Bulletin on Review of Annual Reports for the six months ended 31 December 2022

FINANCIAL REPORTING COUNCIL

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TABLE OF CONTENTS

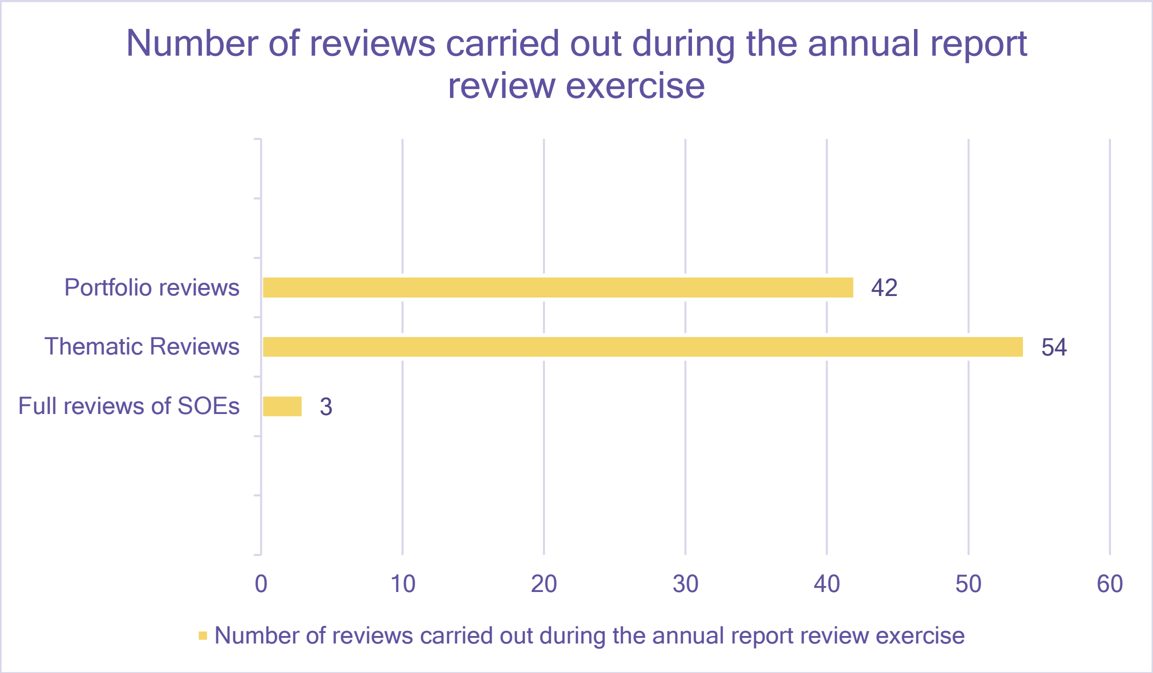
PART A – EXECUTIVE SUMMARY

The Financial Reporting Council ("FRC") has as main objective to promote the provision of high-quality reporting of financial and non-financial information by Public Interest Entities ("PIEs"). To achieve this objective, FRC conducts the review of the annual reports of entities and State-Owned Enterprises ("SOEs") classified as PIEs, as part of its monitoring activities, in accordance with Section 76(1) of the Financial Reporting Act ("FRA'').

The annual report reviews focus on compliance with applicable accounting standards (International Financial Reporting Standards ("IFRSs") for PIEs other than SOEs) and International Public Sector Accounting Standards ("IPSASs") for SOEs) and the National Code of Corporate Governance for Mauritius (Code). The impact of the COVID-19 pandemic and its economic effects have also been considered during the review exercise.

The annual report reviews assist in promoting confidence in corporate reporting and good corporate governance.

FRC has carried out 99 reviews of the annual reports of 80 PIEs [42 Portfolio Reviews, 54 Thematic Reviews and 3 Full Reviews of SOEs] for the six months ended 31 December 2022, as shown in the diagram below:



The purpose of this bulletin is to provide an overview of the findings identified by FRC from the annual report review exercise of PIEs. The bulletin highlights the non-compliances noted with respect to disclosure requirements of IFRSs and the Code. These may be of assistance to the PIEs in the preparation of high quality corporate reports.

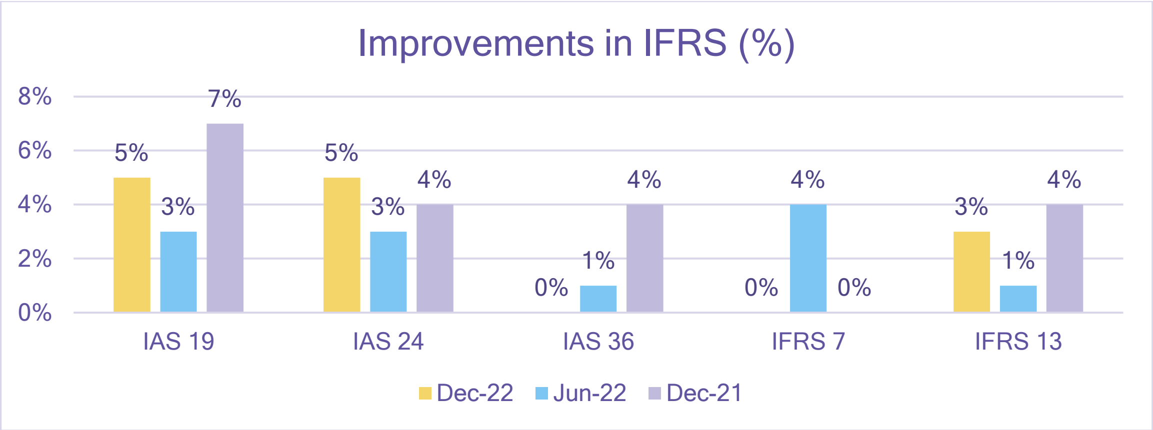
Key findings with regard to International Financial Reporting Standards

Similar to prior periods, FRC observed a good level of compliance with IFRSs among PIEs reviewed. The areas most often queried during FRC's annual report reviews are employee benefits, related parties, and the level of the fair value hierarchy within which the assets were classified.

Part D of this bulletin provides further details on the observations identified with respect to the above topics.

From the annual report review exercise, it was noted that, except for IAS 36 and IFRS 7, the number of non-compliances with respect to IFRSs has slightly increased for the six months period ended 30 June 2022.

The diagram below illustrates the percentage of non-compliances with IFRSs relating to the periods ended December 2022, June 2022 and December 2021:



A reduction was noted in the number of non-compliances with disclosure requirements with respect to IAS 36 and IFRS 7, while a slight increase was noted in IAS 19, IAS 24 and IFRS 13 as compared to the previous period.

Key findings with respect to the Revised Code of Corporate Governance

FRC had conducted the review of the annual reports of 80 PIEs [23 PIEs reviewed on a portfolio basis only, 40 PIEs on a thematic basis, 14 PIEs reviewed both on a portfolio basis and thematic basis and full reviews of 3 SOEs] for the six months ended 31 December 2022. Out of the above 80 PIEs, 54 PIEs were reviewed on the thematic basis taking into consideration the impact of the COVID 19 pandemic on their financial reporting.

Out of the 80 PIEs, 40 entities were reviewed in light of the requirements of the IFRSs, IPSASs, and the National Code of Corporate Governance.

From the review exercise, FRC noted that, except for 1 PIE, all the PIEs reviewed, had adopted the Revised Code of Corporate Governance. Out of the 40 PIEs reviewed, 2 PIEs had partly complied with the Code whilst only 1 SOE had not reported on the Code. However, the number of non-compliances has significantly decreased as compared to the previous periods.

The most common observations made on compliance with the Revised Code were in respect of the following:

(a) The Structure of the Board and its Committees;
(b) Director Duties, Remuneration and Performance;
(c) Reporting with Integrity; and
(d) Audit.

Part D of this bulletin analyses each of the above topics in further details.

For the period under review, FRC observed that there was a decline in the percentage of non-compliances on the Code as compared to the previous periodic bulletin.

It is good to note that most of the PIEs reviewed, representing 93% of the population, had complied with the requirements of the Revised Code of Corporate Governance and show appreciation of good corporate governance practices. This demonstrates a high level of commitment on the part of PIEs.

PART B – INTRODUCTION

An annual report, prepared in accordance with the relevant laws and standards instils confidence among the general public and stakeholders who use it for decision making for their respective purposes. It is an extensive financial document that provides quantitative and qualitative information to enable a range of stakeholders (including shareholders, potential investors, regulators and the public) to understand a Company's financial performance, its business model, strategy for future growth and key risks.

As such, annual reports should offer a transparent view of an organisation's activities over the course of a financial year and hence the disclosures provided should be clear and concise as well as relevant and useful to users of financial statements.

As the COVID-19 pandemic continued to evolve globally, its unprecedented consequences had taken a serious toll on the Mauritian economy, hence impacting the business operations of certain sectors such as hotels, leisure and travel.

In the light of the ongoing COVID-19 pandemic, it is in the companies' vital own interest to provide sufficient and relevant information to their shareholders and other users of financial information. Clear and transparent information on the pervasive effects, how management is responding to this major challenge and its consideration and assumptions regarding the uncertainties in the near future are key. The level and detail of disclosures surrounding the impact of COVID-19 are dependent upon the significance of the impact that the pandemic had, and is expected to have, on the business' operations and activities.

FRC reviewed the annual reports of PIEs for the years 2020 and 2021 during the six months ended 31 December 2022 across various sectors of the economy. From the annual report review exercise, it was noted that the COVID-19 pandemic had an impact on the operations, financial position and performance of most PIEs. Those operating in the banking, insurance and financial sectors were more resilient while those engaged in the hotel, leisure and tourism sectors were the most affected.

As part of its function, the FRC reviewed the annual reports to ensure compliance with the requirements of relevant accounting standards[1] and the Code, taking into account the impact of the COVID-19 pandemic to ensure quality reporting. It is encouraging to note that there has been continuing improvement in the corporate reporting of PIEs in general, despite the challenges of reporting in the wake of the COVID-19 pandemic.

This bulletin describes the main findings identified during the course of the reviews. It provides an overview of the current state of corporate reporting and provides information on shortcomings requiring improvement for PIEs.

For the six months period ended 31 December 2022, FRC conducted 99 reviews of 80 PIEs [42 Portfolio Reviews, 54 Thematic Reviews and 3 Full Reviews of SOEs].

> ***"For the six months ended 31 December 2022, FRC reviewed the annual reports of 80 PIEs."***

[1] Section 75(1) of the FRA requires PIEs classified under Categories 1 to 4 of the First Schedule of the FRA to prepare their financial statements in accordance with IFRSs.
Section 75(1A) of the FRA states that entities specified in the first column of the Third Schedule of the FRA, should prepare financial statements in compliance with IPSASs issued by IFAC.

The table below shows the number and types of PIEs reviewed and their corresponding sectors:

Types of reviews	Sectors									Total number of PIEs	No. of Annual Report Reviews
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	Sugar	Transport	Others		
Listed on SEM	-	2	2	5	4	-	1	-	2	**16**	**25**
Financial institutions regulated by BOM (excluding cash dealers)	12	-	-	-	-	-	-	-	-	**12**	**18**
Financial institutions regulated by FSC	9	-	-	-	-	-	-	-	-	**9**	**13**
Category 4 PIEs as per the FRA	5	13	5	1	11	3	-	1	1	**40**	**40**
SOEs as per the First Schedule of FRA	-	-	-	-	-	-	1	-	2	**3**	**3**
Total	**26**	**15**	**7**	**6**	**15**	**3**	**2**	**1**	**5**	**80***	**99***

* FRC reviewed the annual reports of 80 PIEs during the six months ended 31 December 2022. Out of the above 80 PIEs, 1 had been reviewed for a period of 3 years and 1 for a period of 4 years and the remaining PIEs had been reviewed for a period of 1 year.

For the six months ended 31 December 2022, the following types of reviews have been carried out:

A. Portfolio reviews

For the 12 months period ended 30 June 2019, FRC had reviewed the annual reports of PIEs on a portfolio basis for a period of 3 to 5 years. In subsequent periods, the annual reports of the PIEs within these portfolios are being monitored on a yearly basis. In this regard, the particulars of the PIEs within the portfolio are updated taking into consideration new business activities, material transactions and new IFRSs adopted by the entities and legal requirements.

Of note, the PIEs in the portfolio comprise of entities listed on the Stock Exchange of Mauritius and financial institutions regulated by the Bank of Mauritius and the Financial

Services Commission, as defined under Categories 1, 2 and 3 of the First Schedule of the FRA.

This portfolio reviews allows FRC to:

i) Understand the performance of the PIEs during the year and raise alarm bell where necessary;
ii) Be up to date with the PIEs instead of reviewing the annual reports only after 6 months after the closing date;
iii) Improve trend monitoring and sector analysis over the years;
iv) Assess the application of complex IFRSs; and
v) Assess the risks associated with the PIEs, in terms of going concern, valuation, revenue recognition and related parties.

As mentioned above, FRC has conducted 42 portfolio reviews of 37 PIEs for the six months ended 31 December 2022. With respect to the 42 portfolio reviews, 1 PIE had been reviewed for a period of 3 years, 1 had been reviewed for a period of 4 years and the remaining 35 PIEs had been reviewed for a period of 1 year.

The table below illustrates the categories of PIEs and their corresponding sectors for portfolio reviews:

Types of reviews	Sectors							Total number of PIEs
	BIF	Commerce	Industry	Investments	Leisure & Hotels	Sugar	Others	
Listed on SEM	-	2	2	5	4	1	2	**16**
Financial institutions regulated by BOM (excluding cash dealers)	12	-	-	-	-	**-**	**-**	**12**
Financial institutions regulated by FSC	9	-	-	-	-	**-**	**-**	**9**
Total	**21**	**2**	**2**	**5**	**4**	**1**	**2**	**37**

B. Thematic reviews on the impact of COVID 19 pandemic

In the year 2021, businesses have once again been severely impacted by the outbreak of the COVID-19 pandemic. Hence, FRC has conducted the thematic reviews on the impact of pandemic on PIEs which had been severely impacted by the spread of the coronavirus.

For the six months ended 31 December 2022, FRC had conducted thematic reviews for 54 PIEs. The findings relating to the thematic reviews have been set out in a separate report.

C. Full review of SOEs

As required by Section 76 of the FRA, FRC monitors the annual reports and corporate governance reports of SOEs listed in the First Schedule of the FRA, to ensure that the annual reports of these entities are in compliance with IPSASs and the Code.

In this connection, FRC had carried out the annual report review of 3 SOEs during the six months ended 31 December 2022.

PART C: ANNUAL REPORT REVIEWS: TREND IN QUALITY REPORTING

As part of its mandate, FRC monitors the annual reports of PIEs in order to promote the provision of high-quality reporting. For the six months ended 31 December 2022, FRC had conducted the reviews of 80 PIEs [23 PIEs reviewed on a portfolio basis only, 40 PIEs on a thematic basis, 14 PIEs reviewed both on a portfolio basis and thematic basis and full reviews of 3 SOEs], as specified at Part A of this bulletin.

Out of the above 80 PIEs, 54 entities were reviewed on a thematic basis taking into consideration the impact of the COVID-19 pandemic on their financial reporting. On the other hand, 40 PIEs, including 3 SOEs, were monitored based on the requirements of IFRSs, IPSASs and the Code of Corporate Governance. This section of the bulletin focusses on the level of compliances observed for these 40 PIEs.

It is to be noted that 8 PIEs out of the 40 were queried on matters relating to IFRSs, IPSASs and the Code. This represents 20% of the entities reviewed during the six months ended 31 December 2022 (30 June 2022: 28% and 31 December 2021: 30%) and hence a decrease in the level of findings noted from the annual reports of PIEs. The decline in the number of substantive letters was attributable to a fall in non-compliances noted with respect to the respective accounting standards and the Code.

In response to FRC's observations, most PIEs provided explanations and undertook to comply with the non-compliances raised and to take remedial actions in light of FRC's comments. FRC would continue to monitor such undertakings to ensure that the non-compliances raised in previous reviews are being considered by the entities.

The most common IFRS findings raised over the last three periods (31 December 2022, June 2022 and 31 December 2021) are employee benefits, related parties and fair value measurement. Of note, the observations made throughout the periods were not for the same PIEs.

The table below depicts the level of non-compliances with the most common IFRSs:

IFRS requirements	Level of non-compliances with IFRSs (%)		
	Six months ended 31 December 2022	Six months ended 30 June 2022	Six months ended 31 December 2021
Number of PIEs adopting IFRSs (40 excluding the 3 SOEs which adopt IPSAS Framework)	37	73	27
IAS 19, *Employee Benefits*	5%	3%	7%
IAS 24, *Related Party Disclosures*	5%	3%	4%
IAS 36, *Impairment of Assets*	0%	1%	4%
IFRS 7, *Financial Instruments Disclosures*	0%	4%	0%
IFRS 13, *Fair Value Measurement*	3%	1%	4%

As illustrated in the above table, except for IAS 36 and IFRS 7, the level of IFRS non-compliances have slightly increased as compared to the previous period.

On the Corporate Governance side, it is noted that there has been a good level of compliance amongst the PIEs, despite a slight decline in the reporting rate. Out of the 40 PIEs, 39 had reported on the Code, representing a reporting rate of 98% for the six months ended 31 December 2022 (June 2022: 100%, December 2021: 100%). This shows that, except for the 1 PIE, all PIEs are conscious of the need to adopt the Revised Code of Corporate Governance.

It is also observed that, 2 out of the 40 PIEs (5%) had partly complied with the Revised Code of Corporate Governance (June 2022: 11 PIEs (14%), December 2021: 3 PIEs (11%)). As compared to six months period ended June 2022, there has been a decrease in the level of non-compliances with the Revised Code of Corporate Governance.

PART D: MAIN FINDINGS FROM REVIEWS OF PIES

Out of the 37 PIEs reviewed during the six months ended 31 December 2022 as part of the portfolio review, FRC raised findings relating to the following areas of corporate reporting:

1.0 COMPLIANCES WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

(a) IAS 19, Employee Benefits

From the review exercise, FRC observed that 2 PIEs [regulated by BOM] **had not disclosed a description of the risks to which the defined benefit plan exposes the entity.**

(b) IAS 24, Related Party Disclosures

FRC noted that 2 PIEs [1 regulated by BOM and 1 regulated by FSC] **had not disclosed the nature of the related party relationship with its related parties.**

(c) IFRS 13, Fair Value Measurement

FRC queried 1 entity [regulated by BOM], **on the level of the hierarchy within which the non-banking assets had been categorized.**

2 PIEs [regulated by BOM] had partly complied with IAS 19 and 2 PIEs (1 regulated by BOM and 1 regulated by FSC] had partly complied with IAS 24.

2.0 COMPLIANCES WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

To ensure consistency in the application of accounting standard in the Public Sector and in line with Government reform to develop a modern accounting and reporting framework, the Financial Reporting Act has been amended to provide for the 16 PIEs which are also listed in the Statutory Bodies (Accounts & Audit) Act to prepare their financial statements under accrual IPSAS framework.

FRC monitors the annual reports and corporate governance reports of the 16 SOEs listed under the First Schedule of the Financial Reporting Act 2004. This ensures that the SOEs are in compliance with the International Public Sector Accounting Standards and the National Code of Corporate Governance, as per Section 76 of the Financial Reporting Act.

FRC has reviewed the annual reports of 3 SOEs, during the six months period ended 31 December 2022, out of which 2 were queried on the following matters relating to IPSASs:

(a) IPSAS 1, Presentation of Financial Statements

One of the entities reviewed had not disclosed its accounting policies for finance leases and defined contribution plan.

(b) IPSAS 3, Accounting Policies, Changes in Estimates and Errors

FRC noted that 1 SOE had not disclosed known or reasonably estimable information on the possible impact that application of new Standards will have on the entity's financial statements in the period of initial application.

(c) IPSAS 16, Investment Property

From the annual report of 1 SOE, FRC noted that the following had not been disclosed as regards its investment property:

- The methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence;
- The extent to which the fair value of investment property is based on a valuation by an independent valuer;
- The amounts recognized in surplus or deficit for:
  - Rental revenue from investment property;
  - Direct operating expenses arising from investment property that generated

1 of the SOEs reviewed had partly complied with IPSASs 1, 3,16, 17, 30 and 39.

rental revenue during the period; and
    - Direct operating expenses arising from investment property that did not generate rental revenue;
- The existence and amounts of restrictions on the realizability of investment property or the remittance of revenue and proceeds of disposal; and
- Contractual obligations to purchase, construct, or develop investment property or for repairs, maintenance, or enhancements.

(d) IPSAS 17, Property, Plant and Equipment

The following disclosures were missing from the annual report of 1 SOE:

- The measurement bases for revaluation of land;
- The effective date of the revaluation;
- Whether an independent valuer was involved;
- The methods and significant assumptions applied in estimating the assets' fair values;
- The extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms, or were estimated using other valuation techniques;
- The revaluation surplus, indicating the change for the period;
- The sum of all revaluation surpluses for individual items of property, plant, and equipment within that class; and
- The sum of all revaluation deficits for individual items of property, plant, and equipment within that class.

(e) IPSAS 20, Related Party Disclosures

The number of individuals (Key management personnel) receiving remuneration had not been disclosed in the annual report of 1 SOE.

(f) IPSAS 29, Financial instruments: Recognition and measurement

FRC observed that 1 SOE had incorrectly subsequently measured available for sale financial assets at amortised cost instead of, at fair value.

(g) IPSAS 30, Financial Instruments: Disclosures

One of the SOEs had not disclosed a sensitivity analysis for interest rate risk to which it was exposed to at the end of the reporting period.

(h) IPSAS 39, Employee Benefits

FRC informed 1 SOE that it had not provided:

- A description of the risks to which the defined benefits plan exposes the entity;
- A description of any funding arrangements and funding policy that affect future contributions; and
- Information about the maturity profile of the defined benefit obligation.

3.0 COMPLIANCES WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE

As per Section 75(2) of the FRA, PIEs are required to adopt corporate governance in accordance with the National Code of Corporate Governance.

The Revised Code introduces a principles-based approach and requires application on an "apply and explain" basis. It aims at establishing principles for good corporate governance leading to transparency, accountability and a long-term perspective.

The following 8 corporate governance principles have been designed to be applicable to all organisations covered by the Revised Code:

- Principle 1: Governance Structure
- Principle 2: The Structure of the Board and its Committees
- Principle 3: Director Appointment Procedures
- Principle 4: Director Duties, Remuneration and Performance
- Principle 5: Risk Governance and Internal Control
- Principle 6: Reporting with Integrity
- Principle 7: Audit
- Principle 8: Relations with Shareholders and Other Key Stakeholders

FRC observed the following from the review of the 40 PIEs, including 3 SOEs:

<u>Compliance with the Revised Code of Code of Corporate Governance</u>

Out of the 40 PIEs reviewed, it is good to note that, except for 1 SOE, all the PIEs, had reported on the Revised Code.

The following were noted from the review of the annual reports of the 40 PIEs:

- 19 PIEs had fully applied the 8 principles of the Revised Code of Corporate Governance;
- 18 PIEs had provided explanations for not complying with certain sections of the Revised Code of Corporate Governance (See Paragraph A below);
- 2 PIEs had partly applied the Revised Code of Corporate Governance (See Paragraph B below);
- 1 SOE had not reported on the Code (See Paragraph C below).

With respect to the level of compliance with the Revised Code, the following were observed:

A. <u>Details of explanations provided by the PIEs that have not applied the Revised Code</u>

For those 18 PIEs that have provided explanations for not applying the

Out of the 40 PIEs reviewed, 1 SOE had not reported on the National Code of Corporate Governance.

Revised Code, the following were noted:

- *Principle 1: Governance Structure (4 PIEs)*

The following observations were noted:

- Information on the Company and its governance framework had not been published in the Company's website.

- The name of the organisation and type of directorship held by the directors in other companies had not been disclosed.
- The board's charter and the organisation's code of ethics had not been approved.

The explanations provided by the entities in question with respect to the above non-compliances were as follows:

- The Company has considered that being a private entity, it will not publish the following documents on its website but will consider the relevance of doing so, next year:
  - Its constitution;
  - Its board charter;
  - The organisation's code of ethics;
  - The job descriptions of the key senior governance positions;
  - The organisational chart; and
  - The statement of major accountabilities within the organisation.

  Also, the Company forms part of a group and its ultimate beneficial owner is a listed entity. The latter publishes its annual report on its website and all of the above are published or available, even if they are named differently. However, all the principles of the Code have been applied.

- Management is in the process of adopting the below governance documents which will be uploaded on the Company's website in the course of the next financial year:
  - Statement of accountabilities;
  - Code of conduct and ethics policy;
  - Job descriptions of the key senior governance positions;
  - Conflicts of interest and related party transactions policy; and
  - Information policy, Information technology policy and information security policy.

- The board believes that all material information on the Company and its governance framework, recommended to be

19 PIEs had fully applied the 8 principles of the Revised Code of Corporate Governance.

disclosed on the website as per the Code, is available to shareholders and stakeholders through (i) publication of the quarterly Abridged financial statements on the website of the Stock Exchange of Mauritius and in the local newspapers, and (ii) the annual report & financial statements filed at the Registrar of Companies. The Company is in the process of constructing its website and will be launched in year 2022.

- Details of other directorships are available at the Company's registry.

- Details on the name of organisation and type of directorship held by the directors in other companies were not disclosed due to commercial sensitivity of the information.

- A board charter has been drafted and will soon be adopted, in line with recommendations of the Code.

- Management has prepared a code of ethics and submitted to the board for approval. Once approval is obtained, the code will be applied at group and subsidiary level and approval from respective boards will be sought to apply the code of ethics in line with Code.

▪ *Principle 2: The Structure of the Board and its Committees (11 PIEs)*

The main findings noted were as follows:

- The board of directors did not consist of adequate number of executive and independent directors.

- There was no mechanism in place within the Company to promote gender balance on the board.

- Two members the Audit Committees were not independent non-executive directors.

- One of the PIE did not have a board of directors, board or board sub-committee.

- A qualified Company Secretary had not been appointed.

The explanations provided with respect to the above non-compliances were as follows:

- The board considers that the presence of only one executive director is appropriate for the current business and operation of the Company.

- The board is composed of one executive director and the latter is of sufficient calibre to manage the Company.

- The board is of the opinion that it is appropriately constituted for the execution of its responsibilities. The day to day management of the operations of the Company are performed by the group Officer in Charge & Chief Operating Officer, who report directly to the board. Moreover, other members of the senior management team, namely, the group Chief Financial Officer and the group Chief Services Officer, regularly attend board and board Committee meetings.

- The administration and operations of the entity had been conferred to a local management team.

- Since the directors have served the board for more than nine years, the board is of the opinion that the current members have sufficient financial management knowledge and experience to be able to exercise independent judgement in discharging their responsibilities.

- The shareholders have elected a board without any independent director. The present composition board with a majority of non-executive directors has the required experience and skills to ensure the proper oversight over the Company.

- The board is satisfied that given the size and structure of the Company the appointment of a second executive director is considered not to be necessary. The board acknowledges that it has long standing members given the specialised nature of its activities requiring specific technical knowledge, expertise and experience from its internal stakeholders which is very onerous to acquire both in terms of cost and time. Knowledge and industry experience cannot be sacrificed in favour of independence as highlighted in the Code.

- The CEO being a board member, is present at board meetings. In

18 PIEs have provided explanations for not applying the following Principles of the Revised Code of Corporate Governance:

- Principle 1: Governance Structure
- Principle 2: The Structure of the Board and its Committees
- Principle 3: Director Appointment Procedures
- Principle 4: Director Duties, Remuneration and Performance
- Principles 5: Risk Governance and Internal Control
- Principles 6: Reporting with Integrity
- Principles 7: Audit

addition, the group Head of Finance attends board meetings. The board is of the view that the above is in line with the Code's spirit for executive presence of the board.

- Presently no mechanism in place within the organisation to promote gender balance on board, as the board members are elected and appointed by the Company's shareholders as provided under Memorandum & Articles of Association.

- The secretary to the board is qualified in line with his current scheme of service. However, the new Code of Corporate Covernance, reference is made to the effect that Statutory Corporations and parastatal bodies should have a qualified Company Secretary or arrange one as soon as possible. The organisation initiated procedure to appoint a Legal Officer who would also act as Secretary to the board. However, following COVID-19 all recruitment exercises were kept in abeyance.

- *Principle 3: Director Appointment Procedures (4 PIEs)*

The main observations were:

- There was neither a formal succession plan in place nor an evaluation process.

- The Company did not undertake any professional development and ongoing education of directors during the year under review.

- Directors were not elected or re-elected every year at the Annual Meeting of shareholders.

- 1 PIE had not published the following documents on its website:
  - The nomination process for its directors; and
  - The biographies of each of its directors and Company Secretary.

The explanations provided with respect to the above non-compliances were as follows:

- As directors and officers were pre-identified at the group level, the Company considered that it therefore did not require a formal succession planning process.

- The Company did not undertake any professional development and ongoing education of directors during the year under review but will consider implementing such system.

In some cases, the entities have provided explanations for not having adequate number of executive and independent directors on their boards.

- The Company had considered that being a private entity, it will not publish the following documents on its website but will consider the relevance of doing so, next year:
  - The nomination process for its directors; and
  - The biographies of each of its directors and Company Secretary.

  Also, the Company forms part of a group and its ultimate beneficial owner is a listed entity. The latter publishes its annual report on its website and all of the above are published or available, even if they are named differently. However, all the principles of the Code have been complied with.

- In line with the group's expansion strategy, talent management initiatives and further to the establishment of a strong management team at the group level in 2021, the board, with the support of the group Office of Strategy Management, will initiate discussion to put in place a group succession planning policy which will be applicable for the senior management team and directors.

- The board does not favour the re-election of directors on an annual basis, as it does not consider this practice to be in the best interest of the Company. Furthermore, in accordance with its Constitution, not more than one third of the directors in office retire at every Annual Meeting – the latter being eligible for re-election.

▪ *Principle 4: Director Duties, Remuneration and Performance (11 PIEs)*

The issues identified were as follows:

- The group did not have a formal conflict of interest and related party transactions policy.
- Details of remuneration paid to each individual director were not disclosed.
- No evaluation of the effectiveness of the board, its committees or individual directors.
- Evaluation of the board was not conducted by an external and independent facilitator.
- The following documents were not published on the Company's website:
  - The code of ethics of the group;
  - The conflicts of interest and related party transaction policies; and
  - The information, information technology and information security policies.

The explanations provided with respect to the above non-compliances were as follows:

- Individual remuneration had not been disclosed due to the commercial sensitivity of the information.

- Presently, the group does not have a formal conflict of interest and related party transactions policy and will adopt same as from next financial year.

- Pursuant to the Code, the board affirms the value of the board evaluation and agreed to the conduct of such an exercise in the near future to evaluate its performance, that of its committees and its individual directors with the aim of improving effectiveness.

- Given the directors are identified at group level, when a replacement is required and given that non-executive directors occupy other functions within the group, they are not specifically evaluated as board members for the Company. The performance of the Company as a whole is evaluated by the group, in terms of periodic financial and non-financial reporting. The managing directors' performance is also periodically evaluated separately at group level. As for the independent directors, the board considers that it promotes an atmosphere of transparency and openness such that each of the independent directors can freely express themselves at all board meetings and might flag any concerns to the board or the chairperson, in terms of any of their own shortcomings which they might be facing, following a self-evaluation exercise which they are encouraged to carry out as frequently as they might require.

- A comprehensive board evaluation exercise, led by the Chairman, is carried out every two years. The board considers that the current evaluation process satisfies the Company's present requirements.

- Management is in the process of adopting the below governance documents which will be uploaded on the Company's website in the course of the next financial year:
  - Code of conduct and ethics policy;
  - Conflicts of interest and related party transactions policy; and
  - Information Policy, Information technology policy and information security policy.

- The Company forms part of a group and its ultimate beneficial owner is a listed Company. The latter publishes its annual report on its website and the code of ethics, the conflicts of

In some cases, remuneration of directors had not been disclosed on an individual basis for reasons of commercial sensitivity of the information.

interest and related party transaction policies and the information, information technology and information security policies are published or available, even if they are named differently but all the principles can be found if read in depth.

- The board is currently undertaking a board evaluation and development exercise with the Mauritius Institute of Directors (MIoD) to identify areas of improvement and to optimise the use of available resources for the progress and advancement of the Company. The results of the assessment of MIoD are expected to be tabled at a board meeting in October 2021.

- Since the entity is a foreign branch, the responsibility of the operations has been conferred to a local management team therefore there is no such evaluation process. The performances of these committees are evaluated on a monthly performance.

- The board had not conducted an evaluation of its effectiveness of its individual directors as the directors forming part of the board, especially those who are members of the board committees, had been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background.

- The group did not appoint any independent board evaluator during the year under review and no board evaluation and development processes were undertaken. However, the group will consider implementing one as from next financial year.

- *Principles 5: Risk Governance and Internal Control (1 PIE)*

FRC noted that 1 of the PIEs did not adopt any whistle blowing procedure.

In that respect, the entity explained that the board will implement whistle blowing procedures during the course of the next financial year.

- *Principles 6: Reporting with Integrity (3 PIEs)*

The main observation relating to the Principle 6 of the Code was with respect to publication of documents and annual report on the Company's website.

The explanations provided in that respect were as follows:

- At this stage the Company has not published any item under Principle 6 of the Code on its website and will therefore assess the pertinence of doing so. It should also be noted that most of the documents are available on the website of the group.

- The Corporate Governance Committee noted that a copy of the annual report is already available at the Registrar of Companies.

- *Principles 7: Audit (2 PIEs)*

The main observations were as follows:

- The internal audit function had not been published on the Company's website.

- No meetings were held between Audit and Risk committee and external auditors.

- The board did not appoint an Internal Auditor.

The explanations provided with respect to the above non-compliances were as follows:

- The Company had not published on its website the specificities of its internal audit function and will assess the relevance of doing so. However, those details are available for the group in its annual report which is published on its website.

- The Audit and Risk committee had not met with external auditors in 2021 because no significant issue was encountered during the preparation of the financial statements. There are no restrictions for any such meetings to be held and these can happen at any point in time.

- The board did not appoint an Internal Auditor given the nature, size and complexity of the business operations.

B. Details of non-compliances for PIEs who had partly complied with the Revised Code of Corporate Governance

As regards the 2 PIEs which had partly complied with the Code, the following findings were noted:

- The Company had not appointed a Company Secretary.

- The Corporate Governance section of the annual reports did not include:

  - Affirmation that an information, information technology and information security policy exist;
  - Description of how the board oversees information governance; and
  - Discussion of how the organisation monitors and

evaluate significant expenditures on information technology; and

- A statement that the structure, organisation and qualifications of the key members of the internal audit function are listed on the organisation's website.

- The Company did not have a website.

- A description of the nature of the non-audit services rendered by the external auditor had not been provided in the annual report.

C. Detail of non-compliance for the PIE who had not complied with the Revised Code of Corporate Governance

FRC noted that, out of the 40 PIEs reviewed, 1 SOE had been queried for not reporting on the Code. The PIE took note of FRC's observation and undertook to report on the Code in the next financial period.

4.0 COMPLIANCE WITH THE GUIDELINES ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In 2013, FRC had issued Guidelines on Compliance with the Code of Corporate Governance pursuant to Sections 6(2)(f) and 75 of the FRA. These Guidelines set out the essential principles of Corporate Governance and facilitate the compliance and monitoring tasks of FRC.

The above Guidelines on Corporate Governance require PIEs to interalia:

(a) Submit a statement of compliance together with the Corporate Governance Report and the annual report;
(b) State the extent of compliance with the requirements of the Code of Corporate Governance; and
(c) Give explanations in the Statement of Compliance whenever they have not complied with any requirement of the Code.

Out of the 40 PIEs reviewed [37 portfolio review and 3 SOEs] **during the six months ended 31 December 2022, FRC observed that only 1 SOE had not complied with the Guidelines on Corporate Governance.**

This PIE had not enclosed a statement of compliance in its annual report.

1 SOE had not complied with the Guidelines on Corporate Governance.

5.0 REPORTING BY AUDITORS IN COMPLIANCE WITH SECTION 39(3) OF THE FINANCIAL REPORTING ACT

Section 39(3) of the FRA requires an auditor to report whether the disclosures made in the Corporate Governance Report are consistent with the Code. Also, FRC had published Guidelines on Corporate Governance for auditors to assist in their reporting on Corporate Governance and help compliance with the Code as detailed below:

- In 2013, FRC issued the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2013 which provides for the format of the auditors' reports as per the requirements of the Old Code of Corporate governance.
- In 2019, the above Guideline was repealed and was replaced by the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2019 which updates the form and content of auditors' reporting on corporate governance, in line with the principles of the Revised Code of Corporate Governance.
- In 2022, the FRC made amendments to the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2019, whereby the auditor's report on compliance with the Code of Corporate Governance should be presented under the "Reporting on other legal requirements" paragraph and should appear under the "Financial Reporting Act" subparagraph, in the Auditor's Report.

From the review exercise, FRC noted that all the auditors of the PIEs reviewed had reported on the consistency of the requirements of the Code.

It is good to note that all the auditors had reported on the consistency of the requirements of the Code.

6.0 COMPLIANCE WITH THE MAURITIUS COMPANIES ACT 2001

As required by the Mauritius Companies Act 2001, the board of every Company shall, prepare an annual report on the affairs of the entity during the accounting period ending on that date.

As part of the annual report review of the 37 PIEs, the annual reports were reviewed to ensure compliance with the relevant requirements of the Mauritius Companies Act 2001.

From the review exercise, FRC observed the following:

- **1 PIE** [regulated by FSC] **had not disclosed the remuneration and benefits for the executive directors, on an individual basis.**

- **3 independent directors of 1 PIE** [regulated by FSC] **had served on the board for more than nine years from the date of their first elections,** which is not in line with the Companies Act.

7.0 DETAILS OF NON-COMPLIANCES PER CATEGORIES OF AUDITORS

A PIE is required to have its annual report audited by a licensed auditor as per Section 195 of the Companies Act 2001 and Section 33 of the FRA. It is the auditor's responsibility to form an opinion on the PIE's financial statements and issue an auditor's report as a result of an audit of the financial statements.

For the six months period ended 31 December 2022, FRC observed that out of the 8 PIEs which had been issued letters following the review exercise, 3 had not fully complied with the requirements of IFRSs and these entities had been audited by 3 different audit firms.

FRC noted the following as regards the 3 above mentioned PIEs:

- **2 entities representing 67% of the above 3 PIEs were audited by 2 different big audit firms;** and
- **The remaining 1 PIE (33%) was audited by a one partner firm.**

The table below provides further details of PIEs with IFRS non-compliances per categories of audit firm:

2 entities representing 67%, were audited by Big 4 Audit Firms.

PIEs with non-compliances with IFRSs per categories of audit firm

Categories of Audit Firm	Number of PIEs not complying with IASs / IFRSs
Big 4 Audit Firm	2
1 partner audit firm	1

PART E: FOLLOW UP ISSUES

During the course of the review, FRC considered the issues noted from the PIEs' annual reports reviews that would require follow up in the respective entities' next annual reports.

In this regard, FRC will carry out close monitoring and follow up regarding 2 listed PIEs [1 Leisure & Hotel and 1 Sugar].

The areas that would require follow-up are as follows:

- Going concern; and
- The impact of the COVID-19 pandemic on the financial position and performance of the entity.

FRC will carry out close monitoring and follow up regarding 2 listed PIEs [1 Leisure & Hotel and 1 Sugar].