Brief

1. The NCCG is in the process of finalising a **Corporate Governance Scorecard for Mauritius** (the '**Scorecard**') which will be used on a yearly basis as a quantitative tool to measure the corporate governance standards of entities in Mauritius and their level of compliance with the National Code of Corporate Governance for Mauritius (2016) (the '**Code**'). The findings thereof will be captured in a Report which will be published. It is proposed that the exercise be carried out on an annual basis. Participation to this project will be on a voluntary basis. Most information on entities being surveyed will be gathered from publicly available sources such as the annual reports and websites.

2. There is to-date no comprehensive tool for measuring the corporate governance status of entities in Mauritius. Entities are therefore not in a position to comprehensively and objectively self-assess their corporate governance status and benchmark themselves against other entities nor do the investors have an easy-to-understand measure that provides the corporate governance status of a company.

3. The objective of the Scorecard is to improve the overall level of corporate governance practices in Mauritius by, amongst other things:
   - 3.1. providing an objective standardised and systematic tool to analyse and measure compliance with corporate governance practices and the Code across entities in Mauritius;
   - 3.2. enabling entities to self-assess the level and quality of their compliance with the corporate governance practices and the Code and report progress thereon over time;
   - 3.3. enabling regulatory bodies, the NCCG and other stakeholders (including investors and the society at large) to:
     - 3.3.1. objectively assess the level of compliance of entities in Mauritius with the Code and corporate governance practices; and
     - 3.3.2. identify the shortcomings in corporate governance practices in Mauritius and the need, if any, of further reviewing the Code.

4. The following key corporate governance dimensions together with a set of factors making up each dimension have been identified in the Scorecard:

   - **4.1. Board Effectiveness**
     - 4.1.1. Structure
     - 4.1.2. Governance
     - 4.1.3. Remuneration
   - **4.2. Risk Governance and Internal Controls**
     - 4.2.1. Risk and Internal Controls
     - 4.2.2. Internal Audit
     - 4.2.3. External Accountability
   - **4.3. Relations with Shareholders and Stakeholders**
     - 4.3.1. Relationship with Shareholders
     - 4.3.2. Relationship with Stakeholders
     - 4.3.3. Sustainability and Inclusiveness

5. Three levels of disclosure adequacy have been established, namely **Inadequate Disclosure**, **Medium Disclosure** and **Reasonable Disclosure**. A scoring system has then been developed where each question under each sub-category has been allocated a weightage – ranging between 1 and 5 – which is indicative of the relative importance of each question within the sub category. This weightage will then be multiplied by the level of adequacy disclosure corresponding to that question to obtain a corporate governance score. The sum of the corporate governance scores for each question in the subcategory will determine the overall corporate governance score for that sub category. The sum of

markings of the entity under each corporate governance dimension will constitute the final score of the entity.

6. For illustrative purposes, if a sub category consists of 6 questions, the corporate governance score would be as follows:

	Relative Weight of each question on a scale of 1 to 5	Level of adequacy disclosure by the firm (hypothetical figures)			Corporate Governance Score (Relative Weight x Level of Adequacy Disclosure) – hypothetical figures
		Inadequate Disclosure Score = 0	Medium Disclosure Score = 1	Reasonable Disclosure Score = 2	
Q.1	2			2	4
Q.2	1	0			0
Q.3	1		1		1
Q.4	2		1		2
Q.5	4	0			0
Q6.	2			2	4
Overall Corporate governance Total score (out of a maximum score[note] of 24)					11

Note = the maximum score has been arrived at by aggregating for all 6 questions the product of relative weight (ranging between 1 and 5) and reasonable disclosure score (a figure of 2) and indicates the best possible corporate governance score a firm could attain for the above hypothetical sub category.

Working Committee

1. APPADOO Lakshmi
2. LINCOLN Gérald
3. RADHAKEESOON Aruna (Chairman)
4. RAMDIN-CLARK Madhavi
5. TUHOBOL Viswajeet

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
1. BOARD EFFECTIVENESS[2]							
A. Structure (15 questions)							
1.	Does the company clearly identify how the board is composed of in terms of types of directors (executive directors, non-executive directors, independent non-executive directors)?	8	4	The company's website and/or the annual report should be verified to check the composition of the Board. To allocate maximum marks, the assessor needs to verify -If the company has at least 2 independent non-executive directors. - If the majority of the board members are non-executive directors. - If the company provides the criteria used to determine its board composition.	There is no indication on how the board is composed of.	The company indicates how the board is composed of but there is no indication of criteria used to determine the board composition and/or the majority of the directors do not qualify as being independent.	The company has at least 2 independent non-executive directors. The majority of the board members are non-executive directors. The company provides the criteria used to determine its board composition.
2.	Does the company have more than two independent directors on board?	8	4	The company's website and/or the annual report should be verified to check the composition of the Board. To ascertain independence and allocate maximum marks, the assessor needs to verify i. If the director been an employee of the organisation or group within the past three years.	The company has less than two independent directors on board.	The company has two independent directors on board.	The company has more than two independent directors on board.

[1] The trichonomous scoring system is similar to the approach adopted by the Indian Corporate Governance Scorecard.
[2] The indicators have mostly been drawn from the NCCG 2016.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				ii. If the director had within the past three years, a material business relationship with the organisation either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the organisation. iii. If the director received additional remuneration from the organisation apart from a director's fee or as a member of the organisation's pension scheme. iv. If the director is a nominated director representing a substantial shareholder. v. If the director has close family ties with any of the organisation's advisers, directors or senior employees. vi. If the director has cross directorships or significant links with other directors through involvement in other companies or bodies. vii. If the director has served on the Board for more than nine continuous years from			

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				the date of his first election.			
3.	Does the Board have an independent non-executive Chairperson?	4	2	The annual report and/or the company website should be verified to assess if the Chairperson is an independent non-executive director. The additional commitments of the Chairperson needs to be verified to assess the time commitment of the Chair. A maximum score is allocated if the Chairperson meets the criteria of independence and there is evidence in the annual report that the Chairperson can devote sufficient time to the company. To evaluate "sufficient time", the assessor needs to verify the number and type of board appointments that the Chairperson holds. More than three board commitments may give an indication of insufficient time to the company UNLESS the other board commitments of the Chairperson are in	The company does not have a chairman or the Chairperson is a non-executive non-independent director	The Chairperson is an independent non-executive director.	The Chairperson is an independent non-executive director and there is evidence that he/she can commit sufficient time to the company.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				subsidiaries of the company.			
4.	Does the company provide details on sub-committees established by the board?	8	4	The assessor needs to check if the company provides details on its sub-committees in the annual report. To score maximum score, the following should be verified: (i) The company provides details on the number of committees set up by the board, committee composition and details on the roles and responsibilities of each committee. (ii) Each committee has at least three members. (iii) The majority of the committee members are non-executive and independent directors.	The company does not provide any information or provides little information on sub committees.	The company lists its sub committees and provides brief information composition and roles/responsibilities of each committee.	(i) The company provides details on the number of committees set up by the board, committee composition and details on the roles and responsibilities of each committee. (ii) Each committee has at least three members. (iii) The majority of the committee members are non-executive and independent directors.
5.	Has the company appointed a qualified Chief Financial Officer or equivalent?	2	1	The assessor needs to check if the annual report provides evidence on the appointment of a qualified Chief Financial Officer.	No	Yes	-
6.	Has the company appointed a qualified Company Secretary or equivalent?	2	1	To score maximum score, the assessor needs to verify: (i) Whether the company secretary holds a professional qualification.	The company does not have a qualified company secretary.	The company has a qualified company secretary but does not provide a biography on the company secretary	The company has a qualified company secretary and provides a biography on the company secretary.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				(ii) Whether a biography on the company secretary is provided in the corporate governance section of the annual report.			
7.	Is there a clear distinction between the roles of the Chief Executive officer and the Chief financial officer?	2	1	The assessor needs to verify the board charter.	The company does not have a Chief Financial officer.	The company clearly distinguishes between the roles of the Chief Executive officer and that of the Chief Financial Officer.	-
8.	Does the Board and its committees have the appropriate balance of skills, experience, independence and knowledge?	8	4	The company's website and/or the annual report should be verified to check the composition of the Board and that of its committees. To obtain maximum marks i. The board should have members with identifiable skills such as: Financial, Legal, Business administration, Banking skills, Board Matters, Communication skills, Entrepreneurial skills, Governance skills, HR skills, Market Analyst, Strategic Dimension	None of the non-executive directors have more than 5 years' experience[3] in the list of identifiable skills.	Only minority directors have experience in identifiable skills.	The majority of directors have the appropriate balance of skills, experience, independence and knowledge. The committees of the board have a majority of members with relevant skills and experience.

[3] The committee has to decide if more than 5 years is deemed sufficient to measure experience.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				and skills directly relevant to the business. ii. The committees of the board should have a majority of members with relevant skills and experience.			
9.	Does the Board have gender diversity?	8	4	The latest board composition must be checked from the latest annual report. Any new resignations or appointments need to be taken into consideration. A maximum score is allocated of the company has one or more women independent directors.	The Board does not have any female directors.	The Board has only one woman and she holds an executive position.	The Board has more than one woman and one of them holds a non-executive position.
10.	Does the company provide details of all directorships for each director?	4	2	The annual report of the company needs to be verified. A maximum score is allocated if there is evidence that directors can devote sufficient time to the company and that directors do not hold excessive board seats. To evaluate "sufficient time", the assessor needs to verify the number and type of board appointments that the director holds. More than three board commitments may give	No information is provided directors other board commitments.	Information is provided on other board responsibilities of all directors but some directors hold excessive (more than four board seats which are not subsidiaries) board seats.	Information is provided on other board responsibilities of all directors. There is evidence that directors can devote sufficient time to the company.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				an indication of insufficient time to the company UNLESS the other board commitments are in subsidiaries of the company.			
11	Does the company have an induction and orientation programme in place for its new directors?	6	3	The annual report needs to be verified to identify if the company has such a programme in place. A maximum score is obtained if i. There is evidence of a detailed induction programme and evidence of such a programme being undertaken in the previous year. ii. The company has a detailed appointment letter for newly appointed directors.	There is no evidence of an induction and orientation programme in the annual report.	There is evidence of an induction and orientation programme in the annual report. But there is no evidence of such a process being carried out in the previous year.	There is evidence of an induction and orientation programme in the annual report and there is evidence of such a process being carried out in the previous year and the company has a detailed appointment letter for newly appointed directors.
12.	Does the company provide training and development to its directors?	4	2	The annual report needs be verified to check for evidence of training and development programs. A maximum score is allocated if the annual report provides details on training and development and there is evidence that training was undertaken in the previous year.	There is no evidence of training and development for directors.	There is evidence of training and development but a detailed framework is not provided and there is no evidence of training programmes undertaken in the previous year.	A detailed framework is disclosed, along with details on the training programs of the previous year.
13.	Does the company provide details on its	6	3	The annual report should be verified to assess	Nominations and appointment	The nominations and appointment	The nominations and appointment

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
	nomination and appointment processes?			details of nomination and appointment processes. A maximum score is allocated if the nomination and appointment process is clearly spelt out in the annual report together with the selection criteria used and if the nomination and appointment process is a fair one	processes are vague.	processes are provided but the basis of selection is not provided.	processes are clear and the selection criteria are provided.
14.	Does the company have a succession plan for the Board and for senior management?	4	2	The annual report discloses a succession plan for board members and for senior management. A maximum score is obtained if there is evidence that succession planning is discussed at meetings and a plan is designed for both directors and senior management.	There is no evidence of succession planning in the annual report.	There is evidence of succession plan for board members only.	There is evidence of succession plans for both board members and senior management.
15.	Does the company disclose its organisational chart and statement of accountabilities and give job descriptions of its senior governance positions?	4	2	The company's website should be verified. The company scores maximum marks if the company's website includes: i. the organisational chart ii. statement of accountabilities	The company's website provides no information	The company's website includes partial information.	The company's website includes all information.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				iii. Job descriptions of its senior governance positions.			
B. Governance (12 questions)							
16.	Does the company have a board charter?	2	1	The board charter needs to be verified from the company website. The annual report will provide information on charter approval. The company will score maximum marks if it satisfies all below requirements: - The company has a board charter. - The terms of reference for the Board have been specified. - The charter describes how the Board operates. - Details are provided on the responsibilities of directors, CEO, Chair, secretary. - There is evidence that the charter has been approved by the board in the current year. - The charter provides details on how the company ensures that directors are independent. - Details on the steps that the board undertakes annually to evaluate the charter are provided.	No evidence of a board charter from the company's website.	The company has a board charter and the terms of reference for the Board have been specified and the charter also describes how the Board operates. Details are provided on the responsibilities of directors, CEO, Chair, secretary. There is evidence that the charter has been approved by the board in the current year.	The company has a board charter and the terms of reference for the Board have been specified and the charter also describes how the Board operates. Details are provided on the responsibilities of directors, CEO, Chair, secretary. There is evidence that the charter has been approved by the board in the current year. The charter provides details on how the company ensures that directors are independent. Details on the steps that the board undertakes annually to evaluate the charter are provided.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
17.	Does the company have a Code of ethics?	10	5	The following needs to be verified: A. The company's website B. The annual report C. The Code of Ethics Evaluation should be made on A, B and C as follows: A1 The Code of ethics is disseminated on the company's website and there is evidence that the employees are familiar with the Code of ethics and implement it in the day-to-day business. B1 The Code of ethics contains all or most of the below provisions: • A section on conflicts of interest. • A description of how directors and employees should behave when dealing with matters in which he or she has a personal interest. • A statement that the Audit Committee has been given	There is no evidence of a Code of Ethics	Not all requirements from A1, B1, C1, D1, E1, F1 and G1 are met.	All requirements are met (A1, B1, C1, D1, E1, F1 and G1)

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				explicit responsibility for reviewing and approving any conflicts-of-interest and related-party transactions and for working with the auditor on detecting and reporting on related-party transactions. • A statement on proper use of the organisation's property. • A policy on fair dealing with its stakeholders. • A policy on procurement, giving and receiving gifts and facilitation payments. • A statement on compliance with laws and regulations including tax management activities. • A director endorsement statement to live by the Code.			

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				C1 Does the organisation have an Ethics Officer and department? D1 Are ethical surveys annually conducted in the company? E1 Is the Code of ethics periodically reviewed and adjusted? F1 Does the company have a sound complaint process? G1 Does the company report on sanctions of breaches of ethics? A maximum score is assigned if requirements at A1, B1, C1, D1, E1, F1 and G1 are met.			
18.	Does the company have whistleblowing policy?	6	3	The website needs to be verified. Although the Code provides that whistleblowing procedures be described in codes of ethics, companies may have a separate document describing their whistleblowing policy. The document needs to be verified. A maximum score is allocated if anonymity of whistle-blower is provided by a majority of the following:	There is no evidence of any whistleblowing mechanism or policy in place.	The company has a whistleblowing system which does not ensure confidentiality and protection of the whistle-blower	The company ensures confidentiality and protection of the whistle-blower.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				(i) Free-post address to allow whistle-blowers to make written complaints and/or draw attention to improper conduct of business by the organisation or any person associated with it; (ii) Toll-free telephone number whereby whistle-blowers may call to report any concern; (iii) Toll-free fax number whereby whistle-blowers may fax reporting; (iv) Secure email address whereby whistle-blowers can email reporting; (v) Secure a web-based tool for purposes of reporting.			
19.	In the absence of a whistleblowing system, does the company provide details on how grievances are made and recorded?	2	2	The company's website should be verified.	The company does not disclose any detail on how grievances are made and recorded.	The company discloses information on how grievances are made and recorded.	-
20.	i. Does the company have a conflict of interest and related party transactions policy?	2	1	The company's website should be verified to assess if the company has a conflict of interest and related party transactions policy. A maximum score is allocated if (i) the policy or the annual report defines related party transactions	There is no evidence of a conflict of interest and related party transactions policy.	The company has a conflict of interest and related party transactions policy but it is not comprehensive.	The company has a comprehensive related party transactions policy.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
	ii. Are directors are required to inform the company/company secretary of any direct/indirect interest regarding any transaction/proposed transaction with the company?			(ii) the policy provides details on how conflicts of interests and related party transactions are managed (iii) if the annual report or the policy provides that the oversight functions with respect to conflicts of interests have been delegated to the audit committee or a dedicated committee. The assessor needs to scan the company website and the annual report (this information may be available in the company's code of conduct, related party transaction policy or in the charter documents) to determine if information is provided on how directors disclose their interest.	No details provided	-	Documents provide details on how directors disclose their interests.
	iii. Are interested directors allowed to vote when decisions are being taken?				No, or the policy is not disclosed	Yes, but the decision on whether the director must abstain is left to the discretion of the Chairperson or the board	Yes, there is a policy for abstention from the decision-making process (including discussions)
	iv. Does the company report adequately on related party transactions?			The assessor needs to verify the company's code of ethics or related party transaction policy or the charter. A maximum score is allocated if the company stipulate that interested directors are not allowed			

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				to vote and discuss on the issue in concern.			
21.	Does the company have a board evaluation process in place?	6	3	The annual report of the company needs to be verified. A maximum score is allocated if there is evidence that the board evaluation process is effective, i.e. The board evaluation processes are clearly spelt out and the annual report specifies how the process has helped to improve board effectiveness. Has the Board resorted to an external independent evaluator?	There is no evidence of a board evaluation process.	The company makes mention of its evaluation process but there is no evidence on how the process was conducted.	Details of board evaluation processes are clearly spelt out and specifies how the process has helped to improve board effectiveness.
22.	Does the company have an evaluation process for its committees?	2	1	The annual report of the company needs to be verified. A maximum score is allocated if there is evidence that the evaluation process is effective.	There is no evidence of an evaluation process for board committees.	The company makes mention of its evaluation process but there is no evidence on how the process was conducted.	Details of board evaluation processes are clearly spelt out and specifies how the process has helped to improve committee effectiveness.
23.	Does the Board meet sufficiently[4] to exercise due diligence?	2	1	The annual report of the company should be verified to compute the number of board meetings.	The Board held less than four board meetings.	The Board met four times in the past year.	The Board met more than four times in the past year.

[4] The NCCG 2016 provides no guidance on how to assess sufficiency of meetings. Four meetings a year is considered as the norm internationally and has been accounted as such in the Index.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				A maximum score is allocated if more than four board meetings are held.			
24	Do committees meet sufficiently[5] to exercise your duties diligently?	2	1	The annual report of the company should be verified to compute the number of committee meetings. A maximum score is allocated if more than four meetings are held.	The committees held less than four meetings.	-	Committees met four times in the past year.
25.	i. Are board papers dispatched in a timely manner? ii. Qualitative content of Board papers to enable directors to make informed decisions. iii. Do directors have access to senior management for clarifications of Board matters?			The assessor needs to verify the corporate governance section of the annual report.	There is no information on when papers are dispatched.	The annual report clearly stipulates that board papers are dispatched in a timely manner.	-
26.	Does the Chairman encourage all directors to speak freely for optimal Board discussion?						
27.	Does the company have an Information Security and Technology Policy?			The assessor needs to verify the corporate governance section of the annual report. A maximum score is allocated if the company	There is no evidence of an Information and Technology Policy.		There is evidence that the company has an Information and Technology Policy.

[5] The NCCG 2016 provides no guidance on how to assess sufficiency of meetings. Four meetings a year is considered as the norm internationally and has been accounted as such in the Index.

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
				has an Information and Technology Policy.			
C. Remuneration (2 questions)							
28.	Does the company disclose the remuneration of directors and senior executives?	2	1	The annual report of the company needs to be verified. A maximum score is allocated (i) if the remuneration policy explains how remuneration is determined for directors (both executive and non-executive) and senior executives in accordance with specified benchmarks such as skills and experience, performance and with comparable standards in companies in that industry (ii) if the policy clearly distinguishes from executive director remuneration and non-executive director remuneration. (iii) Explanation is provided on the proportions of fixed and variable pay. (iv) And there is a clear indication that remuneration of executive directors are linked to performance.	The remuneration policy provides no evidence on their motive behind the remuneration packages paid to directors.	The remuneration policy explains how remuneration is determined for directors but does not distinguish between remuneration between executive and non-executive directors or does not provide information on proportions of fixed and variable remuneration and it is unclear if reward is linked to performance.	The remuneration policy is comprehensive and meets all requirements at specified at i, ii, ii and iv
29.	Does the company disclose details of	2	1	The annual report needs to be verified.	Remuneration details are not	Only total remuneration of	The company discloses

	Indicator	Maximum Score	Relative weight of each question on a scale of 1 to 5	Assessment Criteria	0 (Inadequate disclosure)	1 (Medium disclosure)	2 (Reasonable disclosure)[1]
	remuneration paid to each director?			A maximum score is allocated if the company discloses remuneration details of each director.	disclosed in the annual report.	directors are provided.	remuneration details of each director.

Category Audit, risk and internal controls, reporting and external accountability (Total Weight 30%)

Sub category: Risk and Internal Controls (6 evaluation questions; Maximum Score = 24 marks; Weightage: 10%)

Risk Governance and Internal Controls

Components of Risk management/governance

The analysis of risk in an organization involves the following steps:

1. **Risk recognition: Identification of the key risks facing the firm, the main aim to for the firm to report with greater integrity and transparency the main risks, both business risks and financial risks that can negatively impact the firm.**
2. **Risk assessment/evaluation: each identified risk must be measured through the assessment of (i) the likelihood that the risk will occur and (ii) the impact of the risk on the organization in the event the risk occurs.**
3. **Risk management policies: Management must decide on its risk appetite/tolerance i.e which risk to (i) avoid (ii) transfer/spread the risk (iii) mitigate the risk using controls/strategies (iv) retain the residual risk. This implies that once risk is measured, management must adopt the appropriate risk management policies and come up with strategic decisions which ensure that resulting risk levels are in line with its pre-defined risk appetite level.**
4. **Risk monitoring and reporting: this will involve (i) monitoring and keeping up-to-date all risk exposures to address emerging risks at an early stage (ii) review of ongoing insurance coverage and claims management (iii) routine board supervision to ensure that policies are applied (iv) revision of risk management policies to address changing risk levels**

Broad Guidance Notes on risk governance and internal controls. The main focus is to evaluate the effectiveness of risk governance and internal controls based on information disclosed in the annual report.

The challenge is to balance risk with acceptable reward. Corporate governance's pervasive goal is to create sustainable business value whilst managing risks. Risk management, not risk minimization, should be the central and overarching theme which ultimately entails management to measure and manage risks – via adoption of risk management policies and the implementation of strategies - so that they remain within an acceptable and tolerable level.

The starting point of the risk management process is concerned with **risk identification** (Tchankova, 2002). Although some threats that could easily harm a business may be obvious, other risks can be hard to identify and for these risks, unless they have occurred before, the organization might be negatively impacted by the occurrence of risks which have not been duly identify as risks. For example, changes in competitors' strategies, disgruntled employees' actions, loss of key staff, natural and unpredictable disasters could prove very damaging if appropriate risk management actions are not taken. This stage is therefore related to determining the possible organizational risks whereby the entity is able to monitor the fields where the resources are subject to risks (Williams et al., 1998).

The broad risk categories for an entity can be classified into business risk, compliance/regulatory risks and financial risk (Verma, 2019, NCCG 2016). Business risk relates to the risks taken by a firm in the process of achieving stakeholder value and profit maximization and includes strategic and operational risk. **Business risk** is driven by the firm's *business model* and will include (i) the revenue sensitivity of the company to macroeconomic factors (ii) the impact of strategic decisions on the firm (iii) the impact of fixed operating costs on the firm (iv) the impact of operational activities and decisions on the firm. **Compliance risk** is the risk that arises when a firm fails to comply with all regulatory requirements. **Financial risk** is the risk that arises when a firm uses debt finance in its capital structure thereby resulting in greater volatility in the returns to the owners/shareholders.

Risk assessment and evaluation is the process of building a framework to understand the overall concept of how risks are analyzed and measured (Aven, 2012). The level of uncertainties involved in business activities are determined under this stage and this process will culminate in the measurement of risk. Mathematically, **risk measurement** of a particular risk is a function of (i) the impact of that risk on the firm and (ii) the probability that the risk will occur. Diagrammatically, this can be portrayed by a risk matrix/map with the X axis representing impact of the risk and the Y axis representing likelihood of the risk occurring.

Risk mitigation is concerned with how well the level of risks is minimized which is a function of (i) **strategies/controls for risk management, including risk management tools** and (ii) the **creation of a culture that places risk at the centre of thinking across the organization** (Tricker, 2015). **Residual risk** is the risk that the organization retains after the implementation of risk mitigation controls. These controls form part of the wider **internal control system** of the firm.

An internal control system has the following objectives: **Efficient conduct of business (operations are free from disruptions), safeguarding of assets (**assets are deployed for their proper purposes, and are not vulnerable to misuse or theft), **preventing and detecting fraud and other unlawful acts, completeneness and reliability of books and records, complying with regulatory requirements (e.g. time preparation of financial statements and other reports).** Internal controls may also be applied to management accounting processes, which are necessary for effective strategic planning, decision taking and monitoring of organisational performance

Evaluation of the effectiveness of risk governance based on information disclosed in the annual report

Maximum score for this subcategory: Sum of(each question x weight of question x max score for each question) = 24 marks

Summary Table for risk components	Weight	Rating of 0	Rating of 1	Rating of 2	Max score
Governance practices regarding Risks					
R1 Description of risks	2			2	4
R2 Measurement of Risks	1			2	2
R3 Management of risks	1			2	2
R4 Risk reporting	2			2	4
R5 Statement of effectiveness of Internal Controls	4			2	8
R6 Statement that Board has monitored	2			2	4
					24

Weighted score for risk component: Score out of 24/Max Score of 24 x 10

Q. No.	PARAMETERS	Relative Weight of each question on a scale of 1 to 5	INADEQUATE DISCLOSURE SCORE: 0	MEDIUM DISCLOSURE SCORE: 1	REASONABLE DISCLOSURE SCORE:2
R1	Does the report describe the significant risks that affect the ability of the institution to generate value over time? (Hillson, 2014)	**2**	**No identification of risk**; poor description of the risks (e.g. no illustration of how the risks affect the firm's ability to create value)	**Identifications of risks *without*** proper classification and proper explanation	-Good disclosure and explanation of risks affecting the business -Either Classification of the risks into physical, social and economic environment Or classification of the types of the risks in terms of business risk, compliance risk and financial risk
R2	Does the report measure each type of risk and does it highlight the most important/troublesome risks?	1	No measurement of risk	-Each risk is measured in terms of its likelihood of occurrence and in terms of its impact on the firm - A risk matrix is provided for visual assessment of the risk but without accompanying explanatory notes	-Each risk is measured in terms of its likelihood of occurrence and in terms of its impact on the firm - A risk matrix is provided for visual assessment of the risk and is accompanied with explanatory notes - the most important risks are clearly identified
R3	Does the report show how each type of risk is managed/addressed?	1	-No explanation of how the firm manages the risks, -No illustration of the approach to the risk management tools	-Identification of each risk supported by -explanation of how the firm manages each risk	There is evidence of a more comprehensive risk management process that highlights: -Inherence risk (risks that exist without presence of controls and risk mitigation strategies) -Risk mitigation strategies/controls -Residual risk (risks that are retained after the implementation of controls) -Statement that the company's residual risks fall within the

					risk tolerance policy set by management -Discussion of other/new strategies to better manage/reduce/contain the risks
R4	Does the report show evidence of risk reporting culture where risk management is given prominent importance? (PWC, 2011)	2	-No evidence of who own risks -No evidence of an Enterprise Risk Management system –No evidence of risk management committee and/or risk management group -No-evidence of the risk appetite the Board is willing to take.	-Evidence of who owns the risk - Some components of a Risk Management structure are present (e.g. existence of risk committee and/or audit committee) -No comprehensive evidence of an ERM system in place	-Statement by the Board of the principal risks it is willing to take in achieving its strategic objectives -Evidence of an ERM system in place -Outline/description of the structures/committees and their responsibilities for risk management (i)Executive committee responsible for the day to day management of risk (ii) Risk committee which reviews and monitors risks through implementation of risk management policies (which emanate from the board) (iii) Audit Committee which reviews risk management procedures and controls to evaluate both design effectiveness and operating effectiveness (iv) Board of Directors which advises on risk management policies and strategies -Discussion of risks that threaten the

					business model of the firm -Discussion of risk management strategies and effectiveness of those strategies/controls (an explanation of how the controls/strategies have contained or reduced the inherent risks
R5	Does the report include a **review/statement** of the effectiveness of the internal control system, any internal control deficiencies and how these deficiencies should be addressed?	4	No report on the annual review of the internal control system	There is a somewhat brief review/overview of the internal control system but no statement on the effectiveness of the internal control system	There is a detailed review of the internal control system covering all the main controls and highlighting any control deficiencies together with measures to address these shortcomings.
R6	Does the report include a **statement** that the Board has monitored and evaluated the main risks i.e. business – strategic, operational-, financial and compliance?	2	No	Yes	

<u>Sub category</u>: Internal Audit (13 evaluation questions; Maximum Score = 36 marks; Weightage: 10%)

Maximum score for this subcategory: Sum of(each question x weight of question x max score for each question) = 36 marks

Summary Table for Internal Audit Components	Weight	Rating of 0	Rating of 1	Rating of 2	Max score
Governance practices regarding Internal Audit					
A1 Existence of internal audit function	2			2	4
A2 Reporting on Scope of Internal audit	1			2	2
A3 Reporting on areas subject to more frequent checks	1			2	2
A4 Reporting on structure of internal audit department	1			2	2
A5 Reporting on qualification of Key Internal audit staff	1			2	2
A6 Reporting on composition of Audit Committee	2			2	4
A7 Reporting on expertise of members on Audit Committee	1			2	2
A8 Disclosing report of Audit Committee	1			2	2
A9 Audit report discloses significant matters: effectiveness of internal controlas, identification of major risks, discussions with external auditors and business process improvements	2			2	4
A10 Reporing on number of audit committee meetings	1			2	2
A11 Reporting on engagement/interaction with external auditor	1			2	2
A12 Reporting on tenure of current audit firm	2			2	4
A13 Reporting on Non Audit Services	2			2	4
					36

Weighted score for internal audit component: Score out of 36/Max Score of 36 x 10

Q. No.	PARAMETERS	Weight of each question on a scale of 1 to 5	INADEQUATE DISCLOSURE SCORE: 0	MEDIUM DISCLOSURE SCORE: 1	REASONABLE DISCLOSURE SCORE:2
A1	Does the firm have an internal audit function?	2	No	Yes	
A2	Does the report describe comprehensively the areas, systems and processes covered by internal audit?	1	No	Brief description of the areas, systems and processes reviewed by internal audit	Detailed description of the areas, systems and processes reviewed by internal audit.
A3	Does the report describe the significant areas/processes that are subject to more frequent checks?	1	No	N/A	Yes
A4	Does the report provide information the structure of the internal audit department	1	No	Yes (for example an organization structure of the internal audit department is given)	N/A
A5	Does the report provide information on the qualifications of key staff in the internal audit department?	1	No	Yes	N/A
A6	Does the firm have an audit committee of at least 3 persons, majority being independent?	2	No	Yes	N/A
A7	Does the report describe the qualifications and expertise of the AC members	1	No	Yes	
A8	Is the report of the Audit committee disclosed?	1	No	Yes	
A9	Does the AC report provide insights into significant areas: control/compliance deficiencies, major	2	No	A few elements are mentioned but without detailed discussion	Most elements are mentioned with a detailed discussion.

	risks, assessment of risk management policies/strategies, suggestions for business process improvements, discussion with external auditor, comments on the review of the internal control system effectiveness made by the Board				
A10	Disclosure of the number of AC meetings	1	No disclosure	4 meetings in the year	More than 4 meetings in the year
A11	Disclosure of whether the AC has met regularly with external auditor	1	No disclosure	Disclosure, with management present	Disclosure, without management present
A12	Disclosure of length of tenure of current audit firm?	2	No	Yes	
A13	Description of all types of non-audit services (NAS) and the corresponding fees for each type of NAS	2	No disclosure	Brief disclosure of NAS, Disclosure of NAS fees only without breakdown	Detailed disclosure of all non-audit services and corresponding NAS fees.

<u>Sub category</u>: External accountability (9 evaluation questions; Maximum Score = 32 marks; Weightage: 10%)

Maximum score for this subcategory: Sum of (each question x weight of question x max score for each question) = 32 marks

Summary Table for External Accountability Components	Weight	Rating of 0	Rating of 1	Rating of 2	Max score
Governance practices regarding External Accountability					
E1 Statement by directors that report is fair and balanced	1			2	2
E3 Statement by directors that the report is true and fair and complies with relevant legislation	1			2	2
E4 Corporate Governance report is included	1			2	2
E5 Statement by directors on the extent of compliance with the Code	1			2	2
E6 External audit report on the extent of compliance of the entity with the Code (full complaince is attributed the highest mark)	1			2	2
E7 Organisational overview (list of 6 items) is disclosed.	2			2	4
E8 Report discloses information about the entity's internal environment (SWOT) and external environment (PESTEL)	2			2	4
E9 Report discloses information (list of 10 itgems) about the entity's business model	4			2	8
E10 Report lays emphasis on the firm's commitment to sustanaible development (list of 5 items/areas)	3			2	6
					32

Weighted score for external accountability component: Score out of 32/Max Score of 32 x 10

Q. No.	PARAMETERS	Weight of each question on a scale of 1 to 5	INADEQUATE DISCLOSURE SCORE: 0	MEDIUM DISCLOSURE SCORE: 1	REASONABLE DISCLOSURE SCORE:2
E1	Does the report include a **statement** to the effect that the Directors consider the annual report as fair and balanced and understandable and provides the required information for shareholders, potential investors and other stakeholders to assess the organiasation's position, performance and outlook?	1	No	Yes	
E3.	Does the report include a **statement** that the financial statements presented are true and fair and comply with IFRS and the Mauritius Companies Act 2001	1	No	Yes	
E4	Does the report include a corporate governance report?	1	No	Yes	
E5.	Does the report include a **statement by the Directors** regarding the extent of compliance (full compliance, partial compliance, nil compliance) with the National Code of Corporate Governance for Mauritius (2016)?	1	No	Yes	
E6	What does the auditor's report state regarding entity's **extent of compliance** with the Code (including an assessment of explanations given for any non-compliance)?	1	No compliance	Partial compliance	Full compliance
E7	Does the report provide an organizational overview which would include a list of 6 items:(i) the firm's ownership structure (ii) its operating structure (iii) its principal activities and markets (iv) key events/changes (v) key metrics/quantitative information? (vi) the firm's strategic objectives	2	Little or no information	Information is provided on 3 items out of the 6	Information provided on more than 3 items
E8	Does the report provide information on the internal and external environment through	2	no information	Partial Information on SWOT and PEST is provided	Comprehensive information on SWOT and

	SWOT and PESTEL analysis? (Hill, 2019)				PESTEL factors are provided/discussed
E9	Does the report provide information regarding the firm's business model i.e how it transforms inputs (6 capitals) into outputs (products and services) through business activities to fulfil the firm's strategic goals and create long term value for investors and stakeholders (outcomes e.g. ROI for providers of financial capital)? A typical business model is made of 10 elements: 1) Customers: customer segments to serve; 2) Value Proposition: the value of products/services offered; 3) Channels: distribution channels and contacts with customers; 4) Customer Relationships: relationships established with customers; 5) Revenue: stream of revenues generated from the selling of products/services; 6) Key Resources: fundamental resources needed for the functioning of the company; 7) Key Activities: core activities for the functioning of the company business model; 8) Key Partnerships: core partners for alliances; 9) Costs: cost structure and costs to be sustained. 10) Key performance indicators, financial and non-financial Osterwalder A., Pigneur Y. (2010) Business Model Generation, Wiley.	4	Little or no information: there is no story line on how the business model will achieve the strategic objectives of the firm	Information on 5 elements: the story line is not very clear	Information on more than 5 elements: the story line is reasonably clear
E10	Does the report highlight the firm's commitment to sustainable development in terms of the following 5 elements: (i) protecting the environment (ii) Keeping customers informed about any health considerations with your products (iii) promoting non-discriminatory policies (iv) promoting social/community goals (v) promoting the health and safety of staff/employees.	3	Little or no information	Information on 3 elements	Information on more than 3 elements

Total score for **Audit, risk and internal controls, reporting and external accountability:**

Weighted score for risk component: Score out of 24/Max Score of 24 x 10

+

Weighted score for internal audit component: Score out of 36/Max Score of 36 x 10

+

Weighted score for external accountability component: Score out of 32/Max Score of 32 x 10

=

Aggregate score (out of a Max of 30)

	Indicator	Maximum Score	Relative weights	Assessment Criteria/Rationale/ Principle	0 (no disclosure)	1 (evidence of partial disclosure)	2 (evidence of full disclosure)[6]
	Relations with shareholders and other key stakeholders						
	Relations with shareholders						
1	Does the annual report disclose the major shareholders of the company?		**1**	The annual report should disclose shareholders holding more than 5% of the capital of the company. (Source: Annual Report)	No information is provided about shareholders owning more than 5% of the capital of the company.	Information is provided about shareholders owning more than 5% of the capital of the company. Number of shares held and shareholding are disclosed.	Information is provided about shareholders owning more than 5% of the capital of the company and even below this threshold.
	Notice of AMS						
2	Is adequate notice given to shareholders to attend the company's AMS?		**1**	Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting (OECD principle II). (Source: Annual Report/Notice of AMS)	Less than 21 days' notice is given before the meeting.		At least 21 days' notice is given before the meeting.
3.	Does each resolution in the most recent AMS deal with only one item, i.e., there is no bundling of several items into the same resolution?		**2**	Shareholders should have the right to participate in key corporate governance decisions, such as the right to nominate, appoint and remove directors in an individual basis and also the right to appoint external auditor (ICGN 8.3.2). (Source: Notice of AMS)	More than one item on the agenda were bundled.	One item on the agenda was bundled	Each resolution appears as a separate item on the agenda.

[6] The trichotomous scoring system is similar to the approach adopted by the Indian Corporate Governance Scorecard.

	Indicator	Maximum Score	Relative weights	Assessment Criteria/Rationale/ Principle	0 (no disclosure)	1 (evidence of partial disclosure)	2 (evidence of full disclosure)[6]
	AMS circulars/notices						
4.	Are the profiles of directors (at least age, academic qualification, date of first appointment, experience, and directorships in other listed companies) in seeking election/re-election included?		**2**	Shareholders should have the right to participate in key corporate governance decisions, such as the right to nominate, appoint and remove directors in an individual basis and also the right to appoint external auditor. (Source: Annual Report/Notice of AMS/website)	No detail of directors seeking election/re-election.	Partial details of directors seeking election/re-election.	Full details of directors seeking election/re-election.
5.	Are the auditors seeking appointment/re-appointment clearly identified?		**2**		No mention of the auditors seeking appointment/re-appointment.		Name of the auditors seeking appointment/re-appointment provided.
6.	Did the previous AMS allow sufficient time for shareholder engagement?		**2**	Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations OECD Principle II (C) (Source: Notice of AMS/Minutes of previous AMS/website)	There is no evidence of time provided for shareholders to ask questions.	The minutes of the AMS or webcast provides evidence of time allowed for shareholders to ask questions.	The minutes of the AMS or webcast provides evidence of queries raised by shareholders

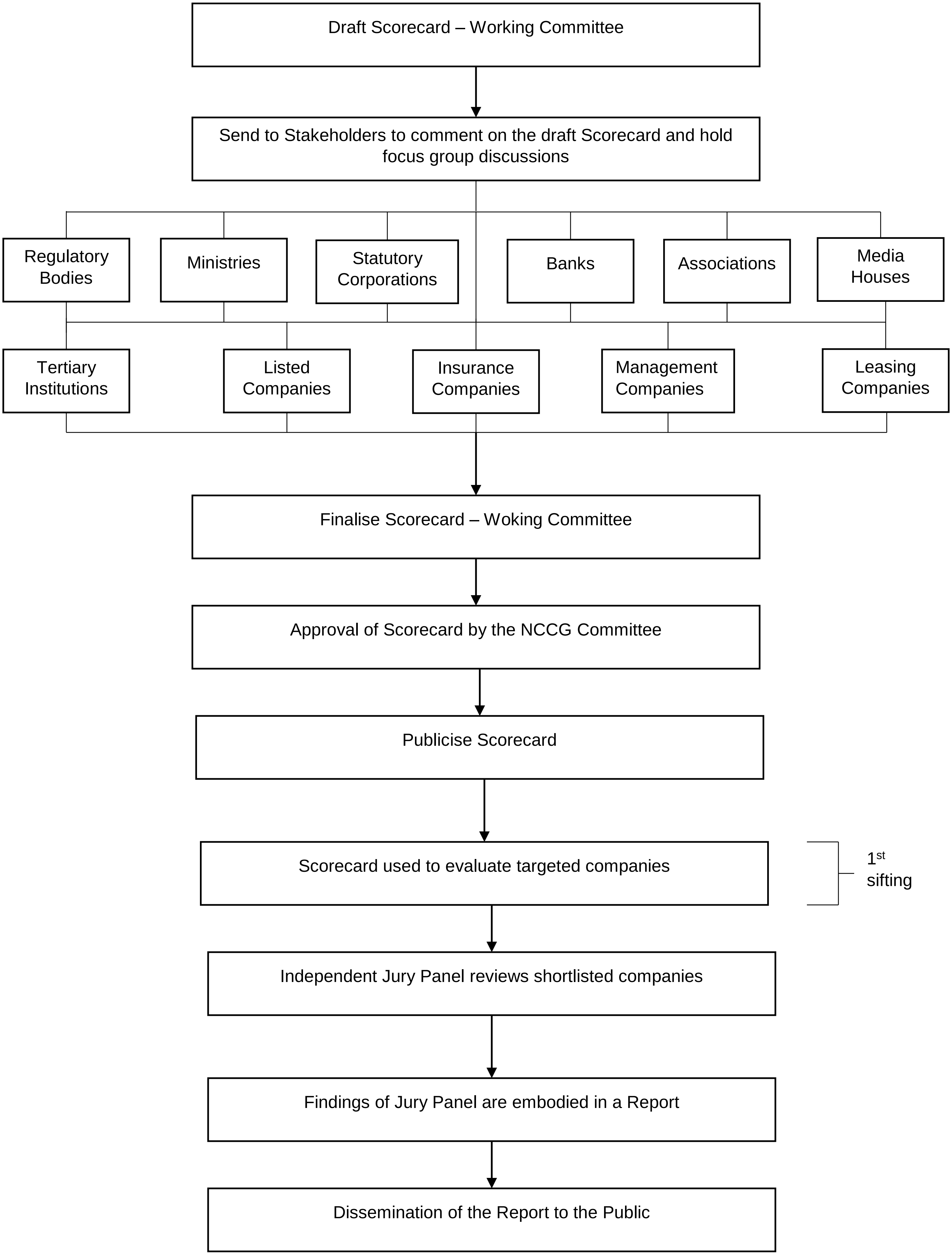
	Indicator	Maximum Score	Relative weights	Assessment Criteria/Rationale/ Principle	0 (no disclosure)	1 (evidence of partial disclosure)	2 (evidence of full disclosure)[6]
7.	Did the company provide proxy for all shareholder meetings		**3**		No such facility was provided for AMSs/shareholder meetings.	Such facility were provided for AMSs only	Such facility were provided for all shareholder meetings.
8.	Does the company publish votes of annual meeting and other shareholder meetings on its website?		**2**		No information about votes of annual meeting and other shareholder meetings is available.		Information about votes of annual meeting and other shareholder meetings is available.
9.	Did the external auditors attend and participate in the previous AMS?		**2**		External auditors did not attend the AMS.	External auditors attended the AMS.	External auditors attended the AMS and provided their views on the accounting practices of the company.
	Relations with stakeholders						
1.	Does the company identify key stakeholders and explain how it engages with them?		**3**		No information is provided as to whether the company has engaged in a dialogue with relevant stakeholders regarding its organisational position/performance/outlook.	It is mentioned that the company has engaged in a dialogue with relevant stakeholders regarding its organisational position/performance/outlook.	Details of the dialogue with relevant stakeholders regarding its organisational position/performance/outlook is provided.
2.	Has the company engaged in a dialogue with relevant stakeholders regarding its organisational position/performance/outlook?		**4**		No information is provided as to whether the company has engaged in a dialogue with relevant stakeholders regarding its organisational position/performance/outlook.	It is mentioned that the company has engaged in a dialogue with relevant stakeholders regarding its organisational position/performance/outlook.	Details of the dialogue with relevant stakeholders regarding its organisational position/performance/outlook is provided.
3.	Does the company contribute more than the mandatory CSR levy?		**2**	Contributing more than the CSR levy shows commitment to stakeholders.	Company does not contribute more than the mandated CSR amount.	Company contributes more than the mandated CSR amount.	Company provides details of extra amount contributed and activities carried out.
4.	Does the company provide training and development to its employees?		**2**	Training and development enables a company to remain competitive and employees to grow.	No information is provided about training and development.	General information is provided on training and development.	Information is provided about type of training provided/number of employees trained/training hours provided.
5.	Is the company's employment policy inclusive, e.g. provide for people with special needs?		**3**	This shows inclusiveness	No information is provided about Employment/support to disabled.	General information provided on Employment/support to disabled.	Information is provided about the number of disabled people employed/amount spent in support to the disabled.

	Indicator	Maximum Score	Relative weights	Assessment Criteria/Rationale/ Principle	0 (no disclosure)	1 (evidence of partial disclosure)	2 (evidence of full disclosure)[6]
6.	Does the company disclose % of employees per category age group (under 30 years old, 30-50 years old, over 50 years old) and gender.		**3**	This shows that the company promotes diversity and equality at work	No information is provided on employees according to gender/age group	Partial information is provided on employees according to gender/age group	Full information is provided on employees according to gender/age group
	Sustainability and Inclusiveness						
1.	Has the company identified key priority areas for sustainable development and inclusiveness?		**3**	This shows that the company is committed to sustainable practices.	No information is provided on key priority areas for sustainable development		Full information is provided about areas prioritized by the organization to contribute towards sustainable development and inclusiveness.
2.	Are the commitments in line with the UN Sustainable Development Goals (SDGs)?		**3**		No mention of SDGs	SDGs mentioned but without further explanation.	Details provided about which SDGs the organization is committed to.
3.	Are there management structures/ sustainability teams in place to support the implementation of the company's sustainability and inclusiveness agenda?		**3**		No information provided on the arrangement put in place to support the company's sustainability and inclusiveness agenda.	The company has a CSR committee/Sustainability committee/CSR team/CSR department	Details provided about how the CSR committee/Sustainability committee/CSR team/CSR department helps to uphold the sustainability/ inclusiveness agenda of the company.
4.	Does the company engage in stakeholder dialogue with regards to sustainability and inclusiveness?		**3**		No information is available about the dialogue with stakeholders regarding sustainability and inclusiveness.	Information provided, only states that it has engaged in a dialogue with stakeholders regarding sustainability and inclusiveness.	Details provided about dialogue held with stakeholders [affected/proxy/expert/internal]
5.	Does the company take into account the adverse effects of its operations on vulnerable communities and their livelihood?		**4**		No information provided about the adverse effects of the company's operations on vulnerable communities	General information provided about the adverse effects of the company's operations on vulnerable communities	Information provided about the adverse effects of the company's operations on vulnerable communities and how it intends to reduce such adverse effects.
6.	Does the company disclose how it prevents or repair the damage done to the		**4**		No information is provided on prevention of		Information provided on actions taken to prevent/repair damage done to the

	Indicator	Maximum Score	Relative weights	Assessment Criteria/Rationale/ Principle	0 (no disclosure)	1 (evidence of partial disclosure)	2 (evidence of full disclosure)[6]
	environment by its operating activities?				damage/repair done to the environment.		environment (e.g. expenditure)
7.	Does the company promote the conservation of natural resources/ recycling activities?		**4**		No information conservation of natural resources/recycling activities.	General information on conservation of natural resources/recycling activities.	Information on conservation practices/recycling activities in quantitative terms (Kg, metric ton, Rs)

Draft Timeline

Early January 2021	Send letter to stakeholders with draft Scorecard
2nd week of February 2021	Engage with stakeholders for their comments
Early March 2021	1. Revise Scorecard in light of comments received 2. Publish Scorecard 3. Invite companies to volunteer for the evaluation exercise
Early April 2021	Begin the evaluation exercise
May 2021	Jury Panels to meet to finalise the scores
June 2021	Publish Report


Draft Scorecard – Working Committee
Send to Stakeholders to comment on the draft Scorecard and hold focus group discussions
Regulatory Bodies
Ministries
Statutory Corporations
Banks
Associations
Media Houses
Tertiary Institutions
Listed Companies
Insurance Companies
Management Companies
Leasing Companies
Finalise Scorecard – Woking Committee
Approval of Scorecard by the NCCG Committee
Publicise Scorecard
Scorecard used to evaluate targeted companies
1st sifting
Independent Jury Panel reviews shortlisted companies
Findings of Jury Panel are embodied in a Report
Dissemination of the Report to the Public