



# Corporate governance report





## Compliance with the National Code of Corporate Governance for Mauritius (2016)

To the best of the Board's knowledge, the Bank has adhered, during the year under review, to the requirements and provisions as specified in the National Code of Corporate Governance for Mauritius (2016) (the 'Code') and has explained how these have been applied. In 2021, the organisation interacted with members of the National Committee on Corporate Governance in the finalisation of the corporate governance scorecard, a self-assessment tool aimed at reinforcing the application of the principles as set out in the Code.

Disclosures pertaining to the eight principles of the Code have been made in different sections of the Annual Report, as outlined below:

Principles of the Code	Relevant sections of the Annual Report
<b>Principle 1:</b> Governance Structure	<ul style="list-style-type: none"> <li>• Our corporate profile<sup>1</sup></li> <li>• Corporate governance report</li> </ul>
<b>Principle 2:</b> The Structure of the Board and its Committees	<ul style="list-style-type: none"> <li>• Corporate governance report</li> </ul>
<b>Principle 3:</b> Director Appointment Procedures	<ul style="list-style-type: none"> <li>• Corporate governance report</li> </ul>
<b>Principle 4:</b> Director Duties, Remuneration and Performance	<ul style="list-style-type: none"> <li>• Corporate governance report</li> </ul>
<b>Principle 5:</b> Risk Governance and Internal Control	<ul style="list-style-type: none"> <li>• Corporate governance report</li> <li>• Risk and capital management report<sup>2</sup></li> </ul>
<b>Principle 6:</b> Reporting with Integrity	<ul style="list-style-type: none"> <li>• Corporate governance report</li> <li>• Delivering on our strategic objectives<sup>3</sup></li> <li>• Financial performance<sup>4</sup></li> <li>• Sustainability Report<sup>5</sup></li> </ul>
<b>Principle 7:</b> Audit	<ul style="list-style-type: none"> <li>• Corporate governance report</li> <li>• Risk and capital management report<sup>2</sup></li> </ul>
<b>Principle 8:</b> Relations with Shareholders and Other Key Stakeholders	<ul style="list-style-type: none"> <li>• Corporate governance report</li> <li>• Delivering on our strategic objectives<sup>3</sup></li> <li>• Sustainability Report<sup>5</sup></li> </ul>

### Notes:

<sup>1</sup> 'Our corporate profile' can be found on pages 23 to 33

<sup>2</sup> 'Risk and capital management report' can be found on pages 129 to 171

<sup>3</sup> 'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 35 to 73

<sup>4</sup> 'Financial performance' provides an assessment of the Bank's results and can be found on pages 75 to 84

<sup>5</sup> 'Sustainability Report' provides an overview of our corporate sustainability agenda and our engagement with various stakeholders and is available on our website

# Corporate governance report

## Our philosophy

The Board of MCB Ltd is committed to applying high standards of corporate governance with a view to upholding the organisation’s long-term business sustainability and creating value for all its stakeholders, whilst acting for the good of society. The Board provides purpose-driven and ethical leadership by setting the tone from the top in the way it conducts itself and oversees the operation and management of the Bank. It ensures that good governance principles are adopted throughout the organisation, with the aim to uphold ethical and responsible behaviour by all employees in their dealing with stakeholders. Principles of accountability, strong risk management, transparency, and integrity are thus inherent to the Bank’s value, culture, processes and operating structures. Given the highly challenging operating environment and the dynamic market landscape, including the prominence of ESG issues, the Board continuously monitors developments therein, with a view to refining the Bank’s governance framework to ensure relevance and sustainability of the organisation’s business model. The Bank’s sound governance standards and practices are anchored on key pillars as highlighted hereunder:



### Strong commitment to ethics and values

- Adherence to the Mauritius Bankers Association’s Code of Ethics and Banking Practice (2016)
- Application of the Group’s ‘Code of Ethics’, approved and monitored by the Board
- Whistleblowing Policy allowing employees to report matters of concern in strict confidentiality
- Establishment of a Gender Equality Charter



### Strict compliance to rules and regulations

- Compliance with the National Code of Corporate Governance for Mauritius (2016)
- Adherence to Bank of Mauritius Guidelines
- Compliance with international reporting requirements as applicable
- Adoption of the underlying Basel principles



### Approved risk governance and internal control

- Board responsible for oversight and monitoring of risk profile against risk appetite
- Strong and transparent governance framework, underpinned by the ‘three lines of defence’ model
- Dedicated functions in place to ensure risks are properly identified, measured and monitored
- Provision of independent assurance by both internal and external auditors



### Continuous multi-stakeholder engagement

- Ongoing dialogue with the investment community, regulatory bodies and authorities
- Contribution to economic development and resilience by providing adapted financial solutions and support to our customers
- Safeguard of cultural and environmental heritage
- Promotion of community well-being and fostering of staff development and welfare

# Corporate governance report

## Governance structure

### Governance framework

MCB Ltd is led by a committed and unitary Board, which has a collective responsibility for the leadership, oversight and long-term success of the organisation. The Bank operates within a clearly defined governance framework, which enables delegation of authority and clear lines of responsibility, while allowing the Board to retain effective control. The Board is supported by five committees, each mandated to provide counsel, recommendations and specific expert guidance on matters affecting the Bank's activities. Acting on the direction set by the Board, the Leadership Team is entrusted with the operational management of the business, with their performance and effectiveness closely monitored against set objectives and policies. The fundamental relationships among the Board, Board committees and Leadership Team as well as their main roles are illustrated in the following diagram.

#### Role of the Board

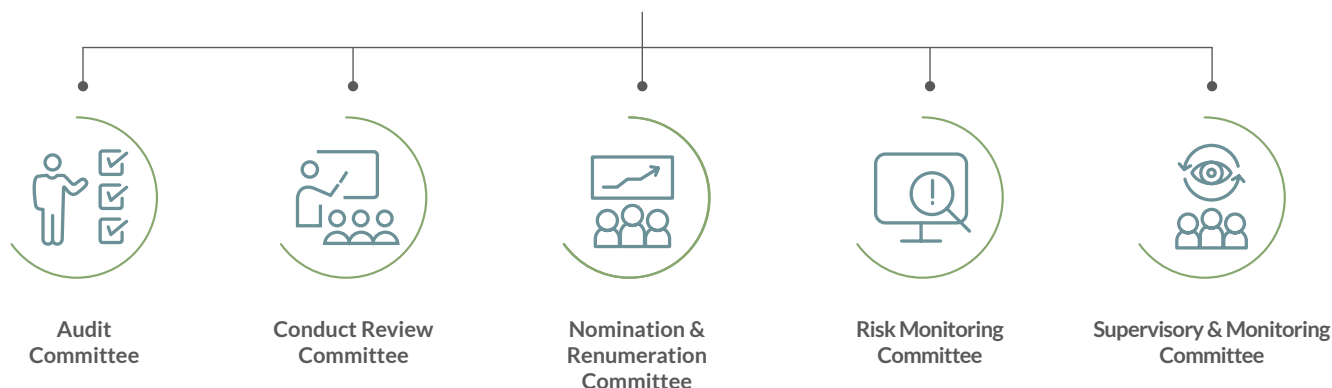
The Board provides effective leadership in the formulation and delivery of the Bank's strategy within a framework of robust risk management and sound internal controls, alongside ensuring adherence by the Company to relevant legislations, policies and norms, including sustainability principles.



Board of Directors

#### Role of Board Committees

Board Committees facilitate the discharge of the Board's responsibilities and provide in-depth focus on specific areas. In fulfilling their role of providing oversight and guidance, Chairpersons of Board Committees escalate all significant matters impacting the Bank to the Board.



Leadership Team

#### Role of Leadership Team

The Leadership Team is responsible for strategy execution and the day-to-day running of the business, with well-defined accountabilities as endorsed by the Board. They regularly report to the Board on the operational and financial performance of the Bank.



More information on Board and Committee Charters is available on the website

The roles and responsibilities of the Chairperson, executive and non-executive directors as well as the Company Secretary are clearly defined in the Board Charter and Position Statements, which have been approved and are regularly reviewed by the Board. The role of the Chairperson is distinct and separate from that of the Chief Executive Officer. There is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive Officer managing the Bank's business on a day-to-day basis. The Board ensures that the external obligations of the non-executive directors do not hinder the discharge of their duties and responsibilities. In this respect, it is worth noting that the external commitments of the Chairperson did not change during the financial year under review.

# Corporate governance report

## Key roles and responsibilities

Chairperson	Chief Executive Officer	Directors
<ul style="list-style-type: none"> <li>• Provides overall leadership to the Board</li> <li>• Ensures that the Board is effective in its duties of setting out and overseeing the implementation of the Bank's strategy</li> <li>• Ensures that committees are properly structured with appropriate terms of reference</li> <li>• Presides and conducts meetings effectively</li> <li>• Advises and provides support and supervision to the Chief Executive Officer</li> <li>• Ensures that directors receive accurate, timely and clear information</li> <li>• Ensures that development needs of the directors are identified and that appropriate training is provided with a view to continuously updating their skills and knowledge</li> <li>• Oversees the succession planning process at Board and senior executive level</li> <li>• Maintains sound relations with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Manages the day-to-day operations</li> <li>• Develops and executes the plans and strategy of the business, in line with the policies set by the Board</li> <li>• Consults regularly the Chairperson and Board on matters which may have a material impact on the Bank</li> <li>• Acts as a liaison between the Leadership Team and the Board</li> <li>• Provides leadership and direction to Business Executives</li> <li>• Builds, protects and enhances the Bank's brand value</li> <li>• Ensures that the Bank's corporate culture and values are embraced throughout the organisation</li> <li>• Ensures the Bank has implemented the necessary frameworks and structures to identify, assess and mitigate risks</li> <li>• Ensures the maintenance of a sound internal control system</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to the development of the Bank's strategy</li> <li>• Analyse and monitor the performance of the Leadership Team against the set objectives</li> <li>• Ensure that the Bank has adequate and proper internal controls as well as a robust system of risk management</li> <li>• Ensure that financial information released to markets and shareholder is accurate</li> <li>• Participate actively in Board decision-making and constructively challenge, if necessary, proposals presented by Management</li> <li>• Provide specialist knowledge and experience to the Board</li> <li>• Remain permanently bound by fiduciary duties which include duties of loyalty, care and disclosure</li> </ul>
Company Secretary		
<ul style="list-style-type: none"> <li>• Ensures compliance with all relevant statutory and regulatory requirements</li> <li>• Develops and circulates the agenda for Board meetings</li> <li>• Ensures good information flows and provides practical support to directors</li> <li>• Facilitates induction of directors and provides guidance to them in terms of their roles and responsibilities</li> <li>• Assists the Chairperson in governance processes such as Board and Committee evaluation</li> <li>• Ensures effective communication with the shareholder and guarantees that shareholder's interests are duly taken care of</li> </ul>		


 More information on the above key roles is available on the website

# Corporate governance report

## Constitution of The Mauritius Commercial Bank Limited

The salient features of the Bank's Constitution are highlighted below:

- the Board may, subject to the Companies Act 2001 of Mauritius ("Act") and its Constitution and the terms of issue of any existing shares, issue shares of any Class at any time, to any person and in such numbers as the Board may approve. The Board shall not issue further shares unless such issue has been approved by ordinary resolution;
- the Company may purchase or otherwise acquire its own shares in accordance with, and subject to, sections 68 to 74, and 108 to 110 of the Act and may hold the acquired shares in accordance with section 72 of the Act;
- the Board may authorise a distribution by the Company, if it is satisfied on reasonable grounds that the Company will satisfy the Solvency Test immediately after the distribution;
- the quorum for a meeting of the Board is a majority of the directors;
- a director who has declared his interest in a transaction or proposed transaction with the Company, shall not be counted in a quorum present at the meeting;
- subject to the Banking Act, the directors shall have the power at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors but so that the total number of directors shall not at any time exceed the number fixed in accordance with the Constitution. The directors appointed shall hold office only until the next following Annual Meeting of Shareholders and shall then be eligible for re-election;
- the Constitution of MCB Investment Holding Limited (MCBIH) provides for Reserved Matters. These provide that the representatives of the shareholder shall not vote on a shareholder's resolution of The Mauritius Commercial Bank Ltd which would trigger shareholder's rights under sections 105, 108 or 114 of the Act without prior consent of the shareholders of MCB Group Limited. Such shareholders' resolutions include:
  - o adoption of a Constitution or the alteration or revocation of the Constitution;
  - o reduction of the stated capital of the Company under section 62 of the Act;
  - o approval of a major transaction;
  - o approval of an amalgamation of the Company under section 246 of the Act;
  - o putting the Company into liquidation; and
  - o variation of rights attached to a class of shares.
- at each Annual Meeting, one-third of the directors for the time being, or if their number is not a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office and shall be eligible for re-election. The directors to retire every year shall be those who have been longest in the office since their last election.

 *More information on the Constitution is available on the website*

# Corporate governance report

## The Board

### Mandate of the Board

The Board defines the Bank’s purpose, strategy and values and determines all matters relating to the directions, policies, practices, management and operations of the Bank. The Board thereafter ensures that the Bank is managed in accordance with its directions and delegations.

### Key facts (FY 2021/22)



### Responsibilities

The methods through which the Board exercises its powers and discharges its responsibilities are set out in the Board Charter of MCB Ltd, which provides, *inter alia*, for the following:

- the composition of the Board, which shall comprise executive, non-executive and independent directors in compliance with applicable rules and regulations;
- the Chairperson of the Board who shall be an independent or non-executive director;
- the setting-up of Board committees;
- the approval of strategic objectives, policies and corporate values as well as their communication throughout the organisation;
- the monitoring of the Leadership Team in respect of the implementation of Board plans and strategies, and compliance with set policies;
- the existence of clear lines of responsibility and accountability throughout the organisation and compliance with all relevant laws, regulations and codes of business practice;
- a formal and transparent directors’ remuneration policy;
- the adherence to the Group’s ‘Code of Ethics’;
- the review of procedures and practices to ensure soundness and effectiveness of the internal control systems;
- the establishment of a robust Enterprise Risk Management system, with a view to ensuring that key risks across the Bank are effectively addressed and that risk discussions are elevated to the strategic level;
- the setting of principal guidelines and policies in respect of risk management and conduct of business for the Company; and
- the provision of timely and accurate information to relevant stakeholders.

Approval of the Board is specifically required for, amongst other important matters, modifying the Company’s Constitution, issuing fresh capital or buying back its own shares, declaring dividends, acquiring or divesting sizeable stakes in subsidiaries or associates, making appointments of senior officers, and establishing the remuneration of executive and non-executive directors and the Chief Executive Officer.

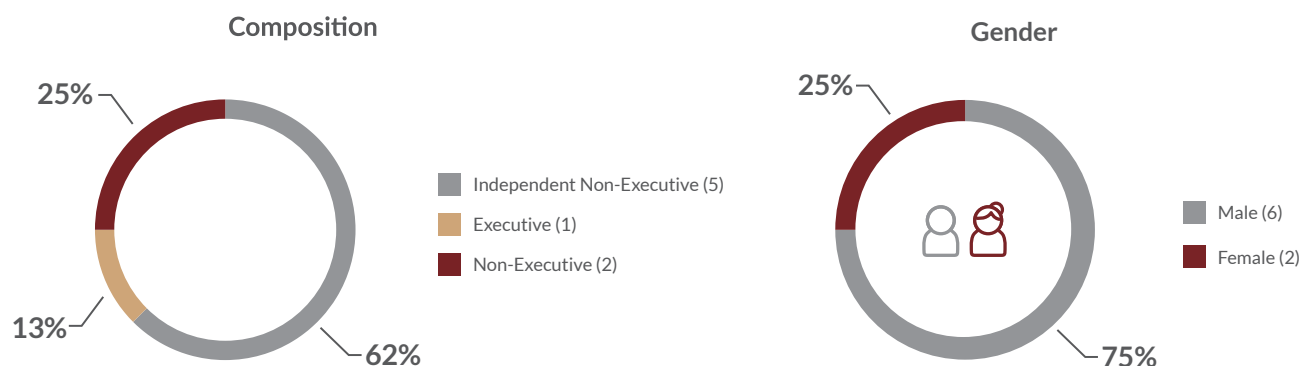


## Composition and meetings

### Composition

As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors including the Chief Executive Officer. The Chairperson of the Board shall be an independent or a non-executive director. In case the Chairperson is an independent director, the Board shall comprise at least 40% of independent directors in line with Bank of Mauritius (BoM) Guidelines. Otherwise, independent directors should make up for at least 50% of the Board. The Board, assisted by the Nomination and Remuneration Committee, regularly reviews the Board size and composition, including the independence status of the non-executive directors. At the last Annual meeting, Mr Jean-François Desvaux de Marigny and Mrs Su Lin Ong were re-elected as Directors in line with the Bank's Constitution, whilst Mrs Johanne Joseph was appointed as a new Board member in January 2022.

As at 30 June 2022, the Board consisted of 8 members, with a diverse mix of skills, knowledge and experience. The average age of Board members stood at around 60 years. The Board composition for the year under review is shown hereafter.



### Length of tenure



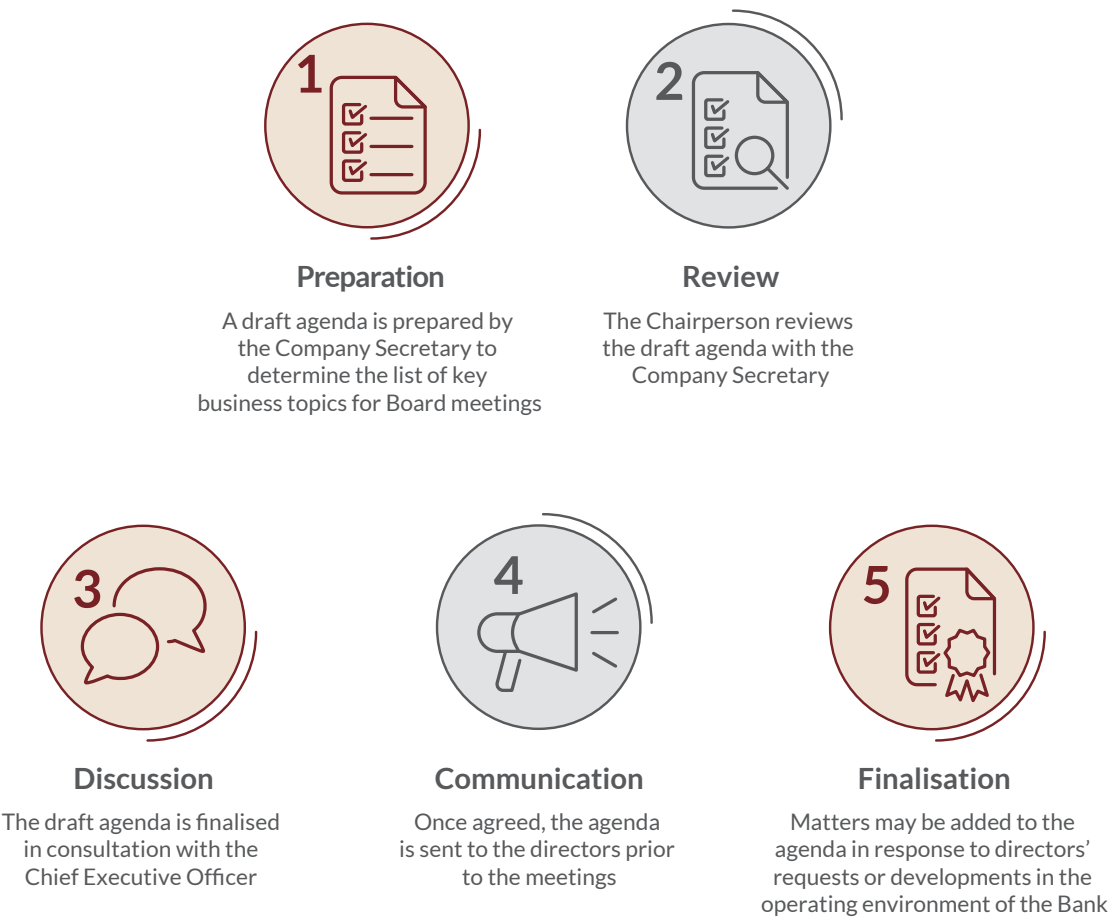
### Mix of skills and experience



# Corporate governance report

## Meetings

The Board determines the frequency of Board meetings in such a way as to ensure that it can focus on and deal with important matters in a timely and efficient manner. In this respect, the Board Charter requires that meetings be conducted at least on a quarterly basis. Although Board meetings follow an annually scheduled calendar and a provisional agenda of items for discussions, the agenda remains sufficiently flexible to include new topics while additional meetings are also called upon to effectively respond to new business needs. In general, meetings are convened so that directors are able to attend and participate in person. In case personal attendance by a director is not possible, the latter can still join the meeting by video conference. In the financial year under review, the Board has resumed holding onsite meetings whilst adhering to the COVID-19 social distancing measures, with the possibility for directors to also participate virtually. Directors receive Board papers in a timely manner to facilitate discussions and help make informed decisions at the meetings. All materials for Board meetings are uploaded onto a secure portal, which can be accessed by directors on tablet devices. Of note, members of the Leadership Team and/or external advisors are sometimes invited to attend meetings to discuss topical issues identified by the Board. The Chairperson presides over the Board meetings to ensure their smooth functioning and promotes open discussions and debates with the objective of maximising participation and, as a result, upholding the quality of decision-making. The Company Secretary attends Board meetings and prepares minutes to record deliberations and decisions taken during meetings. The agenda-setting process is described in the diagram hereafter.



## Board attendance

The directors who served on the Board and their attendance at Board meetings during FY 2021/22 are provided in the following table:

Members	Board member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY (Chairperson)	December 2018	Non-Executive Director	9/9
Uday GUJADHUR	December 2017	Independent Non-Executive Director	9/9
Philippe LEDESMA	December 2017	Independent Non-Executive Director	9/9
Su Lin ONG	November 2019	Independent Non-Executive Director	9/9
Simon WALKER	June 2020	Independent Non-Executive Director	9/9
Johanne JOSEPH	January 2022	Independent Non-Executive Director	5/5
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	9/9
Alain LAW MIN	August 2015	Executive Director	9/9

Secretary to the Board: MCB Group Corporate Services Ltd (represented by Marivonne OXENHAM)

# Corporate governance report

## Board focus areas

A summary of the main undertakings of the Board during the financial year is provided below:

## STRATEGY AND PERFORMANCE

- Updated on the global and regional economic and operating context as well as their impact on the Mauritian economy and on business activities of the Bank
- Assessed the implications for MCB Ltd of Moody's potential ratings downgrade of Mauritius
- Reviewed and approved the 3-year strategic plans and budgets of the Bank
- Assessed the development of the growth pillars of the Bank
- Apprised of initiatives as part of the Group's corporate sustainability agenda and briefed on the Group's sustainable finance strategy and proposed governance framework based on the recommendations of an external consultant
- Monitored the progress of the Digital and HR Transformation projects
- Discussed the strategic orientations of the Global & International Corporates segment and the review of the Global Markets Treasury Management function
- Updated on the mandate and strategic orientations of MCB's Dubai office following its new licence to operate as an advisory office
- Apprised of the role of the Customer Lab function and briefed on the results from the assessment of customer experiences



## FINANCIAL

- Assessed and monitored the Bank's financial performance against budget
- Discussed and approved dividend payout
- Apprised of measures taken to adapt to the LIBOR transition
- Approved financial budget





## GOVERNANCE AND RISK

- Reviewed and approved the structure, size and composition of the Board and Board committees
- Approved upon the recommendation of the Nomination and Remuneration Committee, the appointment of Mrs Johanne Joseph as Board member
- Reviewed the Board and Committee Charters and other constitutive documents
- Approved the recommendations of the Board evaluation exercise and monitored the implementation of the updated action plan
- Reviewed and approved the Bank's risk appetite
- Reviewed and approved the updated Risk Heat Map of the Bank
- Reviewed the cybersecurity framework and initiatives
- Approved policies and changes thereto
- Reviewed reports from the Risk Monitoring Committee, Audit Committee and Conduct Review Committee
- Reviewed the impact of stress testing scenarios

## RECURRENT AGENDA ITEMS

- Approved the minutes of proceedings
- Reviewed reports from Chairpersons of Board Committees
- Reviewed and approved the Bank's accounts on a quarterly basis
- Updated on trends and developments in the operating environment



## Directors' profiles

The Board comprises 8 directors who have a proven track record in various fields. The names of the directors who held office at the end of the financial year, together with details of their position, qualifications, experience and directorships in other listed companies in Mauritius (where applicable) are set out hereafter. Unless otherwise stated in their respective profile, directors reside in Mauritius.

### Jean-François DESVAUX DE MARIGNY - Age 68



#### POSITION:

*Chairperson, Non-Executive Director*

Non-Executive Director since December 2018. Jean-François is the Chairperson of the Supervisory & Monitoring Committee as well as the Nomination & Remuneration Committee on which he also acts as Secretary. Moreover, he is a member of the Risk Monitoring Committee.

#### QUALIFICATIONS:

Chartered Accountant (UK)

#### SKILLS AND EXPERIENCE:

Jean-François has accumulated wide-ranging experience in the banking and financial sector, having worked as an Auditor in Europe for several years before joining MCB in 1986. During his career at the Bank, he shouldered various high-level responsibilities in his capacity as Head of Finance, Company Secretary and Deputy Chief Executive, amongst others. He has participated actively in the development of MCB's regional network and was also involved in the launching of the Stock Exchange of Mauritius in 1989. He was an Executive Director of MCB Ltd from 2013 to 2015 when he retired. He is currently a director of several companies within the MCB Group.

#### DIRECTORSHIP IN OTHER LISTED COMPANIES:

Attitude Hotels Group

**Alain LAW MIN - Age 63****POSITION:***Chief Executive Officer and Executive Director*

Executive Director since August 2015. Alain is a member of the Nomination and Remuneration Committee, the Risk Monitoring Committee as well as the Supervisory & Monitoring Committee on which he also acts as Secretary.

**QUALIFICATIONS:**

BA (Honours) in Economics, Chartered Accountant and MBA (UK)

**SKILLS AND EXPERIENCE:**

Prior to being appointed Chief Executive Officer in 2017, Alain was the Head of the Retail SBU, responsible for the Affluent, Individual, Small and Medium business customer segments, the multi-channel distribution, including the branch network, as well as the 'Retail Product' and 'Operations and Service' units. He started his career at MCB Ltd in 1995 as Head of Projects and he successfully launched the leasing, factoring and private banking services while also being responsible for Structured Project finance within the Corporate Banking division. He acted as Project Director for the Business Process Re-engineering exercise initiated with Accenture in 2001. Before joining the Bank, he was Senior Manager at De Chazal Du Mée's Consulting division, specialising in financial and strategy consulting. He is currently a director of MCB Forward Foundation, a subsidiary of MCB Group Ltd, and a member of the MCB Group Corporate Sustainability Committee (a sub-committee of MCB Group Remuneration, Corporate Governance, Ethics and Sustainability Committee). He was the Chairperson of the Mauritius Bankers Association Ltd for two consecutive years until June 2021.

**Uday GUJADHUR - Age 67****POSITION:***Independent Non-Executive Director*

Non-Executive Director since December 2017. Uday is the Chairperson of the Audit Committee and a member of the Conduct Review Committee.

**QUALIFICATIONS:**

Chartered Certified Accountant (UK)

**SKILLS AND EXPERIENCE:**

Uday has over 40 years of professional experience in the fields of auditing, taxation, consulting and structuring. He has been involved in advising both local and international firms in various business sectors, including investment funds seeking listing on the Stock Exchange of Mauritius. Between 1986 and 1994, he carried out several audits of companies and projects financed by the World Bank and African Development Bank in African countries. Until October 2008, he was the Chief Executive Officer, director and shareholder of a major Trust and Fiduciary company in Mauritius. He was a member of the Consultative committee set up by the Government of Mauritius to advise on the reforms to the non-banking financial services sector in 2000 which led to the setting up of the Financial Services Commission and the enactment of a new legal and regulatory framework in 2001. He is the Founder member of the International Fiscal Association (IFA) (Mauritius branch) and currently serves as an independent non-executive director of companies including investment funds and entities listed on the Stock Exchange of Mauritius. He is a resident director of Essar Capital (Mauritius) Limited and the Honorary Consul of Georgia. He is also a member of the Institute of Directors (UK) and a Fellow of MIOD.

**DIRECTORSHIP IN OTHER LISTED COMPANIES:**

Bravura Holdings Limited; Dacosbro; RHT Holding Ltd



# Corporate governance report

Johanne JOSEPH - Age 41



**POSITION:**  
*Independent Non-Executive Director*

Non-Executive Director since January 2022. Johanne is a member of the Audit Committee and Conduct Review Committee.

**QUALIFICATIONS:**  
LLB English and French Law (UK), 'Maîtrise en Droits français et anglais' (France) and Diploma in Legal Practice (UK)

**SKILLS AND EXPERIENCE:**  
Johanne Joseph is a tax lawyer practising at the Mauritian bar and is the founder of Prism Chambers, a boutique tax law firm in Mauritius. She is also a practising solicitor of England & Wales since 2007. She has worked for many years in London, initially at a Magic Circle law firm, Linklaters LLP and thereafter as an in-house lawyer at JPMorgan Chase Bank N.A. She has significant experience in tax legislation in the UK, Mauritius and a number of African countries and routinely advises multinational and domestic clients on their contentious and transactional tax issues. She assists clients in connection with audits, investigations and assessments by the Mauritius Revenue Authority and appears for her clients before the Assessment Review Committee and the Supreme Court of Mauritius on tax-related matters. She sits on the Tax Committee of Mauritius Finance and regularly lectures on Tax law at the Paris 2 Panthéon-Assas University. She is also a Director of MCB Leasing Ltd, a subsidiary of MCB Group Ltd.

Philippe LEDESMA - Age 64



**POSITION:**  
*Independent Non-Executive Director*

Non-Executive Director since December 2017. Philippe is a member of the Nomination and Remuneration Committee and Risk Monitoring Committee.

**QUALIFICATIONS:**  
Master's Degree (DESS and DJCE) in Business and Company Law (France)

**SKILLS AND EXPERIENCE:**  
Philippe has more than 35 years of practice as a tax and business law adviser for governments, international financial institutions, banks and private groups in various countries. He has a dual experience both as an in-house lawyer and as a lawyer within large consultancy groups. He specialises in mergers and acquisitions, restructuring and privatisation processes, drafting of new legal frameworks, negotiation and drafting of commercial agreements as well as in tax planning, particularly through offshore vehicles registered in Mauritius. Among his many assignments, he has been involved as a leading counsel for investments in hotel and real estate industries in Mauritius, privatisation of a state owned company in Madagascar, studying the feasibility of a transatlantic airline company and, in consortium with the Stock Exchange of Mauritius, the setting up of a regional stock exchange common to the Member States of the Central African Economic and Monetary Community (CEMAC). Previously, Philippe has been a foreign trade advisor for France and President of the corresponding section in Mauritius.



**Su Lin ONG - Age 62****POSITION:***Independent Non-Executive Director*

Non-Executive Director since November 2019. Su Lin is the Chairperson of the Conduct Review Committee and a member of the Audit Committee. She also sits on the Group's Corporate Sustainability Committee (a sub-committee of the Group's Remuneration, Corporate Governance, Ethics and Sustainability Committee).

**QUALIFICATIONS:**

BA (Hons) in Economics and Chartered Accountant (UK)

**SKILLS AND EXPERIENCE:**

Su Lin has 37 years of professional experience in Audit and Advisory. She trained as a Chartered Accountant in London with Deloitte, Haskins & Sells where she worked for 8 years before joining Coopers & Lybrand Mauritius (which subsequently became PwC) as a Partner in the Consulting Division. She has also been a Partner in De Chazal Du Mée Consulting (local partner of Accenture), specialising in digitalisation and systems integration and a director at KPMG Advisory Services, specialising in internal audit and risk management. She was the Chairperson of KPMG's CSR Committee and is a past President of the Society of Chartered Accountants in Mauritius. Throughout her career, she has worked with major local and international companies across industries. She sits as an independent non-executive director on several Boards in Mauritius.

**DIRECTORSHIPS IN OTHER LISTED COMPANIES:**

Tropical Paradise Co. Ltd; Les Moulins de la Concorde Ltée; Mauritius Oil Refineries Ltd

**Simon WALKER - Age 61****POSITION:***Independent Non-Executive Director*

Non-Executive Director since June 2020. Simon is the Chairperson of the Risk Monitoring Committee and a member of the Nomination and Remuneration Committee.

**QUALIFICATIONS:**

BSc (Hons) in Geography (UK), Associate of the Chartered Institute of Bankers (UK), Fellow of Australasian Institute of Banking & Finance (Australia) and Executive MBA (Brazil)

**SKILLS AND EXPERIENCE:**

Simon built a diversified international career in the financial services industry, having worked for HSBC Holdings plc for nearly 30 years. Over this period, he has shouldered an array of senior executive positions within the group, acting namely as Country Manager, Deputy CEO, Head of Group Audit amongst others, in its various offices worldwide. Thereafter, he had a three-year stint as Regional General Manager for Europe at Qatar National Bank SAQ in London until the end of 2015. Prior to his retirement in 2019, he was the Founder and CEO of Silver Sparkle Ltd, a web portal company in the educational support services field. Simon also held external positions in various institutions, acting as either director or board member.

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*Non-Resident*



# Corporate governance report

Jean Michel NG TSEUNG - Age 54



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## POSITION:

*Non-Executive Director*

Non-Executive Director since August 2015. Jean Michel is a member of the Risk Monitoring Committee.

## QUALIFICATIONS:

BSc (Honours) in Mathematics and Chartered Accountant (UK)

## SKILLS AND EXPERIENCE:

Jean Michel joined MCB Ltd in January 2004 and was Head of Corporate Banking of the Bank until July 2015, when he was appointed Chief Executive Officer of MCB Investment Holding Ltd. He trained as a Chartered Accountant with Arthur Andersen in London before becoming Partner and Head of the Audit and Business Advisory Department of De Chazal Du Mée and, subsequently, of Ernst & Young in Mauritius. He is currently the Chief Executive Designate and Executive Director of MCB Group Ltd and a Board member of several companies within the Group namely, MCB Investment Holding Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar, Banque Française Commerciale Océan Indien and MCB Leasing Ltd. He sits on the Supervisory and Monitoring Committee and Risk Monitoring Committee of MCB Group Ltd. Moreover, he is a member of the Group's Corporate Sustainability Committee (a sub-committee of the Group's Remuneration, Corporate Governance, Ethics and Sustainability Committee).

## Remuneration philosophy

With human capital viewed as critical to the development of its strategy, the Bank lays significant emphasis on employing the right people with the right skills and behaviours while rewarding them adequately. A summary of the remuneration philosophy of employees and directors is provided hereafter.

### Employees

#### *Fair remuneration*

The Bank aims at promoting a fair and competitive remuneration that encourages performance and assists in attracting and retaining talent.

Our remuneration policy is based on meritocracy and ensures that:

- Comprehensive protection is provided, at the lower end of the income ladder, against cost of living increases
- Fairness and equity are promoted throughout the organisation
- Opportunity is given to employees to benefit from the financial results and development of the Bank:
  - o Staff members of the Bank receive an annual bonus based on the Company's performance as well as an assessment of their contribution thereto and for demonstrating behaviours in line with the Bank's values.
  - o Staff members have the added possibility to benefit from a share option scheme at the level of the Group.

#### *Remuneration package*

Generally, the remuneration package is anchored on a range of factors including qualifications, skills scarcity, past performance, individual potential, market practices, responsibilities shouldered and experience.

With a view to defining appropriate remuneration levels, the Bank is also guided by the following considerations:

- Market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive
- Superior team performance is highly encouraged and rewarded with adequate incentives
- Remuneration practices are regularly reviewed to reflect the current context while putting due emphasis on both individual and team performances

#### *Employee benefits*

The Bank provides a range of fringe and other benefits to its employees to promote their well-being and to help them grow in their personal life. Examples of such benefits are as follows:

- The Bank currently makes a pension contribution, representing 18.1% of employees' basic salaries, with the possibility for employees under the Defined Contribution Scheme to opt, depending on their age group, to receive part thereof, up to a threshold, by way of a cash supplement;
- The Bank provides employees with loans under preferential conditions;
- The Bank grants employees a monthly travelling allowance, with the amount varying according to their job grades; and
- The Bank also provides contributory medical coverage for all employees and their dependents.

# Corporate governance report

## Group Employee Share Option Scheme

Employees of the Bank are entitled to the MCB Group Employee Share Option Scheme (GESOS), which provides them with the opportunity to partake in the growth and prosperity of the Group through an acquisition of a stake therein. This acts as an additional lever to promote a performance culture alongside upholding staff motivation and commitment across the organisation. Under the scheme, employees are granted non-transferable options to buy MCB Group Ltd shares with up to a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through four specific windows, carry a retention period of three years. The option price is based on the average of the share price over the quarter prior to the date on which the options are granted, to which a discount of 10% is applied. Members of the Leadership Team are, however, not entitled to such discount. Once issued, the shares rank *pari passu* as to dividend, capital, voting rights and in all other respects with the existing shares of MCB Group Ltd. The following table gives details of the options granted to and exercised by employees of the Bank in the last financial year.

	Leadership Team	Other Employees	Total
Number of options granted in October 2021	76,517	460,539	537,056
Initial option price (Rs)	299.00	269.25	-
Number of options exercised to date	28,829	87,828	116,657
Value (Rs)*	8,619,871	23,647,689	32,267,560
Percentage exercised	38%	19%	22%
Number of employees	10	505	515
Available for the 4 <sup>th</sup> window and expiring in mid-October 2022	47,688	372,711	420,399

\*Based on initial option price

## Directors

### Executive directors

In line with the policy for employees, remuneration for executive directors consists of a base salary and short-term benefits, which reflect their respective responsibilities and experience, as well as a variable element in the form of an annual bonus, determined by the financial performance of the Bank, on the one hand, and their individual performance appraisal, on the other. The remuneration modalities are aimed at motivating and retaining top-level talents, in key senior executive positions.

### Non-executive directors

The Bank's remuneration philosophy concerning non-executive directors, who do not hold an executive position within the Group, is summarised as follows:

- There is a basic retainer fee for each individual non-executive director reflecting the workload, size and complexity (national/international) of the business as well as the responsibility involved;
- The basic retainer fee paid to the non-executive Chairperson commensurately reflects the fact that he has a wider scope of responsibilities and a heavier workload, compared to other non-executive directors;
- Board committee basic retainer fees also apply to non-executive directors, with the fees differing in accordance with the time required for preparation, the frequency and the duration of committee meetings. Chairpersons of committees are paid a higher basic retainer fee than members, in line with the rationale outlined in the previous point;
- There is, in addition, an attendance fee for non-executive directors in respect of their presence at meetings of the Board and respective board committees; and
- No share option or bonus is granted to non-executive directors, except those who hold an executive position within the Group.



The following table highlights the remuneration and benefits received by the directors during the financial year.

Remuneration and benefits received	Rs '000
Jean-François DESVAUX DE MARIGNY	2,790
Uday GUJADHUR	1,061
Johanne JOSEPH (since January 2022)	391
Philippe LEDESMA	1,147
Su Lin ONG	920
Simon WALKER	1,172
<b>Total Non-Executive</b>	<b>7,481</b>
Alain LAW MIN	30,940
<b>Total Executive</b>	<b>30,940</b>
<b>Total (Non-Executive and Executive)</b>	<b>38,421</b>

*Remuneration and benefits received by Jean Michel NG TSEUNG are paid by MCB Investment Holding Limited in his capacity as Chief Executive Officer of the latter and partly by MCB Group Limited.*

### Directors' interests and dealings in securities

MCB Investment Holding Ltd being the sole direct shareholder of MCB Ltd, the directors do not hold shares of their own company. However, regarding directors' dealings in the Group's securities, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the 'Model Code for Securities Transactions by Directors of Listed Companies' as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests. Upon their appointment, all new directors are required to notify in writing to the Company Secretary their interest as well as the interest of their closely related parties in the Group's securities. The following tables itemise the interests of the directors in the Group's listed securities as at 30 June 2022 as well as the transactions effected by them during the financial year.

Interests in MCB Group Ltd Ordinary shares as at 30 June 2022	Number of Ordinary shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	436,823	251,133
Alain LAW MIN	284,605	2,817
Philippe LEDESMA	-	48,520
Jean Michel NG TSEUNG	53,391	-
Su Lin ONG	12,368	51,491
Simon WALKER	-	1,915

# Corporate governance report

Transactions during the year	Number of Ordinary shares	
	Purchased	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	25,000	-
Alain LAW MIN	21,081	-
Jean Michel NG TSEUNG	16,708	-
Su Lin ONG	368	1,259
Simon WALKER	-	57

Interests in MCB Group Ltd Preference shares as at 30 June 2022	Number of Preference shares	
	Direct	Indirect
Alain LAW MIN	-	300,000

Interests in MCB Group Ltd Senior Unsecured Floating Rate Notes as at 30 June 2022	Number of shares	
	Direct	Indirect
Alain LAW MIN	-	1,000
Philippe LEDESMA	-	4,100

Interests in Fincorp Investment Ltd as at 30 June 2022	Number of shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	88,225	11,124
Alain LAW MIN	52,270	11,346
Simon WALKER	-	10,320

## Directors' service contracts

There were no service contracts between the Company and its directors during the financial year.

## Board committees

The Board has delegated authority to various Board committees to provide specialist guidance and make recommendations, through established reporting mechanisms, on areas and matters entrusted to them. Each committee has its own charter, as approved by the Board and reviewed as required, which sets out, *inter alia*, its roles, responsibilities, composition and meeting requirements. The mandate, composition and focus areas covered during the financial year of the five Committees namely: (i) Audit Committee; (ii) Conduct Review Committee; (iii) Nomination and Remuneration Committee; (iv) Risk Monitoring Committee; and (v) Supervisory and Monitoring Committee are presented hereafter.

## Audit Committee (AC)

### Mandate

The AC assists the Board in the oversight of the financial reporting process to ensure the balance, integrity and transparency of the financial information published by MCB Ltd. It monitors internal control processes and ensures compliance with relevant laws and regulations.

### Key facts (FY 2021/22)



### Composition and meetings

As per its Charter, the AC shall comprise between three and five members and shall consist solely of independent directors from whom the Chairperson shall be nominated. The Chairperson of the Board shall not be a member of the AC. The AC meets at least four times a year corresponding to the Company's quarterly reporting cycle and on an ad hoc basis when required. A member of the Risk Monitoring Committee may be requested to attend the AC whenever deemed appropriate. The directors who served on the AC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Uday GUJADHUR (Chairperson )	December 2017	Independent Non-Executive Director	9/9
Johanne JOSEPH	January 2022	Independent Non-Executive Director	5/5
Philippe LEDESMA (until January 2022)	December 2018	Independent Non-Executive Director	4/4
Su Lin ONG	November 2019	Independent Non-Executive Director	9/9

Secretary: MCB Group Corporate Services Ltd (represented by Marivonne OXENHAM)

### Focus areas in FY 2021/22

#### Key topics discussed

- Interim and audited financial statements published by the Bank with recommendations made to the Board
- Measures taken to adapt to the LIBOR transition
- Reports from internal and external auditors and actions taken accordingly
- Audit plans of internal and external auditors
- Updated Risk Heat Map and action plan
- Compliance plan and report
- Report from the Money Laundering Reporting Officer
- Follow-up action plan of audit recommendations by the Bank of Mauritius
- The update of existing policies
- Approval of new policies with recommendations made to the Board
- Permanent supervision review
- Operational risk review
- Cyber & information security review
- Adequacy of allowance for credit impairment
- Specific regulatory changes
- Ongoing activities of some selected business segments



More information on the Audit Committee Charter is available on the website

# Corporate governance report

## Conduct Review Committee (CRC)

### Mandate

The CRC assists the Board in monitoring and reviewing related party transactions, their terms and conditions, and ensuring the effectiveness of established procedures and compliance with the Bank of Mauritius Guidelines.

### Key facts (FY 2021/22)



### Composition and meetings

As per its Charter, the CRC shall consist of between three and five independent non-executive directors, from whom the Chairperson shall be nominated. The CRC meets at least four times per year and on an ad hoc basis when required. The directors who served on the CRC and their attendance at committee meetings during FY 2021/22 are provided in the following table:


Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Su Lin ONG (Chairperson)	November 2019	Independent Non-Executive Director	4/4
Uday GUJADHUR	December 2017	Independent Non-Executive Director	4/4
Johanne JOSEPH	January 2022	Independent Non-Executive Director	2/2
Philippe LEDESMA (until January 2022)	December 2018	Independent Non-Executive Director	2/2

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

### Focus areas in FY 2021/22

#### Key topics discussed

- Credit facilities granted to related parties
- Reporting to the BoM on related party exposures
- Reports with respect to deposits of related parties
- Financial positions (exposures and deposits) relating to external auditors as well as partners in charge of the audit of the Bank
- Review of the Conduct Review Committee Charter and Conflict of Interest and Related Party Policy

 More information on the Conduct Review Committee Charter is available on the website



## Nomination and Remuneration Committee (NRC)

### Mandate

The NRC assists the Board by making recommendations in respect of nominations and remunerations for the Board and Committee members as well as Chief Executive Officer/Senior Officers who form part of the Leadership Team of the Bank.

### Key facts (FY 2021/22)



### Composition and meetings

As per its Charter, the NRC shall comprise between three and five members, the majority of which shall be independent non-executive directors. The Chairperson shall be a non-executive director and the Chief Executive Officer may be a member of the NRC. The NRC meets at least twice a year and on an ad hoc basis when required. The directors who served on the NRC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Jean-François DESVAUX DE MARIGNY (Chairperson & Secretary)	December 2018	Non-Executive Director	4/4
Philippe LEDESMA	December 2017	Independent Non-Executive Director	4/4
Simon WALKER	June 2020	Independent Non-Executive Director	4/4
Alain LAW MIN	January 2017	Executive Director	4/4

### Focus areas in FY 2021/22

#### Key topics discussed

- Identification and appointment of a new Director
- Board committees composition
- Succession plan for leadership roles within the organisation
- Performance evaluation and reward system of the Bank
- Review of the financial and non-financial objectives set to Management as per the 3-year strategic plan
- Approval of salary reviews and bonuses
- Directors' fees for Board and Board committees
- Appointment of a senior officer to the Leadership Team with recommendations submitted to the Board

 More information on the Nomination and Remuneration Committee Charter is available on the website

# Corporate governance report

## Risk Monitoring Committee (RMC)

### Mandate

The RMC assists the Board in setting up risk mitigation strategies and in assessing and monitoring the risk management process of the Bank. It also advises the Board on risk issues and monitors the risk of the different portfolios against the set risk appetite, in compliance with relevant regulations and advocated norms.

### Key facts (FY 2021/22)



### Composition and meetings


As per its Charter, the RMC shall consist of the Chief Executive Officer and at least three non-executive directors. The Chairperson of the Committee shall be an independent non-executive director. The RMC meets at least quarterly and on an ad hoc basis when required. The directors who served on the RMC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Simon WALKER ( <i>Chairperson</i> )	June 2020	Independent Non-Executive Director	4/4
Philippe LEDESMA	December 2017	Independent Non-Executive Director	4/4
Jean-François DESVAUX DE MARIGNY	December 2018	Non-Executive Director	4/4
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	4/4
Alain LAW MIN	January 2017	Executive Director	4/4

Secretary: Frederic PAPOCCHIA (*Chief Risk Officer*)

### Focus areas in FY 2021/22

Key topics discussed	
<ul style="list-style-type: none"> <li>Review and approval of updated risk appetite, including stress testing of the 3-year budget approved at Board</li> <li>Quarterly monitoring of risk appetite targets/limits/parameters</li> <li>Review and approval of updated country risk appetite</li> <li>Quarterly monitoring of country risk appetite limits</li> <li>Follow-up of the EU black list situation and progress until Mauritius was removed from the list</li> <li>Follow-up and monitoring of early warning indicators used as a basis to trigger, or not, stress testing</li> <li>COVID-19: monitoring and forward-looking analysis on deferments granted to clients</li> <li>Analysis of potential impacts of roll back of COVID-19 regulatory relief measures</li> </ul>	<ul style="list-style-type: none"> <li>Review and approval of ICAAP stress tests</li> <li>Capital Management with a view to ensuring target CAR and CAR Tier 1 ratios are met</li> <li>Follow-up of trading book and FX Profit or Loss Report produced by the Market Risk &amp; Product Control Unit</li> <li>Review and approval of contingency funding plan</li> <li>Review of the Risk Monitoring Committee Charter</li> <li>Review of updated Credit Risk Policy</li> <li>Review of updated Market Risk Policy</li> </ul>

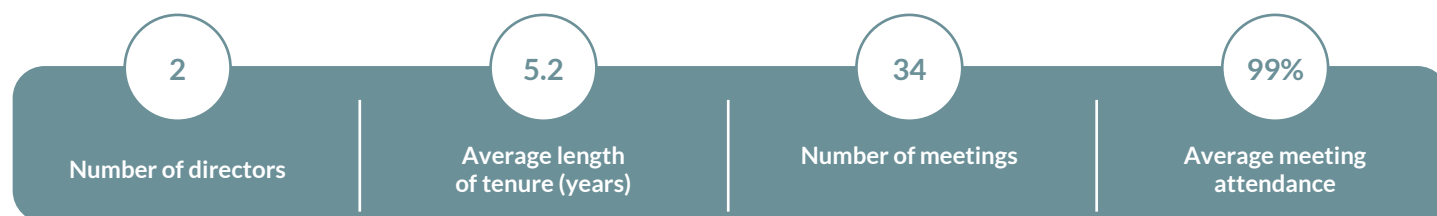
 More information on the Risk Monitoring Committee Charter is available on the website

## Supervisory and Monitoring Committee (SMC)

### Mandate

The SMC assists the Board in setting the development strategy and objectives of MCB Ltd whilst monitoring and measuring the Bank's performance against such strategy. It oversees the overall management of the Bank in accordance with set policies.

### Key facts (FY 2021/22)



### Composition and meetings

As per its Charter, the SMC shall consist of at least two members, including the Chairperson and the Chief Executive Officer. In the absence of the Chairperson or the Chief Executive Officer, a non-executive or independent director, appointed by the Board or the NRC, shall act as member. The SMC shall meet regularly and on an ad hoc basis when required. The directors who served on the SMC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Jean-François DESVAUX DE MARIGNY (Chairperson)	January 2019	Non-Executive Director	34/34
Alain LAW MIN (also acts as Secretary)	July 2015	Executive Director	33/34*

\* Jean Michel NG TSEUNG acted as alternate

### Focus areas in FY 2021/22

#### Key topics discussed

- Progress on key organisation-wide initiatives, including major transformation projects
- Review of financial performance
- Operating environment of the Bank and follow-up on the strategic plans of the Bank
- Impact of COVID-19 on the strategy, financial performance and operations of the Bank
- HR matters including prospective candidates for senior positions, requests for early retirements, compliance to regulations and policies
- Major credit risk issues and large credit exposures ratification
- Legal, operational and compliance issues
- Approval of policies/procedures/terms of reference
- Liquidity and capital position of the Bank as well as funding initiatives
- Review of cloud-based outsourcing services or material outsourcing services
- Delegation of powers and authority as well as review of authorised signatories for specific purposes
- Investments and immovable properties acquisition opportunities

 More information on the Supervisory and Monitoring Committee Charter is available on the website

# Corporate governance report


## Board effectiveness

### Nomination process

The Board has a formal and transparent process in place for the nomination and appointment of directors. In fulfilling this duty, the Board is supported by the Nomination and Remuneration Committee (NRC), which is responsible for overseeing board directorship’s renewal and succession planning. The NRC reviews the size, structure and composition of the Board on an annual basis or whenever appointments are considered. In so doing, it seeks to promote diversity of perspectives to enable a smooth execution of the Bank’s strategy in a dynamic operating environment. The NRC is responsible for identifying candidates, carrying out interviews and recommending potential directors to the Board for its approval. The selection criteria used to assess prospective candidates relate, amongst others, to their background, specific skills, expertise, knowledge and experience, including the value the individual can bring to the overall Board performance. The NRC also considers gender diversity, time commitment and independence in the assessment of candidates. The nomination and appointment process of directors for the Board is highlighted in the diagram below.



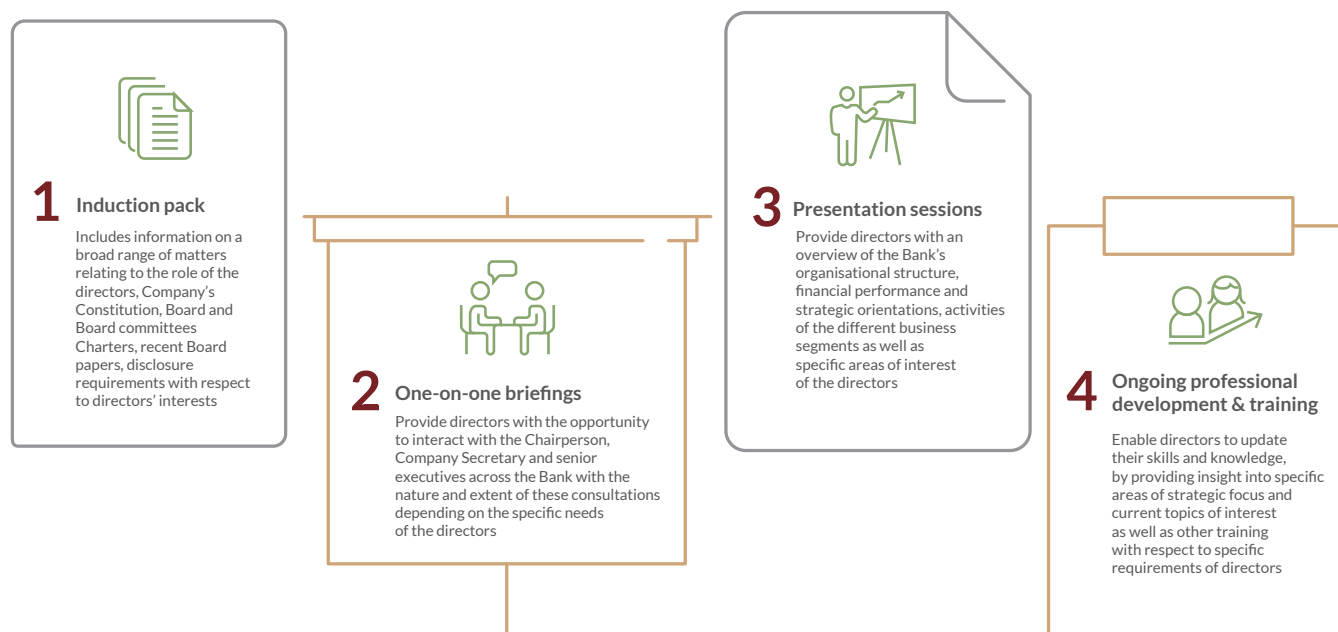
Whilst seeking to retain a core set of directors with long-standing knowledge, the Board recognises the importance of rotation of Board members to ensure that there is a good balance between continuity and fresh perspectives on the Board. It is worth highlighting that at each Annual Meeting, one third of Board members, notably those who have been longest in office, are required to retire, while being eligible to stand for re-election.

 More information on the nomination and appointment process is available on the website

## Board induction and training

All new directors, upon joining the Board, receive a comprehensive induction programme tailored to their specific requirements. The training seeks, *inter alia*, to make them aware of their legal duties and facilitate their understanding of the Bank's business strategy, governance, business operations as well as key issues that it faces. The programme's objective is to enable directors to be well equipped from the outset to effectively contribute to strategic discussions and oversight of the Bank.

Continuous development of directors is deemed essential to maintaining a highly engaged, well-informed and effective Board. In this respect, the Board has established an ongoing training and development programme for directors, which is reviewed on a regular basis to ensure its pertinence. A training log is maintained for each director by the Company Secretary. During the year under review, directors participated in a workshop titled 'Board-Level Strategies for Managing Cyber Risk Effectively', in collaboration with the Mauritius Institute of Directors, which provided them with some insights into the appropriate structures and processes required to deal effectively with cyber risks. They also attended an in-house e-learning course on general security awareness in relation to cyber-attacks and threats, including an online test to assess their understanding. In the same vein, directors participated in an in-house e-learning course on data confidentiality and information security, notably pertaining to the applicable legislative framework in Mauritius and MCB's internal procedures. In view of the 2021 UN Climate Change Conference (COP26), the directors attended a webinar delivered by a specialist in the field, enabling them to have an overview of the main commitments taken at the seminar and their repercussions on small island states, as well as the role of financial institutions in tackling climate change. An outline of the induction and training programme is set out in the diagram hereafter.



Note: Briefing and reading materials are made available on the Board Portal for consultation.



# Corporate governance report



“

**Johanne JOSEPH**

**Independent Non-Executive Director**

*MCB's induction programme for new directors is first-class both in terms of breadth and depth. Over the course of several months, I was introduced to all the key areas of the Bank and was greatly impressed (and inspired!) by the dedication, expertise and collaborative approach of the leadership team and fellow directors. I also appreciated the fact that the training is continuous and dynamic. Feedback and questions are not only welcome but also encouraged and acted upon. Eight months in, I really do feel part of the MCB family.*

”

## Board/Director's performance

The Board recognises the need to undertake a regular review of its performance and effectiveness, as well as those of its committees and individual members. The last evaluation was undertaken with the support of an independent external facilitator under the oversight of the Nomination and Remuneration Committee (NRC). The latter decided to reappoint Ernst and Young Ltd in June 2022 to undertake a refreshed Board evaluation exercise based on the governance topics assessed in their previous exercise. In this respect, a refresher interview was carried out with directors who participated in the last exercise, notably in terms of progress made, whilst a full interview was conducted with new directors to obtain their insights on the same governance matters. The outcome of the assessment concluded that the Board and its committees are operating effectively and that directors continue to fulfil their roles as required. The report also identified a few areas for improvement, which were presented to the Board, with an action plan subsequently agreed upon. The Chairperson of the Board, with the support of the NRC, has been monitoring the implementation of the action plan to ensure that issues identified are given due consideration within a reasonable timeframe.

An outline of the evaluation process methodology used in FY 2021/22 is provided in the diagram hereafter.



# Corporate governance report

## Risk governance


### Risk management and internal control

The Board has the ultimate responsibility to maintain an effective risk management and internal control system, which it regularly reviews to cater for the principal and emerging risks that may affect the achievement of the Bank’s strategic objectives. Supported by the Risk Monitoring Committee and Audit Committee, the Board ensures that the necessary structures, processes and methods for identification, evaluation and monitoring of the principal risks faced by the Bank are integrated into the latter’s overall risk governance framework. The Board has received assurance, through the regular reporting by the Chairpersons of relevant Committees, on the adequacy of the risk management processes and systems in place over the period under review.

The Board, assisted by the Audit Committee, ensures that the internal control framework in place results in an acceptable level of risk exposure whilst guaranteeing compliance with established internal policies and procedures and relevant laws and regulations. The Internal Audit, Compliance and Risk (for non-financial risk matters) functions regularly report to the Audit Committee. Furthermore, the Audit Committee receives feedback from the Company’s external auditor and engages with the latter in the absence of Management to ensure that there are no unresolved material issues of concern. Based on the work performed by internal and external auditors, reviews by Management and regular reporting from the Chairperson of the Audit Committee, the Board satisfies itself that the internal control systems are adequate and effective.

### Information governance


The Bank places significant emphasis on the confidentiality, integrity and availability of information. It ensures that a robust framework is maintained to protect its information asset and uphold the security and performance of information and Information Technology (IT) systems. The Board is responsible for setting up and regularly reviewing relevant policies and for ensuring that they are appropriately implemented through adequate structures and processes. In this respect, access to information is only available to authorised parties. Physical and logical access controls are in place at all times with staff being regularly made aware of relevant requirements. The Bank continues to invest in technology to enhance its operational resilience with significant investments monitored by the Board. During the year, the Bank undertook several initiatives to further enhance the robustness of the cyber and information security framework, in the process leveraging external expertise and subject matter specialists to reinforce its cyber response capabilities. Internal Audit provides independent assurance on the suitability of the Bank entities’ information and IT policies while the Audit Committee evaluates the effectiveness of related internal control systems.

 More details on information governance is available in the 'Information, Information Technology and Information Security Governance Policy' on the website

 More information is available in the 'Risk and capital management report' on pages 129 to 171

### Internal audit

The primary role of Internal Audit is to assist the Board in upholding the assets and reputation of the Bank. The aim of internal audit is to assess the policies, methods and procedures in place at the organisation in order to cater for their adequate application. It is responsible for independently assessing the effectiveness of key controls, including those within the risk management framework, and providing timely reporting to the Audit Committee with a view to strengthening the internal control framework.

 More information is available in the 'Risk assurance: Internal audit' section on pages 162 to 163

## External auditors

With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence, effectiveness and eligibility of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention. The proposal to reappoint Deloitte, which was first appointed in November 2020 as external auditor, was approved by the shareholders at the Annual Meeting of Shareholders of MCB Ltd, held in December 2021. As regards the timeframe, the total duration of the audit assignment is for a period of one year with the possibility of reappointing the selected firm annually, subject to regulatory provisions and approval at the Annual Meeting of Shareholders of MCB Ltd.

## Non-audit services

MCB Ltd, via the Audit Committee, has a process in place to ensure that there is no threat to the objectivity and independence of external auditors in the conduct of the audit that could result from the provision of non-audit services by them. As such, non-audit services, which are limited to ad hoc advice and other assurance related services, are pre-approved by the Audit Committee.

## Auditors' fees and fees for other services

	2022	2021
	Rs '000	Rs '000
<b>Audit, Quarterly Review and Internal Control Review fees paid to:</b>		
Deloitte	18,975	16,050
<b>Fees for Other services provided by:</b>		
Deloitte	1,898	3,105

*Note that the fees for other services relate to comforts on dividend distribution and AML/CFT review.*

## Business Executives

The conduct of the business is entrusted to the Leadership Team of the Bank which has the responsibility to operate within the strategic framework, risk appetites and policies set by the Board while adhering to regulatory requirements. To this end, various committees involving the Bank's senior officers are in place to deliberate on key issues for informed decision making. Business Executives assist the Chief Executive Officer to manage the day-to-day running of the Bank's business and affairs. Of note also, oversight and monitoring of the various risk areas within the business are exercised through dedicated standing committees, namely Executive Credit Committee, Country Risk Committee, Asset and Liability Committee, Information and Operational Risk Committee and Compliance, Anti-Money Laundering and Legal Committee.

# Corporate governance report

## Profiles of Business Executives

The profiles of Business Executives – excluding that for Alain LAW MIN, which appears in the Directors' Profiles section – are given hereunder.

### **Vincent CHATARD – Age 58**

*Chief Operating Officer*

**QUALIFICATIONS:** Master of Science in Engineering (France) and MBA (France)

**SKILLS AND EXPERIENCE:** Vincent was appointed Chief Operating Officer in September 2015 and since February 2018, he is also steering the Digital Transformation Programme. He has accumulated wide-ranging experience in the banking sector, having occupied a number of senior executive positions in international banks. He spent 7 years working for Crédit Lyonnais International before joining KPMG France as a Management Consultant in 1995. In 1997, he was appointed as Head of Information Technology and Organisation of Banque Robeco France (a Personal Banking Unit of the Rabobank Group). From 2000 to 2008, he was appointed Chief Information Officer and Senior Vice-President Business Development of ING Direct, to establish the units both in France and the UK. From 2008 to 2011, he launched and was the Chief Operating Officer of BforBank, the direct banking unit of Crédit Agricole. He then acted as Chief Operating Officer, Chief Business Development Officer and Executive Board Director of MeDirect Bank, a privately owned investment and wealth bank operating in Malta and Belgium prior to joining MCB Ltd.

### **Thierry HEBRAUD – Age 60**

*Head of Corporate and Institutional Banking*

**QUALIFICATIONS:** Diplôme d'Etudes Supérieures de Commerce, Administration et Finance (France)

**SKILLS AND EXPERIENCE:** Thierry joined MCB Ltd in October 2019 as Head of Corporate and Institutional Banking, with the responsibility to oversee the SBU's coverage teams namely 'Global and International Corporates', 'Specialised Finance', 'Mauritian and Regional Corporates' and 'Financial Institutions and Syndication', alongside other supporting units such as 'Global Transaction Banking', 'Credit Analysis and Structuring', 'Middle Office' and 'Business Development'. Prior to joining the Bank, he has accumulated extensive experience in Corporate and Investment Banking over the last 35 years, holding leading positions within Crédit Agricole Group in Eastern and Central Europe, Asia, and North Africa.

### **Bhavish NAECK – Age 51**

*Head of Finance*

**QUALIFICATIONS:** BSc (Honours) in Economics with specialisation in Accounting and Finance and Fellow Chartered Accountant (UK)

**SKILLS AND EXPERIENCE:** Bhavish, who is the first MCB Foundation scholar, spent some years in Singapore, working in the Audit and Business Advisory division of Deloitte and as Financial Controller at JDA Asia, a subsidiary of a listed NASDAQ entity. After a stint at Sun Resorts, he joined MCB in May 2000 as Manager – Investment Administration and then worked as Project Leader on the Business Process Re-engineering project in 2001. He heads the Finance SBU since January 2014 and was Project Sponsor on a Finance Transformation Project with the aim of better responding to stakeholders' expectations in the light of the growing internal, external and technological changes. He is responsible for the provision of internal and external financial/regulatory reports, a team of finance business partners and a number of strategic finance functions. He is Chairperson of the Asset & Liability Committee and the Procurement Committee.



**Frederic PAPOCCHIA – Age 48***Chief Risk Officer***QUALIFICATIONS:** Master's Degree in Finance and MBA (France)

**SKILLS AND EXPERIENCE:** Frederic was appointed Chief Risk Officer in January 2016. He joined MCB in July 2012 as a Consultant to the Group Chief Executive and worked on various projects in the risk arena before taking office as Deputy Chief Risk Officer in April 2014. He currently oversees the following functions namely 'Credit Management', 'Debt Restructuring and Recovery', 'Permanent Supervision', 'Operational Risk', 'Cyber and Information Security', 'Business Continuity Management' as well as Financial Risk, which comprises Credit Risk, Credit Modelling and Market Risk. As part of his ongoing responsibilities, he also acts as Secretary to the Executive Credit Committee of the Bank and to the Risk Monitoring Committee and Conduct Review Committee of the Board. Prior to joining MCB, he had accumulated extensive experience in management consultancy particularly in areas of risk management and regulation, during which he engaged with several large banks such as Bank of America, Société Générale and BNP Paribas, working on various assignments including the implementation of the Basel 2 and Basel 2.5 reforms, the development of stress-testing frameworks and the review of credit origination frameworks.

**Mike SOPHIE – Age 53***Head of Human Resources***QUALIFICATIONS:** Fellow member of the Association of Chartered Certified Accountant and MBA (UK)

**SKILLS AND EXPERIENCE:** Mike has a vast experience in banking. He spent 9 years in overseas subsidiaries of the Group from 1999 to 2008 before joining the Retail SBU. He held various positions therein namely as Regional Manager, Retail Operations and Service Manager and subsequently as Head of Retail since August 2017. He was appointed Head of Human Resources effective May 2018. His career within the Group gives him a sound oversight of the different business lines, to better shape HR strategies to accompany them to meet their business goals.

**Parikshat TULSIDAS – Age 43***Head of Financial Markets***QUALIFICATIONS:** BA (Hons) Human Resource Management & Marketing (UK)

**SKILLS AND EXPERIENCE:** Parik is a seasoned banking professional with more than 20 years of experience in leadership roles within Financial Markets and Corporate & Investment Banking across continents. He started his career within the Treasury Department at BNP International in Mauritius and has, since, worked within other renowned international banks in Mauritius, UK and Asia, with a thorough knowledge of Financial Markets, Risk Management, Financial Institutions and Securities Services. He also has a thorough understanding of African markets having covered the China – Africa corridor during his time in Beijing and having formulated the Emerging Markets Financial Institutions strategy at his previous employer.

# Corporate governance report

## Interests in shares

The following table gives the interests of Business Executives in the Group's listed securities as at the end of the financial year.

Interest as at 30 June 2022	MCB Group Limited shares		MCB Group Limited Preference shares		MCB Group Limited Senior Unsecured Floating Rate Notes	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Bhavish NAECK	34,944	7,344	100,000	150,000	4,333	500
Frederic PAPOCCHIA	19,093	-	-	-	-	-
Mike SOPHIE	18,779	-	-	-	-	-

Note: The above Business Executives do not hold any share in Fincorp Investment and COVIFRA.

## Remuneration

The aggregate amount paid to the Business Executives in terms of remuneration can be found in Note 35 of the Financial Statements.

## Related party transactions

For the purposes of these Financial Statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. Related parties may be individuals or entities. The Bank of Mauritius Guideline on Related Party Transactions, revised in May 2022, is articulated around three main elements:

- the responsibilities of the Board of Directors of a financial institution in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions;
- the definition of the different types of related party transactions and the setting out of regulatory limits on credit exposures to related parties; and
- the definition of basic rules for monitoring and regulatory reporting of related party transactions and their disclosure in the Annual Report.

In fact, the Guideline is more stringent than the applicable International Accounting Standard (IAS 24) in that a person holding directly or indirectly 10% or more of the capital or of the voting rights of the Bank also falls within the definition of related party. As a general rule, all transactions with a related party must be carried out at arm's length i.e. on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- loans, finance leases and service agreements;
- guarantees issued on behalf of a related party;
- investments in any securities of a related party;
- deposits and placements; and
- professional service contracts.

As regards regulatory reporting on exposures to related parties, the latter are classified into three categories:

1. Directors, their close family members and any entity where any of them holds more than a 10% interest;  
Shareholders owning more than 10% of the financial institution's capital;  
Directors of any controlling shareholder; and  
Entities (excluding subsidiaries) where the financial institution holds more than a 10% interest.
2. Senior Management, their close family members and any entity where any of them holds more than 10% interest;  
Senior Management of any controlling shareholder; and  
Subsidiaries of the financial institution.
3. Senior Management, provided their exposures are within the terms and conditions of their employment contract.

Category 3 above, as well as exposures representing less than 2% of the institution's Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at 60% of Tier 1 capital for category 1 and 150% thereof for the total of categories 1 and 2.

The Bank's policy on related party transactions sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them and reporting procedures to the Conduct Review Committee. Note 35 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 30 June 2022.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 6,118 million (on-balance sheet) and Rs 2,894 million (off-balance sheet), which represented respectively 1.8% and 2.4% of Bank loans and Bank contingent liabilities as at 30 June 2022.

Exposure of the Bank's top six related parties as at 30 June 2022 were Rs 2,709 million, Rs 1,245 million, Rs 764 million, Rs 660 million, Rs 648 million and Rs 567 million. These balances represented 4.3%, 2.0%, 1.2%, 1.0%, 1.0% and 0.9% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2022.

 More information on the 'Conflicts of Interest and Related Party Transactions Policy' is available on the website

# Corporate governance report

## Stakeholders' relations and communication

The Board is committed to building open and trustworthy relationships with stakeholders and the public at large through regular engagement. All material business developments that influence the Bank are communicated to stakeholders in a transparent, consistent and timely manner through various communication channels. In addition to direct interactions with stakeholders, official press announcements and occasional press conferences, the Bank's website, hosted at [www.mcb.mu](http://www.mcb.mu), provides for an adapted and comprehensive self-service interface.

## Shareholders agreement

There is currently no shareholders agreement affecting the governance of the Company by the Board.

## Dividend policy

Although there is no formal dividend policy, the Company aims to supply its shareholder with adequate returns to meet the objective of the Group to have a stable and relatively predictable dividend path whilst adapting to the context and ensuring that the Bank maintains a strong level of capitalisation.

## Statement of Directors' responsibilities

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Bank.

In preparing those Financial Statements, the directors are required to:

- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been adhered to, subject to any material departures disclosed, explained and quantified in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business;
- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank while ensuring that the Financial Statements fairly present the state of affairs of the Bank, as at the financial year end, and the results of its operations and cash flows for that period; and
- ensure that the Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards, the Mauritius Companies Act 2001, the Financial Reporting Act 2004 as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are also responsible for safeguarding the assets of the Bank and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Bank.

The directors report that:

- adequate accounting records and an effective system of internal control system and risk management framework have been maintained;
- the Financial Statements fairly present the state of affairs of the Bank, as at the financial year end, and the results of its operations and cash flows for that period;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used;
- International Financial Reporting Standards, the Mauritius Companies Act 2001, the Financial Reporting Act 2004 as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been adhered to; and
- the Financial Statements have been prepared on the going concern basis as the Bank is likely to continue in business in the foreseeable future.

On behalf of the Board



**Jean-François DESVAUX DE MARIGNY**  
Chairperson



**Alain LAW MIN**  
Chief Executive Officer



## Statement of compliance

(Section 75(3) of the Financial Reporting Act)

**Name of Public Interest Entity ('the PIE'):** The Mauritius Commercial Bank Limited

**Reporting Period:** 1 July 2021 to 30 June 2022

We, the Directors of The Mauritius Commercial Bank Limited, confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the National Code of Corporate Governance (2016).



**Jean-François DESVAUX DE MARIGNY**  
Chairperson



**Alain LAW MIN**  
Chief Executive Officer

26 September 2022