IN COLLABORATION WITH

“Promoting good corporate governance”

Address by the FSC Chief Executive

Day 2: 19 May 2023

The Westin Turtle Bay Resort & Spa, Balaclava, Mauritius

Dr Carmine DI NOIA, Director for Finance and Enterprise Affairs of the OECD;

Representatives from the OECD

Distinguished Panel Speakers;

Captains of the Industry;

Distinguished Guests;

Ladies and Gentlemen;

All protocols observed;

Warm greetings to all of you.

It is with utmost pleasure and great honour that I welcome you all for this 2nd day of the hybrid workshop on "Promoting good corporate governance". This workshop reflects the endeavour and constant commitment of the Financial Services Commission to promote and deliver training and capacity building on key subject matters and policies through the Regional Centre of Excellence. I would like to put on record, the invaluable collaboration and support from the Organisation for Economic Co-operation and Development ('OECD') for this workshop.

Today's session on "sustainability and corporate governance" is, in my opinion, the pinnacle of this workshop and you have every reason to be here and to listen to the eminent speakers and panellists who will be devoting their time to share their views and expertise on the key areas targeted for this workshop.

Your presence today, whether in person or virtually, and for the second consecutive day, underscores the importance that you place to the contents of this workshop.

Distinguished participants

It would be pretentious on my behalf to dwell into the realms of corporate governance, the more so in the presence of the domain specialists, but allow me to share some milestones in the implementation of corporate governance principles in Mauritius.

Following the Report on the Observance of Standards and Codes (ROSC) for Corporate Governance published by the World Bank in October 2002, it was recommended that a Code of Corporate Governance for Mauritius should be developed. The Code was first published in October 2003 and was held in high regard by both the national and international business communities.

Further to the coming into operation of the Financial Reporting Act in 2005, entities falling into the category of 'public interest entities' have a legal obligation to comply with the Code. 'Public interested entities' includes, among others, entities listed on the Stock Exchange of Mauritius, insurance companies, collective investment schemes, closed-end funds which are reporting issuers, CIS managers, leasing, credit finance providing retail services and custodians but does not include holders of Global Business Licence. The main objective of the Financial Reporting Act was in fact to establish strong and effective apex bodies for overseeing corporate financial reporting, accounting and auditing standards and practices, and corporate governance in Mauritius.

Due to the changing economic situation at both national and international levels, the initial Code was revised in 2016. The new Code has adopted with an 'apply and explain' approach and laid down 8 principles, which would be grouped into three main subjects namely the governance structure, the internal governance mechanisms and the reporting and disclosure. The Code is thus comprised of a set of measures introduced and designed to align the corporate governance practices of Mauritius with international best practices.

Distinguished Guests

At this stage, allow me to give you an oversight on the Financial Services Commission's approach towards corporate governance. By way of a circular letter dated 28 October 2021, the Commission informed its licensees who have an obligation to comply with the Code under the Financial Reporting Act, the Companies Act, the relevant Acts or any other enactment(s), that they should ensure compliance with the Code of their obligations with respect to the current National Code of Corporate Governance.

As the regulator of non-banking financial services and global business, the Commission monitors the application of the Code and adherence to corporate governance principles by its licensees. The Commission's supervisory powers allow it to direct a licensee to comply with any of the principles and practices of corporate governance laid down in the Code as well as allows the imposition of other regulatory sanctions where non-compliance with the Code amounts to a breach of the relevant Acts or licensing conditions.

Even if certain categories of licensees are not required to comply with the Code, I would encourage them to implement the Principles of the Code and set up appropriate corporate governance measures.

The approach adopted in the Code depends significantly on reporting and disclosure of Corporate Governance practices to stakeholders. Relevant licensees are required to disclose compliance with the Code on an 'apply and explain' basis in the manner laid out in the Code. Also, relevant licensees have to inspire themselves from the generic guidance provided in the Code as well as guidance specific to relevant sectors.

In the same vein, all relevant licensees should ensure that their Annual Reports/Audited Financial Statements are accompanied by a Director's Statement of Compliance with the

Code in the form and manner as provided in the Code. The auditors of the relevant licensees are also required to assess any explanation in cases of non-compliance and shall make a report in the form and manner as provided in the Code.

In addition, relevant Acts and legislations such as Insurance Act, Virtual Asset and Initial Token Offerings Services Act, Securities Act, and others, impose an obligation on specific licensees such as Insurance Companies, virtual asset service providers and issuers of initial token offerings, securities exchanges and others to have effective corporate governance arrangements in place or to establish adequate internal controls and adopt strategies, policies, processes and procedures in accordance with principles of sound corporate governance.

I will like to point out that financial services supervision is not a 'tick-the-box exercise' which only focus on the implementation, monitoring, and enforcement of the regulatory framework. It is also essential to assess whether an institution has the right corporate governance structure in place to prevent any risk to consumers/investors as well as the reputation of the jurisdiction.

Ladies and Gentlemen,

Let me conclude by quoting Mervyn King who needs no introduction. I quote: "*If you are practising good governance in working out the long - term strategic direction of a company, you also need to integrate the sustainability issues pertinent to the business of that company."*

These words of wisdom augur a perfect transition to today's main theme of the workshop. I wish you a fruitful session. Thank you all for your kind attention.

Mr Dhanesswurnath Thakoor

19 May 2023