FRC MAURITIUS FINANCIAL REPORTING COUNCIL

FINANCIAL REPORTING COUNCIL (MAURITIUS)

BULLETIN ON REVIEW OF ANNUAL REPORTS

FOR THE SIX MONTHS ENDED 30 JUNE 2026

Enhancing Corporate Reporting Quality, Transparency and Governance

REPORTING QUALITY | TRANSPARENCY | GOOD GOVERNANCE

CONTENT

PART A - EXECUTIVE SUMMARY

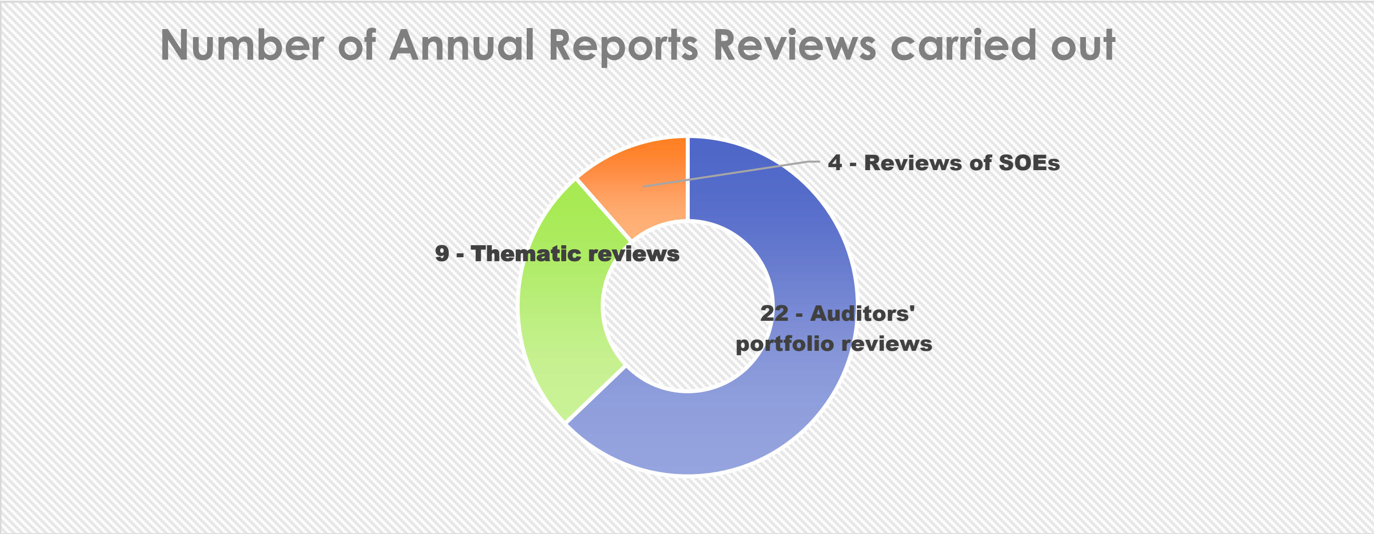
The Financial Reporting Council ("FRC") aims to foster confidence in corporate reporting and good corporate governance. It has as main objectives to promote the provision of high-quality reporting of financial and non-financial information, by Public Interest Entities ("PIEs") as well as enhance the credibility of financial reporting.

In accordance with Section 76(1) of the Financial Reporting Act ("FRA''), FRC monitors the annual reports of companies and State-Owned Enterprises ("SOEs") classified as PIEs, to achieve the above objectives.

The annual report reviews assist in evaluation of a Company's financial health, operational achievements and governance practices over the financial period. It provides stakeholders with the necessary insights to assess past performance, ensure regulatory compliance and make informed decisions.

The review exercise aims at ensuring compliance with applicable accounting standards (International Financial Reporting Standards ("IFRSs") for PIEs other than SOEs) and International Public Sector Accounting Standards ("IPSASs") for SOEs), the National Code of Corporate Governance for Mauritius ("Code"), the Financial Reporting Act and the Mauritius Companies Act 2001 ("MCA").

FRC has conducted the annual report review of 35 PIEs [22 under Auditors' Portfolio reviews, 9 under thematic reviews and 4 SOEs] during the six months period ended 30 June 2026, as demonstrated in the diagram below:



This bulletin provides an overview of the findings identified by FRC from the annual report review exercise. It highlights the non-compliances observed with respect to the disclosure requirements of the applicable accounting standards[1], the Code, the FRA and the MCA. This bulletin may be of assistance to PIEs in the preparation of high-quality corporate reports.

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

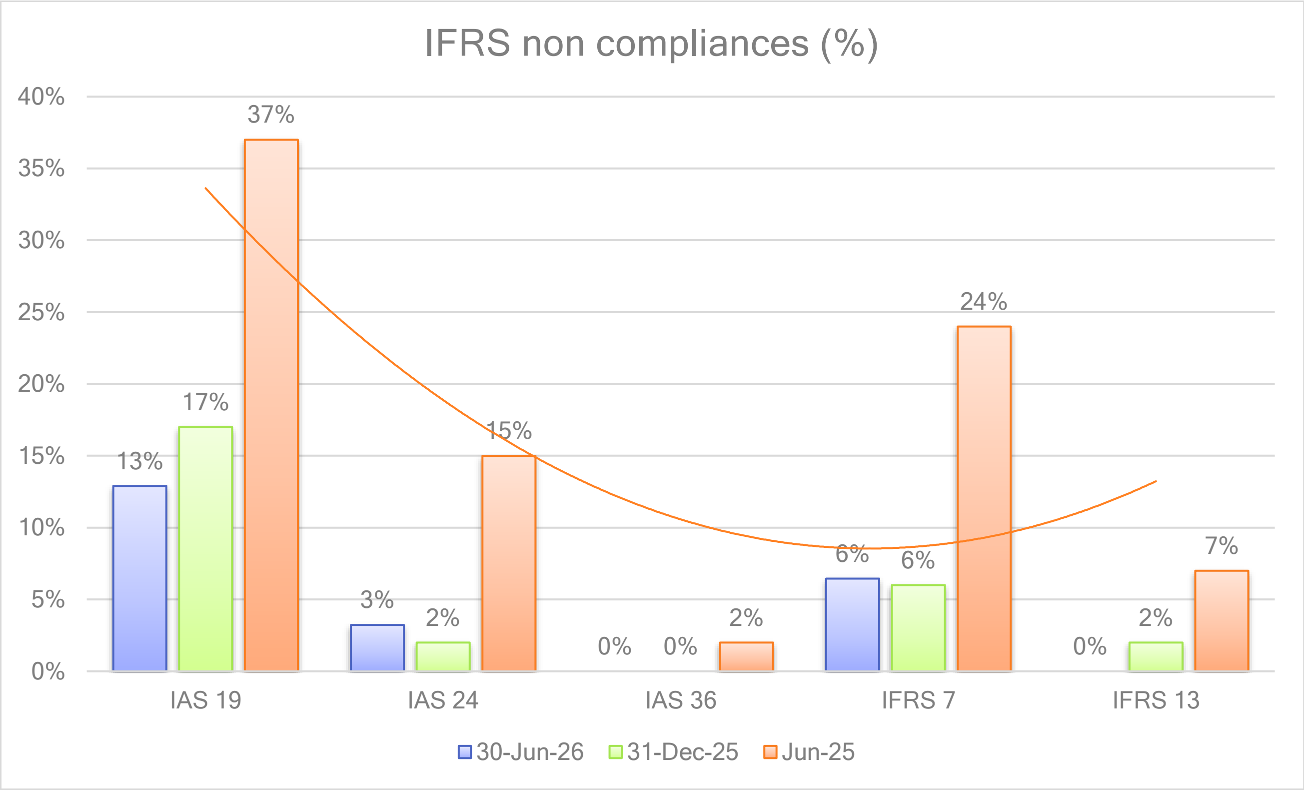
Key findings with regard to International Financial Reporting Standards

FRC observed a good level of compliance with IFRSs among the PIEs reviewed. The areas most frequently queried during FRC's monitoring exercise relate to employee benefits and financial risk management.

Further details on the observations identified following the review exercise are provided in Part D of this bulletin.

It is worth noting that, except for IAS 24 *Related Party Disclosures* and IFRS 7 *Financial Instruments: Disclosures*, the number of IFRS-related non-compliances has decreased compared to the previous periods. This shows that PIEs are increasingly mindful of the need to prepare transparent and high-quality reports.

The diagram below illustrates the level of IFRS related non-compliances for the periods ended 30 June 2026, 31 December 2025 and 30 June 2025:



Key findings with respect to the Code of Corporate Governance

FRC observed the following from the annual report reviews of the 35 PIEs, including 4 SOEs:

- 17 PIEs, including the 4 SOEs, had fully complied with the Code;
- 16 PIEs, including 1 SOE, had provided explanations for not complying with certain principles of the Code, out of which 4 were queried for part compliance;
- 1 PIE had provided explanations in its annual report for not reporting on the Code; and
- 1 PIE had been queried for partly complying with the Code.

The most common observations made on compliance with the Code were in respect to the following Principles:

(a) The Structure of the Board and its Committees; and
(b) Audit.

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

PART B - CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present the Financial Reporting Council's Bulletin on the review of Annual Reports for the six months ended 30 June 2026.

This Bulletin forms part of the Council's commitment to promoting high quality financial reporting, transparency and good corporate governance in Mauritius. Through our review of the annual reports of Public Interest Entities, the Council continues to monitor compliance with applicable financial reporting standards, corporate governance requirements and statutory disclosure obligations. The objective of these reviews is not only to identify areas requiring improvement but also to encourage the consistent application of best reporting practices across all sectors.

The findings presented in this Bulletin reflect both positive developments and recurring areas where further enhancements are necessary. We encourage directors, audit committees, management and auditors to carefully consider these observations and take appropriate action to improve the quality, relevance and transparency of future corporate reporting.

An encouraging trend observed during the review period is the increasing focus on sustainability reporting. While sustainability disclosures remain voluntary for most entities in Mauritius, a growing number of organisations are incorporating environmental, social and governance (ESG) information within their annual reports, demonstrating their commitment to long-term value creation and responsible business practices. The Council welcomes this progress and will continue to support stakeholders as Mauritius advances towards the implementation of the IFRS Sustainability Disclosure Standards.

I wish to express my sincere appreciation to all stakeholders for their continued cooperation and commitment to high-quality corporate reporting. The Council remains dedicated to strengthening confidence in financial reporting and fostering a transparent, accountable and resilient business environment.

PART C – INTRODUCTION

An annual report is a strategic tool that builds stakeholder trust, fulfills regulatory requirements, and guides future planning. Beyond just sharing year-end financials, it provides a transparent narrative of a Company's accomplishments, market positioning, and momentum to attract investors and reassure partners.

Annual reports play a pivotal role in maintaining transparency, fostering communication, aiding investor decisions, ensuring regulatory compliance, and informing strategic planning. Despite the digitalisation of information, the structured and detailed nature of annual reports continues to make them a key component of effective corporate communication and governance.

In today's business landscape, companies are measured not only by profitability but also by their commitment to social and environmental responsibility. With increasing awareness of the importance of sustainability, large companies produce an annual report not only to present financial and operational performance but also report on sustainability to provide transparency on their efforts toward sustainable practices.

As such, an annual report plays a unique role in delivering a comprehensive picture of the Company's performance and direction, with disclosures that are clear, concise, relevant and useful to users of financial statements.

As part of its monitoring and oversight activities, FRC reviews the annual reports of PIEs to promote the provision of high-quality reporting, through ensuring compliance with the requirements of relevant accounting standards, the Code and the MCA.

This bulletin outlines the key findings arising from the annual report review exercise. It provides an overview of the current state of corporate reporting and highlights areas requiring improvements by PIEs.

"A total of 35 PIEs were reviewed during the six months period ended 30 June 2026."

Over the six months ended 30 June 2026, FRC carried out the annual report reviews of 35 PIEs [22 Auditors' Portfolio reviews, 9 thematic reviews and 4 reviews of SOEs], operating across a broad range of economic sectors.

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

Categories of PIEs	Sectors									No. of Annual Report Reviews
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	Sugar	Transport	Others	
Listed on SEM	2	1	4	5	2	2	-	1	2	**19**
Financial institutions regulated by BOM (excluding cash dealers)	5	-	-	-	-	-	-	-	-	**5**
Financial institutions regulated by FSC	2	-	-	-	-	-	-	-	-	**2**
PIEs classified under Category 4 of the FRA	-	1	-	-	1	-	2	-	1	**5**
SOEs as per the First Schedule of FRA	-	-	-	-	-	-	-	-	4	**4**
Total	**9**	**2**	**4**	**5**	**3**	**2**	**2**	**1**	**7**	**35**

The annual report reviews fall in the following categories:

A — **Auditors' Portfolio Reviews:**

Audit clients of auditors selected for audit practice review: 4

Risky audit clients of auditors practising in 6 large firms: 18

B — **Thematic Reviews:**

Land Conversion Rights: 4

Leasing companies: 3

Insurance companies engaged in life insurance: 2

C — **Statutory Bodies: 4**

(A) Auditors' Portfolio Reviews

The 225 auditors licensed by the FRC were requested to submit their list of PIEs in their portfolio of audit clients for the purpose of selecting annual reports for review. This exercise was conducted to identify auditors engaged with audit clients having varying levels of risk.

The data captured from the survey have been used as a basis for the selection of annual reports in the category Auditors' Portfolio Reviews which comprises audit clients of auditors (i) selected for audit practice review; and (ii) risky clients.

➢ *Auditors' Portfolio Reviews (Auditors selected for APR)*

As part of the Auditors' Portfolio Reviews, FRC intended to review the audit clients of licensed auditors selected for audit practice review and which meet the definition of PIE, as per the First Schedule of FRA.

As such, 12 PIEs had been selected for annual report review for the year 2025/2026 on a risk-based basis and the number of annual reports reviewed as at date is summarized in the table below:

	Entities listed on SEM	Financial institutions, other than cash dealers, regulated by BOM	Financial institutions regulated by FSC	Category 4 of First Schedule of FRA	Total
No. of PIEs selected for review for the year 2025/2026	2	1	3	6	**12**
No. of PIEs reported in the previous bulletin	0	1	3	3	**7**
No. of PIEs included in this periodic bulletin	2	0	0	2	**4**

➢ *Auditors' Portfolio Reviews (Risky audit clients)*

For this category, FRC had also planned to review 53 PIEs in the portfolio of licensed auditors practising in the 6 large firms but not selected for audit practice review.

A risk-based approach was adopted for the selection exercise, with priority given to entities assessed as presenting a higher level of risk, namely those falling under the following categories of the First Schedule of the FRA:

- Entities listed on the Stock Exchange of Mauritius;
- Financial Institutions, other the cash dealers regulated by the Bank of Mauritius; and
- Financial institutions regulated by the Financial Services Commission ("FSC").

The number of annual report reviews carried out so far and reported in this periodic bulletin is illustrated in the table below:

	Entities listed on SEM	Financial institutions, other than cash dealers, regulated by BOM	Financial institutions regulated by FSC	Category 4 of First Schedule of FRA	Total
No. of PIEs selected for review for the year 2025/2026	40	12	1	0	**53**
No. of PIEs reported in the previous bulletin	22	9	0	0	**31**
No. of PIEs included in this periodic bulletin	14	3	0	1	**18**

The table below shows the categories of PIEs reviewed and their corresponding sectors under the Auditors' Portfolio Reviews category:

Categories of PIEs	Sectors									No. of Annual Report Reviews
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	Sugar	Transport	Others	
Listed on SEM	1	1	4	4	2	2	-	1	1	**16**
Financial institutions regulated by BOM (excluding cash dealers)	3	-	-	-	-	-	-	-	-	**3**
Financial institutions regulated by FSC	-	-	-	-	-	-	-	-	-	**-**
PIEs classified under Category 4 of the FRA	-	1	-	-	1	-	-	-	1	**3**
Total	**4**	**2**	**4**	**4**	**3**	**2**	**-**	**1**	**2**	**22**

(B) Thematic Reviews

➢ *Land conversion rights*

FRC had received feedback that the item land conversion right is being accounted differently by the companies having such item. Following the survey carried out amongst licensed auditors requesting for the list of PIEs in their respective portfolio of audit clients, 11 entities were selected for review under the category land conversion rights.

A status of the annual report reviews under this category is tabled below:

Categories of PIEs	Entities listed on SEM			Category 4 of First Schedule of FRA		Total
Sectors	Investments	Others	Sugar	Industry	Sugar	
No. of PIEs selected for review for the year 2025/2026	2	1	3	2	3	**11**
No. of PIEs reported in the previous bulletin	1	0	2	2	1	**6**
No. of PIEs included in this periodic bulletin	1	1	0	0	2	**4**

➢ *Entities regulated by the Financial Services Commission*

❖ *Leasing companies*

IFRS 16 *Leases*, effective for annual reporting periods beginning on or after 01 January 2019, fundamentally transformed lease accounting and replaced the former standard, IAS 17.

In this regard, FRC had planned to review 9 companies engaged in leasing activities and licensed under Section 14 of the Financial Services Act.

A status of the annual report reviews conducted under this category is presented in the table below:

Categories of PIEs	Entities listed on SEM	Financial institutions regulated by BOM (excluding cash dealers)	Financial institutions regulated by FSC	Total
Sectors	**Investments**	**BIF**	**BIF**	
No. of PIEs selected for review for the year 2025/2026	1	3	5	**9**
No. of PIEs reported in the previous bulletin	1	2	1	**4**
No. of PIEs included in this periodic bulletin	0	2	1	**3**

❖ *Insurance companies*

7 PIEs licensed under the Insurance Act and engaged in life insurance business were also selected for review so as to assess the application of IFRS 17 *Insurance Contracts*. IFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023 and replaces IFRS 4.

The table below sets out a status of annual report reviews conducted under this category of review:

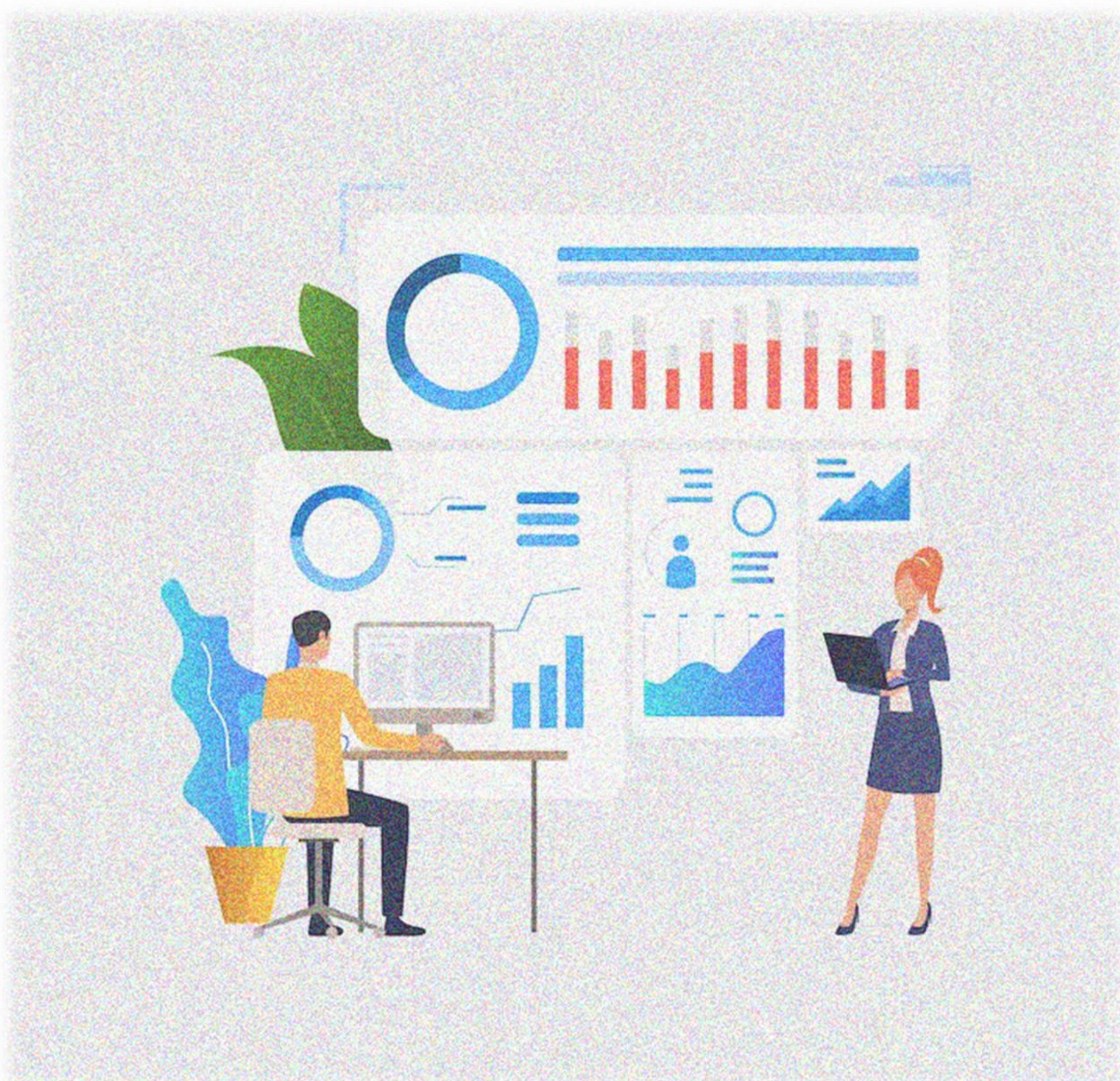
Categories of PIEs	Entities listed on SEM	Financial institutions regulated by FSC	Total
Sectors	**BIF**	**BIF**	
No. of PIEs selected for review for the year 2025/2026	1	6	**7**
No. of PIEs reported in the previous bulletin	0	1	**1**
No. of PIEs included in this periodic bulletin	1	1	**2**

(C) Review of Annual Reports of SOEs

The Statutory Bodies (Accounts and Audit) Act and the FRA legally mandate statutory bodies to prepare their financial statements in compliance with the IPSAS framework.

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 context, FRC has reviewed the annual reports of 4 SOEs during this reporting period.



PART D - ANNUAL REPORT REVIEWS: TREND IN QUALITY REPORTING

This part of the bulletin focusses on the level of adherence to financial and governance reporting frameworks based on the annual report review exercise.

Following the review exercise, out of the 35 annual report reviews [22 Auditors' Portfolio, 9 thematic reviews and 4 SOEs], 14 PIEs were queried on non-compliances relating to IFRSs, IPSASs, the Code and the MCA, representing 40% of the entities reviewed during this reporting period (31 December 2025: 36% and 30 June 2025: 47%). A slight increase in the number of findings has been noted from the review of the annual reports of PIEs and hence, in the number of letters issued to PIEs on the observations identified.

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 considered by the entities.

The most common findings raised relating to IFRSs, during the current reporting period and over the last two periods (31 December 2025 and 30 June 2025) are IAS 19 *Employee benefits* and IFRS 7 *Financial Instruments: Disclosures*. Of note, the observations made throughout the periods were not for the same PIEs.

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

IFRS requirements	Level of non-compliances with IFRSs (%)		
	Six months ended 30 June 2026	Six months ended 31 December 2025	Six months ended 30 June 2025
Number of PIEs adopting IFRSs	31	54	54
IAS 19, *Employee Benefits*	13%	17%	37%
IAS 24, *Related Party Disclosures*	3%	2%	15%
IAS 36, *Impairment of Assets*	0%	0%	2%
IFRS 7, *Financial Instruments Disclosures*	6%	6%	24%
IFRS 13, *Fair Value Measurement*	0%	2%	7%

It is to be noted that, except for IAS 24 and IFRS 7, the level of IFRS non-compliances has decreased compared to the previous periods, as pointed out in the above table.

On the Corporate Governance side, similar to the previous reporting period, there has been a good level of compliance amongst the PIEs reviewed. All the 35 PIEs (including 4 SOEs), have reported on the Code, representing a reporting rate of 100% (31 December 2025: 100% and 30 June 2025: 77%). This proves that the PIEs are conscious of the need to adopt the Code.

Out of the 35 annual report reviews, 5 PIEs had been queried for partly complying with the principles of the Code, representing 14% of the whole population (31 December 2025: 16% and 30 June 2025: 19%). It is encouraging to note that the level of non-compliances with the Code has decreased compared to the previous periods. This highlights the PIEs’ growing commitment for good governance.

PART E - MAIN FINDINGS FROM REVIEWS OF PIES

1.0 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

During this reporting period, 31 annual reports were reviewed to assess compliance with the relevant requirements of IFRSs. Of these, 8 entities were queried for matters relating to IAS/IFRS requirements. The main areas of non-compliance identified are set out below:

(a) IAS 1 - Presentation of Financial Assets

2 PIEs falling under Category 4 of the First Schedule of the FRA and operating in the sugar sector did not disclose the subsequent measurement basis used for land conversions rights.

(b) IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

Known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application had not been disclosed by **2 PIEs falling under Category 4 of the First Schedule of the FRA** operating in the sugar sector.

(c) IAS 19 - Employee Benefits

The review exercise revealed the following non-compliances with respect to the requirements of IAS 19:

- **3 listed PIEs** [1 in BIF, I in Industry and 1 in investment sector] had not provided a description of the risks to which the defined benefit plans/gratuity on retirement exposed the entities; and
- A description of any funding arrangements and funding policy that affect future contributions and information about the maturity profile of its defined benefit obligation had not been disclosed by **1 PIE falling under Category 4 of the First Schedule of the FRA,** operating in the commerce sector.

(d) IAS 24 - Related Party Disclosures

The nature of the commercial terms and conditions applied on outstanding balances with related parties and their terms and conditions, including whether they are secured had not been disclosed by **1 PIE listed on SEM** and operating in the industry sector.

(e) IAS 41- Agriculture

The following were not disclosed by **1 PIE falling under Category 4 of the First Schedule of the FRA**, operating in the sugar sector:

- A description of non-financial measures or estimates of the physical quantities

- at the end of the period for 'other crops and plants' and 'deer and cattle';
- Output of agricultural produce during the period for 'other crops and plants';
- The methods and assumptions applied in determining the fair value of 'deer and cattle'; and
- The risk management strategies relating to 'other crops and plants'.

(f) IFRS 3 - Business Combinations

1 listed entity and **1 PIE regulated by BOM** operating in the commerce and BIF sector respectively, had not disclosed the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period and the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.

(g) IFRS 7 - Financial Instruments: Disclosures

The objectives, policies and processes for managing interest rate risk and the methods used to measure the risk had not been disclosed by **1 listed PIE** and **1 PIE falling under Category 4 of the First Schedule of the FRA** operating in the industry and sugar sector respectively.

(h) IFRS 12 - Disclosure of Interests in Other Entities

The following disclosures regarding non-controlling interests in subsidiaries have not been complied with by **1 PIE falling under Category 4 of the First Schedule of the FRA** in the commerce sector:

- the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period;
- accumulated non-controlling interests of the subsidiary at the end of the reporting period;
- dividends paid to non-controlling interests; and
- summarised financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary.

(i) IFRS 16 - Leases

A maturity analysis of lease payments for operating leases had not been disclosed by **1 PIE falling under Category 4 of the First Schedule of the FRA** in the commerce sector.

(j) IFRS 17 - Insurance Contracts

Information on sensitivity to insurance risk had not been disclosed by **1 listed PIE operating** in the commerce sector.

2.0 COMPLIANCE WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

The FRA requires statutory bodies classified as PIEs to prepare their financial statements using the IPSAS, to align with government reforms and public sector reporting.

As such, the 24 statutory bodies specified in the First Schedule of the FRA are required to prepare their financial statements under the IPSAS framework and are subject to review by the FRC.

Pursuant to Section 76 of the FRA, FRC monitors the annual reports and corporate governance reports of SOEs to ascertain compliance with IPSASs and the Code.

FRC has reviewed the annual reports of 4 SOEs and the review exercise revealed the following non-compliances relating to IPSAS:

(a) IPSAS 1 – Presentation of Financial Statements

The notes to the financial statements of **1 SOE** did not:

- Contain disclosures regarding the key assumptions and other key sources of estimation uncertainty in applying the estimations that may have a significant impact on the amounts recognized in the financial statements; and
- Include the accounting policy for short term employee benefits.

(b) IPSAS 12 - Inventories

The amount of inventories recognised as expense during the period had not been provided by **1 of the SOEs.**

(c) IPSAS 39 - Employee Benefits

The following non-compliances were identified relating to the requirements of IPSAS 39:

- **2 of the SOEs** did not provide a description of risks to which they are exposed to through their defined benefit plans;
- The significant actuarial assumptions used to determine the present value of the defined benefit obligation and information about the maturity profile of the obligation had not been disclosed by **1 of the SOEs**; and
- **1 of the SOEs** did not disclose the amount expensed for its defined contributions plan.

3.0 COMPLIANCE WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE

Pursuant to Section 75(2) of the FRA, PIEs are required to adopt the National Code of Corporate Governance and report on their corporate governance practices in accordance with the Code.

The Code adopts a principle-based approach and requires entities to apply its principles on an “apply and explain” basis. It seeks to promote accountability, transparency, and ethical behaviour, which are essential preconditions for long-term corporate sustainability, investor confidence, and economic stability.

The Code consists of the following eight principles designed to enhance and guide governance practices among organisations in Mauritius:

- 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

3.1 Auditors’ Portfolio and Thematic Reviews

The observations made on the Code from the annual report reviews of the 31 PIEs are as follows:

- 14 PIEs had fully applied the 8 principles of the Code;
- 15 PIEs had provided explanations for not complying with certain requirements of the Code, out of which 4 were queried for part compliance (Details provided in Parts A & B below); and
- 1 PIE had been queried for partly applying the Code (Details provided in Part B below) and
- 1 PIE had provided explanations in its annual report for not reporting on the Code (See Part C below).

3.2 Review of Annual Reports of SOEs

It is good to note that all the 4 SOEs reviewed had reported on the Code of Corporate Governance, out of which 1 had provided explanations for non-compliance with one of the principles of the Code.

3.3 Level of compliance with the Code

A. <u>Details of explanations provided by the PIEs who have not applied certain principles of the Code</u>

The following explanations were provided in the Corporate Governance Report of 16 PIEs, including 1 SOE, for the non-application of certain principles of the Code:

- *<u>Principle 1: Governance Structure (5 PIEs)</u>*

The key observations relating to Principle 1 were as follows:

- The Board of Directors resolved not to adopt a board charter and a code of ethics.
- Certain documents as recommended by the Code were not published on the Companies' websites.

The explanations provided in the entities' Statements of Compliance with respect to the above were as follows:

- The Company does not have a board charter as it considers that the Companies Act and Insurance Act are sufficiently clear as to the respective roles, responsibilities and authorities of the Board of Directors.
- The Board of Directors of the Company has agreed that the responsibilities of the Directors should not be confined to a board charter and has consequently resolved not to adopt a board charter.
- The Board is of the view that the content of a board charter is already included in the provisions of the prevailing legislations and has thus resolved not to adopt one.
- The Board had agreed to maintain its adherence to the code of ethics of the holding Company.
- The ultimate holding Company has adopted a code of ethics and business conduct which is applicable to all its subsidiaries, its employees and directors.
- The Company has adopted a board charter, a code of ethics, an AML/CFT policy as well as a whistle blowing policy and copies of same are available upon request in writing to the Company Secretary. The Company deemed it is sufficient that the information is available for consultation upon written request to the Company Secretary, although it

has not been published on the Company's website.
- Consolidated information for the Group is available on the parent's website.
- The Board has not adopted any constitution to date and is governed by the provisions of the Companies Act 2001, share purchase and Shareholders' agreements.

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

The review highlighted the following main observations:

- The Board of Directors did not consist of any/adequate number of Executive, Independent and female Director.
- The roles of Chairman and Chief Executive Officer was carried out by the same person.
- The non-executive Chairperson has served on the Board for more than nine (9) years since his initial election.
- The Corporate Governance Committee was composed of inadequate number of members.
- The majority of the members of the Audit and Risk Committee were not independent.
- Audit and Risk and Remuneration/Corporate Governance Committees were not constituted.

The explanations provided in the Statements of Compliance for the entities in question, with respect to the above, were as follows:

- Given the size and the limited complexity in the nature of the Company's operations, the Board is of the view that one executive Director largely serves its current requirements for managing the affairs of the Group.
- Based on the current Board composition, the Company has got one independent Director. The Board is of opinion that independence is characterized by a director's ability to make impartial decisions with independence of mind, character and judgment. Therefore, the current Board composition based on the size of the Group has got the adequate set of expertise, mix of competencies and knowledge to exercise independence of mind.
- The Board is of the view that the participation of the General Manager at all Board meetings, along with the participation of senior executives in sub-committees of the Board, meets the spirit of the National Code of Corporate Governance.
- The Directors of the Company believe that the Board composition is adequate due to the presence of two executive directors on the Board of its principal operating subsidiary.
- Given that the Company has no employees, there are no executive Directors on the Board, which consists of two non-executive and two independent Directors. Day-to-day management is carried out by the employees of the subsidiaries of the Group under relevant agreements.

- The members of the Board are satisfied that it is well balanced based on the skills, experience and knowledge of the organisation to allow the Directors to discharge their responsibilities towards the Company and its Shareholders effectively.
- The Board is of the opinion that its composition with one executive Director, one non-executive Director and three independent Directors is suitable for the smooth running of the Company and for enabling effective decision-making.
- In view of the Group's organisational structure, the Board is of the opinion that the roles of Chairman and Chief Executive Officer are most efficiently carried out by the same person.
- Although the non-executive Chairperson has served on the Board for more than nine (9) years since his initial election, the Board considers him to be independent, taking into account his professional judgment and continued objectivity.
- Given the Company's current size and complexity and considering the skills and expertise of the Committee's members, the Board considers two members to be adequate for now, as stipulated in the terms of reference. However, the Board will reconsider should the need to increase the number of members of the Corporate Governance Committee arise in the future.
- The Audit and Risk Committee is presently composed of one independent Director, the other members being non-executive, non-independent Directors. The Board is satisfied that the skills, knowledge of the organisation and experience towards the Company and its Shareholders effectively.
- The Board has resolved that the risk management, internal control and audit matters of the Company overseen by the Risk and Audit Committee of the holding Company. The Board further resolved that the governance matters, including the nomination and remuneration matters be still overseen by the Corporate Governance Committee of the holding Company.

- *<u>Principle 3: Director Appointment Procedures (1 PIE)</u>*

One of the PIEs reviewed did not have a formal process for the appointment and nomination of Directors. Also, the Board did not establish a formal succession plan.

In that respect, the following was disclosed in the Statement of Compliance of the PIE:

- The nomination and appointment processes are carried out in collaboration with the Remuneration, Corporate Governance, Ethics and Sustainability Committee of the ultimate holding Company.
- The Chairperson of the Board is responsible for overseeing the succession planning for the Board and the Managing Director in collaboration with the Remuneration, Corporate Governance, Ethics and Sustainability Committee of the parent Company.

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

The issues identified were as follows:

- No statement to affirm that all conflicts of interests and related party transactions have been conducted in accordance with the conflicts of interests and related party transactions policy and code of ethics.
- There were no information, information technology and information security governance policies.
- No (formal) evaluation of the Board, its Directors and Committees.
- No disclosure of remuneration policy and remuneration paid to each Director on an individual basis.

The explanations provided in the Statements of Compliance with respect to the above requirements of the Code were as follows:

- The Board of Directors adheres to Sections 147 to 157 of the Companies Act 2001 as code of conduct to address conflicts of interest.
- The information, information technology and information security governance policies of the parent Company apply to all the subsidiaries of the Group. The Information Technology activities are outsourced to the parent Company through a service level agreement.
- The Board has not conducted a board evaluation exercise for the current year. However, such an exercise may be considered in the future, should the Board of Directors consider it appropriate.
- The Board believes that neither Board nor Directors' evaluation need to be conducted for the time being since it is of the view that the present Directors have the relevant competencies, knowledge, skills, experience and commitment to carry out their duties as Directors.
- The Authority does not evaluate the board, subcommittees and Directors since the Board members are appointed by the Minister.
- The Board reviews the adequacy of the remuneration of the directors and recommendations are made to the Remuneration, Corporate Governance, Ethics and Sustainability Committee of the parent Company. The said Committee is responsible for the setting up and developing of the Group's general policy concerning the remuneration of directors. The Company applies the same remuneration philosophy as its ultimate holding Company.
- The directors consider the requirement for individual disclosure of Director's remuneration to be commercially sensitive information and regard it as not being in the interest of the Company to make such disclosures.

- *Principles 6: Reporting with Integrity (1 PIE)*

One of the PIEs reviewed did not provide an assessment of the organisation's financial, environmental, social and governance position performance and outlook.

In that respect, in its Statement of Compliance, the PIE has revealed that the Company has applied social, safety, health and environmental policies and practices of the Group that in all material respects comply with existing legislative and regulatory frameworks. As part of the Group, the Company is closely working with its parent, who is working on defining the framework for identifying, measuring and managing climate-related physical and transition risks.

- *Principles 7: Audit (5 PIEs)*

Five of the PIEs reviewed had not established an internal audit function.

The explanations provided in respect of the above are as follows:

- The Group does not have an internal audit function due to its nature as a holding Company and its strong centralized control structure with clearly defined responsibilities. The Board believes existing approval processes, committees, and control mechanisms effectively address internal audit objectives. However, to comply with the National Code of Corporate Governance for Mauritius (2016), the Company plans to consider outsourcing the internal audit function in the forthcoming year.
- The Board has resolved to outsource the internal audit function to the internal audit department of the parent Company.

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

As stated in Paragraph 3.1 above, **5 PIEs** falling in the following categories had been queried for partly complying with the Code:

- **3 PIEs listed on SEM** [1 in BIF and 2 in investments sector]; and
- **2 PIEs falling under Category 4 of the First Schedule of the FRA**, operating in the commerce and sugar sector.

The non-compliances identified were as follows:

- The corporate governance section of the annual report did not include an organisational chart.
- The Corporate Governance Committee was chaired by the Chairperson of the Board of Directors which is contrary to the requirements of the Code.
- No disclosure of the approach taken to appoint or reappoint the external auditor.
- The length of tenure of the current audit firm and when a tender was last conducted had not been provided.

C. Detail of explanation provided by the PIE for not applying the Code

1 PIE falling under Category 4 of the First Schedule of the FRA operating in the sugar sector had provided the following explanation for not reporting on the Code:

'Upon recommendation of the Directors, the sole shareholder has resolved not to prepare a Corporate Governance Report as per Section 75 of the Financial Reporting Act 2004 in its end of year Financial Report.
The Company is a private Company held by only one Shareholder.
The holding Company has already complied with the Code of Corporate Governance for Mauritius (Code) by providing a full and comprehensive Corporate Governance Report in its Annual Report.
The Corporate Governance functions of the Company are discharged by the governance framework of the holding Company.'

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

Pursuant to Sections 6(2)(f) and 75 of the FRA, in 2013, FRC issued Guidelines on Compliance with the Code of Corporate Governance. 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.

4.1 Auditors' Portfolio and Thematic Reviews

It is worth noting that all the 31 PIEs reviewed had enclosed a Statement of Compliance in their annual reports as required by Section 75(3) of the FR Act.

The statement of compliance of **1 BOM regulated PIE** did not include the reasons for non-compliances regarding publications of governance documents on the entity's website, as required by the above guidelines.

4.2 Review of SOEs

The 4 SOEs whose annual reports had been reviewed, had submitted a Statement of Compliance along with their annual report.

1 of the SOEs had not included the explanations for non-compliances regarding board committees and development of a comprehensive and robust system of risk management in its Statement of Compliance.

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

Section 39(3) of the FRA mandates the auditors to report on the extent of compliance with the Code of Corporate Governance. FRC has also issued Guidelines on Corporate Governance for auditors to support their reporting responsibilities and facilitate compliance with the Code, as outlined below:

- In 2013, FRC issued the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2013 which provides for the presentation 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, 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.

5.1 Auditors' Portfolio and Thematic Reviews

Out of the 31 annual report reviews, the auditor of **1 PIE classified under Category 4 of the First Schedule of the FRA**, operating in the sugar sector was queried for not reporting on consistency with the requirements of the Code in accordance with Section 39(3) of the FRA and the above guideline.

5.2 Review of SOEs

It is good to note that the auditors of all the 4 SOEs reviewed had reported on consistency with 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 for the accounting period ending on that date.

As part of the annual report review exercise covering 31 PIEs under the Auditors' Portfolio and thematic review categories, the annual reports were assessed for compliance with the relevant requirements of the Mauritius Companies Act 2001.

The annual report review exercise highlighted the following key observations:

- The Shareholders of **2 PIEs falling under Category 4 of the First Schedule of the FRA** in the sugar sector agreed to dispense with the obligation to prepare Annual Reports, despite this exemption is not applicable to PIEs;

- **2 BOM regulated PIEs** in the BIF sector and **1 PIE falling under Category 4 of the First Schedule of the FRA** in the leisure and hotels sector had not disclosed the remuneration and benefits paid to Directors, on an individual basis;

- One Independent Director of **a PIE listed on SEM** operating in the BIF sector had served on the Board for more than nine years from the date of his first election, thus appearing to be a threat to the independence of the Director; and

- Certain Independent Directors of **1 PIE listed on SEM** and **1 PIE falling under Category 4 of the First Schedule of the FRA**, operating in the BIF and commerce sector respectively, had cross directorships in other entities within the Group.

7.0 SUSTAINABILITY REPORTING

Climate change is one of the most critical challenges humanity faces today. Over the last few years, businesses have been reporting more and more information on climate-related risks in their annual reports, often on a voluntary basis. As the effects of climate change become more severe and noticeable, climate risk has emerged as a material risk in the sustainability reporting of numerous entities.

Sustainability reporting fulfills multiple purposes, and its use largely depends on the priorities and needs of the stakeholder. From an investor's perspective, the primary objective of sustainability reporting is to provide them with useful sustainability-related information, enabling them to make better-informed investment decisions. In most emerging sustainability reporting regimes, reported information is not limited to risks and opportunities that have already affected an entity but also those which could crystallise in the future. This means that sustainability reporting is more forward-looking, addressing both current and possible future risks and opportunities over the short, medium, and long-term, and of course this means it covers broader time horizons.

In June 2023, the International Sustainability Standards Board ("ISSB") has issued its inaugural IFRS Sustainability Disclosure Standards namely IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. The ISSB Standards establish a high-quality global baseline of investor-focused sustainability-related disclosures.

Despite these standards are not mandatory for Mauritius, it is worth noting that 21 PIEs, including 2 SOEs, have opted to report on sustainability on a voluntary basis. This demonstrates the entities' commitments to implement practices that foster healthy ecosystems, reduce finite resources, raw material consumption, waste generation, and carbon footprints.

8.0 DETAILS OF NON-COMPLIANCES PER CATEGORIES OF AUDITORS

Pursuant to Section 195 of the Companies Act 2001 and Section 33 of the FRA, a PIE is required to have its annual report audited by a licensed auditor. 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.

Out of 31 PIEs reviewed under the Auditors' Portfolio and thematic reviews, 11 PIEs were queried for partially/not fully complying with the requirements of IFRSs, the Code and the MCA. These entities were audited by 7 auditors practising in 5 different big audit firms and more details on these 11 PIEs are provided in the table below:

Not/partly complying with:	Number of PIEs
IASs/IFRSs	8
Code of Corporate Governance	5
Mauritius Companies Act 2001	7

Following the annual report review exercise, 1 auditor was queried for not reporting on the Code of Corporate Governance.

PART F - FOLLOW UP ISSUES

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

In this regard, FRC will carry out close monitoring and follow up for:

- **2 PIEs listed on SEM** [1 operating in BIF sector and 1 in investments], in the following areas:

  - The name of the location or jurisdiction where the auditor practices in the auditor's report; and
  - Cross directorship of independent Directors in other entities within the Group.

- **1 SOE** relating to the following disclosure requirements of IPSASs:

  - Key assumptions and other key sources of estimation uncertainty that have been applied for items of assets and/or liabilities of the financial statements (IPSAS 1); and
  - Possible impact that application of the new IPSAS will have on the entity's financial statements (IPSAS 3).