guidelines for mandatory implementation by the banks and other financial institutions under its purview and has published a Guideline on Corporate Governance.

In addition to these national laws, rules and regulations, there are international governance principles under the Basel Core Principles for Effective Banking Supervision (2012) which the Bank of Mauritius applies for the effective supervision of Mauritian banks. Furthermore, the Bank of Mauritius may, in light of the National Corporate Governance Code, bring necessary amendments to its Guideline on Corporate Governance.

For further information on these legal requirements, refer to the Bank of Mauritius website at www.bom.mu.

GUIDANCE FOR STOCK EXCHANGE LISTED COMPANIES

The Stock Exchange of Mauritius Ltd (SEM) is the competent authority responsible for the listing of securities on the exchange under the supervision of the Financial Services Commission (FSC). It is an integral function of the SEM to provide facilities for the listing of securities of issuers (domestic and foreign) and to provide its users with an orderly marketplace for the trading of securities and to regulate accordingly. The SEM entertains all applications for listing on the Official List and on the Development and Enterprise Market (DEM) and monitors compliance of listed issuers and DEM companies, on an ongoing basis, with their continuing obligations under the Listing Rules and DEM Rules, respectively.

The rules governing the listing of securities on the SEM are made, administered and enforced by the SEM. The SEM may modify or amend the Listing Rules and DEM Rules, provided prior approval has been obtained from the FSC in accordance with the Securities Act (2005). The SEM also issue practice notes and guidance notes, from time to time, to assist issuers or their advisers in interpreting and complying with the rules. When administering the rules, the SEM may impose additional requirements or make listing subject to special conditions whenever it considers appropriate. It can also waive compliance with the Listing Rules or DEM Rules in certain specific circumstances. The rules are aimed at ensuring that the business of the SEM be carried on with due regard to the interests of investors and have been designed to ensure that investors have maintained and can maintain confidence in the market in accordance with the following general principles:

- The securities for which application for listing have been made are for listing on either the Official List or on the DEM.
- The issue and marketing of securities are conducted in a fair and orderly manner.
- Potential investors and the public are given sufficient information to enable them to make a properly informed assessment of an issuer and of the securities for which listing is sought.
- Once listing has been granted, there is sufficient disclosure of information to investors and the public to ensure that they be kept fully informed by listed issuers of all factors which might affect their interests and in particular that immediate disclosure is made on any information which might reasonably be expected to have a material effect on market activity in, and the prices of, listed securities.
- All holders of listed securities are treated fairly and equally.
- Directors of a listed issuer act in the interest of its shareholders as a whole.
- Holders of equity securities are given adequate opportunity to consider in advance and vote upon major changes in the issuer's business operations and matters of importance concerning the issuer's management and constitution.

It is a prerequisite of listing that an issuer execute a listing undertaking to comply with the rules and, in particular, with all relevant continuing obligations. Failure of an issuer to comply with any applicable continuing

obligation may result in the SEM's taking appropriate sanctions as prescribed in the rules. In complying with the disclosure requirements of the rules, an issuer must ensure compliance with the requirements of the Securities Act (2005) and/or any regulations and/or FSC rules made under the Act.

In the event of non-compliance with the rules by a listed issuer or DEM Company, the SEM may privately or publicly censure the defaulter, refer the matter to the FSC for appropriate action, and suspend or withdraw a Company from the official list of the SEM, depending on the specific circumstances and severity of the breach.

The SEM has also launched in September 2015 the SEM Sustainability Index (SEMSI) to track the performance of those companies listed on the Official List of the SEM or the DEM, which demonstrates strong sustainability practices. SEMSI provides a robust measure of listed companies against a set of internationally aligned and locally relevant environmental, social and governance (ESG) criteria. It offers a useful tool for domestic and international investors with an appetite for responsible investment in frontier markets.

The SEM may also, at any time, require an issuer to publish such information in such form and within such time limits as it considers appropriate for the purpose of protecting investors and maintaining the smooth operation of the market.

For further information, refer to the SEM website at www.stockexchangeofmauritius.com.

GUIDANCE FOR FAMILY COMPANIES (UNLISTED)

Many family companies are not public interest entities and therefore do not have to apply the Corporate Governance Code. However, even though these businesses are not required to, they might consider applying the Code, in so far as its principles are applicable, they might consider disclosing in their directors' reports, where appropriate, the extent to which they are applying its principles and providing explanations.

The governance of unlisted family companies compared to that of companies listed on the Stock Exchange of Mauritius is critically different in a number of ways:

- An unlisted family Company usually has a small and limited number of owners, whereas listed companies have a much wider and distributed ownership. As a result, owners of an unlisted family Company are likely to be well known to each other, unlike the usual case with listed companies.
- The ownership of an unlisted family Company will often represent a large share of the owners' personal net worth, unlike the usual case with listed companies. Therefore, the success of the business is of crucial importance to the owners of unlisted family companies.
- Exit from ownership of a family Company may often be difficult financially or emotionally.
- Owner, director and management roles may overlap considerably in unlisted family companies. A founder of the business will often have a substantial shareholding, be a member of the Board of directors and play a significant day-to-day executive role. This multiplicity and overlap of roles can often cause widespread confusion throughout the business.

These realities sometimes make ownership of an unlisted family Company complex and the relationships difficult, since those involved often avoid conflicts and tensions and allow them to remain unresolved.

Principle 1: Governance Structure

The Companies Act requires all companies to have a Board of directors to oversee the proper functioning of the organisation. To fulfil this role, the Board must have clear, well-defined and understood responsibilities. All unlisted family companies should have a Board, but for many this is simply a paper obligation with very little perceived benefit. Many in unlisted family companies also see the level of formalisation associated with Boards as unnecessary, and thus very few have a charter or a Code of ethics.

Unlisted family companies should establish governance mechanisms that promote coordination and mutual understanding among family members. These mechanisms should establish a level playing field for organisational information, promote discipline among family members, prevent potential conflicts and ensure the continuity of the business. In addition to having a charter and a Code of ethics, an unlisted family business may need to consider developing a family constitution as the business grows and expands. A family constitution normally outlines how the family governance structure should work. It clarifies the family's approach with respect to the following:

- The family's values, mission statement and vision.
- The role of family institutions, such as the family assembly and the family council.
- The role of the Board of directors and its relationship to the family institutions.
- Policies on important family issues, such as the employment of family members, the restrictions on transfers of shares and a succession policy for the CEO.
- The nomination of family members to the Board.

The constitution is particularly valuable when second and third generations of a family become involved in the business. It is recommended that this constitution be published on the organisation's website.

Principle 2: The Structure of the Board and Its Committees

This principle can cause many difficulties when applied to unlisted family businesses. During the early years of an organisation's existence, owner-managers may feel very uncomfortable about inviting outsiders onto the Board. They may not yet be ready to share decision-making powers and sensitive organisational information with external persons. Hence the Board of unlisted family businesses often consists of owner-managers' colleagues, family members or close friends. However, this arrangement may result in a lack of Board expertise in a number of key areas such as strategic analysis, marketing, finance, human resources management, IT or international trade. As a result, owner-managers may feel more comfortable in creating a supplementary advisory Board, which can fill the gaps in expertise. However, an advisory Board should be regarded as only an interim step. Over time, non-executives should be added to the main Board of unlisted family businesses.

As unlisted family businesses grow and require access to greater amounts of capital, the providers of external finance are likely to insist that non-executive directors join the Board, and more focus will be placed on the Board, which is the key decision-making body of the organisation.

Unlisted businesses will normally need to consider setting up additional committees that include a family assembly and a family council:

- o *A family assembly.* A family assembly may meet once or twice a year to bring together all members of the family. It allows family members to stay informed about the business and furnishes them with the opportunity to voice their opinions. It helps avoid potential conflicts that might arise due to unequal access to information and other resources.
- o *A family council.* A family council is a small group of family members or family representatives that acts as the primary decision-making body of the family organisation. As the main communication link between the family and the organisation, it also plays a crucial role in conveying the expectations of the family owners to the Board. It is normally elected by the family assembly. Family institutions can play a useful role in coordinating and unifying the interests of extended families. However, the most important step for ensuring the long-term survival of an unlisted family organisation is the establishment of a strong Board with independent non-executive members.

Principle 3: Director Appointment Procedures

An unlisted family business may need to develop:

- A family Code of conduct to supplement the organisation's Code of ethics.
- Specific clauses in its policy on conflict of interest and self-dealing to address family relationships.
- Specific clauses in its communications and information policies to deal with family relationships.

Unlisted family businesses should consider developing a policy governing the employment of family members. Such a policy normally includes recruitment and selection, terms of employment, compensation, benefits and perquisites, performance review, promotion, internships, dismissal, departure and re-entry, retirement and leaves of absence. As a general rule, wherever possible the policy on family members should be identical to that on non-family members. To avoid nepotism and encourage excellence and fairness in the business, employment

issues should be based on merit rather than on blood relationships.

Lack of succession planning represents a risk to the business both for business continuity and for survival. A succession plan allows the Company to develop and facilitate change leadership in a progressive, planned and non-disruptive manner, reassuring shareholders, employees, customers and other stakeholders on the longevity of the Company and preserving its reputation and brand value.

Principle 4: Director Duties, Remuneration and Performance

A family business may need to develop specific clauses in its remuneration policy to deal with family directors and senior executives.

Principle 5: Risk Governance

An unlisted family business may need to align the organisation's risk management systems with its vision, purpose, values and culture. Good internal control structures are a prerequisite for good business, safeguarding the shareholders' investment and the Company's assets. The Company's management should identify, select and adopt an appropriate control framework that takes into account the size and complexity of the business and apply that framework appropriately, consistently and effectively.

Principle 6: Reporting with Integrity

The quality, timeliness, comprehensiveness and integrity of the accounts and the financial statements are critical to financial stability. Appropriate accounting information is important for the successful management of a business. A Company's credit or investment worthiness is often based on its books of accounts. Companies should follow credible accounting practices from the outset and use a reputable, independent accounting firm to prepare a complete set of financial statements. The annual reports of unlisted family businesses should contain non-financial details commensurate with the size and complexity of the business.

Principle 7: Audit

Unlisted family businesses should consider establishing a regular internal audit function. The organisation should also ensure the independence of the external auditor.

Principle 8: Relations with Shareholders and Other Key Stakeholders

All shareholders should be treated equitably, and all unlisted family businesses should establish clear lines of communication with their shareholders. An effective mechanism for gauging the views of shareholders should be established.

An unlisted family business should view itself as an integral part of the community in which it operates and be committed to a sound relationship built on respect, trust, honesty and fairness. There is increasing recognition that managing stakeholder relations and issues can have business benefits. An unlisted family business's greater understanding of employee attitudes, customer perspectives and impacts on communities and the environment may not only reduce risks but also help identify value-enhancing opportunities for the future. Targets for managing stakeholder relations should be set, and progress against the targets should be monitored and measured.

GUIDANCE FOR STATUTORY BODIES

Statutory Bodies (SBs) are among the entities designated to apply the principles of the Corporate Governance Code. SBs are different from private sector corporations in a number of important ways. Because they are a means by which government can deliver on some social programmes, SBs will often have social objectives as well as economic ones. Members of the Boards of SBs also tend to change more frequently than members of private sector Boards, which raises questions of continuity. Also, and most important, the relationship between the Board of the SB and the parent ministry has to be managed.

SBs are important organisations in the Mauritian business context. In a world of growing interdependence and changing technology, Statutory Bodies need to work hard to maintain a high operational efficiency consistent with their mandate.

Principle 1: Governance Structure

All SBs should have an effective Board which leads and controls the organisation. Boards of public sector organisations should have four main functions:

- To approve, monitor, review and evaluate the implementation of strategies, policies and business plans.
- To prepare a statement of corporate objectives.
- To ensure that the organisation complies with the highest standards of governance and that it has an effective system of controls in place so that risks can be properly assessed and managed.
- To ensure that communication of all material information to the stakeholders be made in a transparent way.

These functions should be incorporated into a **Board charter**. The charter should provide the terms of reference for the Board and describe how it operates.

All SBs should also have a **Code of ethics**. The Code of ethics should articulate acceptable and unacceptable behaviours and should clearly disallow behaviour that could result in reputational damage or the engagement of SBs in any improper or illegal activity, such as financial misreporting, fraud, bribery or corruption. The Code should also discourage the taking of excessive risks.

Boards of SBs should also consider developing a **corporate objectives statement**. This statement should include, among others, the vision, mission and values of the organisation; value drivers; a statement on the behaviour of stakeholders; a statement of accountability by the Board; and expectations of the financial as well as the non-financial performance for the year.

There should be a **job description or position statement** for each senior governance position within a SB (e.g., Chairperson, Chief Executive, Chairperson for each Board committee and Company Secretary). Senior governance positions may vary depending on the sophistication and scale of the organisation.

There should be an **organisational** chart (at a level of detail commensurate with the sophistication and scale of the SB) and a written description of the major accountabilities within the SB.

Principle 2: The Structure of the Board and its Committees

Many of the acts relating to the size and composition of the Boards of SBs date from before 1968.

It is recommended that public sector Boards review the size and composition of their Boards with a view toward improving their efficiency and effectiveness. In particular the Boards should consider the combination of executive, independent, and non-independent directors. It is advised that :

- The CEO should be an ex-officio member of the Board.
- The Chairperson of the Board of a SB may be independent from the parent Ministry.
- There should be at least two directors on the Board of a SB that are independent of the parent Ministry, and these should be ‘fit and proper’ persons with relevant experiences.
- Statutory corporations and parastatal bodies, should have a qualified Company Secretary or arrange to have one as soon as possible. The Boards of all SBs should establish such committees as are required for the smooth functioning of the enterprise. It is recommended that, at a minimum, the Board should consider the establishment of an audit and Risk Committee and a corporate governance committee. The terms of reference for all committees should be formally approved by the Board and published on the organisation’s website.
- Board committees should include only members of the Board and should regularly make formal reports to the Board. All Board committees should have at least three members, the majority of whom should be non-executive. The Chairperson of the Board should not be the Chairperson of any of the committees. The CEO should not be a member of the Audit Committee.

Principle 3: Director Appointment Procedures

Currently, in Mauritius many public sector Boards urgently need to fill vacancies. The parent Ministry has to initiate appropriate action for prompt filling of vacancies.

Board appointments in public sector organisations are made by the Prime Minister, the Minister of the parent Ministry, or the Board of the organisation, depending on the relevant Act. Such appointments shall be made in accordance with the provision contained in the relevant Act.

Principle 4: Director Duties, Remuneration and Performance

Directors need to be fully aware of their role and responsibilities. This is not commonly the case in the public sector so the development and training of directors on their role and responsibilities are required.

Many public sector organisations currently do not properly record or monitor the conflicts-of-interest declarations reported by the directors. All SBs should have a register of interests. It is the duty and responsibility of all directors to act in the interest of the organisations irrespective of the party who nominated them. In instances of an actual or potential conflict, the director concerned should not be present, participate in the debate, vote or indicate how he or she would vote on the matter in the Board or committee meeting. In case of an actual or potential conflict of interest, the fact should be disclosed in the annual report.

The Board of all SBs should be responsible for the organisation’s information governance system, including the governance of information technology.

The Board, committees and individual directors in all SBs should be supplied with information in a timely manner and in an appropriate form and quality. Individual directors have the right to obtain independent professional advice, where appropriate, and the organisation should arrange appropriate insurance coverage against the possibility of legal action against its directors.

SBs should evaluate their Boards, committees and directors on a regular basis. This is not currently a common practice in the public sector.

Boards in key SBs should ensure that their secretaries be aware of the governance duties contained in the Corporate Governance Code and, where appropriate, training should be provided.

The remuneration of directors of SBs is currently governed by the provisions under the respective Acts or as decided by Government. However, the remuneration of directors should be attractive enough to bring the necessary skills and competence to the Boardroom. Such remuneration should reflect the amount of work done for the organisation, full attendance at Board and committee meetings and total time spent, among other considerations.

Principle 5: Risk Governance and Internal Control

The Boards of all SBs are responsible for risk governance and should ensure that such organisations develop and execute a comprehensive and robust system of risk management. The Boards of all SBs should also maintain a sound internal control system.

Principle 6: Reporting with Integrity

A number of SBs are currently not meeting the legal deadline for the submission of their annual reports. The Boards of these enterprises should ensure that appropriately trained and qualified staff produce timely and accurate annual reports. Additional qualified personnel may need to be appointed.

The Boards of SBs should also ensure that their annual reports include policies and practices related to ethics and to environmental, social, health and safety issues, as well as governance. It is a responsibility of SB Boards to inform their shareholders (the Government) and their stakeholders (the public and their clients) of their financial, nonfinancial and operating performance.

Principle 7: Audit

SB Boards should consider establishing an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The function should develop efficient internal audit procedures and establish an internal audit process that is monitored by and reports directly to the Board and the Audit Committee.

All Boards of SBs should establish formal and transparent arrangements for maintaining an appropriate relationship with the organisation's auditors.

Principle 8: Relations with Shareholders and Other Key Stakeholders

It is recommended that, at least once a year, all Boards of SBs meet with their shareholders and other key stakeholders. The "shareholder" may be represented by the parent Minister.

GUIDANCE FOR GROUPS AND SUBSIDIARIES

The ultimate holding of group companies should apply all the principles of this Code and provide appropriate explanations. Wholly owned subsidiaries are thus exempted from applying the principles of the Code except if the wholly owned subsidiary is a financial institution regulated by the Bank of Mauritius and/or FSC as stipulated in the First Schedule of the Financial Reporting Act 2004. Organisations that have group and subsidiary structures need to make only one statement but should explain which parts of the organisation are covered by the approach described in their statements.

Principle 1: Governance Structure

A Board of directors of a diversified group or similar corporate holding structure that wholly owns or effectively controls other companies as subsidiaries should ensure that the principles of good governance be followed and applied throughout the group. To fulfil its corporate governance responsibilities, the Board of a parent Company should undertake the following:

- Establishing a governance structure that contributes to the effective oversight of subsidiaries and that takes into account the nature, scale and complexity of the different risks to which the group and its subsidiaries are exposed.
- Assessing the governance structure periodically to ensure that it remain appropriate in light of its growth, increased complexity and geographic expansion, including regular assessments of the necessity of the continued existence of each subsidiary.
- Approving an overall group-level corporate governance policy for its subsidiaries, which includes the commitment to meet all applicable governance requirements.
- Ensuring that enough resources are available for each subsidiary to meet both group standards and local governance standards.
- Understanding the roles and relationships of subsidiaries to one another and to the parent Company.
- Having the appropriate means to ensure that all subsidiaries comply with all applicable governance requirements.

In general, the Board of a subsidiary should adhere to the corporate values and governance principles espoused by its parent Company. In so doing, the Board should take into account the nature of the business of the subsidiary and the applicable legal requirements. The Board of a subsidiary should retain and set its own corporate governance responsibilities and should evaluate any group-level decisions or practices to ensure that they do not put the subsidiary in breach of applicable legal or regulatory provisions or prudential rules. The Board of the subsidiary should also ensure that such decisions or practices are not detrimental to the sound and prudent management of the subsidiary, the financial health of the subsidiary or the legal interests of the subsidiary's stakeholders.

Another governance challenge arises when a large and complex organisation establishes a management structure for a business or product line that does not match the organisation's structure as a legal entity. While this is a common practice, it nevertheless introduces additional complexity. Apart from ensuring the appropriateness of these matrix structures, the Board or senior management, as appropriate, should ensure that all products and their risks be captured and evaluated on an individual-entity and group-wide basis.

The Board should approve policies and have clear strategies for the establishment of new structures and should properly guide and understand the group's structure, its evolution and its limitations. Moreover, under the oversight of the Board, senior management should:

- Avoid setting up unnecessarily complicated structures.
- Have a centralised process for approving and controlling the creation of new legal entities based on established criteria, including the ability to monitor and fulfil each entity's requirements (for example, regulatory, tax, financial reporting and governance) on an ongoing basis.
- Understand and be able to produce information on the structure, type, constitution, charter, ownership structure and businesses conducted for each legal entity.
- Recognise the risks that the complexity of the legal entity structure itself may pose, including lack of management transparency, operational risks introduced by interconnected and complex structures and intragroup risk exposures.
- Evaluate how the risks of the structure and legal entity requirements affect the group's ability to manage its risk profile and deploy funding and capital under normal and adverse circumstances.

Each year, the annual report should contain a description of the policies and procedures for the creation of new structures that may add complexity to the group.

Sound and effective measures and systems should be in place to facilitate the generation and exchange of information among and about the various entities, to manage the risks of the group as a whole and to maintain effective supervision of the group. In this regard, senior management should inform the Board about the group's organisational and operational structure and the key drivers of the group's revenues and risks.

Principle 2: The Structure of the Board and its Committees

The Boards of wholly-owned subsidiaries have no obligation to have non-executive or independent directors. Subsidiary companies are not required to have separate sets of Board committees.

Principle 3: Director Appointment Procedures

The search for Board candidates for the parent and subsidiary companies should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

There should be a formal, rigorous and transparent procedure for planning the succession of key officeholders and for their election, induction and re-election. Wherever possible, these procedures should be consistent and standardised across the group.

Principle 4: Director Duties, Remuneration and Performance

Conflicts of interest should be avoided throughout the group, and appropriate procedures should be in place in both the parent and the subsidiary companies for dealing with any such conflicts that may arise.

The group should uphold transparency, fairness and consistency in remunerating directors of both the parent and the subsidiary companies.

The Board, Board committees and individual directors of both the parent and the subsidiary companies should perform to required standards and be held accountable to appropriate stakeholders.

Principle 5: Risk Governance and Internal Control

Some organisations are constituted of units, branches, subsidiaries or other legal entities that can considerably increase the complexity of the organisation. The sheer number of legal entities - and, in particular, the interconnections and intragroup transactions among such entities - can lead to challenges in identifying, overseeing and managing the risks of the organisation as a whole. In such cases, the Board and senior management of both the parent and the subsidiary should understand the structure and the organisation of the group, that is, the aims of its different units and entities and the formal and informal links and relationships among them and with the parent Company. This includes understanding the legal and operational risks and constraints of the various types of intragroup exposures and transactions and how they affect the group's funding, capital and risk profile under normal and adverse circumstances.

To enhance the sound governance of a group, internal audits of individual entities could be complemented with regular assessments of the risks posed by the group's structure. Periodic reports that analyse the group's overall structure and the activities of individual entities, that confirm compliance with the strategy previously approved by the Board and that disclose any possible discrepancies could be useful for the audit and Risk Committees, senior management and the Board of the parent Company.

Senior management and the Board should note these challenges and take appropriate action to avoid or mitigate them:

- By maintaining and reviewing, on an ongoing basis, appropriate policies, procedures and strategies governing the approval and maintenance of those structures or activities.
- By periodically monitoring such structures and activities to ensure that they remain consistent with their established purpose and not continue to exist without adequate justification.
- By establishing effective procedures for identifying and managing all material risks arising from these activities; the group should approve these operations only if the material financial, legal and reputational risks can be properly identified, assessed and managed.

The group should have appropriate policies and procedures in place for managing the risks unique to groups and subsidiaries:

- By establishing processes for the regular assessment of the risks posed by the group's structure (such as setting limits, measures to mitigate legal or reputational risks, and information requirements).
- By documenting the process of consideration, authorisation and risk management to make this process transparent to auditors and supervisors.
- By regularly evaluating the continuing need to operate in certain jurisdictions or through complex structures that reduce transparency.
- By ensuring that information about these activities and associated risks be readily available to the head office and appropriately reported to the Board and supervisors (if appropriate).
- By ensuring that these activities be subject to regular internal and external audit reviews.

The Board and its directors of both the parent and the subsidiary companies should maintain a sound internal control system.

Principle 6: Reporting with Integrity

The Board of the parent and the subsidiary companies are responsible for the accounting records and financial reporting of the parent and subsidiary companies, respectively. In some cases, the legal reporting requirements for a subsidiary may be more rigorous than for the parent Company.

The group may have legitimate reasons for operating in particular jurisdictions or for establishing certain structures (such as special-purpose vehicles or corporate trusts). However, operating in jurisdictions that are not fully transparent or do not meet international governance standards or conducting business through complex or non-transparent structures may have negative consequences that include:

- Increased financial, legal, reputational and other risks to the organisation.
- Reduced ability of the Board and senior management to conduct appropriate business oversight.
- Less effective supervision.

The Boards of all such organisations should evaluate proposed activities and transactions and carefully consider, prior to approval, how they will implement effective Board or managerial oversight.

The group should disclose the following information in the annual report:

- The holding structure up to and including the ultimate holding organisation.
- The names of directors at each level and their shareholding percentages if more than 5 percent.
- Details of shares purchased and sold by directors over the period.
- A list of shareholders holding more than 5 percent of the shares in the organisation.
- The dividend policy.
- The directors' profiles and the category into which they fall, as well as the number of other directorships (in listed companies) they hold.
- Related-party transactions between the organisation or any of its subsidiaries or associates and a director, Chief Executive, controlling shareholder or companies owned or controlled by a director, Chief Executive or controlling shareholder.
- Material clauses of the organisation's constitution (such as ownership restrictions and pre-emption rights).
- Important aspects of any shareholders' agreement that affects the governance of the organisation by the Board (for example, if a third party is allowed to nominate some directors or if there is an agreement to rotate the Chairperson).
- Important aspects or terms of any agreement that third parties may have with the organisation or its subsidiaries, particularly an organisation owned or controlled by a director or an organisation or subsidiary of which the third party is a director.

Principle 7: Audit

The Board of the parent Company should direct internal audit to conduct a formal review of the structures and their controls and activities, as well as a review of their consistency with Board-approved strategy, and to report to the Board and senior management on its findings.

The Board of both the parent and the subsidiary companies should establish formal and transparent arrangements for maintaining an appropriate relationship with the auditors.

Principle 8: Relations with Shareholders and Other Key Stakeholders

The Board and its directors of both the parent and the subsidiary companies should be responsible for ensuring that an appropriate dialogue take place among their organisations, their shareholders and other key stakeholders.

GUIDANCE FOR HOLDERS OF A 'CATEGORY 1' GLOBAL BUSINESS LICENCE AND MANAGEMENT COMPANIES

A holder of a category 1 global business licence is defined in the Financial Services Act and subsequent amendments as a resident corporation licensed by the Financial Services Commission (FSC) which conducts its business outside Mauritius, has at least 2 directors resident in Mauritius of sufficient calibre to exercise independence of mind and judgment; maintains at all times its principal bank account in Mauritius; keeps and maintains, at all times, its accounting records at its registered office in Mauritius; prepares its statutory financial statements and has its financial statements audited in Mauritius.

Under the present regulatory framework, a holder of a category 1 global business licence must, at all times, be administered by a qualified Management Company, duly regulated and licensed by the FSC and holding a valid Management Licence. Management Companies act as intermediaries between clients and the FSC and operate under the FSC Guidance Notes for Management Companies. While performing their Customer Due Diligence (CDD) duties, they are under the obligation of collecting and verifying all necessary information about their clients and retaining the information to be submitted to the FSC as and when requested.

Both holders of a category 1 global business licences and Management Companies falling under the definition of a PIE should apply all the principles of the Corporate Governance Code and provide explanations where appropriate.

Principle 1: Governance Structure

The organisation should be structured within the restrictions, terms and conditions provided by the FSC. Boards are advised to consider developing, ratifying and publishing: their constitution, their Board charter, their Code of ethics, job descriptions or position statements and organisation charts and statements of accountabilities.

Principle 2: The Structure of the Board and Its Committees

Boards and committees should be structured within the restrictions, terms and conditions provided by the FSC.

Principle 3: Director Appointment Procedures

There should be a formal, rigorous and transparent procedure for planning the succession of directors and for their election, induction, professional development and re-election.

Principle 4: Director Duties, Remuneration and Performance

Boards should perform to required standards and be held accountable to appropriate stakeholders. Conflicts of interest should be managed and disclosed, and appropriate procedures should be in place for dealing with any such conflicts that may arise. Boards should uphold transparency, fairness and consistency in remunerating directors.

Principle 5: Risk Management and Internal Control

Boards are responsible for the total process of risk management and should ensure that the organisation develop and execute a comprehensive and robust system of risk management. The Board and its directors should maintain a sound internal control system.

Principle 6: Reporting with Integrity

A holder of a category 1 global business licence need not make annual returns (i.e., a holder of a category 1 global business licence does not need to produce an annual report) but must file an audited profit-and-loss account and a balance sheet annually with the FSC. The accounts must be prepared in accordance with internationally accepted accounting standards. The accounts of a holder of a category 1 global business licence should comply with all reporting terms and conditions provided by the FSC.

Principle 7: Audit

A holder of a category 1 global business licence 1 should have its statutory financial statements audited in Mauritius.

Principle 8: Relations with Shareholders and Other Key Stakeholders

An annual meeting of a holder of a category 1 global business licence must be held not later than 15 months after the previous meeting and not later than 6 months after the balance sheet date. These meetings need not be held in Mauritius.

Appendix 1
THE ROLE OF
RELEVANT
ORGANISATIONS

APPENDIX 1: THE ROLE OF RELEVANT ORGANISATIONS

The Ministry of Financial Services, Good Governance and Institutional Reforms

The Ministry of Financial Services, Good Governance and Institutional Reforms was established in 2014 and is the body responsible for all matters pertaining to corporate governance in Mauritius.

The National Committee on Corporate Governance

The National Committee on Corporate Governance (NCCG) was established under Section 63 of the Financial Reporting Act (2004) and is the coordinating body responsible for all matters pertaining to corporate governance in Mauritius. The Committee has four main purposes:

- To establish principles and practices of corporate governance;
- To promote the highest standards of corporate governance;
- To promote public awareness about corporate governance principles and practices; and
- To act as the national coordinating body responsible for all matters pertaining to corporate governance

The Committee shall comply with all principles contained in this Code and be responsible for maintaining a website at www.nccg.mu. The website shall, among others, contain the Corporate Governance Code and example documents of good and best practice and international comparative data and examples of scorecards.

The Committee shall review the Code periodically.

Regulators and other relevant stakeholders will be responsible for informing the NCCG of all changes to laws, rules, regulations and guidance that relate to governance practices.

The Office of Public Sector Governance

The Office of Public Sector Governance (OPSG) was established to monitor the overall performance of public enterprises, support ministries and parastatals in implementing performance-enhancing reforms approved by Government and develop the Statutory Bodies (SBs) capacity to conduct in-depth supervision and reform. The OPSG aims to strengthen governance through performance management, monitoring and evaluation across the public sector for better service delivery. The OPSG has played a major role in participating in the consultative process and shall be a key player in communicating the principles contained in this Code to the Mauritian Public Sector.

The Mauritius Institute of Directors

The Mauritius Institute of Directors (MIOD), is an independent non-profit Company limited by guarantee and set up under the Companies Act. It was established in accordance with a provision of the Financial Reporting Act (2004) in order to promote public awareness about corporate governance principles and practices. Both the MIOD and the MIOD Directors' Forum have played a major role in participating in the consultative process and the MIOD shall be a key player in communicating the principles contained in this Code to the Mauritian business communities.

The Financial Reporting Council

The Financial Reporting Council was established under the Financial Reporting Act (2004) under the aegis of the Ministry of Finance and Economic Development. The FRC is the regulator responsible for promoting confidence in corporate reporting and good corporate governance. The council's main objectives as defined in the Financial Reporting Act are:

- To promote the provision of high-quality reporting of financial and non-financial information by Public Interest Entities;
- To promote the highest standards among licenced auditors;
- To enhance the credibility of financial reporting; and
- To improve the quality of accountancy and audit services.

One of the functions of the FRC is to monitor the reporting requirements specified in this Code and in any other guidelines issued by the Ministry of Financial Services, Good Governance and Institutional Reforms. The FRC asserts that companies whose standards of corporate governance are high are more likely to gain the confidence of stakeholders, especially shareholders and investors. The activities of the FRC are geared mainly towards public interest entities but are also relevant to public-owned enterprises. The FRC encourages these organisations to apply the principles contained in this Code and to explain how these principles have been applied.

Appendix 2
DOCUMENTS
EXEMPLARS

APPENDIX 2: DOCUMENT EXEMPLARS

CHARTERS

Example 1: Board Charter

1. Introduction

1.1 Complementary to Law and Articles

These provisions are complementary to the requirements regarding the Board and Board members contained in Mauritian legislation and regulations, the articles of association of the organisation and the provisions governing the relationship between the committees and the Board as contained in the charters of the committees (which have been adopted by the Board).

1.2 Charter on Website

This charter is posted on the organisation's website.

2. Composition of the Board, Positions, Committees

2.1 Board Profile, Size, Expertise and Independence

(a) Board Profile

The Board, in consultation with the corporate governance and nomination committees, shall prepare a profile of its size and composition, considering the nature of the organisation's business and its subsidiaries, and the desired expertise and background of the Board members (the 'Board Profile').

(b) Number of Members

After consultation with the corporate governance and nomination committees, the Board determines the number of Board members. The Board shall have a minimum of [number] and a maximum of [number] members.

(c) General Composition

The Board shall use its best efforts to ensure that:

- (i) its members can act independently of one another;
- (ii) each Board member can assess the broad outline of the organisation's overall position;
- (iii) each Board member has sufficient expertise to perform his or her role as a Board member;
- (iv) the Board matches the Board Profile;
- (v) at least one Board member is a financial expert, meaning he/she has expertise in financial administration and accounting for companies similar to the organisation in size and sophistication; and
- (vi) no less than [number] of the Board members are independent as defined in Section 2.1(d) below.

(d) Independence

An independent director is a Board member who:

- (i) has not been an employee of the organisation or group within the past three years.
- (ii) has not, or has not had within the past three years; a material business relationship with the organisation either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the organisation;
- (iii) has not received or receive additional remuneration from the organisation apart from a director's fee or as a member of the organisation's pension scheme;
- (iv) is not a nominated director representing a significant shareholder;
- (v) does not have close family ties with any of the organisation's advisers, directors or senior employees;
- (vi) does not have cross-directorships nor significant links with other directors through involvement in other companies or bodies; and
- (vii) has not served on the Board for more than nine years from the date of his first election.

2.2 (Re) Appointment, Term of Office, Resignation

(a) Election by Shareholders

The general meeting of shareholders elects members of the Board.

(b) Substance of Nominations and Recommendations

A nomination or recommendation to the general meeting of shareholders for a candidate for the Board shall state:

- (i) the candidate's age;
- (ii) his or her profession;
- (iii) the amount and nature of any shares held in the organisation;
- (iv) any convictions for any crimes involving dishonesty, fraud or breach of trust;
- (v) the positions he/she holds or has held in the past three years (including memberships on any Board or management governing bodies/executive committees), nominating share holder [if applicable]; and
- (vi) any other information relevant to assess his or her suitability as a member of the Board.

The recommendation or nomination for appointment or reappointment shall state the reasons for the nomination or recommendation. Any nomination or recommendation by the Board for appointment or reappointment of a Board member must be in accordance with this charter.

(c) Re-election

Before recommending a member of the Board for re-election, the Board must carefully consider his or her past performance on the Board.

(d) Staggered Retirement

Board members shall retire periodically according to a rotation plan (to be drawn up by the Board) to avoid many Board members retiring at the same time. The Board may amend the rotation plan. The rotation plan is available on written demand to the Company Secretary.

2.3 Chairperson and Vice - Chairperson

(a) Election

The Board shall elect a Chairperson and a Vice - Chairperson from among its members. The Vice - Chairperson replaces, and assumes the powers and duties of, the Chairperson when the Chairperson is absent.

(b) Duties

The Chairperson of the Board is primarily responsible for the activities of the Board and its committees. He/She shall act as the spokesman for the Board and is the principal contact for the Chief Executive Officer (CEO). The CEO and the Chairperson of the Board shall meet regularly. The Chairperson of the Board presides over the general meeting of shareholders.

(c) Responsibilities

The Chairperson ensures that:

- (i) the Board satisfies its duties;
- (ii) Board members, when appointed, participate in an induction program and, as needed, in supplementary training programs;
- (iii) the Board members receive all information necessary for them to perform their duties;
- (iv) the agendas of Board meetings are determined;
- (v) the Board meetings are chaired in an effective manner;
- (vi) the Board has sufficient time for consultation and decision-making;
- (vii) minutes of Board and committee meetings are kept;
- (viii) the committees function properly;
- (ix) consult with external advisors appointed by the Board;
- (x) the performance of the Board members is evaluated every year;
- (xi) address problems related to the performance of individual Board members;
- (xii) the Board elects a Vice - Chairperson;
- (xiii) internal disputes and conflicts of interest concerning individual Board members and the possible resignation of such members as a result thereof are addressed; and
- (xiv) the Board has proper contact with the Executive Committee.

2.4 Company Secretary

(a) Company Secretary

The Company Secretary assists the Board.

(b) General Access

All Board members may go to the Company Secretary for advice or to use his or her services.

(c) Responsibilities

The Company Secretary sees to it that the Board follows correct procedures and that the Board complies with its obligations under law and the organisation's articles of association. The Company Secretary shall assist the Chairperson of the Board in organizing the Board's activities (including providing information, preparing an agenda, reporting of meetings, evaluations and training programs).

2.5 Committees

(a) Establishment of Committees

The Board may appoint committees from among its members to perform specific tasks. The Board shall determine the members of any committee. The Board shall establish an Audit Committee, a Remuneration Committee, a Corporate Governance Committee and a Nomination Committee.

(b) Board Responsibility for Committee Action

The Board remains collectively responsible for the decisions and actions taken by any committee. A committee may only perform the tasks delegated to it by the Board and may not exceed the authority or powers of the Board as a whole. Decisions that, by law, must be taken by the Board may not be delegated to a committee.

(c) Committee Reporting

Each committee must promptly inform the Board of the actions it has taken and major developments of which it becomes aware. Each Board member has unrestricted access to all committee meetings and records. The Board shall, as set forth in the charter of the committee concerned, receive a report from the committee describing the committee's actions and findings.

(d) Committee Charters

The Board shall establish (and may amend) charters for each committee. The charters shall indicate the role and responsibilities of the committee, its composition and how it should perform its duties.

(e) Website Disclosure

The charters and the composition of the committees shall be posted on the organisation's website.

3. Duties and Powers

3.1 General Duties and Powers

(a) General Responsibilities

The Board oversees the general business of the organisation. The entire Board is responsible for such supervision and oversight.

(b) The Board Acts in the Interest of the Organisation

The Board shall act in the best interests of the organisation and its business, taking into consideration the interests of the organisation's shareholders and other stakeholders.

(c) Quality of Performance

The Board is responsible for the quality of its own performance.

(d) Action in Concert

As much as they can, within their individual responsibilities as members of the Board, members shall act and speak in concert with respect to important affairs and matters of principle.

(e) Provision on Information

The Chairperson, the Company Secretary and the CEO shall see to it that the management, in a timely manner, provides the Board and its committees with the information they need to properly function.

(f) Responsibility for Securing Information

The Board and its individual members each has responsibility for obtaining all information from the management and the internal and external auditors needed to carry out their duties. If the Board thinks it is necessary, it may obtain information from officers and external advisers of the organisation. The Board may require certain officers and external advisers to attend, but never to vote at its meetings.

(g) Access to Records

Each member of the Board has access to the books and records of the organisation, if useful to perform his or her duties. Unless the charter of a committee states otherwise, Board members shall consult with the Chairperson of the Board and the Company Secretary before exercising their rights under this provision.

(h) Use of Experts

The Board may hire experts to assist or advise them. The cost of such experts shall be agreed to by the Board and shall be paid by the organisation. A Board member may rely upon the advice of a relevant expert so long as the member has no reason to question the expert's report or conclusion.

3.2 Duties Regarding the Supervision of Management

(a) Nature of Supervision

In supervising the management, the Board shall consider:

- (i) the achievement of the organisation's objectives;
- (ii) the strategy and risks in the organisation's activities;
- (iii) the structure and operation of the internal risk management, and audit and control systems;
- (iv) the financial reporting process;
- (v) compliance with law and regulations; and
- (vi) any other matters the law requires the Board to consider.

(b) Financial Reporting

The Board supervises the organisation's financial reporting in accordance with Section 4 below.

(c) Annual Risk Review

At least once a year, the Board shall discuss the organisation's strategy and business risks, the management's assessment of the internal risk management and control systems, and any significant changes to such systems.

(d) Resolutions Subject to Approval

The resolutions are specified in the schedule for the matters reserved for the Board.

3.3 Duties Regarding the Members and the Performance of the Board

(a) Duties Regarding Board

The duties of the Board (in consultation with the appropriate Board committees) in relation to the members of the Board include:

- (i) the nomination of members of the Board (the appointment is made by the general meeting of shareholders) and proposals to the general meeting of shareholders for the compensation of members of the Board;
- (ii) the determination of the number of Board members, the appointment of a Chairperson and Vice - Chairperson of the Board, the establishment of committees and defining their roles, the evaluation of the Board, its individual members and its committees (including an evaluation of the Board Profile and the induction, education and training program); [the approval of other positions of Board members to the extent required under this charter]; and
- (iii) addressing any conflicts of interest issues between the organisation and members of the Board.

(b) Board Assessment

At least once a year, the Board shall evaluate its own activities and those of its individual members, the effectiveness of such activities, and the composition and competence of the Board and its committees.

3.4 Certain Other Duties of the Board

(a) Duties Generally

The other duties of the Board include:

- (i) duties regarding the external auditor as described in this Board charter and the charter of the Audit Committee; and
- (ii) other duties imposed by law, the organisation's articles of association, this charter and the charter of a committee.

(b) Annual Report and Accounts

The Board shall draw up a report describing its activities in the financial year, and containing the statements and information required by law and the organisation's articles of association.

4. Supervision of Financial Reporting

(a) General Supervision Responsibilities

The Board, in consultation with the Audit Committee, supervises compliance with written procedures for the preparation and publication of the annual report and accounts, the quarterly (if any) and semi-annual financial reports and any other financial information. The Board, through the Audit Committee, also supervises the internal control and audit mechanisms for external financial reporting.

(b) Discussion of Financial Reports

The Audit Committee shall regularly provide the Board with reports on the annual report and accounts, and the quarterly (if any) and semi-annual financial reports, which will then be discussed at a meeting of the Board. The annual report and accounts for the year just ended shall be discussed in a meeting with the Board within four months of the year end. The semi-annual and quarterly (if any) financial reports of the organisation for the respective period just ended shall be discussed in a meeting with the Board within two months of the end of the period.

(c) External Auditor

The Board shall ensure that the external auditor attends the meeting of the Board at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which the Board decides whether or not to approve the annual accounts. The external auditor shall receive any financial information underlying the quarterly (if any) and/or semi-annual financial reports, and other interim financial reports, and shall be given the opportunity to respond to all information.

(d) Audit Committee is Principal Contact with External Auditor

The Board's principal contact with the external auditor is through the Chairperson of the Audit Committee. If any irregularities in the financial reports are discovered, the first discussion regarding such irregularities should be between the Audit Committee and the external auditor.

(e) Recommendations by External Auditor

The Board shall carefully consider and, if accepted, put into effect any recommendations made by the external auditor. This will include recommendations by the external auditor on the organisation's internal controls, as expressed in the 'management letter'.

5. Duties Regarding Nomination and Assessment of External Auditor

(a) Appointment of External Auditor

The external auditor shall be appointed by the general meeting of shareholders. The Board shall nominate a candidate for this appointment to the general meeting of shareholders based on an open, transparent and competitive selection process, and may recommend replacement of the external auditor. The Audit Committee shall advise the Board on such matters.

(b) Compensation of External Auditor

The compensation of the external auditor, and instructions to the external auditor to provide non-audit services, shall be closely reviewed and approved by the Board on the recommendation of the Audit Committee, thus ensuring for the auditor's independence.

(c) Reports to the Board

The Audit Committee shall report their dealings with the external auditor to the Board on an annual basis, including their assessment of the external auditor's independence (for example, the desirability of rotating the responsible partners of the external auditor and the desirability of the external auditor providing both auditing and non-audit services to the organisation). The Board shall take this into account when deciding its nomination to the general meeting of shareholders for the appointment of an external auditor.

(d) Assessment

At least once every three years, the Audit Committee shall conduct a thorough assessment of the functioning of the external auditor in the various entities and capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the general assembly so it may assess the nomination for the appointment of the external auditor.

The Board will put the external audit contract out to tender at least every 7 years and consider whether the audit partner should be rotated at least every 5 years.

(e) Conflicts of Interest

Conflicts of interest and potential conflicts of interest between the external auditor and the organisation shall be resolved as determined by the Board on the recommendation of the Audit Committee. Board members must inform the Chairperson of the Audit Committee of any matters they know of that may compromise the independence of the external auditor or that may result in a conflict of interest between the external auditor and the organisation.

(f) Representation by External Auditor

When appointed, the external auditor shall state he/she is aware of:

- (i) the organisation's audit policy; and
- (ii) other matters provided for in this charter and the charter of the Audit Committee and that he/she agrees to abide by and promote such policies.

6. Compensation of Management Board Members

(a) Annual Remuneration Report

The Remuneration Committee shall annually prepare a remuneration report setting out the compensation policies and activities of the past year and an overview of the compensation policy and planned activities for the next financial year and subsequent years. The remuneration report will differentiate between executive and non-executive remuneration.

(b) Approval by the General Meeting

The remuneration policy planned for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the general meeting for its approval. Schemes whereby executive governing Board members and other senior managers are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes, shall be submitted to the general meeting for its approval.

(c) Remuneration Committee

The Board shall determine the compensation of the executive and non-executive Board members on a proposal by the Remuneration Committee and within the terms of the remuneration policy adopted by the general meeting.

(d) Extraordinary Compensation

If a Board member or former Board member is paid special compensation during any financial year, an explanation of this compensation shall be included in the remuneration report. The remuneration report shall detail and explain any compensation paid or promised as severance pay to a Board member.

7. Relations with Shareholders

(a) Equal and Simultaneous Information

Where appropriate, the Board shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price.

(b) General Meeting, Record Date, Venue

The Board shall determine the date and place of any general meeting and a record date for the exercise of the voting and any other rights attached to the organisation's securities at such meeting. The Board shall use its best efforts to provide shareholders with all information necessary or requested for the shareholders to properly act at the general meeting.

(c) Compliance with Law

The Board shall ensure all laws are complied with, regarding the rights of the general meeting and of individual shareholders.

(d) Attendance by Board members

The Chairperson shall ensure that (unless there are important reasons) all the members of the Board shall attend the general meetings.

(e) Chairperson of General Meetings

The general meetings are presided over by the Chairperson of the Board or, in his or her absence, the Vice - Chairperson of the Board. The Board may designate someone else to preside over the meeting.

(f) Disclosure of Resolutions

A resolution of the general meeting shall be publicly disclosed only through a statement from the Chairperson of the Board or the Company Secretary.

(g) Changes to Corporate Governance

Any substantial change to the corporate governance structure of the organisation shall be submitted to the general meeting for discussion under a separate agenda item.

(h) Attendance by external auditor

The Board shall ensure that the responsible partner (or certifying auditor) of the external auditor attends the general meeting and is available to address the meeting. The external auditor may be questioned by the general meeting in relation to the audit of the organisation's financial statements.

8. Board Meetings and Decision-Making

8.1 Frequency, Notice, Agenda and Venue of Meetings

(a) Frequency

The Board shall meet as often as necessary, but not less than [number] times a year. Meetings shall be scheduled annually in advance according to an annual Board calendar. The Board shall meet earlier than scheduled if deemed necessary by the Chairperson of the Board or two other members of the Board.

(b) Notice and Agenda

Meetings of the Board are called by the Chairperson. Save in urgent cases, as determined by the Chairperson, the agenda for a meeting shall be sent to all Board members at least five calendar days before the meeting. For each item on the agenda, an explanation in writing shall be provided and related documentation will be attached. The Chairperson shall consult with the CEO prior to convening the meeting on the content of the agenda. Each Board member and the CEO has the right to request that an item be placed on the agenda for a Board meeting; provided that the item is notified to the Chairperson at least ten days prior to the meeting.

(c) Venue

Board meetings are generally held at the offices of the organisation but may also take place elsewhere. In addition, meetings of the Board may be held by conference call, video conference or by any other means of communication, provided all participants can communicate with each other simultaneously.

8.2 Attendance of and Admittance to Meetings

(a) Attendance by CEO

The CEO, even where he/she is not a member of the Board, shall attend Board meetings unless the Board instructs him not to attend. If requested by the Board, other executives shall also attend meetings of the Board in whole or in part.

(b) Proxies

A Board member may be represented at Board meetings by another Board member holding a proxy in writing. The existence of such authorization must be proved satisfactorily to the Chairperson of the meeting.

(c) Undue Absence

If a Board member is frequently absent from Board meetings, he/she shall be required to explain such absences to the Chairperson.

(d) Attendance by Non-Members

The admission to a meeting of persons other than Board members, the CEO, the organisation Secretary and (if invited) other executives shall be decided by majority vote of the Board members present at the meeting.

8.3 Chairperson of the Meeting

(a) Chairperson

Board meetings are presided over by the Chairperson of the Board or, in his or her absence, the Vice - Chairperson. If both are absent, one of the other Board members, designated by majority vote of the Board members present at the meeting, shall preside.

8.4 Decision-Making within the Board

(a) Preference for Unanimity

The Board members shall try to unanimously adopt resolutions. However, Board members are encouraged to voice dissenting opinions and record these in the minutes when unanimity cannot be reached.

(b) Individual Vote

Each Board member has the right to cast one vote.

(c) Majority Vote, Quorum

Where unanimity cannot be reached and the law, the organisation's articles of association or his charter do not prescribe a larger majority, all resolutions of the Board are adopted by a majority of the votes cast. In the event of a tie, the Chairperson of the Board has the deciding vote. At a meeting, the Board may only pass resolutions if the majority of the Board members are present or represented.

(d) Adoption at Meeting

Resolutions of the Board are adopted at a Board meeting.

(e) Written Consent

Board resolutions may also be adopted in writing, provided the proposal concerned is submitted to all Board members and none of them objects to this form of adoption. Adoption of resolutions in writing shall be effected by statements in writing from all the Board members. A statement from a Board member who wishes to abstain from voting on a particular resolution which is adopted in writing must reflect the fact that he/she does not object to this form of adoption.

(f) Emergency Procedures

The Board may deviate from the provisions of Sections (c), (d) and (e) if this is deemed necessary by the Chairperson of the Board, considering the urgent nature and other circumstances of the case, provided that all Board members are allowed the opportunity to participate in the decision-making process. The Chairperson of the Board and the Company Secretary shall then prepare a report on a resolution so adopted, which shall be added to the documents for the next meeting of the Board.

(g) Minutes

Minutes must be drawn up for every Board meeting and for every resolution adopted outside a meeting. The minutes are to be signed by the Chairperson of the meeting and then added to the organisation's records. Each member of the Board shall receive a copy of the minutes. Each member of the Board may demand a note explaining how he/she voted or that a formal declaration by him be included in the minutes. Urgent resolutions may be drawn up and adopted immediately in the relevant meeting.

(h) Certification of Resolutions

A resolution adopted by the Board shall be publicly disclosed only through a statement from the Chairperson of the Board and/or the Company Secretary and/or the CEO.

9. Other Provisions

9.1 Conflicts of Interest of Board Members

(a) Duty to Disclose

A Board member shall immediately report to the Chairperson of the Board any conflict of interest or potential conflict of interest and shall provide all relevant information, including information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The Board member concerned shall not take part in the assessment by the Board of whether a conflict of interest exists.

(b) Related Party Transactions

A potential conflict of interest exists if the organisation intends to enter into a transaction with a related party, and the organisation shall develop a policy on how to ensure that the rights of shareholders are protected during such transactions. A related party includes the following:

- (i) the Board members of the Organisation, its parent organisation, affiliated or sister companies and associates;
- (ii) a parent organisation and any subsidiary or affiliated organisation that is not wholly owned;
- (iii) the CEO or General Manager, and key officers, including anyone who directly reports to the Board or the CEO;
- (iv) any significant shareholder owning or controlling more than 5% of the voting shares having the ability to control, or exercise a significant influence on, the outcome of resolutions voted on by shareholders or governing Board members of the organisation, its parent organisation, affiliated or associated companies;
- (v) the father, mother, sons, daughters, husband, or wife of any of the natural persons listed in Clauses (i, ii and iii);
- (vi) any business, and the governing Board members, CEO and key officers of any business, in which the natural persons listed in paragraphs (i) to (v) own jointly or severally at least 5% of the voting rights; and
- (vii) any person whose judgment or decisions could be influenced as a consequence of an arrangement or relationship between or involving themselves and any of the persons in paragraphs (i) to (vi).

(c) Abstention by Conflicted Party

A Board member shall not take part in any discussion or decision-making regarding any subject or transaction in which he/she has a conflict of interest with the organisation.

(d) Requirements to Approve Conflicts of Interest

All transactions in which there are conflicts of interest with Board members shall be agreed on terms that are customary for arm's-length transactions in the organisation's business. Decisions to enter into transactions in which there are conflicts of interest with Board members require the approval of the Board.

9.2 Compensation of Board Members

(a) Approval by General Meeting

The compensation of the Board members is determined by the general meeting. The Board shall submit proposals on its compensation to the general meeting.

(b) Reimbursement of Costs

Apart from their compensation, Board members shall be reimbursed for all reasonable costs incurred in connection with their attendance of meetings. The reasonableness of such costs shall be approved by the Chairperson of the Board (costs incurred by the Chairperson of the Board shall be approved by the Vice - Chairperson). Any other expenses shall be reimbursed only if incurred with the prior consent of the Chairperson or the Company Secretary on his or her behalf (or if it concerns the Chairperson, the Vice - Chairperson or the Company Secretary on his or her behalf).

(c) Loans and Guarantees

The organisation and its subsidiaries do not grant personal loans, guarantees or the like to Board members, save as part of its usual business operations.

9.3 Induction Program, Ongoing Training and Education

(a) Induction Program

Upon his or her election, each Board member shall participate in an induction program that covers the organisation's strategy, general financial and legal affairs, financial reporting by the organisation, any specific aspects unique to the organisation and its business activities, and the responsibilities of a Board member.

(b) Annual Review of Training

The Board shall conduct an annual review to identify areas where the Board members require further training or education.

(c) Costs of Organisation

The costs of the induction course and any training or education shall be paid for by the organisation.

9.4 Other Positions

(a) No Excess Memberships

Members of the Board shall limit their other positions so as to ensure they can perform their duties as members of the Board. The letter of appointment to non-executive directors shall clearly state the number of days work expected per year.

(b) Notice of Outside Positions

Board members must inform the Chairperson of the Board and the Company Secretary of their other positions which may be of importance to the organisation or the performance of their duties before accepting such positions. If the Chairperson determines that there is a risk of a conflict of interest, the matter shall be discussed by the Board in accordance with this charter. The Company Secretary shall keep a list of the outside positions held by each Board member.

9.5 Confidentiality

(a) Duty to Keep Information Confidential

Unless required to do so by law, no Board member shall, during his or her membership on the Board or afterwards, disclose any information of a confidential nature regarding the business of the organisation and/or any companies in which it holds a stake, that came to his or her knowledge in the capacity of his or her work for the organisation and which he/she knows or should know to be of a confidential nature. A Board member may disclose such information to fellow Board members as well as to staff members of the organisation and companies in which the organisation holds a stake who, in view of their activities for the organisation and companies in which the organisation holds a stake, should be informed of the information. A Board member shall not use such confidential information for his or her personal benefit.

(b) Return of Confidential Information

At the end of each Board member's term of office, he/she shall return all confidential documents in his or her possession to the organisation or guarantee their disposal in a manner that ensures confidentiality is preserved.

(c) Notice of Disclosure

If a Board member intends to disclose to third parties information which he/she has become aware of in his or her duties and which may be confidential, he/she must inform the Chairperson of his or her intent and the identity of the person who is to receive the information with sufficient notice for the Chairperson to assess the situation and advise the Board member. This section applies to both official and personal statements and to any person attending Board meetings which in terms of their content and form are clearly only intended for the Board.

9.6 Miscellaneous

(a) Acceptance by Board Members

Anyone who is appointed as a Board member must, upon assuming office, declare in writing to the organisation that he/she accepts and agrees to comply with the provisions of this charter. A corresponding reference to this extent is included in a governing Board member's appointment letter.

(b) Occasional Non-Compliance

If permitted by law, the Board may occasionally decide (by unanimous decision) at its sole discretion not to comply with the provisions of this charter.

(c) Amendment

This charter may be amended by the Board at its sole discretion without prior notification.

(d) Interpretation

In case of uncertainty or difference of opinion on how a provision of this charter should be interpreted, the opinion of the Chairperson of the Board shall be decisive.

(e) Partial Invalidity

If one or more provisions of this charter are (or become) invalid, this shall not affect the validity of the remaining provisions. The Board may replace the invalid provisions by provisions which are valid and the effect of which, given the contents and purpose of this charter is, to the greatest extent possible, similar to that of the invalid provisions.

Example 2: Audit Committee Charter

1. Membership

- 1.1.** The committee shall comprise of not less than [number] non-executive directors appointed by the Board, at least two shall be independent non-executive directors. [If the organisation has a Risk Committee, at least one member of the Risk Committee shall be a member of the Audit Committee.] Members of the committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairperson of the Audit Committee.
- 1.2.** The Board shall appoint a Chairperson from the independent non-executive members of the committee and determine the period for which he or she shall hold office.
- 1.3.** The Chairperson of the Board, the CEO, the CFO and any Executive director shall not be eligible to be appointed as Chairperson or member of the committee. [In smaller companies the Company chairperson may be a member of, but not chair, the committee.]
- 1.4.** The Board shall satisfy itself that the Chairperson of the committee and at least one member of the Audit Committee has recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.
- 1.5.** The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.
- 1.6.** Only members of the committee have the right to attend committee meetings. However, the external auditor and finance director will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.7.** Appointments to the committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.

2. Secretary

- 2.1** The Company Secretary, or his or her nominee, shall act as the Secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

- 3.1** The quorum necessary for the transaction of business shall be at least two members, one must be an independent director.

4. Frequency of Meetings

- 4.1** The committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2** Outside of the formal meetings, the committee Chairperson will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairperson, the CEO, the finance director, the external audit lead partner and the head of internal audit. The committee Chairperson, at his/her discretion, may invite other executives to attend and to be heard at meetings of the committee.

5. Notice of Meetings

- 5.1.** Meetings of the committee shall be convened by the Secretary of the committee at the request of any of its members or at the request of the external audit lead partner or head of internal auditor if they consider it necessary.
- 5.2** Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the committee, any other person required to attend, no later than five working days before the date of the meeting.

6. Minutes of Meetings

- 6.1** The Secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2** Draft minutes of committee meetings shall be circulated no later than ten working days to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the committee Chairperson.

7. Annual General Meeting

- 7.1** The committee Chairperson shall attend the annual general meeting to answer shareholder questions on the committee's activities.

8. Responsibilities of the Committee

The committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1 Financial Statements

- 8.1.1** The Committee will examine and review the quality and integrity of the financial statements of the Company, including its annual and half-yearly reports, interim reports and any other formal announcement relating to the organisation's financial performance.

- 8.1.2** The committee shall review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the committee by the auditor;
- 8.1.3** In particular, the committee shall review and challenge where necessary;
- 8.1.3.1** The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/group;
 - 8.1.3.2** Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
 - 8.1.3.3** The methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.3.4** Significant adjustments resulting from the audit;
 - 8.1.3.5** Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;
 - 8.1.3.6** The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - 8.1.3.7** All material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management;
 - 8.1.3.8** Where the committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board;
 - 8.1.3.9** The basis on which the organisation has been determined a going concern;
 - 8.1.3.10** Capital adequacy and internal controls;
 - 8.1.3.11** Compliance with the financial conditions of any loan covenants; and
 - 8.1.3.12** Reviewing special documents (such as prospectuses).

8.2 Narrative reporting

- 8.2.1** Where requested by the Board, the committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other stakeholders to assess the Company's performance, business model and strategy.

8.3 Internal Controls and Risk Management Systems

The committee shall:

- 8.3.1** Keep under review the adequacy and effectiveness of the organisation's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems; and
- 8.3.2** Review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.4 Compliance, Whistleblowing and Fraud

The committee shall:

- 8.4.1** Review the adequacy and security of the organisation's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.4.2** Review the Company's procedures for detecting fraud;
- 8.4.3** Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.4.4** Review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function;
- 8.4.5** Review significant transactions not directly related to the organisation's normal business as the committee might deem appropriate; and
- 8.4.6** Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the organisation.

8.5 Internal audit

The committee shall:

- 8.5.1** Approve the appointment or termination of appointment of the head of internal audit;
- 8.5.2** Review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 8.5.3** Ensure the internal auditor has direct access to the Board Chairperson and to the committee Chairperson, and is accountable to the committee;
- 8.5.4** Review and assess the annual internal audit work plan;
- 8.5.5** Receive a report on the results of the internal auditor's work on a periodic basis;
- 8.5.6** Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- 8.5.7** Meet with the head of internal audit at least once a year without the presence of management;
- 8.5.8** Monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system;

- 8.5.9** Safeguarde organisation's assets against unauthorised use or disposal; and
- 8.5.10** Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the organisation's internal control, cases of employee fraud, misconduct or conflict of interest.

8.6 External audit

The committee shall:

- 8.6.1** Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor; and
- 8.6.2** Ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened and the committee should obtain written or verbal proposals to enable it to arrive at its recommendation.
- 8.6.3** If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 8.6.4** Oversee the relationship with the external auditor including (but not limited to):
 - 8.6.4.1** Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 8.6.4.2** Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.6.4.3** Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 8.6.4.4** Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the organisation (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - 8.6.4.5** Agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - 8.6.4.6** Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the organisation compared to the overall fee income of the firm, office and partner and other related requirements;
 - 8.6.4.7** Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;

- 8.6.4.8** Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved);
 - 8.6.4.9** Seeking to ensure co-ordination with the activities of the internal audit function; and
 - 8.6.4.10** Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
- 8.6.5** Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit.
 - 8.6.6** Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
 - 8.6.7** Consider whether any significant ventures, investments or operations are not subject to external audit.
 - 8.6.8** Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
 - 8.6.9** Review the findings of the audit with the external auditor. This shall include but not be limited to the following:
 - 8.6.9.1** A discussion of any major issues which arose during the audit;
 - 8.6.9.2** Key accounting and audit judgements;
 - 8.6.9.3** Levels of errors identified during the audit; and
 - 8.6.9.4** The effectiveness of the audit process.
 - 8.6.10** Review any representation letter(s) requested by the external auditor before they are signed by management.
 - 8.6.11** Review the management letter and management's response to the auditor's findings and recommendations.
 - 8.6.12** Develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

8.7 Business Conduct

The committee shall:

- 8.7.1** Monitor the implementation of the organisation's Code of ethics;
- 8.7.2** Review any statements on business conduct and ethical standards or requirements for the organisation and assisting in developing such standards and requirements;
- 8.7.3** Ensure compliance with the requirements of the articles of association; laws and regulations of any other applicable statute and of controlling bodies;

8.7.4 Identify any violations of ethical conduct; and

8.7.5 Give recommendations on any potential conflict of interest or questionable situations of a material nature.

9. Reporting responsibilities

9.1 The committee Chairperson shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

9.1.1 The significant issues that it considered in relation to the financial statements and how these were addressed;

9.1.2 Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and

9.1.3 Any other issues on which the Board has requested the Committee's opinion.

9.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor. In compiling the report the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

10. Remuneration

10.1 Having regard for the functions performed by the members of the Committee in addition to their functions as directors in relation to the activities of the Committee, members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to directors.

10.2 The Chairperson of the committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.

11. Other matters

The committee shall:

- 11.1** Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
- 11.2** Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 11.3** Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.4** Give due consideration to laws and regulations, the Code, SEM Listing Rules and any other applicable rules, as appropriate;
- 11.5** Be responsible for co-ordination of the internal and external auditors;
- 11.6** Oversee any investigation of activities which are within its terms of reference;
- 11.7** Work and liaise as necessary with all other Board committees; and
- 11.8** Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

12. Authority

The committee is authorised to:

- 12.1** Seek any information it requires from any employee of the organisation in order to perform its duties;
- 12.2** Obtain, at the organisation's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.3** Call any employee to be questioned at a meeting of the committee as and when required; and
- 12.4** Have the right to publish in the organisation's annual report, details of any issues that cannot be resolved between the committee and the Board.

Example 3: Remuneration Committee Charter

1. Membership

- 1.1.** The committee shall comprise at least [number] members, all of whom shall be independent non-executive directors. Members of the committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairperson of the Remuneration Committee.
- 1.2.** Only members of the committee have the right to attend committee meetings. However, other individuals such as the CEO and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3** Appointments to the committee are made by the Board and shall be for a period of up to three years extendable by no more than two additional three-year periods.
- 1.4** The Board shall appoint the committee Chairperson who shall be an independent non-executive director. In the absence of the committee Chairperson and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairperson of the Board shall not be Chairperson of the committee.

2. Secretary

- 2.1** The Company Secretary or his or her nominee shall act as the Secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

- 3.1** The quorum necessary for the transaction of business shall be two.

4. Meetings

- 4.1** The committee shall meet at least once a year and otherwise as required.
- 4.2** The notice of each meeting of the committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the committee not less than five working days prior to the date of the meeting.
- 4.3** The committee shall normally invite the Chairperson of the Board and the Chief Executive to attend meetings to discuss the performance of other executive directors and to make proposals as necessary.
- 4.4** The Chairperson of the committee shall attend the annual general meeting and be prepared to answer questions concerning the appointment of executive and non-executive directors and maintain contact as required with the organisation's principal shareholders and stakeholders about the appointment of executive and non-executive directors.

5. Notice of Meetings

- 5.1** Meetings of the committee shall be called by the Secretary of the committee at the request of the committee Chairperson.
- 5.2** Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than [five] working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

6. Minutes of Meetings

- 6.1** The Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2** Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the committee Chairperson it would be inappropriate to do so.

7. Annual general meeting

- 7.1** The committee Chairperson should attend the annual general meeting to answer any shareholder questions on the committee's activities.

8. Duties

The committee shall:

- 8.1** Have responsibility for setting the remuneration policy for all executive directors and the Company's Chairperson, including pension rights and any compensation payments. The Board shall determine the remuneration of the non-executive directors. No director or senior manager shall be involved in any decisions as to their own remuneration.
- 8.2** Recommend and monitor the level and structure of remuneration for senior management.
- 8.3** Take into account all factors which it deems necessary including relevant legal and regulatory requirements, the principles of the Code and associated guidance. The objective of the remuneration policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long strategic term goals.
- 8.4** When setting remuneration policy for directors, review and have regard to pay and employment conditions across the Company or group, especially when determining annual salary increases.
- 8.5** Review the on-going appropriateness and relevance of the remuneration policy.

- 8.6 Within the terms of the agreed policy and in consultation with the Chairperson and/or CEO, as appropriate, determine the total individual remuneration package of each executive director, the Company Chairperson and other designated senior executives including bonuses, incentive payments and share options or other share awards.
- 8.7 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board.
- 8.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
- 8.9 Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes.
- 8.10 Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, Company Secretary and other designated senior executives and the performance targets to be used.
- 8.11 Determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives.
- 8.12 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.13 Oversee any major changes in employee benefits structures throughout the Company or group.
- 8.14 Agree the policy for authorising claims for expenses from the directors.
- 8.15 Work and liaise as necessary with all other Board committees.

9. Reporting responsibilities

- 9.1 The committee Chairperson shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The committee shall ensure that provisions regarding disclosure of information are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.

9.4 Through the Chairperson of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

10. Remuneration

10.1 Having regard for the functions performed by the members of the Committee in addition to their functions as directors in relation to the activities of the Committee members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to directors.

10.2 The Chairperson of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.

11. Other matters

The committee shall:

11.1 Have access to outside or other independent professional advice as it considers necessary to carry out its duties.

11.2 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required.

11.3 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.

11.4 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors.

11.5 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Example 4: Nomination Committee Charter

1. Membership

- 1.1** The committee shall comprise at least [number] directors. A majority of the members of the committee shall be independent non-executive directors.
- 1.2** Only members of the committee have the right to attend committee meetings. However, other individuals such as the CEO, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3** Appointments to the committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the committee.
- 1.4** The Board shall appoint the committee Chairperson who should be an independent non-executive director. In the absence of the committee Chairperson and/or an appointed Deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Chairperson of the Board shall not chair the committee when it is dealing with the matter of succession to the chairpersonship.

2. Secretary

- 2.1** The Company Secretary or his or her nominee shall act as the Secretary of the committee.

3. Quorum

- 3.1** The quorum necessary for the transaction of business shall be [number].

4. Frequency of meetings

- 4.1** The committee shall meet at least [number] a year.

5. Notice of meetings

- 5.1** Meetings of the committee shall be called by the Secretary of the committee at the request of the committee Chairperson.
- 5.2** Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

6. Minutes of meetings

- 6.1** The Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2** Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the committee Chairperson it would be inappropriate to do so.

7. Annual General Meeting

- 7.1** The committee Chairperson should attend the annual general meeting to answer any shareholder questions on the committee's activities.

8. Duties

The committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate. The committee shall:

- 8.1** Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- 8.2** Give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.
- 8.3** Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- 8.4** Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
- 8.5** Be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- 8.6** Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the committee shall:
 - 8.6.1** Use open advertising or the services of external advisers to facilitate the search;
 - 8.6.2** Consider candidates from a wide range of backgrounds; and
 - 8.6.3** Consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

- 8.7 For the appointment of a Chairperson, the committee should prepare a job specification, including the time commitment expected. A proposed Chairperson's other significant commitments should be disclosed to the Board before appointment and any changes to the Chairperson's commitments should be reported to the Board as they arise.
- 8.8 Prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.
- 8.9 Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
- 8.10 Review the results of the Board performance evaluation process that relate to the composition of the Board.
- 8.11 Review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- 8.12 Work and liaise as necessary with all other Board committees.

The committee shall also make recommendations to the Board concerning:

- 8.13 The appointment of any director.
- 8.14 Formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairperson and Chief Executive.
- 8.15 Suitable candidates for the role of lead independent director.
- 8.16 Membership of the audit and remuneration committees, and any other Board committees as appropriate, in consultation with the Chairperson of those committees.
- 8.17 The re-election by shareholders of directors or the retirement by rotation provisions in the Company's articles of association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.
- 8.18 Any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company subject to the provisions of the law and their service contract.

9. Reporting responsibilities

- 9.1 The committee Chairperson shall report on the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The committee shall make whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.

9.3 The committee shall produce a report to be included in the annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Company. The report should also include a statement of the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.

10. Other matters

The committee shall:

10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required.

10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

10.3 Give due consideration to laws and regulations, the principles of the Code and any other applicable rules, as appropriate.

10.4 Arrange for periodic reviews of its own performance and, at least annually, review its charter to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

11.1 The committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

POSITION STATEMENTS

Example 5: A position Statement of a Chairperson

The Chairperson is responsible for:

1. Meetings

- i. Chairing Board and general meetings.
- ii. Upholding rigorous standards of preparation for meetings.
- iii. Running the Board and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings.
- iv. Setting the Board agenda, taking into account the issues and concerns of all Board members. The agenda should be forward looking, concentrating on strategic matters.
- v. Ensuring that there is appropriate delegation of authority from the Board to executive management and Board committees.
- vi. Ensuring the Board's committees are properly structured with appropriate terms of reference;
- vii. Encouraging all Board members to engage in Board and committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence.
- viii. Ensuring that the directors receive accurate, timely and clear information, including that on the organisation's current performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the organisation.
- ix. Managing the Board to allow enough time for discussion of complex or contentious issues. The Chairperson should ensure that directors (particularly non-executive directors) have sufficient time to consider critical issues and obtain answers to any questions or concerns they may have and are not faced with unrealistic deadlines for decision making.
- x. Ensuring that the decisions by the Board are executed.

2. Directors

- i. Facilitating the effective contribution of non-executive directors and encouraging active engagement by all members of the Board.
- ii. Ensuring constructive relations between the executive and non-executive directors.

3. Induction, Development, Succession and Performance Evaluation

- i. Ensuring that new directors participate in a full, formal and tailored induction programme, facilitated by the Company Secretary.
- ii. Ensuring that the development needs of directors are identified and, with the Company Secretary having a key role, that these needs are met. The directors should be able to continually update their skills and the knowledge and familiarity with the Company required to fulfil their role on the Board and its committees.
- iii. Mentoring to develop skills and enhance directors' confidence and encourage them to speak up and make an active contribution at meetings.
- iv. Identifying the development needs of the Board as a whole to enhance its overall effectiveness as a team.
- v. Overseeing a formal succession plan for the Board, CEO and certain senior management appointments such as the CFO.

- vi. Ensuring the performance of the Board, its committees and individual directors is evaluated at least once a year and acting on the results of such evaluation by recognising the strengths and addressing the weaknesses of the Board. Where appropriate, through the Nomination Committee, proposing that new members be appointed to the Board or seeking the resignation of others.

4. Relations with shareholders

- i. Ensuring effective communication with shareholders.
- ii. Maintaining sufficient contact with major shareholders to understand their issues and concerns, in particular discussing governance, strategy and remuneration with them.
- iii. Ensuring that the views of shareholders are communicated to the Board as a whole so that all directors develop an understanding of their views.

5. Annual General Meeting

Arranging for the Chairperson of Board committees to be available to answer questions at the AGM and for all directors to attend.

In addition, the Chairperson should:

- i. Set the ethical tone for the Board and the Company and uphold the highest standards of integrity and probity;
- ii. Set the agenda, style and tone of Board discussions to promote effective decision making and constructive debate;
- iii. Ensure that he is fully informed about all issues on which the Board will have to make a decision, through briefings with the Chief Executive, the Company Secretary, and members of the executive management as appropriate;
- iv. Ensure clear structure for, and the effective running of Board committees;
- v. Ensure effective implementation of Board decisions;
- vi. Promote effective relationships and open communication between executive and non-executive directors both inside and outside the boardroom, ensuring an appropriate balance of skills and personalities;
- vii. Build an effective and complementary Board, and with the Nomination Committee, initiate change and plan succession in Board appointments (except that of a successor as Chairperson) subject to Board and shareholder approval;
- viii. With the assistance of the Company Secretary, promote the highest standards of corporate governance. If full compliance is not possible, ensure that the reasons for non-compliance are fully understood, agreed by the Board and explained to shareholders;
- ix. Ensure an appropriate balance is maintained between the interests of shareholders and other stakeholders (employees, customers, suppliers and the community);
- x. Ensure the long term sustainability of the business;
- xi. Ensure the continual improvement in quality and calibre of the executives;
- xii. Establish a close relationship of trust with the CEO and CFO, providing support and advice while respecting executive responsibility ensuring effective communication with shareholders and other stakeholders; and
- xiv. Building and maintaining stakeholders trust and confidence in the Company and in conjunction with the CEO, representing the Company to key stakeholders.

Example 6: A Position Statement of a Company Secretary

The Company Secretary is responsible for:

- i. Ensuring that the organisation complies with its constitution and all relevant statutory and regulatory requirements, Codes of ethics and rules established by the Board;
- ii. Providing the Board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the organisation;
- iii. Developing the agenda of Board and Board committee meetings in consultation with the Chairperson and the CEO;
- iv. Circulating agendas and any supporting papers in good time;
- v. Ensuring the presentation of high-quality information to the Board and its committees;
- vi. Checking that quorum of meetings is present;
- vii. Taking minutes of Board meetings and circulating the draft minutes to all members;
- viii. Ensuring that meetings and resolutions of the Board are properly held and passed in accordance with the Company's articles of association;
- ix. Ensuring that the procedure for the appointment of directors is properly carried out;
- x. Assisting in the proper induction of directors, including assessing the specific training needs of directors/executive management; and
- xi. Providing comprehensive practical support and guidance to directors both as individuals and as a collective with particular emphasis on supporting the non-executive directors.

The Company Secretary should ensure compliance with all relevant statutory and regulatory requirements and will have duties associated with the operation of the business.

The Company Secretary needs to:

- i. Communicate with shareholders, as appropriate, and ensure that due regard is paid to their interests;
- ii. Act as a primary point of contact (often via the share registrar) for all shareholders and proxy voting / corporate governance advisers; and
- iii. Have a role in improving engagement and purposeful dialogue between investors and the Company.

Both the appointment and removal of the Company Secretary shall be a matter for the Board as a whole. The Board must satisfy itself that the appointee is fit and proper and has the requisite attributes, experience and qualification to properly discharge his/her duties.

The Company Secretary should report to the Chairperson on all Board governance matters. This does not preclude the Company Secretary also reporting to the CEO in relation to his or her other executive management responsibilities.

The appointment and removal of the Company Secretary should be a matter for the Board as a whole, and the remuneration of the Company Secretary is determined by the Remuneration Committee.

The Chairperson and the Company Secretary should periodically review whether the Board and the Company's other governance processes, for example Board and committee evaluation, are fit for purpose, and consider any improvements or initiatives that could strengthen the governance of the Company.

In the case of Statutory Bodies, the same principles that apply to Company Secretary should apply to Corporate Secretary.

Statutory Bodies

Example 7: A Corporate Objectives Statement for Statutory Bodies³

Every Statutory Body should develop a Corporate Objectives Statement. This Statement should be agreed to by the Board and the parent Ministry. The Statement should be expressed in clear terms, with outputs and time frames which can be measured and monitored. The Statement should contain:

- i. The purpose or the purposes of the organisation;
- ii. Its value drivers;
- iii. Its stakeholders;
- iv. A corporate vision for three years;
- v. Its objectives;
- vi. A statement of expected behaviour of stakeholders of the organisation that includes a provision for every contract of employment and contract concluded with any stakeholder (particularly suppliers);
- vii. A clear statement of accountability by the Board, including reporting obligations and time frames for doing so;
- viii. The expectations on financial performance for the year ahead; and
- ix. The expectations in respect of non-financial performance (e.g. integrated sustainability reporting issues)

The Corporate Objectives Statement should not contain confidential information.

³Based upon Guidance Notes from for State Owned Enterprises, NCCG. (2006)

Letter of Appointment

Example 8: A Letter for the Appointment of a Non Executive Director ⁴

Dear

On [date], upon the recommendation of the Nomination Committee, the Board of [organisation] ('the Organisation') has appointed you as non-executive director. I am writing to set out the terms of your appointment. It is agreed that this is a contract for services and is not a contract of employment.

Appointment

Your appointment will be for an initial term of three years commencing on [date], unless otherwise terminated earlier by and at the discretion of either party upon [one month's] written notice. Continuation of your contract of appointment is contingent on satisfactory performance and re-election at forthcoming AGMs. Non-executive directors are typically expected to serve two three-year terms, although the Board may invite you to serve for a supplementary period.

Time commitment

Overall we anticipate a time commitment of [number] days per month after the induction phase. This will include attendance at [monthly] Board meetings, the AGM, [one] annual Board away day, and [at least one] site visit per year. In addition, you will be expected to devote appropriate preparation time ahead of each meeting. By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. The agreement of the Chairperson should be sought before accepting supplementary commitments that might affect the time you are able to devote to your role as a non-executive director of the organisation.

Role

Non-executive directors have the same general legal responsibilities to the organisation as any other director. The Board as a whole is collectively responsible for promoting the success of the organisation by directing and supervising the organisation's affairs. The Board:

- i. provides entrepreneurial leadership of the organisation within a framework of prudent and effective controls which enable risk to be assessed and managed;
- ii. sets the organisation's strategic aims, ensures that the necessary financial and human resources are in place for the organisation to meet its objectives, and reviews management performance; and
- iii. sets the organisation's values and standards and ensures that its obligations to its shareholders and others are understood and met.

In addition to these requirements of all directors, the role of the non-executive director has the following key elements:

⁴ Adapted from: ICSA Guidance: A Sample non-executive director's appointment letter (2011)

- Strategy** : Non-executive directors should constructively challenge and contribute to the development of strategy;
- Performance** : Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- Risk** : Non-executive directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and
- People** : Non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary, removing senior management and in succession planning.

Fees

You will be paid a fee of [amount] gross per annum which will be paid monthly in arrears, [plus [number] ordinary shares of the organisation per annum, both of] which will be subject to an annual review by the Board.

The organisation will reimburse you for all reasonable and properly documented expenses you incur in performing the duties of your office.

Outside interests

It is accepted and acknowledged that you have business interests other than those of the organisation and have declared any conflicts that are apparent at present. In the event that you become aware of any potential conflicts of interest, these should be disclosed to the Chairperson and organisation Secretary as soon as apparent.

Independence

The Board of the organisation have determined you to be independent.

Confidentiality

All information acquired during your appointment is confidential to the organisation and should not be released, either during your appointment or following termination, to third parties without prior clearance from the Chairperson.

Induction

Immediately after appointment, the organisation will provide a comprehensive, formal and tailored induction. We will also arrange for site visits and meetings with senior and middle management and the organisation's auditors. We will also arrange for you to meet major investors in the first twelve months of your appointment.

Review process

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chairperson as soon as is appropriate.

Insurance

The organisation has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of your appointment. The current indemnity limit is Rs [amount]; a copy of the policy document is attached.

Independent professional advice

Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Circumstances may occur when it will be appropriate for you to seek advice from independent advisors at the organisation's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is attached. The organisation will reimburse the full cost of expenditure incurred in accordance with the attached policy.

Committees

This letter refers to your appointment as a non-executive director of the Organisation. In the event that you are also asked to serve on one or more of the Board committees this will be covered in a separate communication setting out the committee(s)'s terms of reference, any specific responsibilities and any supplementary fees that may be involved.

Director Induction

Example 9: A Checklist of Director Induction Information ⁵

1. The role of a Director

- i. The role of a director and his/her statutory duties.
- ii. Details of the company's policies and procedures regarding directors' shareholdings and share dealings.
- iii. Support role of the Company Secretary.
- iv. Policies relevant to the director as an individual (such as independent professional advice, expenses, data protection).
- v. Directors' and officers' liability insurance, deeds of indemnity.
- vi. Personal development process.
- vii. Protocol, procedures and dress Code (if applicable) for Board meetings, general meetings, formal dinners, staff social events, site visits etc, including the involvement of partners where appropriate.

2. Board Issues

2.1 Board and Committees

- i. Board and committee structure, matters reserved for the Board, delegated authorities, committee terms of reference, items requiring approval outside of Board meetings.
- ii. Brief biographical and contact details of all directors of the Company, the Company Secretary and other key executives. This should include any executive responsibilities of directors and their dates of appointment.
- iii. Board composition, Board renewal, succession plans and policy on directors' re-election by shareholders.
- iv. Board support framework: Chairperson, lead independent director, Company Secretary.

2.2 Board Meetings

- i. Minutes of recent Board meetings.
- ii. Schedule of dates of future Board meetings with pro forma forward agendas of regular items or an indication of when routine business is transacted.
- iii. Description of Board procedures covering details such as when papers are sent out, the method of delivery, the normal location of meetings and how long they last.
- iv. Training in the use of any Board portal or online Board paper/reading room facility.

2.3 Boardroom Behaviours

- i. Explanation by the Chairperson of his/her expectations of the Board in terms of its output and behaviours.
- ii. Culture and values, Codes of conduct/ethics etc.

⁵ Adapted from: ICSA 2012 Guidance on Induction of Directors

2.4 Rules, Regulation and Guidance

- i. Up-to-date copy of the Company's articles of association/constitution.
- ii. Companies Act and legislation in other jurisdictions that apply to the Company.
- iii. SEM Listing Rules and other jurisdictions' securities and listing rules requirements that apply to the Company.
- iv. Corporate Governance Code.
- v. Investors' corporate governance guidelines which the Company seeks to follow (if applicable).

2.5 Board Procedures

- i. Board, committee and individual director evaluation processes.
- ii. Board training and development programme.
- iii. Special procedures (accounts sign off, Company disclosures).
- iv. Treatment and disclosure of price sensitive information.
- v. Bid / defence handbook.

2.6 Current Issues

- i. Key governance issues affecting the Company.
- ii. Remuneration policy, trends and issues affecting the Company.
- iii. Voting and shareholder feedback from the last AGM.
- iv. Most recent Board evaluation report.

2.7 The Nature of the Company, its Business and its Markets

- i. Corporate history, with a summary of significant events (incorporation, acquisitions and divestments, restructurings).
- ii. Organisational/business overview/chart, indicating the major domestic and overseas subsidiaries, associated companies and joint ventures.
- iii. Business model.
- iv. Products/services.
- v. Local, regional/global operations.
- vi. Strategy.
- vii. Key performance indicators, including KPIs on which incentive plans are measured.
- viii. Market analysis, market shares, trading backdrop, recent operational and financial performance, current challenges.
- ix. The organisation's risk profile and tolerance, risk management and internal control procedures and relevant disaster recovery plans.
- x. Financial and treasury issues: accounts/interim management statements, audit, management accounts, budgets, funding sources, dividend policy, credit-rating metrics.
- xi. Significant contracts.
- xii. Status of organisation pension plans, including any deficits.
- xiii. Insurance policies.
- xiv. Marketing and branding.

- xv. Details of any major litigation, either current or potential.
- xvi. Relevant organisation policies, such as health & safety, corporate social responsibility, environmental, ethics and whistleblowing, bribery, diversity, equality, charitable & political donations, etc.
- xvii. Glossary of organisation-specific jargon/acronyms.
- xviii. Glossary of sector-specific jargon/acronyms.

2.8 Building a Link with the Company's People

- i. Meetings with senior management.
- ii. Visits to organisation sites in addition to the head office.
- iii. Internal Company contact list (Mauritius and overseas as applicable).
- iv. Employee committees or surveys.

2.9 The Company's Main Relationships

- i. Market facing issues: investor relations and media views.
- ii. Major shareholders (facilitate meetings).
- iii. Notices of any general meetings held in the last 3 years.
- iv. Recent press cuttings, reports and articles concerning the organisation.
- v. The organisation's advisers (lawyers, bankers, auditors, registrars, brokers etc) and the key internal contacts for any external advisers.
- vi. Key customers.
- vii. Key suppliers.
- viii. Key stakeholders (regulators, unions).

3. Board Committee Induction

Where the director will be joining a committee, he or she should be provided with copies of the committee minutes from the preceding 12 months.

3.1 For the Audit Committee:

- i. Role and remit of the committee.
- ii. Link between committee policy and the Company's strategic objectives.
- iii. Members of the committee, and those regularly invited to attend meetings.
- iv. Meeting schedule with pro forma forward agendas of regular items or an indication of when routine business is transacted.
- v. Main business and financial dynamics and risks.
- vi. Regulatory and legal requirements in the Mauritius / relevant jurisdictions.
- vii. Market practice and current trends.

- viii. Current issues.
- ix. Views of investors on current arrangements and potential areas of focus.
- x. Meeting(s) with the CFO, external auditors and the head of internal audit.
- xi. Technical training on key matters, tailored according to level of financial expertise.

3.2 For the Remuneration Committee:

- i. Role and remit of the committee.
- ii. Link between committee policy and organisation's strategic objectives.
- iii. Members of the committee, and those regularly invited to attend meetings.
- iv. Meeting schedule with pro forma forward agendas of regular items or an indication of when routine business is transacted.
- v. Regulatory and legal requirements in the Mauritius and relevant jurisdictions.
- vi. Market practice, current trends and best practice guidelines.
- vii. Current issues.
- viii. Views of investors on current arrangements and potential areas of focus .
- ix. Meeting(s) with the remuneration advisers.
- x. Technical training on key matters, tailored according to experience.

3.3 For the nomination committee:

- i. Role and remit of the committee.
- ii. Link between committee policy and the Company's strategic objectives.
- iii. Members of the committee, and those regularly invited to attend meetings.
- iv. Meeting schedule.
- v. Board composition, Board renewal, succession planning, ongoing recruitment.
- vi. Internal talent and capability, leadership development programmes.
- vii. Current issues.
- viii. Views of investors on current arrangements and potential areas of focus.
- ix. Recruitment process and recruitment agent(s) typically used.

The generic items in 3.1 to 3.3 can be used as the starting point for an induction to other Board committees, such as risk or sustainability / CSR.

ETHICS

Example 10: A Code of Ethics for Directors

In 2013, the directors Forum published 'An Ethics Guide for Boards'. This contains a model Code of conduct for directors that is reproduced below.

[NAME OF Company]
CODE OF CONDUCT FOR DIRECTORS

Date

Purpose

The Board of directors (the "Board") of [NAME OF Company] has adopted the following Code of Conduct for directors of the Company.

The purpose of the Code is to provide:

- Guidance to directors and help them recognise and deal with ethical issues; and
- Help foster a culture of honesty and accountability and mechanisms to report unethical conduct.

The Code should not be considered as an exhaustive document and should be complemented by applicable laws (for example, the Companies Act 2001) as well as relevant Codes of governance (e.g the Code of Corporate Governance 2004).

A. Duties of Directors

Directors should act in good faith and make and enact informed decisions and policies in the best interests of the Company. They have a responsibility to carry out their duties diligently, in an honest manner, with reasonable competence and act within the scope of their authority. They must consistently attend Board meetings and devote sufficient time to ensure familiarity with the Company's business and environment. Directors should ensure observance of confidentiality provisions of non-public information disclosed to them. They must act in a manner which enhances and maintains the reputation of the Company at all times.

B. Conflict of Interest

Directors must, as far as possible, avoid conflicts and where a conflict or potential conflict arises, the same must be disclosed and all procedures for dealing with such cases must be strictly adhered to. Directors who are conflicted regarding a particular issue should not participate in the related discussions and decision-making. A conflict of interest may occur when:

- i. A director's personal interest is adverse to or may seem to be adverse to the interests of the Company.
- ii. A director, or a member of his or her immediate family, receives improper personal benefits as a result of his/her position in the Company.

Some of the common conflicts directors should avoid are listed below:

- i. Personal benefits received from a person/ Company seeking to do business or to retain the services of the Company.
- ii. Gifts which are not customary in normal business relationships should not be accepted nor given to any person/Company seeking to do business or to retain the services of the Company.
- iii. Engaging in any outside business, professional or other activities that would directly or indirectly adversely affect the Company.

C. Corporate Opportunities

Directors must not take improper advantage of their position or use the Company's property or position for personal gain. Directors may not use any information or opportunity received by them in their capacity as directors in a manner that would be detrimental to the Company's interests.

D. Compliance with Laws, Rules & Regulations: Fair Dealings

Directors must comply, and oversee compliance by employees, officers and other directors, with laws, rules and regulations applicable to the Company. Directors must deal fairly, and must oversee fair dealings by employees and officers, with the Company's customers, suppliers, competitors and employees. Directors should encourage the reporting of any illegal or unethical behaviour. They should communicate any suspected breaches of this Code promptly to the Chairperson of the Corporate Governance Committee or any other person responsible for Compliance in the Company. Any breach of the Code will be investigated and appropriate actions taken as necessary.

E. Waiver of the Code of Conduct

Any waiver of this Code may be made only by the Board of directors or a Committee of the Board and must be promptly disclosed to the Company's shareholders.

Example 11: A Code of Ethics

A Code of ethics should contain:

- **An Introduction**

The introduction should contain:

- i. The purpose of the Code.
- ii. The organisation values relevant to the conduct of the business (e.g. integrity, responsibility and reputation).
- iii. The relevance of the Code to the organisation.
- iv. The leadership responsibilities and commitment in maintaining high standards both within the organisation and with dealings with stakeholders.
- v. A personal endorsement of the Code.
- vi. The expectation that the Code will be upheld by all in the organisation.

The introduction should be signed by both the Chairperson and Chief Executive Officer.

- **How the Code should be used**

This section should describe the Code's purpose, relevance, audience and context. It should also describe other supporting documents, tools or sources of support. It may provide a summarised ethical decision making framework. It should describe implementation and reinforcement; the process by which the Code is issued and used; means to obtain advice; awareness raising examples (Q & As) and training programmes for all staff.

- **Employees**

This section should describe how the business values employees and include the organisation's policies on:

- i. Working conditions
- ii. Recruitment
- iii. Development and training
- iv. Rewards
- v. Health, safety & security
- vi. Equal opportunities
- vii. Diversity
- viii. Retirement
- ix. Redundancy
- x. Discrimination
- xi. Harassment
- xii. Use of Company assets by employees.

- **Customer Relations**

This section should describe the importance of customer satisfaction and good faith in all agreements, quality, fair pricing and after-sales service.

- **Shareholders or other providers of money**

This section should describe the protection of investment made in the Company. It should also provide a commitment to accurate and timely communication on achievements and prospects.

- **Suppliers**

This section should describe prompt settling of bills. A clear and unambiguous statement that no bribery or excess hospitality accepted or given should be provided.

- **Society or the wider community**

This section should describe:

- i. Compliance with the spirit of laws as well as the letter.
- ii. The organisation's obligations to protect and preserve the environment.
- iii. The involvement of the organisation and its staff in local affairs.
- iv. The policy on CSR.

- **Assurance, reporting and reviews**

This section should suggest ways of knowing if the Code is effective. There should be a report to the Board or Board committee at least annually and procedures should be in place for reviewing and updating the Code.

Key ethical issues that are covered in the Code should include:

- i. How the organisation competes.
- ii. Zero tolerance for bribery and facilitation payments.
- iii. Gifts and entertainment policy.
- iv. Conflicts of interest.
- v. Related party transactions.
- vi. Use of Company assets.
- vii. Safeguarding important information.
- viii. Political involvement and contributions.
- ix. The application of human rights standards in the organisation.
- x. The environmental responsibilities of the organisation.
- xi. Timely payments of suppliers.

Appendix 3
SCORECARD FOR
GOVERNANCE
FRAMEWORK AND
SELF EVALUATION

APPENDIX 3: SCORECARD FOR GOVERNANCE FRAMEWORK AND SELF EVALUATION

INTRODUCTION

This volume provides Boards with governance frameworks that can be used for self-assessment purposes. Two exemplar scorecards are shown:

1. The first scorecard focuses upon DISCLOSURE EVIDENCE mainly through the Annual Report and on the website. It is therefore to be most relevant to public interest entities with transparency and disclosure obligations.
2. The second scorecard focuses upon a more internally focused assessment that might be conducted by a closely held unlisted family business.

It is intended that these exemplar scorecards will be placed upon a website maintained by the National Committee of Corporate Governance and updated on a regular basis.

1 ABOUT SCORECARDS

Definition

A scorecard is a quantitative tool to measure the level of observance of a corporate governance Code.

2 THE PURPOSE OF SCORECARDS

Scorecards are NOT used principally to measure regulatory compliance. Rather, scorecards measure the observance of a voluntary Code of best practice. They are used to:

- Assess a Company's governance practices,
- Show progress over time, and
- Compare different companies and even groups of companies within or across countries.

3 THE BENEFITS OF SCORECARDS

The main beneficiaries of scorecards are companies and their stakeholders (Table 1). Most companies want quantifiable and comparable information on the quality of their governance practices. Scorecards generate important information on the quality of governance practices. They can tell whether companies ignore Codes or follow Code recommendations. They provide information on the impact of governance Codes. They can be used to compare practices between companies and between countries.

Scorecards encourage companies to improve their governance. Companies want to know when and where they fall short so that they can act.

Comparisons to other companies provide an important indicator on how the Company stacks up against a peer group and can motivate companies to improve their governance.

Scorecards are particularly useful when a new or revised Code of corporate governance is introduced in a country.

Table 1: Scorecard Usage ⁶

Potential users of scorecards	Goals of a scorecard
Companies, Boards, directors and executives	<ul style="list-style-type: none"> • Conduct self-assessments or facilitated self-assessments and receive support through consultants. • Improve governance practices • Improve Board function • Improve company reputation in the markets and among shareholders • Help report to regulators and stock exchanges
Membership organizations such as institutes of directors, chambers of commerce, or business associations	<ul style="list-style-type: none"> • Encourage better governance practices among members • Assess the status of governance practices within a country • Raise public awareness of governance issues • Educate companies and the public on the impact of governance practices
Self-regulatory organizations such as stock exchanges, as well as regulators and government institutions	<ul style="list-style-type: none"> • Assess and encourage compliance with the Code • Create incentives for better governance • Improve the function of the capital markets • Gather information to guide further governance development and improve the regulatory framework • Develop market indicators/investment indexes • Provide a basis for companies to report on their governance • Enhance the reputation of the country's capital market
Development finance institutions	<ul style="list-style-type: none"> • Encourage the development of sound capital markets • Raise awareness of the importance of governance
Banks and other lenders	<ul style="list-style-type: none"> • Supplement bank credit-review and credit approval processes with assessments of governance • Make better lending decisions through better risk assessment
Academia	<ul style="list-style-type: none"> • Provide the basis for academic research

The IFC has recently concluded that:

“The mere existence of a local corporate governance Code did not automatically translate into better practice. Regulators, stock exchanges, and other organizations often put considerable effort into Code development, only to face the new challenge of how to make good governance practices a working reality. Their work was often complicated by the limited experience most developing countries and emerging markets have with voluntary tools as a means of changing

⁶Adapted IFC (2014)

*corporate behaviour. Something was needed to encourage best practice in governance, but without the intrusiveness of legislation. Part of the answer was scorecards, which had been inspired by the experience of private sector investors assessing compliance with national Codes. Later, institutes of directors, stock exchanges, and regulators used scorecards to assess and promote governance reform.Scorecards have now been used globally for more than 10 years....”*⁷

Example 1: Scorecard for a company

This scorecard focuses upon DISCLOSURE EVIDENCE through the Annual Report and on the website. It is therefore to be most relevant to public interest entities with transparency and disclosure obligations.

Code Principle	Questions concerning the level of observance of the Code principle	Assessment of the observance of the Code principle
<p>Principle 1: Governance Structure</p>	<p>Annual report - Does the corporate governance section of the annual report:</p> <ol style="list-style-type: none"> 1. Affirm that the organisation is a public interest entity as defined by law? 2. Affirm that the organisation has applied all of the Principles contained in the Code? 3. State that the Board assumes responsibility for leading and controlling the organisation? 4. State that the Board assumes responsibility for meeting all legal and regulatory requirements? 5. State that the Board has approved its charter? 6. State that the Board has approved its organisation's code of ethics? 7. State that the Board has approved appropriate job descriptions of the key senior governance positions? 8. Include an organisational chart? 9. State that the Board has approved a statement of accountabilities? <p>The website - Does the organisation's website:</p> <ol style="list-style-type: none"> 10. Include the organisation's constitution? 11. Include the Board's charter? 12. Include the organisation's code of ethics? 13. Include appropriate job descriptions of the key senior governance positions? 14. Include an organisational chart? 15. Include a statement of major accountabilities within the organisation? 16. Describe the approval, monitoring and review processes (including frequency) of the charter? 17. Describe the approval, monitoring and review processes (including frequency) of the organisation's code of ethics? 18. Describe the approval, monitoring and review processes (including frequency) of the job descriptions of the key senior governance positions? 19. Describe the approval, monitoring and review processes (including frequency) of the organisational chart? 20. Describe the approval, monitoring and review processes (including frequency) of the statement of major accountabilities within the organisation? 	<p>Score out of 20 marks</p>
<p>Principle 2: The Structure of the Board and Its Committees</p>	<p>Does the corporate governance section of the annual report:</p> <ol style="list-style-type: none"> 1. State that the Board structure is unitary (one tier)? 2. Define how frequently the Board reassesses its charter? 3. Identify and describe the status of every director (independent or non-independent, external or internal)? 4. Is there evidence that the Board is "balanced"? 5. Affirm that a sufficient number of directors do not have a relationship with the organisation? 	<p>Score out of 10 marks</p>

	<ol style="list-style-type: none"> 6. Affirm that a sufficient number of directors do not have a relationship with the majority shareholder? 7. Provide an explanation if a Board has less than two independent directors? 8. Provide the criteria the Board employed to determine its sufficient size and composition? 9. Identify the directors who ordinarily reside in Mauritius? 10. Identify the gender balance on the Board? 11. Disclose the attendance record of directors at Board meetings? 12. Identify by name the chairperson, chief executive, the chairpersons and members of Board committees? 13. Identify by name the company secretary? 14. Provide for every director, the details of each chairperson and external and internal directorship that he or she holds in other organisations? The details should include the name of company and type of directorship held. 15. Define the roles and responsibilities of each Board committee? 16. State the number of members of each committee? 17. State the number of independent members? 18. State the name of each committee chairperson and the names of the other members? 19. State the attendance record of all members at committee meetings? 20. Define how frequently the Board reassesses the charter of each committee?
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<p>Principle 3: Director Appointment Procedures</p>	<p>The Annual Report - Does the corporate governance section of the annual report: State that the Board assumes the responsibilities for succession planning? Affirm that a succession plan has been developed? State that the Board assumes the responsibilities for the appointment of directors to the Board? State that the Board assumes the responsibilities for the induction of new directors to the Board? Provide short biographies of each director that include experience, skills, expertise and continuing professional development? Affirm that all new directors participate in an induction and orientation process? State that the Board has reviewed the professional development and ongoing education of directors?</p> <p>The website - Does the corporate governance section of the website: Provide details of the nomination and appointment process? Provide short biographies of each director that include experience, skills, expertise and continuing professional development? Provide a short biography of the Company Secretary that includes experience, skills, expertise and continuing professional development?</p>	<p>Principle 4: Director Duties, Senior Executive Remuneration and Performance</p>	<p>The Annual Report - Does the corporate governance section of the annual report: Affirm that the directors are aware of their legal duties? Affirm that the Board regularly monitors and evaluates compliance with its code of ethics? State that the Company Secretary maintains an interests register? State that the interests register is available to shareholders upon written request to the company secretary? Affirm that all conflicts-of-interest and related-party transactions have been conducted in accordance with the conflicts-of-interest and related-party transactions policy and code of ethics? Affirm that an information policy exists? Affirm that an information technology policy exists? Affirm that an information security policy exists? Describe how the Board oversees information governance? Identify any restrictions placed over the right of access to information? Discuss how the organisation monitors and evaluates significant expenditures on information technology? State the remuneration policy? State the rationale for any changes? Affirm that the Board or a specified committee has reviewed the adequacy of directors' and senior executives' remuneration? Distinguish between executive and non-executive remuneration?</p>
	<p>Score out of 10 marks</p>		<p>Score out of 20 marks</p>

	<p>16. Affirm that the Board or a specified committee has reviewed the form of that remuneration of directors' and senior executives' remuneration?</p> <p>17. Explain the proportions of fixed and variable remuneration?</p> <p>18. Provide details of any long-term incentive plans?</p> <p>19. Describe any link between executive remuneration and company performance?</p> <p>20. Provide details of the remuneration paid to each individual director?</p> <p>21. Provide assurance that the nonexecutive directors have not received remuneration in the form of share options or bonuses associated with organisational performance?</p> <p>22. Note when an evaluation of the effectiveness of the Board, its committees and its individual directors was conducted?</p> <p>23. State whether an independent Board evaluator was employed and, if so, how the evaluator was appointed and name the person or body responsible for the conduct of the evaluation within the organisation?</p> <p>24. Outline the evaluation methods employed by the independent external evaluator (e.g., questionnaire, survey, interviews, or observation or a combination of methods)?</p> <p>25. Identify significant actions to be taken as a result of the evaluation?</p> <p>The website - Does the corporate governance section of the website:</p> <p>26. Disclose the code of ethics?</p> <p>27. Publish the conflicts of interest and related party transactions policy?</p> <p>28. Disclose the information policy?</p> <p>29. Disclose the information technology policy?</p> <p>30. Disclose the information security policy?</p>	
<p>Principle 5: Risk Governance and Internal Control</p>	<p>Does the annual report:</p> <ol style="list-style-type: none"> 1. State that the Board is responsible for the governance of risk? 2. State that the Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives? 3. Outline the structures and processes in place for the identification of risk? 4. Outline the structures and processes in place for management of risk? 5. Describe the methods by which the directors derive assurance that the risk management processes are in place and are effective? 6. Describe each of the principal risks and uncertainties faced by the organisation and the way in which each is managed? 7. Identify and discuss the risks that threaten the business model? 8. Identify and discuss the risks that threaten future performance? 9. Identify and discuss the risks that threaten solvency and liquidity of the organisation? 10. Affirm that the Board or an appropriate Board committee has monitored and evaluated the company's strategic risk? 11. Affirm that the Board or an appropriate Board committee has monitored and evaluated the company's financial risk? 12. Affirm that the Board or an appropriate Board committee has monitored and evaluated the company's operational risk? 	<p>Score out of 10 marks</p>

	<p>13. Affirm that the Board or an appropriate Board committee has monitored and evaluated the company's compliance risk?</p> <p>14. Assure that by direction of the Board or an appropriate Board committee management has developed and implemented appropriate frameworks and effective processes for the sound management of risk?</p> <p>15. Outline the systems and processes in place for implementing, maintaining and monitoring the internal controls?</p> <p>16. Describe the process by which the Board derives assurance that the internal control systems are effective?</p> <p>17. Identify any significant areas not covered by the internal controls?</p> <p>18. Acknowledge any deficiencies in the organisation's system of internal controls?</p> <p>19. Acknowledge any risks in the organisation's system of internal controls?</p> <p>20. Report on whistle-blowing rules and procedures?</p>	
<p>Principle 6: Reporting with Integrity</p>	<p>The Annual Report - Does the annual report:</p> <ol style="list-style-type: none"> 1. Affirm that the Board is responsible for the preparation of accounts that fairly present the state of affairs of the organisation? 2. State that the accounts adhere to international accounting standards? If there has been any departure, it must be disclosed, explained and quantified. Any material uncertainties should be identified. 3. State that the annual report is published in full on the organisation's website? 4. Assess the organisation's financial, environmental, social and governance position performance and outlook. 5. Provide a Governance Report. <p>The website - Does the corporate governance section of the website:</p> <ol style="list-style-type: none"> 6. List Annual General Meeting (AGM) question and answers? 7. Contain the Annual Report and Accounts? 8. Contain the Board and committee charters? 9. Contain the Code of Ethics? 10. Provide details of the Board/governance structure? 11. Provide details of Dividends (if applicable)? 12. Allow Email alerts and RSS feeds? 13. Contain financial highlights? 14. Provide details of the governance structure? 15. Contain investor presentations (if applicable)? 16. Publish newsworthy items? 17. Provide notice of the Annual General Meeting? 18. Provide results of Voting at the Annual General Meeting? 19. Provide updated share price (if applicable)? 20. Provide webcasts (if applicable)? 	<p>Score out of 10 marks</p>
<p>Principle 7: Audit</p>	<p>The Annual Report - Does the annual report:</p> <ol style="list-style-type: none"> 1. Confirm the existence or otherwise of an internal audit function? 2. For companies without such a function, does the Board provide reasons and an indication of the frequency with which the company assesses the need to establish an internal audit function and the date of the last such review? 3. State that internal audit reports regularly to the audit committee? 	<p>Score out of 10 marks</p>

	<ol style="list-style-type: none"> 4. Describe the areas, systems and processes covered by internal audit (including any nonfinancial matters)? 5. Identify any significant areas not covered (including joint ventures, subsidiaries and associates)? 6. Describe how the internal audit function maintains its independence and objectivity? 7. Identify any restrictions placed over the right of access by internal audit to the records of the organisation? 8. Identify any restrictions placed over the right of access by internal audit to the management of the organisation? 9. Identify any restrictions placed over the right of access by internal audit to the employees of the organisation? 10. State that the structure, organisation and qualifications of the key members of the internal audit function are listed on the organisation's website? 11. Describe the financial literacy or expertise of the members of the audit committee, if applicable? 12. Identify the significant issues that the audit committee considered in relation to the financial statements? 13. Describe how significant issues that the audit committee considered in relation to the financial statements were addressed? 14. Outline the approach taken to appoint or reappoint the external auditor? 15. Affirm that the audit committee has discussed accounting principles with the external auditor? 16. Disclose whether the audit committee has met regularly with the external auditor without management presence? 17. Describe the assessment of the effectiveness of the external audit process? 18. Provide information on the length of tenure of the current audit firm and when a tender was last conducted? 19. Provide information on non-audit services and the amount paid for each non-audit service? 20. Explain how the auditor's objectivity and independence are safeguarded if the external auditor provides non-auditing services? 	Score out of 10 marks
<p>Principle 8: Relations with Shareholders and Other Key Stakeholders</p>	<p>Annual Report - Does the annual report:</p> <ol style="list-style-type: none"> 1. Identify those shareholders that hold a significant percentage of total shares in the organisation? 2. Identify the organisation's key stakeholders? 3. Explain how the organisation has responded to the reasonable expectations and interests of its key stakeholders? 4. Affirm that relevant stakeholders have been involved in a dialogue on its organisational position? 5. Affirm that relevant stakeholders have been involved in a dialogue on its organisational performance and outlook? 6. Affirm that the organisation will hold an annual general meeting? <p>General Meetings - Does the Board:</p> <ol style="list-style-type: none"> 7. Provide sufficient notice of the annual meeting and other shareholder meetings? 8. Is shareholder attendance at the annual meeting and their opportunity to provide questions encouraged? 9. Provide appropriate papers for the annual meeting and other shareholder meetings? 10. Publish votes at the annual meeting and other shareholder meetings on its website? 	Score out of a maximum of 100 marks
<p>Total score</p>		Score out of a maximum of 100 marks

Example 2: Scorecard for a family business

Code Principle	Questions concerning the level of observance of the Code principle	Assessment of the observance of the Code principle
<p>Principle 1: The Governance structure</p>	<ul style="list-style-type: none"> • Does the company's charter (or similar document or documents) and founding documents provide for appropriate corporate governance structures and processes (which reflect the realities in the company, rather than being based solely on statutory forms, etc.)? • Has the company a written Board charter? • Has the company a written code of ethics? • Has the company appointed a company secretary that monitors the application of corporate governance code principles? • Has the family formalized its family governance framework with proper Board and management structures? • Have the members of the family owning the family business taken time to consider the strengths, weaknesses, and challenges of the family business and how family governance can be of benefit? • Has the family adopted a family constitution addressing: family meetings, family assembly, family council, and other institutions (such as education committee, share redemption committee, career planning/- succession committee)? 	
<p>Principle 2: The Structure of the Board and Its Committees</p>	<ul style="list-style-type: none"> • Are there an appropriate proportion of non-executive/independent directors? • Are there an appropriate proportion of family/non family directors? • Has an acceptable definition of independent director been adopted by the company? • Is the Board "balanced" in terms of skills, experience, independence and knowledge? • How diverse is the Board? • Are there an appropriate number of committees? • Has the company appointed a company secretary and/or corporate governance officer/Board committee that monitors the application of corporate governance code principles? • Do the Board and its committees meet regularly? • Do the Board and its committees make decisions on an informed basis? • Are meeting agendas and adequate supporting materials communicated to directors sufficiently in advance to enable them to make informed decisions? • Has an annual calendar of meetings been scheduled? • Does the Board provide strategic direction and oversight of management? 	
<p>Principle 3: Director Appointment Procedures</p>	<ul style="list-style-type: none"> • Are inductions provided to new directors? • Is ongoing training and development available to Board and family members as needed? • Is there a succession plan in place? 	

<p>Principle 4: Director Duties, Senior Executive Remuneration and Performance</p>	<ul style="list-style-type: none"> • Are the directors aware of their legal duties and obligations? • Does the company have a remuneration policy for executive, non-executive and family directors in line with best practices? • Does the company secretary maintain an interests register? • Does the company have a related-party transactions policy? • Are all conflicts-of-interest and related-party transactions been conducted in accordance with the conflicts-of-interest and related-party transactions policy and the code of ethics? • Does an information policy exist? • How does the organisation monitor and evaluate significant expenditures on information technology? • How is the effectiveness of the Board evaluated? • What significant actions to be taken as a result of the evaluation? 	
<p>Principle 5: Risk Governance and Internal Control</p>	<ul style="list-style-type: none"> • Does the company have a formalized risk management process, based on established objectives that are based on an established risk register? • Does the Board methodically analyse relevant risks to achieve objectives? • Does the Board regularly review the company's risk register? • Does the company's annual report disclose principal risks (identity of controlling shareholders, degree of ownership concentration, cross-holdings among company affiliates, imbalances between voting power and overall equity position in the company) to minority shareholders? • Does the company have formal procedures in place that provide reasonable assurance that operations are efficient and effective, that financial reports and information are reliable, and that the company complies with applicable laws and regulations? 	
<p>Principle 6: Reporting with Integrity</p>	<ul style="list-style-type: none"> • Does the Board pay sufficient attention to disclosures to all of its shareholders? • Is there full and timely disclosure to shareholders of all material transactions? • Do the accounts comply with international financial reporting standards and international accounting standards? 	
<p>Principle 7: Audit</p>	<ul style="list-style-type: none"> • Who oversees the company's control system? • Does the company have an independent external auditor with appropriate standing? 	
<p>Principle 8: Relations with Shareholders and Other Key Stakeholders</p>	<ul style="list-style-type: none"> • Are general meetings of shareholders convened and conducted in a manner to allow for meaningful participation of all interested shareholders? • Does the general meeting enable participation of all shareholders? • Are the notice, agenda, and supporting materials distributed sufficiently in advance? 	

4 GRADING SUGGESTIONS

Grade	Description
0	If the company has absolutely no practices referred to in the groups of questions in any given line (1.1, 1.2, etc.), a '0' (zero) score would be appropriate.
1–4:	If the company has minimum practices, a '1 to 4' score would be appropriate.
5–8:	If the company not only has formally established functions or adopted documents, but the realities also indicate a deeper understanding of the concepts behind them, a '5 to 8' score would be appropriate.
9–10:	Scores 9 and 10 should be reserved for outstanding performance—that which could be considered as best practice to be recommended to peer entities.

Appendix 4
CONTRIBUTORS

APPENDIX 4: CONTRIBUTORS

The National Committee on Corporate Governance

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Arnaud Lagesse (Chairperson), Nulini Kinnoo (Secretary), Gerald Lincoln, Aruna Radhakeesoon-Collendavelloo, Madhavi Ramdin-Clark, Eric Espitalier-Noël, Kiran Juwaheer, James Benoit, Anthony Leung Shing,

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Up to April 2015

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- Kris Seeburn, Past Chairperson of the ISACA Mauritius Chapter/ISACA GRAC Committee and Professor of Risk and Governance University of Chicago, USA
- Ministry of Financial Services, Good Governance and Institutional Reforms

APPENDIX 5

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APPENDIX 5: REFERENCES

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