In his Budget Speech presented on the 8 June 2017, the Prime Minister of Mauritius unveiled a three year Strategic Plan to support the Government’s medium-term and long-term objectives. It is stated therein that: “Good governance is a pre-requisite for a conductive business environment that allows these growth sectors to thrive. Government will, through the constitutional bodies, improve transparency, effectiveness and efficiency in the delivery of public services”.

An examination of the Finance (Miscellaneous Provisions) Act 2017, which came into force on the 24 July 2017, shows the Government’s continued intention to promote good governance by amending the Companies Act so as to make it compulsory for all companies which have a duty to file annual reports, to include within them a report on corporate governance. One can therefore see a definite determination on the part of the Government of Mauritius in encouraging companies in Mauritius to conduct their business with better principles.

One would note that by virtue of the Financial Reporting Act, the National Code of Corporate Governance (the “Code”) was already compulsory for all public interest entities as defined in the Financial Reporting Act. However, all other companies are encouraged to give due consideration to the application of this Code insofar as the principles are applicable.
The Code which is currently in use in Mauritius is a new code which officially launched on the 13 February 2017. The Code adopts an innovative approach of “apply-and-explain” instead of the mandatory or prescriptive approaches to corporate governance, which have been traditionally applied by other jurisdictions worldwide. As such, rather than being a rigid set of rules, the Code includes eight simple principles.

**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.

Each company who must or elects to apply the Code to the running of its organisation must be headed by a very effective Board who decides how the eight principles set out in the Code will be applied in the day to day running of the organisation.

The guidance provided by the Code also includes some key items that a Board of a company should seek to apply and adhere to. These are:

- Adopting a board charter which sets out exactly how the Board operates and its terms of reference. This document would also normally lay out the duties and responsibilities of the directors, including their legal duties and ethical duties to foster high standards from the top;

- Drafting and adopting a code of ethics which lays out the company’s corporate values and makes clear what is and is not acceptable within the organisation. This code of ethics should also include a full section on conflicts of interest in order to prevent abuse of related party transactions;

- Establishing the Board structure, including an adequate balance between executive directors and non-executive directors, the importance and role of truly independent directors, the role of Board committees and the continuing responsibility of the Board despite delegation to Board committees, the diversity of Board members and the role of a non-discrimination policy;

- Reviewing and considering a new more formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. This should include the induction and continuing professional education of directors. Directors who do not discharge their duties and responsibilities to the satisfaction of the Board may be removed;

- Identifying the risks which represent a threat to the company and the methods by which internal control and risk management are controlled;

- Implementing methods of effective reporting instead of simply reporting repetitively and blindly with little substance, and ensuring that there is proper internal and external auditing of the company.
Developing a dialogue with the company’s shareholders and other stakeholders, and maintain such
dialogue to ensure that the views and interests of such stakeholders are considered on the
organisational position, performance and outlook of the company.

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