

**THE  
CORPORATE GOVERNANCE  
CODE  
FOR MAURITIUS  
(2016)**

**VOLUME 4:  
Scorecard**

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## **INTRODUCTION**

This volume provides boards with governance frameworks that can be used for self-assessment purposes. Two exemplar scorecards are shown:

1. The first scorecard focuses upon **DISCLOSURE EVIDENCE** mainly through the Annual Report and on the website. It is therefore to be most relevant to public interest entities with transparency and disclosure obligations.
2. The second scorecard focuses upon amore internally focused assessment that might be conducted by a closely held unlisted family business.

It is intended that these exemplar scorecards will be placed upon a website maintained by the National Committee of Corporate Governance and updated on a regular basis.

### **1 ABOUT SCORECARDS**

#### **Definition**

A scorecard is a quantitative tool to measure the level of observance of a corporate governance code.

### **2 THE PURPOSE OF SCORECARDS**

Scorecards are **NOT** used principally to measure regulatory compliance. Rather, scorecards measure the observance of a voluntary code of best practice. They are used to:

- Assess a company's governance practices,
- Show progress over time, and
- Compare different companies and even groups of companies within or across countries.

### **3. THE BENEFITS OF SCORECARDS**

The main beneficiaries of scorecards are companies and their stakeholders (Table 1). Most companies want quantifiable and comparable information on the quality of their governance practices. Scorecards generate important information on the quality of governance practices. They can tell whether companies ignore codes or follow code recommendations. They provide information on the impact of governance codes. They can be used to compare practices between companies and between countries.

Scorecards encourage companies to improve their governance. Companies want to know when and where they fall short so that they can act.

Comparisons to other companies provide an important indicator on how the company stacks up against a peer group and can motivate companies to improve their governance.

Scorecards are particularly useful when a new or revised code of corporate governance is introduced in a country.

Table 1: Scorecard Usage <sup>1</sup>

Potential users of scorecards	Goals of a scorecard
Companies, boards, directors and executives	<ul style="list-style-type: none"> <li>• Conduct self-assessments or facilitated self-assessments and receive support through consultants</li> <li>• Improve governance practices</li> <li>• Improve board function</li> <li>• Improve company reputation in the markets and among shareholders</li> <li>• Help report to regulators and stock exchanges</li> </ul>
Membership organizations such as institutes of directors, chambers of commerce, or business associations	<ul style="list-style-type: none"> <li>• Encourage better governance practices among members</li> <li>• Assess the status of governance practices within a country</li> <li>• Raise public awareness of governance issues</li> <li>• Educate companies and the public on the impact of governance practices</li> </ul>
Self-regulatory organizations such as stock exchanges, as well as regulators and government institutions	<ul style="list-style-type: none"> <li>• Assess and encourage compliance with the Code</li> <li>• Create incentives for better governance</li> <li>• Improve the function of the capital markets</li> <li>• Gather information to guide further governance development and improve the regulatory framework</li> <li>• Develop market indicators/investment indexes</li> <li>• Provide a basis for companies to report on their governance</li> <li>• Enhance the reputation of the country's capital market</li> </ul>
Development finance institutions	<ul style="list-style-type: none"> <li>• Encourage the development of sound capital markets</li> <li>• Raise awareness of the importance of governance</li> </ul>
Banks and other lenders	<ul style="list-style-type: none"> <li>• Supplement bank credit-review and credit-approval processes with assessments of governance</li> <li>• Make better lending decisions through better risk assessment</li> </ul>
Academia	<ul style="list-style-type: none"> <li>• Provide the basis for academic research</li> </ul>

The IFC have recently concluded that:

*“The mere existence of a local corporate governance code did not automatically translate into better practice. Regulators, stock exchanges, and other organizations often put considerable effort into code development, only to face the new challenge of how to make good governance practices a working reality. Their work was often complicated by the limited experience most developing countries and emerging markets have with voluntary tools as a means of changing corporate behaviour. Something was needed to encourage best practice in governance, but without the intrusiveness of legislation. Part of the answer was scorecards, which had been inspired by the experience of private sector investors assessing compliance with national codes. Later, institutes of directors, stock exchanges, and regulators used scorecards to assess and promote governance reform. ....Scorecards have now been used globally for more than 10 years....”* <sup>2</sup>

<sup>1</sup> Adapted IFC (2014)

<sup>2</sup> IFC (2014)

**Example 1: Scorecard for a company**

This scorecard focuses upon DISCLOSURE EVIDENCE through the Annual Report and on the website. It is therefore to be most relevant to public interest entities with transparency and disclosure obligations.

Code Principle	Questions concerning the level of observance of the code principle	Assessment of the observance of the code principle
<p><b>Principle 1: Governance Structure</b></p>	<p><b>Annual report</b> - Does the corporate governance section of the annual report:</p> <ol style="list-style-type: none"> <li>1. Affirm that the organisation is a public interest entity as defined by law?</li> <li>2. Affirm that the organisation has applied all of the Principles contained in the Code?</li> <li>3. State that the board assumes responsibility for leading and controlling the organisation?</li> <li>4. State that the board assumes responsibility for meeting all legal and regulatory requirements?</li> <li>5. State that the board has approved its charter?</li> <li>6. State that the board has approved its organisation’s code of ethics?</li> <li>7. State that the board has approved appropriate job descriptions of the key senior governance positions?</li> <li>8. Include an organisational chart?</li> <li>9. State that the board has approved a statement of accountabilities?</li> </ol> <p><b>The website</b> - Does the organisation’s website:</p> <ol style="list-style-type: none"> <li>10. Include the organisation’s constitution?</li> <li>11. Include the board’s charter?</li> <li>12. Include the organisation’s code of ethics?</li> <li>13. Include appropriate job descriptions of the key senior governance positions?</li> <li>14. Include an organisational chart?</li> <li>15. Include a statement of major accountabilities within the organisation?</li> <li>16. Describe the approval, monitoring and review processes (including frequency) of the charter?</li> <li>17. Describe the approval, monitoring and review processes (including frequency) of the organisation’s code of ethics?</li> <li>18. Describe the approval, monitoring and review processes (including frequency) of the job descriptions of the key senior governance positions?</li> <li>19. Describe the approval, monitoring and review processes (including frequency) of the organisational chart?</li> <li>20. Describe the approval, monitoring and review processes (including frequency) of the statement of major</li> </ol>	<p>Score out of 20 marks</p>

	accountabilities within the organisation?	
<b>Principle 2: The Structure of the Board and Its Committees</b>	<p><b>Does the corporate governance section of the annual report:</b></p> <ol style="list-style-type: none"> <li>1. State that the board structure is unitary (one tier)?</li> <li>2. Define how frequently the board reassesses its charter?</li> <li>3. Identify and describe the status of every director (independent or non-independent, external or internal)?</li> <li>4. Is there evidence that the board is “balanced”?</li> <li>5. Affirm that a sufficient number of directors do not have a relationship with the organisation?</li> <li>6. Affirm that a sufficient number of directors do not have a relationship with the majority shareholder?</li> <li>7. Provide an explanation if a board has less than two independent directors?</li> <li>8. Provide the criteria the board employed to determine its sufficient size and composition?</li> <li>9. Identify the directors who ordinarily reside in Mauritius?</li> <li>10. Identify the gender balance on the board?</li> <li>11. Disclose the attendance record of directors at board meetings?</li> <li>12. Identify by name the chairperson, chief executive, the chairpersons and members of board committees?</li> <li>13. Identify by name the company secretary?</li> <li>14. Provide for every director, the details of each chairperson and external and internal directorship that he or she holds in other organisations? The details should include the name of company and type of directorship held.</li> <li>15. Define the roles and responsibilities of each board committee?</li> <li>16. State the number of members of each committee?</li> <li>17. State the number of independent members?</li> <li>18. State the name of each committee chairperson and the names of the other members?</li> <li>19. State the attendance record of all members at committee meetings?</li> <li>20. Define how frequently the board reassesses the charter of each committee?</li> </ol>	Score out of 10 marks

<p><b>Principle 3: Director's Appointment Procedures</b></p>	<p><b>The Annual Report</b> - Does the corporate governance section of the annual report:</p> <ol style="list-style-type: none"> <li>1. State that the board assumes the responsibilities for succession planning?</li> <li>2. Affirm that a succession plan has been developed?</li> <li>3. State that the board assumes the responsibilities for the appointment of directors to the board?</li> <li>4. State that the board assumes the responsibilities for the induction of new directors to the board?</li> <li>5. Provide short biographies of each director that include experience, skills, expertise and continuing professional development?</li> <li>6. Affirm that all new directors participate in an induction and orientation process?</li> <li>7. State that the board has reviewed the professional development and ongoing education of directors?</li> </ol> <p><b>The website</b> - Does the corporate governance section of the website:</p> <ol style="list-style-type: none"> <li>8. Provide details of the nomination and appointment process?</li> <li>9. Provide short biographies of each director that include experience, skills, expertise and continuing professional development?</li> <li>10. Provide a short biography of the company secretary that includes experience, skills, expertise and continuing professional development?</li> </ol>	<p>Score out of 10 marks</p>	
<p><b>Principle 4: Directors' Duties, Remuneration and Performance</b></p>	<p><b>The Annual Report</b> - Does the corporate governance section of the annual report:</p> <ol style="list-style-type: none"> <li>1. Affirm that the directors are aware of their legal duties?</li> <li>2. Affirm that the board regularly monitors and evaluates compliance with its code of ethics?</li> <li>3. State that the company secretary maintains an interests register?</li> <li>4. State that the interests register is available to shareholders upon written request to the company secretary?</li> <li>5. Affirm that all conflicts-of-interest and related-party transactions have been conducted in accordance with the conflicts-of-interest and related-party transactions policy and code of ethics?</li> <li>6. Affirm that an information policy exists?</li> <li>7. Affirm that an information technology policy exists?</li> <li>8. Affirm that an information security policy exists?</li> </ol>	<p>Score out of 10 marks</p>	<p>Score out of 20 marks</p>

	<ol style="list-style-type: none"> <li>9. Describe how the board oversees information governance?</li> <li>10. Identify any restrictions placed over the right of access to information?</li> <li>11. Discuss how the organisation monitors and evaluates significant expenditures on information technology?</li> <li>12. Note when an evaluation of the effectiveness of the board, its committees and its individual directors was conducted?</li> <li>13. State whether an independent board evaluator was employed and, if so, how the evaluator was appointed and name the person or body responsible for the conduct of the evaluation within the organisation?</li> <li>14. Outline the evaluation methods employed by the independent external evaluator (e.g., questionnaire, survey, interviews, or observation or a combination of methods)?</li> <li>15. Identify significant actions to be taken as a result of the evaluation?</li> </ol> <p><b>The website</b> - Does the corporate governance section of the website:</p> <ol style="list-style-type: none"> <li>16. Disclose the code of ethics?</li> <li>17. Publish the conflicts of interest and related party transactions policy?</li> <li>18. Disclose the information policy?</li> <li>19. Disclose the information technology policy?</li> <li>20. Disclose the information security policy?</li> </ol>		
	<p><b>Does the annual report: -</b></p> <ol style="list-style-type: none"> <li>1. State the remuneration policy?</li> <li>2. State the rationale for any changes?</li> <li>3. Affirm that the board or a specified committee has reviewed the adequacy of directors' and senior executives' remuneration?</li> <li>4. Distinguish between executive and non-executive remuneration?</li> <li>5. Affirm that the board or a specified committee has reviewed the form of that remuneration of directors' and senior executives' remuneration?</li> <li>6. Explain the proportions of fixed and variable remuneration?</li> <li>7. Provide details of any long-term incentive plans?</li> <li>8. Describe any link between executive remuneration and company performance?</li> <li>9. Provide details of the remuneration paid to each individual director?</li> <li>10. Provide assurance that the nonexecutive directors have not received remuneration in</li> </ol>	Score out of 10 marks	

	the form of share options or bonuses associated with organisational performance?	
<b>Principle 5: Risk Governance and Internal Control</b>	<p>Does the annual report:</p> <ol style="list-style-type: none"> <li>1. State that the board is responsible for the governance of risk?</li> <li>2. State that the board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives?</li> <li>3. Outline the structures and processes in place for the identification of risk?</li> <li>4. Outline the structures and processes in place for management of risk?</li> <li>5. Describe the methods by which the directors derive assurance that the risk management processes are in place and are effective?</li> <li>6. Describe each of the principal risks and uncertainties faced by the organisation and the way in which each is managed?</li> <li>7. Identify and discuss the risks that threaten the business model?</li> <li>8. Identify and discuss the risks that threaten future performance?</li> <li>9. Identify and discuss the risks that threaten solvency and liquidity of the organisation?</li> <li>10. Affirm that the board or an appropriate board committee has monitored and evaluated the company's strategic risk?</li> <li>11. Affirm that the board or an appropriate board committee has monitored and evaluated the company's financial risk?</li> <li>12. Affirm that the board or an appropriate board committee has monitored and evaluated the company's operational risk?</li> <li>13. Affirm that the board or an appropriate board committee has monitored and evaluated the company's compliance risk?</li> <li>14. Assure that by direction of the board or an appropriate board committee management has developed and implemented appropriate frameworks and effective processes for the sound management of risk?</li> <li>15. Outline the systems and processes in place for implementing, maintaining and monitoring the internal controls?</li> <li>16. Describe the process by which the board derives assurance that the internal control systems are effective?</li> <li>17. Identify any significant areas not covered by the internal controls?</li> <li>18. Acknowledge any deficiencies in the organisation's system of internal controls?</li> <li>19. Acknowledge any risks in the organisation's system of internal controls?</li> <li>20. Report on whistle-blowing rules and procedures?</li> </ol>	Score out of 10 marks
<b>Principle 6:</b>	<b>The Annual Report</b> - Does the annual report:	Score out of 10 marks

<b>Reporting with Integrity</b>	<ol style="list-style-type: none"> <li>1. Affirm that the board is responsible for the preparation of accounts that fairly present the state of affairs of the organisation?</li> <li>2. State that the accounts adhere to international accounting standards? If there has been any departure, it must be disclosed, explained and quantified. Any material uncertainties should be identified.</li> <li>3. State that the annual report is published in full on the organisation’s website?</li> <li>4. Assess the organisation’s financial, environmental, social and governance position performance and outlook.</li> <li>5. Provide a Governance Report. <b>The website</b> - Does the corporate governance section of the website: <ol style="list-style-type: none"> <li>6. List Annual General Meeting (AGM) question and answers?</li> <li>7. Contain the Annual Report and Accounts?</li> <li>8. Contain the board and committee charters?</li> <li>9. Contain the Code of Ethics?</li> <li>10. Provide details of the board/governance structure?</li> <li>11. Provide details of Dividends (if applicable)?</li> <li>12. Allow Email alerts and RSS feeds?</li> <li>13. Contain financial highlights?</li> <li>14. Provide details of the governance structure?</li> <li>15. Contain investor presentations (if applicable)?</li> <li>16. Publish newsworthy items?</li> <li>17. Provide notice of the Annual General Meeting?</li> <li>18. Provide results of Voting at the Annual General Meeting?</li> <li>19. Provide updated share price (if applicable)?</li> <li>20. Provide webcasts (if applicable)?</li> </ol> </li> </ol>	
<b>Principle 7: Audit</b>	<p><b>Does the annual report:</b></p> <ol style="list-style-type: none"> <li>1. Confirm the existence or otherwise of an internal audit function?</li> <li>2. For companies without such a function, does the board provide reasons and an indication of the frequency with which the company assesses the need to establish an internal audit function and the date of the last such review?</li> <li>3. State that internal audit reports regularly to the audit committee?</li> <li>4. Describe the areas, systems and processes covered by internal audit (including any nonfinancial matters)?</li> <li>5. Identify any significant areas not covered (including joint ventures, subsidiaries and associates)?</li> <li>6. Describe how the internal audit function maintains its independence and objectivity?</li> </ol>	Score out of 10 marks

	<ol style="list-style-type: none"> <li>7. Identify any restrictions placed over the right of access by internal audit to the records of the organisation?</li> <li>8. Identify any restrictions placed over the right of access by internal audit to the management of the organisation?</li> <li>9. Identify any restrictions placed over the right of access by internal audit to the employees of the organisation?</li> <li>10. State that the structure, organisation and qualifications of the key members of the internal audit function are listed on the organisation's website?</li> <li>11. Describe the financial literacy or expertise of the members of the audit committee, if applicable?</li> <li>12. Identify the significant issues that the audit committee considered in relation to the financial statements?</li> <li>13. Describe how significant issues that the audit committee considered in relation to the financial statements were addressed?</li> <li>14. Outline the approach taken to appoint or reappoint the external auditor?</li> <li>15. Affirm that the audit committee has discussed accounting principles with the external auditor?</li> <li>16. Disclose whether the audit committee has met regularly with the external auditor without management present?</li> <li>17. Describe the assessment of the effectiveness of the external audit process?</li> <li>18. Provide information on the length of tenure of the current audit firm and when a tender was last conducted?</li> <li>19. Provide information on non-audit services and the amount paid for each non-audit service?</li> <li>20. Explain how the auditor's objectivity and independence are safeguarded if the external auditor provides non-auditing services?</li> </ol>	
<p><b>Principle 8: Relations with Shareholders and Other Key Stakeholders</b></p>	<p><b>Annual Report</b> - Does the annual report:</p> <ol style="list-style-type: none"> <li>1. Identify those shareholders that hold a significant percentage of total shares in the organisation?</li> <li>2. Identify the organisation's key stakeholders?</li> <li>3. Explain how the organisation has responded to the reasonable expectations and interests of its key stakeholders.</li> <li>4. Affirm that relevant stakeholders have been involved in a dialogue on its organisational position?</li> <li>5. Affirm that relevant stakeholders have been involved in a dialogue on its organisational performance and outlook?</li> <li>6. Affirm that the organisation will hold an annual general meeting?</li> </ol>	<p>Score out of 10 marks</p>

	<p><b>General Meetings</b> - Does the board:</p> <p>7. Provide sufficient notice of the annual meeting and other shareholder meetings?</p> <p>8. Is shareholder attendance at the annual meeting and their opportunity to provide questions encouraged?</p> <p>9. Provide appropriate papers for the annual meeting and other shareholder meetings?</p> <p>10. Publish votes at the annual meeting and other shareholder meetings on its website?</p>	
<b>Total score</b>		Score out of a maximum of 100 marks

**Example 2: Scorecard for a family business**

Code Principle	Questions concerning the level of observance of the code principle	Assessment of the observance of the code principle
<p><b>Principle 1: The Governance structure</b></p>	<ul style="list-style-type: none"> <li>• Does the company’s charter (or similar document or documents) and founding documents provide for appropriate corporate governance structures and processes (which reflect the realities in the company, rather than being based solely on statutory forms, etc.)?</li> <li>• Has the company a written board charter?</li> <li>• Has the company a written code of ethics?</li> <li>• Has the company appointed a company secretary that monitors the application of corporate governance code principles?</li> <li>• Has the family formalized its family governance framework with proper board and management structures?</li> <li>• Have the members of the family owning the family business taken time to consider the strengths, weaknesses, and challenges of the family business and how family governance can be of benefit?</li> <li>• Has the family adopted a family constitution addressing: family meetings, family assembly, family council, and other institutions (such as education committee, share redemption committee, career planning/- succession committee)?</li> </ul>	
<p><b>Principle 2: The Structure of the Board and Its Committees</b></p>	<ul style="list-style-type: none"> <li>• Are there an appropriate proportion of non-executive/independent directors?</li> <li>• Are there an appropriate proportion of family/non family directors?</li> <li>• Has an acceptable definition of independent director been adopted by the company?</li> <li>• Is the board “balanced” in terms of skills, experience, independence and knowledge?</li> <li>• How diverse is the board?</li> <li>• Are there an appropriate number of committees?</li> <li>• Has the company appointed a company secretary and/or corporate governance officer/board committee that monitors the application of corporate governance code principles?</li> <li>• Do the board and its committees meet regularly?</li> <li>• Do the board and its committees make decisions on an informed basis?</li> <li>• Are meeting agendas and adequate supporting materials communicated to directors sufficiently in advance to enable them to make informed decisions?</li> <li>• Has an annual calendar of meetings been scheduled?</li> </ul>	

	<ul style="list-style-type: none"> <li>Does the board provide strategic direction and oversight of management?</li> </ul>	
<b>Principle 3: Director's Appointment Procedures</b>	<ul style="list-style-type: none"> <li>Are inductions provided to new directors?</li> <li>Is ongoing training and development available to board and family members as needed?</li> <li>Is there a succession plan in place?</li> </ul>	
<b>Principle 4: Directors' Duties, Remuneration and Performance</b>	<ul style="list-style-type: none"> <li>Are the directors aware of their legal duties and obligations?</li> <li>Does the company secretary maintain an interests register?</li> <li>Does the company have a related-party transactions policy?</li> <li>Are all conflicts-of-interest and related-party transactions been conducted in accordance with the conflicts-of-interest and related-party transactions policy and the code of ethics?</li> <li>Does an information policy exists?</li> <li>How does the organisation monitor and evaluate significant expenditures on information technology?</li> <li>How is the effectiveness of the board evaluated?</li> <li>What significant actions to be taken as a result of the evaluation?</li> <li>Does the company have a remuneration policy for executive, non-executive and family directors in line with best practices?</li> </ul>	
<b>Principle 5: Risk Governance and Internal Control</b>	<ul style="list-style-type: none"> <li>Does the company have a formalized risk management process, based on established objectives that are based on an established risk register?</li> <li>Does the board methodically analyse relevant risks to achieve objectives?</li> <li>Does the board regularly review the company's risk register?</li> <li>Does the company's annual report disclose principal risks (identity of controlling shareholders, degree of ownership concentration, cross-holdings among company affiliates, imbalances between voting power and overall equity position in the company) to minority shareholders?</li> <li>Does the company have formal procedures in place that provide reasonable assurance that operations are efficient and effective, that financial reports and information are reliable, and that the company complies with applicable laws and regulations?</li> </ul>	
<b>Principle 6: Reporting with Integrity</b>	<ul style="list-style-type: none"> <li>Does the board pay sufficient attention to disclosures to all of its shareholders?</li> <li>Is there full and timely disclosure to shareholders of all material transactions?</li> <li>Do the accounts comply with international financial reporting standards and international accounting standards?</li> </ul>	
<b>Principle 7: Audit</b>	<ul style="list-style-type: none"> <li>Who oversees the company's control system?</li> <li>Does the company have an independent external auditor with appropriate standing?</li> </ul>	

<b>Principle 8: Relations with Shareholders and Other Key Stakeholders<sup>3</sup></b>	<ul style="list-style-type: none"> <li>• Are general meetings of shareholders convened and conducted in a manner to allow for meaningful participation of all interested shareholders?</li> <li>• Does the general meeting enable participation of all shareholders?</li> <li>• Are the notice, agenda, and supporting materials distributed sufficiently in advance?</li> </ul>	
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#### 4 GRADING SUGGESTIONS

Grade	Description
0	If the company has absolutely no practices referred to in the groups of questions in any given line (1.1, 1.2, etc.), a 0(zero) score would be appropriate.
1–4:	If the company has minimum practices, a 1 to 4 score would be appropriate.
5–8:	If the company not only has formally established functions or adopted documents, but the realities also indicate a deeper understanding of the concepts behind them, a 5 to 8 score would be appropriate.
9–10:	Scores 9 and 10 should be reserved for outstanding performance—that which could be considered as best practice to be recommended to peer entities.

<sup>3</sup> If the company realities do not require the organization of a general the provisions of this section should be graded accordingly.