FRC MAURITIUS

FINANCIAL REPORTING COUNCIL

Bulletin on Review of Annual Reports

for the six months ended 31 December 2025

ANNUAL REPORT REVIEW BULLETIN

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PART A - EXECUTIVE SUMMARY

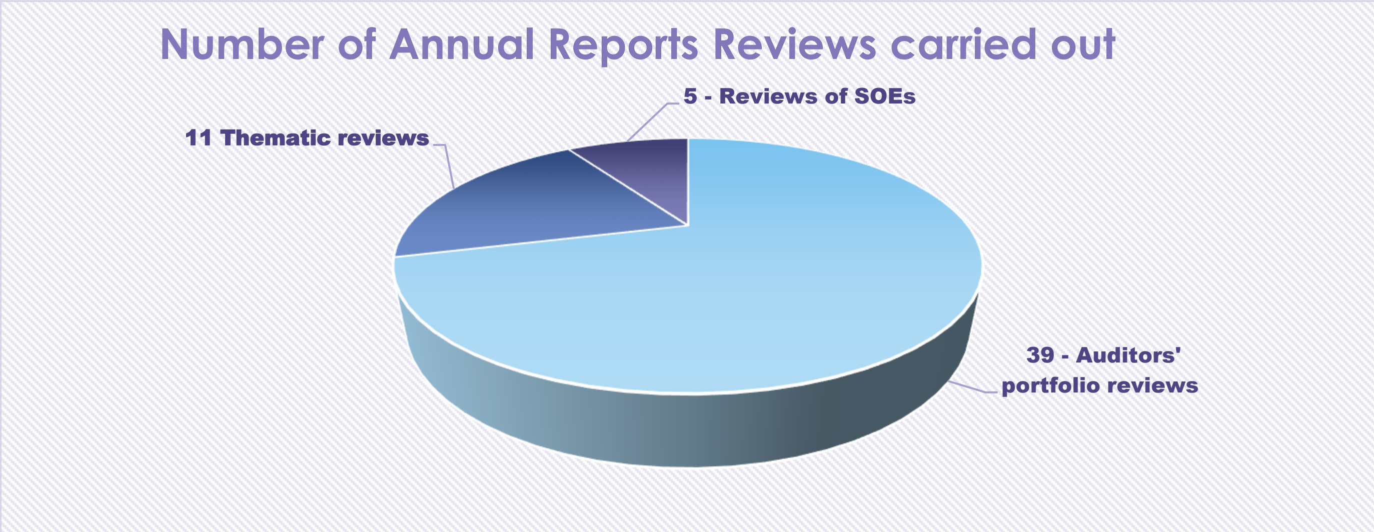
The Financial Reporting Council ("FRC") has as primary objective to enhance the credibility and quality in corporate reporting, by promoting high-quality financial and non-financial information, by Public Interest Entities ("PIEs").

To achieve this objective, FRC conducts the review of the annual reports of companies 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 assist in fostering confidence in corporate reporting and good corporate governance among investors, creditors, and other users of financial statements.

The review exercise focusses on 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 reviewed 55 annual reports [39 Auditors' Portfolio reviews, 11 thematic reviews and 5 reviews of SOEs] for the six months period ended 31 December 2025, as illustrated 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.

Key findings with regard to International Financial Reporting Standards

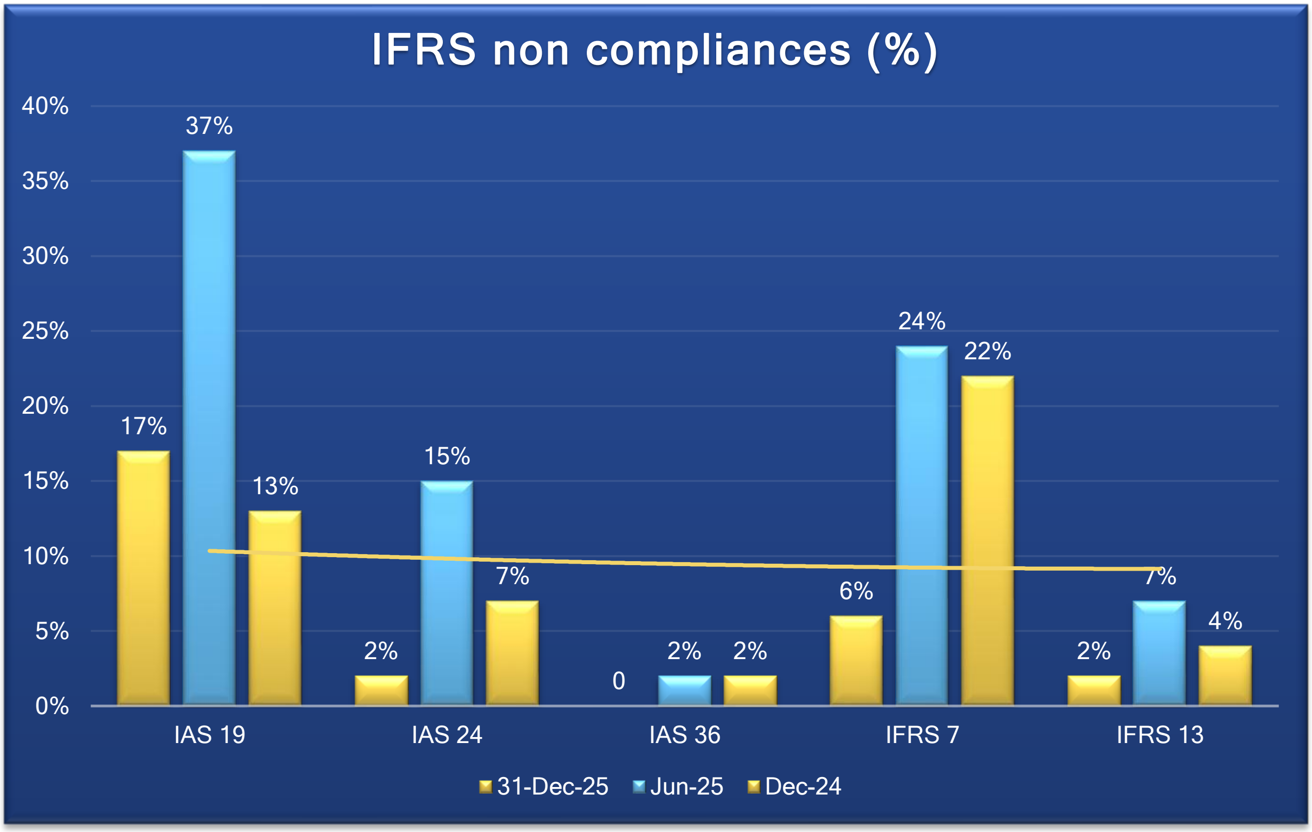
FRC observed a good level of compliance with IFRSs amongst the PIEs reviewed. The areas most often queried during FRC's annual report reviews are employee benefits and financial risk management policies.

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

[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.

It is encouraging to note that the number of non-compliances with respect to IFRSs has decreased as compared to the previous period. This implies that PIEs are conscious of the need to prepare transparent and high-quality reports.

The diagram below illustrates the level of non-compliances with IFRSs relating to the periods ended 31 December 2025, 30 June 2025 and 31 December 2024:



Key findings with respect to the Code of Corporate Governance

FRC observed the following from the 55 annual report reviews, including the reviews of 5 SOEs:

- 27 PIEs, including the 4 SOEs, had fully complied with the Code;
- 26 PIEs, including 1 SOE, had provided explanations for not complying with certain principles of the Code, out of which 7 were queried for part compliance; and
- 2 PIEs had been queried for partly complying with the Code.

The most common observations made on compliance with the Code were in respect of 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 topics in further detail.

PART B - CHIEF EXECUTIVE OFFICER'S REPORT

This Bulletin shares the key outcomes of the Financial Reporting Council's review of annual reports for the six months ended 31 December 2025. It sets out the main issues we observed, along with areas where entities demonstrated good practice, with the aim of helping improve the overall quality and clarity of financial reporting in Mauritius. The findings remind us of the ongoing need for strong governance, careful application of reporting standards, and clear, meaningful disclosures that reflect the specific circumstances of each entity.

Through this Bulletin, we seek to support preparers, auditors and those charged with governance in strengthening compliance and continuously enhancing the standard of corporate reporting, in the public interest.

PART C - INTRODUCTION

Annual report plays a pivotal role in businesses' governance and financial transparency and offers an opportunity to build trust and relationships with investors and partners. It provides essential information to shareholders, investors, and regulators through audited financial statements and narrative sections on operations, governance, and strategy.

An annual report, prepared in accordance with the relevant laws and standards, ensures transparency and accountability, serves as a key accountability mechanism and historical record.

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

As part of its mandate, FRC monitors 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 describes the main findings identified during the course of the annual report reviews. It provides an overview of the current state of corporate reporting and provides information on shortcomings requiring improvement by PIEs.

"For the six months ended 31 December 2025, FRC reviewed the annual reports of 54 PIEs."

During this reporting period, FRC conducted the annual report reviews of 54 PIEs [38 Auditors' Portfolio reviews, 11 thematic reviews and 5 reviews of SOEs], operating in the various sectors of the economy.

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

Categories of PIEs	Sectors								No. of PIEs reviewed	No. of Annual Report Reviews
	BIF	Com merce	Industry	Invest ment	Leisure & Hotels	Property Develop ment	Sugar	Others		
Listed on SEM	1	3	3	7	6	2	3	1	**26**	**26**
Financial institutions regulated by BOM (excluding cash dealers)	11	-	-	-	-	-	-	-	**11**	**11**
Financial institutions regulated by FSC	6	-	-	-	-	-	-	-	**6[1]**	**7[1]**
PIEs classified under Category 4 of the FRA	-	-	2	3	-	-	1	-	**6**	**6**
SOEs as per the First Schedule of FRA	-	-	-	-	-	-	-	5	**5**	**5**
Total	**18**	**3**	**5**	**10**	**6**	**2**	**4**	**6**	**54[1]**	**55[1]**

[1] *Two annual reports with different year ends were reviewed for 1 PIE regulated by FSC.*

The annual report reviews fall in the following categories:

A

Auditors' Portfolio Reviews:

Audit clients of auditors selected for audit practice review: 7

Risky audit clients of auditors practising in 6 large firms: 31

B

Thematic Reviews:

Land Conversion Rights: 6

Leasing companies: 4

Insurance companies engaged in life insurance: 1

C

Statutory Bodies: 5

(A) Auditors' Portfolio Reviews

For the purpose of selection of PIEs for annual report review, the 225 auditors licensed by FRC, were requested to provide their list of audit clients, classified as PIEs, in their portfolio, with a view to identify auditors engaging with audit clients having different risk level.

The information 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 had planned to review the audit clients of licensed auditors selected for audit practice review and which fall under 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, out of which 7 were reviewed in the six months ended 31 December 2025.

The table below summarises the categories of the 12 entities selected and reviewed:

	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 reviewed as at 31 December 2025	0	1	3	3	**7**

➢ *Auditors' Portfolio Reviews (Auditors not selected for APR)*

As part of the review exercise, FRC had also planned to review 52 PIEs in the portfolio of licensed auditors practising in the 6 large firms and not selected for audit practice review.

A risk-based approach was adopted in the selection exercise, thereby prioritizing entities with a higher level of risk, that is, those falling under the following categories of the First Schedule of the FRA:

- Entities listed on the Stock Exchange of Mauritius; and
- Financial Institutions, other the cash dealers regulated by the Bank of Mauritius.

For the six months ended 31 December 2025, 31 annual reports were reviewed out of the 52 entities planned for review for the year 2025/2026, as 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	0	0	**52**
No. of PIEs reviewed as at 31 December 2025	22	9	0	0	**31**

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

Categories of PIEs	Sectors								No. of PIEs reviewed	No. of Annual Report Reviews
	BIF	Com merce	Industry	Invest ment	Leisure & Hotels	Property Develop ment	Sugar	Others		
Listed on SEM	1	3	3	5	6	2	1	1	**22**	**22**
Financial institutions regulated by BOM (excluding cash dealers)	10	-	-	-	-	-	-	-	**10**	**10**
Financial institutions regulated by FSC	3	-	-	-	-	-	-	-	**3**	**4**
PIEs classified under Category 4 of the FRA	-	-	-	3	-	-	-	-	**3**	**3**
Total	**14**	**3**	**3**	**8**	**6**	**2**	**1**	**1**	**38**	**39**

(B) Thematic Reviews

➢ *Land conversion rights*

FRC has received feedback from its stakeholders that the item land conversion rights is being accounted differently by the companies having such item. In this regard, based on the survey carried out on the number of audit clients in the portfolio of licensed auditors, the 11 PIEs having land conversion rights in their financial statements, were selected for review, out of which 6 PIEs, falling in the following categories, had been reviewed in the six months ended 31 December 2025:

Categories of PIEs	Sectors			Total number of PIEs	No. of Annual Report Reviews
	Industry	Investment	Sugar		
Listed on SEM	-	1	2	**3**	**3**
PIEs classified under Category 4 of the FRA	2	-	1	**3**	**3**
Total	**2**	**1**	**3**	**6**	**6**

➢ *Entities regulated by the Financial Services Commission*

❖ *Leasing companies*

IFRS 16 *Leases*, effective for annual reporting periods beginning on or after 1 January 2019, brought significant changes in accounting requirements relating to lease arrangements.

As such, FRC has planned to review 10 companies licensed under Section 14 of the Financial Services Act and engaged in leasing activities, as part of the annual report review plan 2025/2026.

In this connection, 4 annual reports engaged in leasing activities [3 operating in BIF sector and 1 in Investment] were reviewed in the six months period ended 31 December 2025.

❖ *Insurance companies*

FRC has in its database of PIEs, 22 insurance companies regulated by the FSC and 7 of these entities are engaged in life insurance business.

For the financial year 2025/2026, FRC had planned to review the 7 life insurance companies, to assess the application of the newly issued standard on insurance, IFRS 17 *Insurance contracts*.

In that respect, 1 annual report involved in life insurance business was reviewed during this reporting period.

(C) Review of Annual Reports 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 has reviewed the annual reports of 5 SOEs during this reporting period.

PART D - ANNUAL REPORT REVIEWS: TREND IN QUALITY REPORTING

This part of the bulletin focusses on the level of compliance observed following the annual report review exercise under the Auditors' Portfolio category, thematic reviews and full review of SOEs.

Out of the 55 annual report reviews [39 Auditors' Portfolio, 11 thematic reviews and 5 SOEs], 20 were queried on matters relating to IFRSs, IPSASs, the Code and the MCA. This represents 36% of the entities reviewed during this reporting period (30 June 2025: 47% and 31 December 2024: 55%). A decrease 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 had provided explanations and had undertaken 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 period and over the last two periods (30 June 2025 and 31 December 2024) 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.

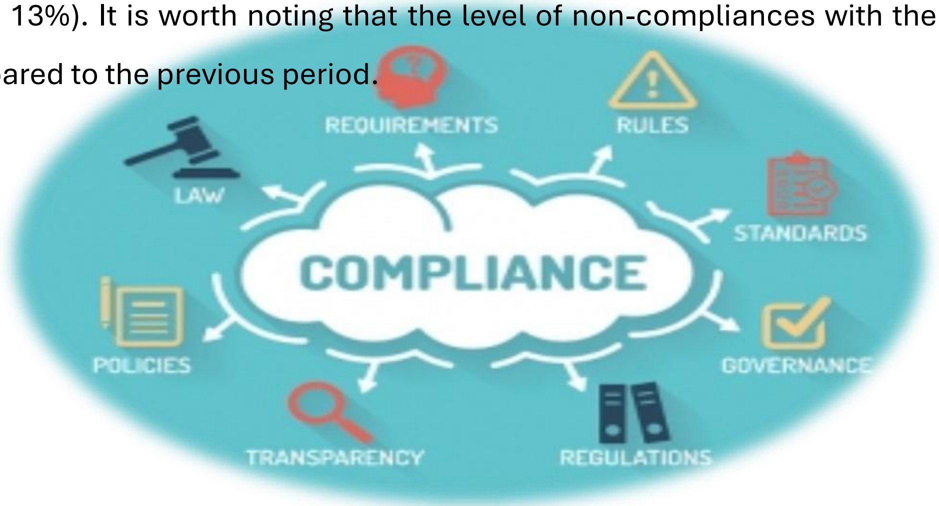
The table below illustrates the level of non-compliances with the most common IFRSs:

IFRS requirements	Level of non-compliances with IFRSs (%)		
	Six months ended 31 December 2025	Six months ended 30 June 2025	Six months ended 31 December 2024
Number of PIEs adopting IFRSs	54	54	83
IAS 19, *Employee Benefits*	17%	37%	13%
IAS 24, *Related Party Disclosures*	2%	15%	7%
IAS 36, *Impairment of Assets*	0%	2%	2%
IFRS 7, *Financial Instruments Disclosures*	6%	24%	22%
IFRS 13, *Fair Value Measurement*	2%	7%	4%

It is good to note that the level of IFRS non-compliances has decreased compared to the previous period, as shown in the above table.

On the Corporate Governance side, it is noted that there has been a good level of compliance amongst the PIEs reviewed during this reporting period. All the 54 PIEs (including 5 SOEs), had reported on the Code, representing a reporting rate of 100% (30 June 2025: 77% and 31 December 2024: 68%). This proves that the PIEs are for good governance.

Out of the 55 annual report reviews, 9 PIEs had been queried for partly complying with the principles of the Code, representing 16% of the whole population (30 June 2025: 19% and 31 December 2024: 13%). It is worth noting that the level of non-compliances with the Code has decreased compared to the previous period.



PART E - MAIN FINDINGS FROM REVIEWS OF PIES

1.0 COMPLIANCES WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Out of the 50 annual reports reviewed as part of the Auditors' Portfolio review, 12 entities were queried on the following requirements of IASs/IFRSs:

(a) IAS 1 – Presentation of Financial Assets

The review exercise revealed the following non-compliances with respect to the requirements of IAS 1:

- **2 PIEs falling under Category 4 of the First Schedule of the FRA** [1 in industry sector and 1 in investment] had not disclosed the accounting policies used in measuring and recognizing leasehold building/energy management contracts;
- **1 PIE regulated by FSC,** operating in the BIF sector had not provided summary quantitative data about what it manages as capital; and
- A description of the nature and purpose of the reserve had not been disclosed by **1 FSC regulated PIE** operating in the BIF sector.

(b) IAS 16 - Property, Plant and Equipment

The following non-compliances were identified with respect to the requirements of IAS 16:

- **1 PIE regulated by FSC**, operating in the BIF sector had not disclosed the measurement basis used for determining the gross carrying amount of its property, plant and equipment; and
- The useful lives or the depreciation rates used had not been provided by **2 FSC regulated PIEs**, operating in the BIF sector and **1 PIE falling under Category 4 of the First Schedule of the FRA** in the investment sector.

(c) IAS 19, Employee Benefits

Non compliances identified with respect to employee benefits were as follows:

- Amount recognised as an expense for the defined contribution plan had not been provided by **1 listed PIE** operating in leisure & hotels sector and **1 PIE falling under Category 4 of the First Schedule of the FRA,** operating in the investment sector;
- **2 listed PIEs** [1 in leisure & hotels and 1 sugar], **3 FSC regulated PIEs** operating in the BIF sector and **2 PIEs falling under Category 4 of the First Schedule of the FRA** [1 in investment and 1 in sugar] had not provided a description of the risks to which the defined benefit plans/gratuity on retirement exposed the entities;
- The expected contributions to the plan for the next annual reporting period were not disclosed by **1 entity listed on SEM,** operating in the industry sector and **1 PIE falling under Category 4 of the First Schedule of the FRA** in the investment sector; and
- **1 PIE falling under Category 4 of the First Schedule of the FRA,** operating in the investment sector had not disclosed information about the maturity profile of its defined benefit obligation.

(d) IAS 24 - Related Party Disclosures

Key management compensation in its different categories had not been disclosed by **1 listed PIE** operating in the leisure & hotels sector.

(e) IAS 38 - Intangible Assets

The amortisation rates and methods used for intangible asset had not been disclosed by **1 PIE falling under Category 4 of the First Schedule of the FRA**, in the industry sector.

(f) IFRS 5 - Assets Held For Sale & Discontinued Operations

As regards investment in associates classified as assets held for sale, a description of the facts and circumstances of the sale, leading to the expected disposal and the expected manner and timing of the sale had not been disclosed by **1 PIE listed on SEM** and operating in the investment sector.

(g) IFRS 7 - Financial Instruments: Disclosures

The following non-compliances were identified with respect to financial instruments:

- The exposures to interest rate risk and how it arose was not disclosed by **1 FSC regulated entity** in the BIF sector;
- **3 entities regulated by FSC** and operating in the BIF sector had not provided the objectives, policies and processes for managing financial risks and the methods used to measure the risks; and
- Summary quantitative data about its exposure to interest rate risk at the end of the reporting period had not been provided by **1 FSC regulated entity** in the BIF sector.

(h) IFRS 13 - Fair Value Measurement

A description of the valuation technique(s) and the inputs used in the fair value measurement for unquoted financial assets at fair value through other comprehensive income classified under level 3 of the fair value hierarchy had not been disclosed by **1 PIE listed on SEM** and operating in the sugar sector.

2.0 COMPLIANCES WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

To ensure consistency in the application of accounting standards in the Public Sector and in line with Government reform to develop a modern accounting and reporting framework, the FRA requires SOEs classified as PIEs, to prepare their financial statements under IPSAS framework.

In July 2023, amendments have been made to the First Schedule of the Financial Reporting Act 2004 whereby 9 additional statutory bodies have been classified as PIEs, hence increasing the number of SOEs classified as PIEs from 16 to 25. As per the FRA, 24 of the PIEs are required to prepare their financial statements under IPSAS framework and the remaining 1 shall adopt IFRSs as issued by the International Accounting Standards Board (“IASB”).

As required by Section 76 of the FRA, FRC monitors the annual reports and corporate governance reports of the SOEs classified as PIEs to ensure that the entities are in compliance with IPSASs and the National Code of Corporate Governance.

FRC has reviewed the annual reports of 5 SOEs, out of which 4 have adopted the IPSAS framework whilst the remaining 1 SOE has prepared its annual report in line with the requirements of IASs/IFRSs and the latter has fully complied with the relevant requirements of IASs/IFRSs.

The annual report reviews of the 4 SOEs adopting the IPSAS framework revealed the following non-compliances:

(a) IPSAS 2 - Cash Flow Statements

1 of the SOEs had presented its Statement of Cash Flows under the indirect method instead of the direct method.

(b) IPSAS 13 - Leases

A description of the lessee's material leasing arrangements including the existence and terms of renewal or purchase options and escalation clauses and restrictions imposed by lease agreements had not been provided by **1 of the SOEs.**

(c) IPSAS 17 - Property, Plant and Equipment

2 of the SOEs reviewed, had not disclosed the methods and significant assumptions applied in estimating the asset's fair values and the extent to which the asset's 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.

1 of the SOEs was queried on the frequency of revaluations of its property, plant and equipment.

(d) IPSAS 30 - Financial Instruments: Disclosures

An analysis of the age of financial assets that are past due but not impaired and financial assets that are individually determined to be impaired as at the end of the reporting period was not disclosed by **1 of the SOEs.**

(e) IPSAS 39 - Employee Benefits

1 of the SOEs did not provide a description of the risks to which it was exposed to through the defined benefit plan.

3.0 COMPLIANCES WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE

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

The 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 Code comprises of the following 8 principles aimed at improving and guiding the governance practices of organisations within 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

It is good to note that all the 50 annual reports reviewed, included reporting on the Code. The observations made from the review exercise are as follows:

- 23 PIEs had fully applied the 8 principles of the Code;
- 25 PIEs had provided explanations for not complying with certain sections of the Code, out of which 7 were queried for part compliance (Details provided in Sections A & B below); and

- 2 PIEs had been queried for partly applying the Code (Details provided in Section B below).

3.2 Review of Annual Report of SOEs

It is worth noting that all the 5 SOEs reviewed during this reporting period had included a Corporate Governance Report in their annual report. 4 of the SOEs had fully complied with all the principles whilst 1 had provided explanations for not complying 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 some of the principles of the Code</u>

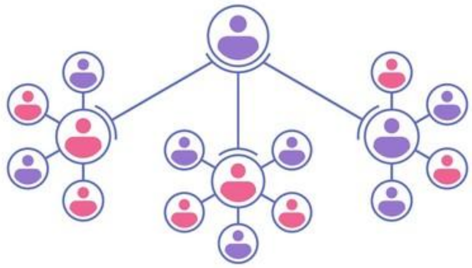
The following explanations were provided in the 26 annual reports reviewed (including 1 SOE), for not applying certain principles of the Code:

- *<u>Principle 1: Governance Structure (2 PIEs)</u>*

Two of the PIEs did not publish certain documents as recommended by the Code, on their websites.

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

- A copy of the Corporate Governance report of the listed holding Company is available on its website.
- Management will ensure that the required disclosures are published in full on the Company's website.



- *Principle 2: The Structure of the Board and its Committees (18 PIEs)*

  The main findings were as follows:

  - The Board of Directors did not consist of any/adequate number of Executive, Independent and female Director.
  - Board's composition was not in line with the requirements of the Code.
  - Details of directorship had been disclosed for public and listed entities only.
  - Audit and Risk and Remuneration/Corporate Governance Committees were not constituted.
  - The majority of the members of the Audit and Risk Committee were not independent.

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

- The Board believes that, with one Executive Director and with the General Manager attending Board meetings, there is no requirement for the time being to recommend to the shareholders the appointment of a second Executive Director on the Board.
- The Board is composed of only 1 Executive Director and the latter is of sufficient calibre to manage the affairs of the Company.
- Taking into consideration the size of the Company and the scope and nature of its operations, the Board is of the opinion that its composition is adequate for the smooth running of the Company and for enabling effective decision making.
- The Board did not include any Independent Director. However, the Non-Executive Directors have the required experience, know-how and skills to ensure proper oversight of the affairs of the Company and to ensure that the best interests of the Company, shareholders, employees and stakeholders are preserved.
- A female Independent Director has been appointed in the subsequent year, and the female directorship has therefore reached 27%.
- The Company will proceed with the appointment of a female Director in the foreseeable future.
- The Board is currently in the process of identifying two women as candidates to serve on the Board also in order to be in line with the recommendation of the

Code regarding gender diversity and the new provision of the Companies Act, which requires public listed companies to have a minimum of 25 per cent of women on their boards.

- The Board is satisfied that its actual composition is balanced and commensurate with the Company's activity, size and status as a wholly-owned subsidiary of a listed Company.
- The Board is of the opinion that the appointment of Non-Executive Directors from other Group entities is sufficient to ensure independence.
- The Board does not believe in the nomination of Management Executives on the Board and prefers its shareholders, as well as a number of Independent persons, to be the Directors of the Company. The Board believes that it is more effective without executives as its members, even if Management Executives are invited to attend Board meetings.
- The Executive Committee of the financial institution meets regularly and operates as a general committee under the direct authority of the Board of the Company. Also, the financial institution has been dispensed by the Bank of Mauritius from establishing a local advisory board.
- While remaining committed to sustaining the highest standards of corporate governance, the Board is of the opinion that this aspect of the principle of the Code is not applicable in the circumstances of the Company, given the existing shareholders' agreement and constitution. However, there are Independent Directors on the Board of the listed holding Company, as explained in the latter's Corporate Governance report.
- The Banking Act 2004 and the Bank of Mauritius Guideline on Corporate Governance allows subsidiaries of foreign banks to have Non-Executive Directors in lieu of Independent Directors.
- The Board is aware of the need to have a strong executive management presence and is of the opinion that the attendance of the Group Chief Executive Officer at the meeting and subcommittees of the Board fulfils the spirit of the Code.
- The Board is considering the appointment of a female Director and the recruitment process is still ongoing as the Company remains committed in finding the suitable candidate.

- All shareholders are represented on the Board by experienced Directors who shows independence of mind when participating in the Board decisions and the shareholders are closely involved in the Company's operations.
- The Board is satisfied with the present composition of the Board despite having only one Independent Non-Executive Director. The Board's independence is not at risk in as much as all Directors do exercise independence of mind in their reasoning and participation at Board meetings. There is no 'group think' amongst Directors and the Board operates in all transparency.
- To be in line with the Code of Corporate Governance which stipulates that the CEO should be an ex-Officio member of the Board, Section 8 of the Act needs to be amended to comply with this part.
- Details of other directorships are available at the Company's registry.
- All matters pertaining to Corporate Governance are regularly reviewed and discussed by the Board.
- The Board is of the view that the composition of the Audit and Risk Committee members is adequate to achieve the main duties of this committee.
- The Company will review the Audit and Risk Committee composition to ensure compliance with the Code.
- The financial institution has been dispensed from constituting a separate Remuneration Committee. The exemption was granted by Bank of Mauritius.
- No Audit and Risk Management and Corporate Governance Committees have been established since the Company’s sole business consists of an investment in a listed Company, which is equipped with fully fledged systems of corporate governance. However, a Nomination & Remuneration Committee has been set up. Corporate Governance and Audit and Risk Management matters, proper to the Company, are taken up at Board level.
- The Board is comfortable with the present mix of categories of Director and deems it of sufficient calibre to assume the responsibilities as set out in the terms of reference of the Audit & Risk Committee.

▪ *Principle 3: Director Appointment Procedures (7 PIEs)*

The main observations were as follows:

- No election of Directors on a regular basis.
- The Board did not establish a formal succession plan.

The explanations provided in that respect were as follows:

  - 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 interests 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.
  - The Corporate Governance Committee is tasked with identifying and nominating suitable candidates to address Board vacancies, should they occur. The Board is actively evaluating the implementation of a succession plan for its members.
  - Since appointment of Directors is subject to shareholders' approval, the Board is considering the aspect of succession planning for both its members and senior management personnels.
  - The Company has not developed a succession plan this is because the Directors are appointed by the shareholders.

▪ *Principle 4: Director Duties, Remuneration and Performance (12 PIEs)*

The issues identified were as follows:

- There were no information, information technology and information security governance policies.
- No (formal) evaluation of the Board and its Committees had been carried out.
- Board Evaluation not carried out by an external and independent facilitator.
- No disclosure of remuneration paid to each individual Director.
- The following were not published on the Company's website:
  - Related party transactions policy;
  - Conflicts of interest policies; and
  - Information, information technology and information security policies.

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

- The Company has delegated its Information Technology functions to the holding Company. Therefore, it adheres to the Information Technology security management system policy of the holding Company.
- The Company's sole shareholder has by way of resolution, and in conformity with Section 221(4) of the Mauritian Companies Act 2001, agreed that there will be no disclosure of the emoluments of each Executive or Non-Executive Director individually.
- Remuneration paid to each individual Director not disclosed due to its commercially sensitive nature.
- A comprehensive Board evaluation exercise, led by the Chairman, is carried out every three years by the Nomination and Remuneration Committee. The Board considers that the current evaluation process satisfies the Company's present requirements.
- Board evaluation exercises are carried out every two years. As such, the next exercise will be held by the end of the subsequent financial year.
- No Board evaluation exercise was carried out for the Company, considering its composition and the existing shareholders' agreement.
- All the Directors are employees of the Bank or the Group who are subject to the Bank's rigorous objectives setting and performance evaluation in their roles as both employees and Directors of the Bank. In reference to the year under review, the Board, through the Company Secretary conducted the self-assessment of the effectiveness of the board and its committees.
- The Company did not undertake a formal Board evaluation exercise for the year under review. This decision was based on the Board's current composition, which is deemed to be well-balanced and equipped with the requisite skills and experience to effectively fulfill its governance and strategic oversight responsibilities. Furthermore, as the entity operates as a wholly owned subsidiary, its governance framework is closely aligned with that of the parent Company, which provides additional oversight and strategic direction. In this context, the Board considered that a formal evaluation exercise would not yield significant additional value and

opted instead to maintain ongoing informal assessments of its performance and effectiveness.

- Due to the sensitive nature of this information, the conflict-of-interest policy was not published on the organisation's website.
- The Information, Information technology and Information security policies are intended for internal use and given the sensitive nature of these policies, same were not published on the organisation's website.
- The related party transactions policy has not yet been published on the website due to the absence of a formal policy. A preliminary draft has been prepared and is currently undergoing review.

▪ *Principles 6: Reporting with Integrity (4 PIEs)*

The findings identified were as follows:

- The Corporate Governance Report did not include a statement that the annual report is published in full on the organisations' website.
- Relevant documents as recommended by the Code were not published on the Company's website.
- The Board has presented a fair, balanced and understandable assessment of the Group's financial, environmental, social and governance position performance and outlook in its annual report but not on its website.

The explanations provided in that respect were as follows:

- The Company's activities are reported in a section of the Group's annual report.
- According to relevant regulation and guideline, the annual report is published in abridged on the organisation' website.
- Management will ensure that the required disclosures are published in full on the Company's website.
- The Company's website is used as a marketing platform and information as prescribed by the generic guidance of the Code is not provided on the Group's website. Shareholders can request to consult governance documents mentioned in this report if made in writing to the Company Secretary.
- The Company is of the opinion that the website is mostly focused towards

commercial and operational information proposed to visitors together with information about the freeport environment.

- *Principles 7: Audit (2 PIEs)*

The main observations relating to Principle 7 were as follows:

- The annual report did not include a statement that the structure, organisation and qualification of the key members of the internal audit function are listed on the Company's website.
- An internal audit function had not been established.

The following explanations have been provided in respect of the above:

- Management will ensure that the structure, organisation and qualification of the key members of the internal audit function are listed on the Company's website.
- Given that the entity is an investment Company and has no operations, the Board feels that there is no need to have an internal audit function. However, the group's internal auditor, can perform reviews on the Company, if required, as part of its scope of responsibilities in line with a centralised and groupwide approach to this key function.

B. <u>Details of non-compliances for PIEs who had partly complied/not complied with the Code</u>

As stated in Section 3.1 above, **9 PIEs** falling in the following categories had been queried for partly complying with the Code:

- **4 PIEs listed on SEM** [2 in leisure & hotels sector and 2 in sugar];
- **2 regulated by BOM**, in the BIF sector;
- **2 entities regulated by FSC** in the BIF sector; and
- **1 PIE falling under Category 4 of the First Schedule of the FRA**, operating in the investment sector.

The non-compliances identified were as follows:

- The Board did not comprise of any/sufficient number of Independent Directors.
- An organisational chart had not been included in the report.

- Majority of the members of the Audit Committee were not independent, and the Committee was not chaired by an Independent Director.
- No evaluation of the effectiveness of the Board was conducted.
- The length of tenure of the current audit firm and when a tender was last conducted had not been provided.
- The fees paid for the provision of non-audit services had not been disclosed.
- No explanation of how the auditor's objectivity and independence were safeguarded if the external auditor had provided non-auditing services.
- The relevant principles as recommended by the Code had not been published on the Company's website.

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

In 2013, FRC 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.

4.1 Auditors' Portfolio and Thematic Reviews

It is worth noting that, except for **1 PIE regulated by BOM**, all the 49 annual reports reviewed included a Statement of Compliance as required by Section 75(3) of the FR Act and guidelines on compliance with the Code of Corporate Governance.

Also, the Statement of Compliance of **3 PIEs regulated by FSC** in the BIF sector and **1 PIE falling under Category 4 of the First Schedule of the FRA** in the investment sector, did not include the explanations for not applying certain principles of the Code.

4.2 Review of SOEs

It is good to note that all the 5 SOEs reviewed, had complied with the Guidelines on Corporate Governance and had enclosed a Statement of Compliance in their annual report.

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 has published Guidelines on Corporate Governance for auditors to assist in their reporting on Corporate Governance and help with 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, 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

The auditors of the 49 PIEs reviewed under the Auditors' Portfolio and thematic reviews categories, had reported 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

Similar to Auditor's Portfolio and thematic reviews, the auditors of the 5 SOEs reviewed, had reported on consistency with the requirements of the Code.

6.0 COMPLIANCE WITH 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 required by the Mauritius Companies Act 2001.

As part of the annual report review of the 49 PIEs under the Auditors' Portfolio and thematic reviews categories, the annual reports were reviewed to ensure compliance with the relevant requirements of the Mauritius Companies Act 2001.

The following were observed from the annual report review exercise:

- The Boards of **3 PIEs listed on SEM** [1 operating in industry sector, 1 in leisure & hotels and 1 in sugar] and **1 PIE falling under Category 4 of the First Schedule of the FRA**, operating in the sugar sector did not have Independent Directors;

- The fees paid for the provision of non-audit services had not been disclosed in the annual report of **1 PIE regulated by FSC**, in the BIF sector;

- The financial statements of **1 PIE listed on SEM**, operating in the property development sector and **1 FSC regulated PIE** in the BIF sector were not signed by the Directors; and

- One Independent Director of **a PIE regulated by FSC**, operating in the BIF sector had cross directorships in other entities within the Group.

7.0 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 49 PIEs reviewed under the Auditors' Portfolio and thematic reviews, 18 PIEs were queried for partially/not fully complying with the requirements of IFRSs, the Code and the MCA. These entities were audited by 11 auditors practising in 6 different audit firms, 3 big firms and 3 middle sized firms.

The following were observed regarding the 18 above mentioned PIEs:

- 14 entities representing 78% of the population queried, were audited by 7 auditors practising in 3 different big audit firms; and
- The remaining 4 PIEs (22%) were audited by 4 auditors practising in 3 different medium firms.

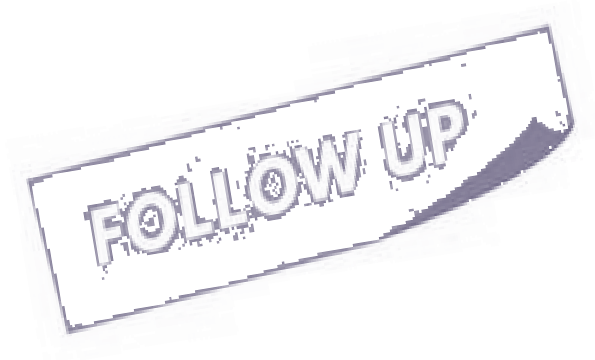
The table below provides further details of PIEs with non-compliances regarding IFRSs, the Code and the MCA, per categories of audit firm:

Categories of Audit Firm	Number of PIEs not/partly complying with IASs / IFRSs	Number of PIEs not/partly complying with the Code	Number of PIEs not/partly complying with MCA
Large Audit Firm (3)	10	6	5
Medium Audit Firm (3)	2	3	1

Following the annual report review exercise, **3 auditors practising in 2 big audit firms** were requested to provide information on the following:

- The comfort obtained to conclude that the entity is going concern despite having negative performance and position indicators and that the auditor's report did not require a modification.
- The nature of the tax advisory services provided by the auditor and the measures put in place to ensure that the provision of the non-audit services did not impinge the auditor's independence.

PART F - FOLLOW UP ISSUES



During the course of the review, FRC considered the issues noted from the PIE's 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 for:

- **2 PIEs listed on SEM** [1 operating in commerce sector and 1 in property development], in the following areas:

  - ➢ Financial Statements duly signed by the Directors; and
  - ➢ The name of the location or jurisdiction where the auditor practices in the auditor's report.

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

  - ➢ Presentation of the Statement of Cash Flow using the Direct method (IPSAS 2);
  - ➢ Revaluation of property, plant and equipment with sufficient regularity (IPSAS 17);
  - ➢ The methods and significant assumptions applied in estimating the assets' fair values and the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders or other equity holders (IPSAS 17); and
  - ➢ Relevant disclosures on expected credit loss model (IPSAS 41).