



CODE OF CORPORATE GOVERNANCE

The National Code of Corporate Governance for Mauritius 2016 (the “Code”) was launched in January 2017, replacing the initial Code of Corporate Governance which was introduced in October 2003. The Code comprises a set of Corporate Governance Principles and Guidance aimed at improving and guiding the governance practices of organisations in Mauritius.

Using an “apply-and-explain” methodology, the aim of the Code is to encourage high quality corporate governance with inbuilt flexibility that allow organisations to adapt their practices to their particular circumstances.

The Eight Principles of the Code and How the Principles can be applied

Principle 1: Governance Structure

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

Application: Boards are advised to consider developing and adopting the following documents: Board Charter, Code of Ethics, Job Descriptions & Organisational chart.

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.

Application: Boards are advised to evaluate their actual /current Board Structure, Board Size, Board Composition (Executive and Non-Executive Directors, Independent Directors, Company Secretary, Board Diversity, Mauritian Residency, Board Committees) and consider the appointment of other directors, if required.

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.

Application: Boards are advised to consider election and re-election of directors, induction and orientation program for new directors, professional development and succession planning.

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.

Application: Boards are advised to consider their legal duties under the Companies Act 2001, FSC Guidelines and FSC Circulars. Boards should consider adopting a code of ethics, disclosure of conflict of interests and oversee information governance. Directors must have access to accurate, timely and clear information to enable them to make informed decisions.

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.

Application: Boards are advised to consider Risk Governance policies with regards to Strategic, Financial, Operational and Compliance risks. Boards should also ensure that Internal Controls are designed. The Board should carry out at least annually a review of the effectiveness of the controls.

Principle 6: Reporting with Integrity

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

Application: Boards should ensure that the annual report fairly present the state of affairs of the organisation. Financials & Annual Reports should comply with International Financial Reporting Standards and International Accounting Standards and the Companies Act 2001.

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.

Application: An Audit Committee must be established.

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.

Application: Boards should use General Meetings to communicate with Shareholders and to encourage their participation.

Guide for different types of organisations:

The Code also recognises the unique business structure of certain organisations. In so doing, the Code has provided a guide in applying the 8 principles of corporate governance for the following organisations:

- Banks
- Companies listed on stock exchange
- Family Companies
- Statutory Bodies
- Group and Subsidiaries
- Global Business Category 1 Companies and Management Companies

To whom does the Code apply?

The Code is applicable to the following entities:

- **Public Interest Entities (“PIE”) as specified in Schedule 1 of the Financial reporting Act 2004**
 - Entities listed on the Stock Exchange of Mauritius
 - Financial institutions regulated by the Bank of Mauritius
 - Collective Investment Schemes (“CIS”) and Closed-end Funds registered as reporting issuers under the Securities Act
 - CIS Managers and custodians licensed under the Securities Act
 - Company or Group Company that meets one of the two following conditions during two preceding consecutive years

	Company	Group
A	Annual turnover over MUR 500 Million	Annual Turnover over MUR One Billion
B	Total assets over MUR 500 Million	Total assets over MUR One Billion

- **Public Sector organisations listed as PIE in Schedule 1 of the Financial reporting Act 2004**
- **Other Companies including Management Companies and certain Companies holding a Global Business Category 1 license**

According to the Circular Letter CL280218 (click [here](#) to access Circular Letter) issued by the Financial Services Commission (“FSC”), the Code is applicable to all licensees of the FSC which have a statutory obligation to comply by virtue of legislations like the Financial Reporting Act 2004, the Companies Act 2001 and the Securities Act 2005.

In addition, the Code is mandatory for licensees holding a GBL Category 1 and providing financial services or conduct financial business activities. Management Companies, as provider of financial services, are also required to apply the Code.

While it is not mandatory for the following licensees to apply the Code, they should nevertheless set up appropriate corporate governance measures where this is required under their respective licensing conditions.

- Expert Funds, professional CIS or Specialised CIS which are not reporting issuers
- Overseas Family Offices
- Private Pension Schemes
- An individual person who is a holder of a licence
- Insurance agents
- Holders of a Global Headquarter Administration Licence
- Holders of a Global Treasury Activities Licence

The FSC has also issued circulars with regards to the adoption of the Code of Corporate Governance. When adopting the principles of the Code, GBC 1 companies should also adhere to other requirements of the FSC as detailed in the circulars (click [here](#) to access the Circular letter and click [here](#) to access the FAQ).

Implementation

The Code is applicable as from the reporting year ending **30 June 2018** although earlier compliance is encouraged.

How can ITL help?

- Provide advice on the applicability of the Principles of Corporate Governance to your business
- Provide assistance in reviewing corporate governance measures already in place for your business and advice on the adoption of additional measures that may be required
- Provide assistance in the drafting of the Corporate Governance Report
- Review of the Corporate Governance Report
- Liaise with the Board of Directors, auditors, Financial Services Commission, Stock Exchange of Mauritius and Financial Reporting Council for the Corporate Governance Report, where required

Useful Links

Code of Corporate Governance: <http://www.nccg.mu/full-code> The Financial Reporting Act: <http://frc.govmu.org/English/Pages/pgs/Laws-and-Regulations.aspx>
 Financial Reporting Council website: <http://frc.govmu.org/English/Pages/default.aspx>

For any additional information please contact us.

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