Our philosophy

The Board of MCB Ltd is committed to applying high standards of corporate governance, which are viewed as being critical in meeting the Bank’s objective of creating sustainable value for its stakeholders and society at large. It ensures that good governance norms and practices are adopted throughout the organisation, with the aim to uphold professional and ethical behaviour by employees in their dealing with stakeholders. Indeed, principles of integrity, accountability and transparency are inherent to the Bank’s values, culture, processes and operating structures. In view of the fast-changing and increasingly challenging operating environment, the Board continuously monitors and adapts practices to reflect developments in corporate governance principles to ensure smooth business operations and enhance stakeholder engagement. The Bank’s sound governance standards and practices are anchored on key pillars as highlighted in the diagram below.

Corporate governance report

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

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

Robust risk governance and internal control

- Board responsible for oversight and monitoring of risk profile against risk appetite through adapted frameworks
- 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

- Help customers achieve their goals and support economic development
- Safeguard of cultural and environmental heritage
- Promotion of community well-being and fostering of staff development and welfare
- Ongoing dialogue and transparent communication with the investment community
**Governance structure**

**Governance framework**

MCB Ltd is led by a committed and unitary Board, which is collectively responsible for the overall leadership and oversight of the organisation. The Bank operates within a well-established governance framework, which enables delegation of authority and clearly defined mandates, without removing the Board’s responsibility. Through this framework, the Board sets out the strategic direction and has entrusted the day-to-day running of the organisation to the Leadership Team with their performance and effectiveness closely monitored against set objectives and policies. In order to discharge its duties and responsibilities in an effective manner, the Board has established five committees, mandated to provide specific expertise and specialist guidance to it on matters affecting the Bank’s activities. The fundamental relationships among the Board, Board Committees and Leadership Team as well as their main respective roles are illustrated in the following diagram.

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**Role of the Board**

The Board provides effective leadership and strategic guidance towards the achievement of the Bank’s strategy within a framework of robust risk management and sound internal controls, alongside ensuring adherence of the Company to relevant legislations and policies.

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**Role of Board Committees**

Board Committees facilitate the discharge of 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 affecting the affairs and reputation of the Bank to the Board.

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**Role of Leadership Team**

The Leadership Team is responsible for 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.

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*More information on Board and Committee Charters is available on the website*
Corporate governance report

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 and there is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive 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 context, the Board is satisfied with the external commitments of the newly appointed Chairperson during the financial year under review.

Key roles and responsibilities

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Chief Executive</th>
<th>Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provides overall leadership to the Board</td>
<td>• Manages the day-to-day operations</td>
<td>• Contribute to the development of Bank’s strategy</td>
</tr>
<tr>
<td>• Ensures that the Board is effective in its duties of setting out and implementing the Bank’s strategy</td>
<td>• Develops and executes the plans and strategy of the business in line with the policies set by the Board</td>
<td>• Analyse and monitor the performance of the Leadership Team against the set objectives</td>
</tr>
<tr>
<td>• Ensures that committees are properly structured with appropriate terms of reference</td>
<td>• Consults regularly with the Chairperson and Board on matters which may have a material impact on the Bank</td>
<td>• Ensure that the Bank has adequate and proper internal controls as well as a robust system of risk management</td>
</tr>
<tr>
<td>• Presides and conducts meetings effectively</td>
<td>• Acts as a liaison between the Leadership Team and the Board</td>
<td>• Ensure that financial information released to markets and shareholder is accurate</td>
</tr>
<tr>
<td>• Advises and provides support and supervision to the Chief Executive</td>
<td>• Provides leadership and direction to Business Executives</td>
<td>• Actively participate in Board decision-making and constructively challenge, if necessary, proposals presented by Management</td>
</tr>
<tr>
<td>• Ensures that directors receive accurate, timely and clear information</td>
<td>• Builds, protects and enhances the Bank’s brand value</td>
<td>• Provide specialist knowledge and experience to the Board</td>
</tr>
<tr>
<td>• Ensures that development needs of the directors are identified and that appropriate training is provided to continuously update their skills and knowledge</td>
<td>• Ensures the Bank has implemented the necessary frameworks and structures to identify, assess and mitigate risks</td>
<td>• Remain permanently bound by fiduciary duties and duties of care and skill</td>
</tr>
<tr>
<td>• Oversees the succession planning process</td>
<td>• Ensures the maintenance of a sound internal control system</td>
<td></td>
</tr>
<tr>
<td>• Maintains sound relations with the shareholder</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Company Secretary

• Ensures compliance with all relevant statutory and regulatory requirements
• Develops and circulates the agenda for Board meetings
• Ensures good information flows as well as provides comprehensive practical support to directors
• Facilitates proper induction of directors and provides guidance to them in terms of their roles and responsibilities
• Assists the Chairperson in governance processes such as Board and Committee evaluation
• Ensures effective communication with shareholders and guarantees that shareholder’s interests are duly taken care of

More information on the key roles is available on the website
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:
  ◦ adoption of a Constitution or the alteration or revocation of the Constitution;
  ◦ reduction of the stated capital of the Company under section 62 of the Act;
  ◦ approval of a major transaction;
  ◦ approval of an amalgamation of the Company under section 246 of the Act;
  ◦ putting the Company into liquidation; and
  ◦ 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
The Board

Mandate

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

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 creation of Board Committees;
- the adherence to the Group’s ‘Code of Ethics’;
- the approval of strategic objectives, policies and corporate values as well as their communication throughout the organisation;
- the monitoring of 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 review of procedures and practices to ensure soundness and effectiveness of the internal control systems;
- the existence 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 policies in respect of risk 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 directors and chief executives.
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. 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, composition, including the independence status of the non-executive directors. Since last Annual Meeting held in December 2018, Mr Jean-Philippe Coulier (the former Chairperson) has retired and was replaced by Mr Jean-François Desvaux de Marigny. Moreover, Mrs Priscilla Balgobin-Bhoyrul has also retired in December 2018 and the Board has identified another female Director, who will shortly take office. In the same vein, Mr Raoul Gufflet and Mr Jean Michel Ng Tseung have been re-elected as directors, in line with the Bank’s Constitution.

As at 30 June 2019, the Board comprised eight members, with a diverse range of skills, knowledge and experience, with average age of around 60 years. The Board composition for the year under review is shown hereafter.
Corporate governance report

Meetings

The Board determines the frequency of Board meetings in a way to ensure that it can focus on key issues at the appropriate time. In this respect, the Charter requires that meetings be conducted at least on a quarterly basis. Although the Board maintains a scheduled programme of meetings, there is sufficient flexibility in the agenda to include specific items as and when required. Meetings are convened so that directors are able to attend and participate in person. In case personal attendance by some or all the directors is not possible, meetings are conducted by means of audio and/or video conferences. Members of the Leadership Team and/or external advisors are sometimes invited to attend meetings to discuss topical issues identified by the Board. Directors receive Board papers in a timely manner to facilitate meaningful discussions as well as informed and focused decisions at the meetings. All materials for Board meetings are uploaded onto a secure portal, which can be accessed by directors on tablet devices. The Chairperson presides over the Board meetings to ensure their smooth functioning and promotes open and frank debates. 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 2018/19 are provided in the following table:

<table>
<thead>
<tr>
<th>Members</th>
<th>Board member since</th>
<th>Board status</th>
<th>Meeting attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean-François DESVAUX DE MARIGNY (Chairperson)</td>
<td>December 2018</td>
<td>Non-Executive Director</td>
<td>5/5</td>
</tr>
<tr>
<td>Jean-Philippe COULIER (Previous Chairperson) (until December 2018)</td>
<td>December 2012</td>
<td>Independent Non-Executive Director</td>
<td>5/5</td>
</tr>
<tr>
<td>Priscilla BALGOBIN-BHOYRUL (until December 2018)</td>
<td>December 2012</td>
<td>Independent Non-Executive Director</td>
<td>4/5</td>
</tr>
<tr>
<td>Jonathan CRICHTON</td>
<td>December 2013</td>
<td>Independent Non-Executive Director</td>
<td>8/10</td>
</tr>
<tr>
<td>Uday GUJADHUR</td>
<td>December 2017</td>
<td>Independent Non-Executive Director</td>
<td>7/10</td>
</tr>
<tr>
<td>Philippe LEDESMA</td>
<td>December 2017</td>
<td>Independent Non-Executive Director</td>
<td>10/10</td>
</tr>
<tr>
<td>Simon Pierre REY</td>
<td>December 2013</td>
<td>Independent Non-Executive Director</td>
<td>8/10</td>
</tr>
<tr>
<td>Jean Michel NG TSEUNG</td>
<td>August 2015</td>
<td>Non-Executive Director</td>
<td>10/10</td>
</tr>
<tr>
<td>Raoul GUFFLET</td>
<td>August 2015</td>
<td>Executive Director</td>
<td>8/10</td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>August 2015</td>
<td>Executive Director</td>
<td>10/10</td>
</tr>
</tbody>
</table>

*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:

<table>
<thead>
<tr>
<th>Strategy and performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reviewed and approved the strategic orientations and budget plans of the Bank</td>
</tr>
<tr>
<td>• Assessed the development of the growth pillars of the Bank</td>
</tr>
<tr>
<td>• Discussed the syndication of USD 800 million Dual Tranche Syndicated Term Loan Facility</td>
</tr>
<tr>
<td>• Monitored the progress of key ongoing projects namely relating to Digital Transformation and HR Transformation as well as the revamping of the Treasury and MCB Private Banking &amp; Wealth Management functions</td>
</tr>
<tr>
<td>• Discussed the launch of the Corporate Sustainability Programme (Success Beyond Numbers) and briefed on related initiatives</td>
</tr>
<tr>
<td>• Approved the appointment of new senior officers to the Leadership Team</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governance and risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reviewed and approved the structure, size and composition of the Board and Board Committees</td>
</tr>
<tr>
<td>• Approved, upon the recommendation of the Nomination and Remuneration Committee, the appointment of Mr Jean-François Desvaux de Marigny as new Board member and Chairperson</td>
</tr>
<tr>
<td>• Assessed the need to carry out a Board evaluation exercise and approved the appointment of an external consultant</td>
</tr>
<tr>
<td>• Reviewed and approved the Bank’s risk appetite</td>
</tr>
<tr>
<td>• Briefed on Anti-Money Laundering and Combating the Financing of Terrorism</td>
</tr>
<tr>
<td>• Assessed and discussed specific regulatory changes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assessed and monitored the Bank’s financial performance against budget</td>
</tr>
<tr>
<td>• Approved declaration of interim and final dividends</td>
</tr>
<tr>
<td>• Reviewed reports from the Audit Committee</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recurrent agenda items</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Approved the minutes of proceedings</td>
</tr>
<tr>
<td>• Reviewed reports from Chairpersons of Committees</td>
</tr>
<tr>
<td>• Reviewed and approved the Bank’s accounts on a quarterly basis</td>
</tr>
<tr>
<td>• Updated on developments in the operating environment</td>
</tr>
</tbody>
</table>
Directors’ profiles

The Board comprises 8 directors who have a proven track record in various fields. Profiles of directors who held office at the end of the financial year as well as their directorships in other listed companies (where applicable) are given hereafter. Unless otherwise stated in their respective profile, directors reside in Mauritius.

Chairperson

Jean-François DESVAUX DE MARIGNY – Age 65
Non-Executive Director

Date of first appointment: April 2013 as Executive Director (until his retirement in June 2015)
December 2018 as non-Executive Director

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 is currently a director of several companies within the MCB Group.

Board Committee memberships: Nomination and Remuneration Committee (Chairperson); Supervisory and Monitoring Committee (Chairperson); Risk Monitoring Committee

Directorships in other listed companies: Attitude Hotels Group
Corporate governance report

Executive Directors

Alain LAW MIN – Age 60
Chief Executive Officer

Date of first appointment: August 2015

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 and 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 Leasing Ltd and MCB Forward Foundation, both subsidiaries of MCB Group Ltd. He has recently been appointed Chairperson of the Mauritius Bankers Association Ltd.

Board Committee memberships: Supervisory and Monitoring Committee; Risk Monitoring Committee; Nomination and Remuneration Committee

Raoul GUFFLET – Age 51
Deputy Chief Executive

Date of first appointment: August 2015

Qualifications: Master’s degree in Economics and ‘DESS’ in International Finance (France)

Skills and experience: Since joining MCB Ltd in 2004, Raoul has had a long experience in the debt market, helped set-up the MCB Equity Fund and was Head of International. In 2016, he was appointed Head of Corporate and Institutional Banking after overseeing the merger of the domestic and international wholesale banking segments. Earlier in his career, he worked with PricewaterhouseCoopers where he spent several years in auditing, strategy consulting, restructurings and corporate advisory in France and East Europe. He has been exposed to financial institutions in both developed and transitional economies through several World Bank and European Bank Reconstruction Development institutional strengthening studies. He is currently the Chairperson of the Assets & Liabilities Committee of the Bank and is a Board member of several entities within the Group, namely Société Générale Moçambique, MCB Madagascar, MCB Seychelles and MCB Maldives amongst others.

Board Committee membership: Supervisory and Monitoring Committee (also acts as Secretary)
Non-Executive Director

Jean Michel NG TSEUNG – Age 51

Date of first appointment: August 2015

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 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. Whilst currently a Board member of several companies within MCB Group namely MCB Group Ltd, MCB Investment Holding Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar and Banque Française Commerciale Océan Indien, he also sits on the Supervisory and Monitoring Committee and Risk Monitoring Committee of MCB Group Ltd.

Board Committee membership: Risk Monitoring Committee

Independent Non-Executive Directors

Jonathan CRICHTON – Age 64

Date of first appointment: December 2013

Qualifications: Combined Honours Degree in History and Politics (UK), ‘Diplôme IEHEI’ (France), Associate of the Institute of Financial Services (UK), and Fellow of Finsia (Australia)

Skills and experience: Jonathan retired in 2012 from HSBC after 32 years as an International Manager. He held a wide range of senior positions in the EMEA and Asia Pacific regions of the group covering corporate and retail banking as well as control support functions such as Audit and Risk. He was a board member and Chairperson of several HSBC bank subsidiaries.

Board Committee membership: Risk Monitoring Committee (Chairperson)

Uday GUJADHUR – Age 64

Date of first appointment: December 2017

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. He is a member of the Institute of Directors (UK).

Board Committee memberships: Audit Committee (Chairperson); Conduct Review Committee

Directorships in other listed companies: Bravura Holdings Limited; Dacosbro; Trevo Capital Limited; Margarine Industries Ltd; Quality Beverages Ltd; RHT Holding Ltd, Soap & Allied Industries Ltd
Corporate governance report

Philippe LEDESMA – Age 61

Date of first appointment: December 2017

Qualifications: Masters’ Degree in Business and Company Law (DESS) and Postgraduate Degree in Business Law (France)

Skills and experience: Philippe has more than 35 years 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 and specialises in mergers and acquisitions, restructuring and privatisation process, drafting of new legal frameworks, negotiation and drafting of commercial agreements as well as in tax planning, particularly through offshore vehicles registered in Mauritius. Previously, he has been a Counselor for the French Foreign Trade and has advised a French world leader of the hotel industry as well as a French group of investors for the setting up of a five star hotel and real estate program in Mauritius. He has also been the leading counsel of the Malagasy authorities in respect of the privatisation process of a state owned company having a quasi-monopoly for marketing locally produced cotton. Furthermore, he was highly involved in a legal feasibility study in respect of an airline company to be created between the French West Indies and Metropolitan France and has also advised the Banque des Etats d’Afrique Centrale (BEAC) for the setting up of a regional stock exchange common to the six member States of the Central African Economic and Monetary Community (CEMAC) within a consortium led by the Stock Exchange of Mauritius.

Board Committee memberships: Risk Monitoring Committee; Nomination and Remuneration Committee; Audit Committee; Conduct Review Committee

Simon Pierre REY – Age 66

Date of first appointment: Was a non-executive director from 1994 to 1996 and in 2000. Re-appointed in December 2013

Qualifications: BA (Honours) in Economics and Chartered Accountant (UK)

Skills and experience: Simon Pierre has worked for some 25 years with Ireland Blyth Limited in the finance field until his retirement in December 2012. During this period, he has occupied important ranks within the group, notably as Group Finance Director/Controller, Company Secretary and Chief Operating Officer, amongst others. Furthermore, he was a board member of various companies within the Ireland Blyth Group, whilst serving on several board committees of these entities, namely the Audit and the Corporate Governance Committees.

Board Committee memberships: Conduct Review Committee (Chairperson); Audit Committee; Nomination and Remuneration Committee (also acts as Secretary)

Directorship in other listed companies: ENL Ltd
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 behaviour while rewarding them adequately. A summary of the remuneration philosophy of employees and directors is provided below.

Employees

The Bank aims at promoting a fair and competitive staff remuneration that incentivises performance and assists in the retention of talent, amongst others. Our remuneration policy is based on meritocracy and ensures that:

- Full 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. Indeed, staff members of the Bank receive an annual bonus based on the performance of the Company as well as an assessment of their contribution thereto and for demonstrating behaviours in line with the Bank’s values. Furthermore, staff members have the added possibility to be incentivised further through a share option scheme at the level of the Group.

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 attaining appropriate remuneration levels, the Bank is guided by the following considerations:

- General market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive
- Superior team performance is stimulated and rewarded with strong incentives
- Remuneration practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals’ contribution and team performance.

The Bank provides a range of fringe benefits to its employees to help them in their personal life. Examples of such benefits are as follows:

- The Bank currently contributes 18.1% of employees’ basic salaries to an in-house pension scheme to provide for a retirement pension at the end of their professional career
- To help employees meet their endeavours, the Bank provides them with loans under preferential conditions
- The Bank offers its staff the flexibility of saving part of their monthly emoluments for their holidays. Employees can save the equivalent of 6% of their Basic Salary on an annual basis to cater for their holidays expenses, be it abroad or in a resort in Mauritius. This amount is made available at the beginning of each financial year and arrangements can be made to pay directly to our preferred travel agent, or to obtain refund upon presentation of a receipt. Employees also benefit from a tax rebate on this scheme, as prescribed by the Income Tax Act.
Corporate governance report

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 scheme acts as an additional lever to promote a performance culture alongside upholding 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 Management 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.

<table>
<thead>
<tr>
<th></th>
<th>Management</th>
<th>Other Employees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of options granted in October 2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial option price (Rs)</td>
<td>268.00</td>
<td>241.25</td>
<td>-</td>
</tr>
<tr>
<td>Number of options exercised to date</td>
<td>43,854</td>
<td>103,435</td>
<td>147,289</td>
</tr>
<tr>
<td>Value (Rs)*</td>
<td>11,752,872</td>
<td>24,953,694</td>
<td>36,706,566</td>
</tr>
<tr>
<td>Percentage exercised</td>
<td>49.9</td>
<td>22.1</td>
<td>26.5</td>
</tr>
<tr>
<td>Number of employees</td>
<td>14</td>
<td>535</td>
<td>549</td>
</tr>
<tr>
<td><strong>Available for the 4th window and expiring in mid-October 2019</strong></td>
<td>44,106</td>
<td>364,371</td>
<td>408,477</td>
</tr>
</tbody>
</table>

*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 responsibilities and experience, as well as a variable element in the form of an annual bonus, determined by the performance of both the Bank and the individual.

Non-executive directors

The Bank’s remuneration philosophy concerning non-executive directors is summarised as follows:

- There is a basic retainer fee for each individual non-executive director reflecting the workload, the size and the 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;
- Committee retainer fees also apply to non-executive directors, who do not hold an executive position within the Group, with the fees differing in accordance with the time required for preparation, the frequency and the duration of 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 an attendance fee for non-executive directors in respect to their presence at meetings of the Board and their respective 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.

<table>
<thead>
<tr>
<th>Remuneration and benefits received</th>
<th>Rs ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean-François DESVAUX DE MARIGNY (as from December 2018)</td>
<td>1,717</td>
</tr>
<tr>
<td>Jean-Philippe COULIER (until December 2018)</td>
<td>1,445</td>
</tr>
<tr>
<td>Priscilla BALGOBIN-BHOYRUL (until December 2018)</td>
<td>371</td>
</tr>
<tr>
<td>Jonathan CRICHTON</td>
<td>929</td>
</tr>
<tr>
<td>Philippe LEDESMA</td>
<td>1,016</td>
</tr>
<tr>
<td>Uday GUJADHUR</td>
<td>943</td>
</tr>
<tr>
<td>Simon Pierre REY</td>
<td>936</td>
</tr>
<tr>
<td><strong>Total Non-Executive</strong></td>
<td><strong>7,357</strong></td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>27,415</td>
</tr>
<tr>
<td>Raoul GUFFLET</td>
<td>25,938</td>
</tr>
<tr>
<td><strong>Total Executive</strong></td>
<td><strong>53,353</strong></td>
</tr>
<tr>
<td><strong>Total (Non-Executive and Executive)</strong></td>
<td><strong>60,710</strong></td>
</tr>
</tbody>
</table>

Remuneration and benefits received by Jean Michel NGTSEUNG are paid by MCB Investment Holding Limited in his capacity as Chief Executive of the latter.
Corporate governance report

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 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 give the interests of the directors in the Group’s listed securities as at 30 June 2019 as well as the transactions effected by them during the financial year.

### Interests in MCB Group Ltd shares as at 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean-François DESVAUX DE MARIGNY</td>
<td>386,823</td>
<td>251,133</td>
</tr>
<tr>
<td>Raoul GUFFLET</td>
<td>81,630</td>
<td>20,169</td>
</tr>
<tr>
<td>Uday GUJADHUR</td>
<td>-</td>
<td>142</td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>209,686</td>
<td>1,817</td>
</tr>
<tr>
<td>Philippe LEDESMA</td>
<td>-</td>
<td>48,520</td>
</tr>
<tr>
<td>Jean Michel NG TSEUNG</td>
<td>18,423</td>
<td>-</td>
</tr>
<tr>
<td>Simon Pierre REY</td>
<td>2,636</td>
<td>56,300</td>
</tr>
</tbody>
</table>

### Transactions during the year

<table>
<thead>
<tr>
<th></th>
<th>Purchased</th>
<th>Sold</th>
<th>Other Movements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
<td>Direct</td>
</tr>
<tr>
<td>Jean-François DESVAUX DE MARIGNY</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Raoul GUFFLET</td>
<td>12,127</td>
<td>734</td>
<td>-</td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>13,470</td>
<td>700</td>
<td>-</td>
</tr>
<tr>
<td>Simon Pierre REY</td>
<td>-</td>
<td>300</td>
<td>19,300</td>
</tr>
</tbody>
</table>

### Interests in MCB Group Ltd Subordinated Notes as at 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alain LAW MIN</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td>Simon Pierre REY</td>
<td>7,225</td>
<td>12,637</td>
</tr>
</tbody>
</table>

### Transactions during the year

<table>
<thead>
<tr>
<th></th>
<th>Purchased</th>
<th>Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>Simon Pierre REY</td>
<td>-</td>
<td>520</td>
</tr>
</tbody>
</table>


Interests in MCB Group Ltd Floating Rate Senior Unsecured Notes as at 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Number of Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>-</td>
</tr>
<tr>
<td>Philippe LEDESMA</td>
<td>-</td>
</tr>
</tbody>
</table>

Interests in Fincorp Investment Ltd as at 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
</tr>
<tr>
<td>Jean-François DESVAUX DE MARIGNY</td>
<td>88,225</td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>52,270</td>
</tr>
</tbody>
</table>

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 delegated 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 meetings requirement. The mandate, composition and main focus areas covered during the financial year of the five Committees namely, Supervisory and Monitoring Committee, Audit Committee, Risk Monitoring Committee, Nomination and Remuneration Committee and the Conduct Review Committee, are presented hereafter.
Corporate governance report

**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.

**Composition and meetings**

As per its Charter, the SMC shall consist of a Chairperson, the Chief Executive and Deputy Chief Executive/s. 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 2018/19 are provided in the following table:

<table>
<thead>
<tr>
<th>Members</th>
<th>Committee member since</th>
<th>Board Status</th>
<th>Meeting attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean-François DESVAUX DE MARIGNY (Chairperson)</td>
<td>January 2019</td>
<td>Non-Executive Director</td>
<td>10/10</td>
</tr>
<tr>
<td>Jean-Philippe COULIER (until December 2018)</td>
<td>January 2014</td>
<td>Independent Non-Executive Director</td>
<td>12/12</td>
</tr>
<tr>
<td>Raoul GUFFLET (also acts as Secretary)</td>
<td>July 2015</td>
<td>Executive Director</td>
<td>14/22</td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>July 2015</td>
<td>Executive Director</td>
<td>21/22</td>
</tr>
</tbody>
</table>

**Focus areas in FY 2018/19**

**Key topics discussed**

- Progress on key organisation wide initiatives
- Prospective candidates for senior positions
- Development of the growth pillars of the Bank
- Ongoing review of the major transformative projects
- Syndicated Term Loan Facility
- Operating environment of the Bank
- Major credit risk issues
- Legal, operational and compliance issues
- Corporate Sustainability Programme (Success Beyond Numbers)
- Large credit exposures ratification

**Key facts**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of directors</td>
<td>3</td>
</tr>
<tr>
<td>Average length of tenure</td>
<td>3-4 years</td>
</tr>
<tr>
<td>Number of meetings</td>
<td>22</td>
</tr>
<tr>
<td>Average meeting attendance</td>
<td>90%</td>
</tr>
</tbody>
</table>

More information on the Supervisory and Monitoring Committee Charter is available on the website.
**Audit Committee (AC)**

**Mandate**

The AC assists the Board in overseeing 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.

**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.

The directors who served on the SMC and their attendance at committee meetings during FY 2018/19 are provided in the following table:

<table>
<thead>
<tr>
<th>Members</th>
<th>Committee member since</th>
<th>Board Status</th>
<th>Meeting attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uday GUJADHUR (Chairperson)</td>
<td>December 2017</td>
<td>Independent Non-Executive Director</td>
<td>8/8</td>
</tr>
<tr>
<td>Priscilla BALGOBIN-BHOYRUL (until December 2018)</td>
<td>January 2013</td>
<td>Independent Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Philippe LEDESMA</td>
<td>Decembre 2018</td>
<td>Independent Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Simon Pierre REY</td>
<td>January 2014</td>
<td>Independent Non-Executive Director</td>
<td>8/8</td>
</tr>
</tbody>
</table>

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

**Focus areas in FY 2018/19**

**Key topics discussed**

- Interim and audited financial statements published by the Bank with recommendations made to the Board
- Reports from internal and external auditors and actions taken accordingly
- Audit plans of internal and external auditors
- Compliance plan and report
- Audit report from the Bank of Mauritius
- Update of existing policies
- Operational and information risk reports
- Adequacy of allowance for credit impairment
- Ongoing activities of some selected business segments
- Considered appointment of external auditors

More information on the Audit 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.

Composition and meetings

As per its Charter, the RMC shall consist of the Chief Executive 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 2018/19 are provided in the following table:

<table>
<thead>
<tr>
<th>Members</th>
<th>Committee member since</th>
<th>Board status</th>
<th>Meeting attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Crichton (Chairperson)</td>
<td>January 2014</td>
<td>Independent Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Jean-Philippe Coulier (until December 2018)</td>
<td>January 2013</td>
<td>Independent Non-Executive Director</td>
<td>2/2</td>
</tr>
<tr>
<td>Jean-François Desvaux de Marigny</td>
<td>December 2018</td>
<td>Independent Non-Executive Director</td>
<td>2/2</td>
</tr>
<tr>
<td>Philippe Ledesma</td>
<td>December 2017</td>
<td>Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Jean-Michel Ng Tseung</td>
<td>August 2015</td>
<td>Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Alain Law Min</td>
<td>January 2017</td>
<td>Executive Director</td>
<td>4/4</td>
</tr>
</tbody>
</table>

Secretary: Frederic Papolchia (Chief Risk Officer)

Focus areas in FY 2018/19

Key topics discussed

- The Bank’s risk appetite
- Country risk limits
- Risk portfolios against set limits
- Principal risks such as credit, market, information and operational risks and actions taken to mitigate them
- The stress testing results in terms of capital adequacy as part of ICAAP
- Progress on the implementation of IFRS 9
- Governance of the Permanent Control function
- Credit Risk policy review

More information on the Risk 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/Senior Officers who form part of the Leadership Team of the Bank.

**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 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 2018/19 are provided in the following table:

<table>
<thead>
<tr>
<th>Members</th>
<th>Committee member since</th>
<th>Board status</th>
<th>Meeting attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean-François DESVAUX DE MARIGNY (Chairperson)</td>
<td>December 2018</td>
<td>Non-Executive Director</td>
<td>2/2</td>
</tr>
<tr>
<td>Jean-Philippe COULIER (until December 2018)</td>
<td>January 2014</td>
<td>Independent Non-Executive Director</td>
<td>2/2</td>
</tr>
<tr>
<td>Philippe LEDESMA</td>
<td>December 2017</td>
<td>Independent Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Simon Pierre REY (also acts as Secretary)</td>
<td>January 2014</td>
<td>Independent Non-Executive Director</td>
<td>3/4</td>
</tr>
<tr>
<td>Alain LAW MIN</td>
<td>January 2017</td>
<td>Executive Director</td>
<td>4/4</td>
</tr>
</tbody>
</table>

**Focus areas in FY 2018/19**

**Key topics discussed**

- Appointment of new Chairperson
- Recommendations made to the Board for election of Board member for approval at the Annual Meeting of Shareholders
- Board Committees composition
- Succession plan for key roles within the organisation
- Performance evaluation and reward system of the Bank
- Directors’ fees for Board and Board Committees
- Review of the appointment of senior officers to the Leadership Team with recommendations submitted to the Board
- Board evaluation exercise to be carried out by external consultant

More information on the Nomination and Remuneration 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.

**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 2018/19 are provided in the following table:

<table>
<thead>
<tr>
<th>Members</th>
<th>Committee member since</th>
<th>Board status</th>
<th>Meeting attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Pierre REY (Chairperson)</td>
<td>January 2014</td>
<td>Independent Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Priscilla BALGOBIN-BHOYRUL (until December 2018)</td>
<td>January 2014</td>
<td>Independent Non-Executive Director</td>
<td>2/2</td>
</tr>
<tr>
<td>Philippe LEDESMAN</td>
<td>December 2018</td>
<td>Independent Non-Executive Director</td>
<td>2/2</td>
</tr>
<tr>
<td>Uday GUJADHUR</td>
<td>December 2017</td>
<td>Independent Non-Executive Director</td>
<td>4/4</td>
</tr>
</tbody>
</table>

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

**Focus areas in FY 2018/19**

- 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.

More information on the Conduct Review Committee Charter is available on the website
**Board effectiveness**

**Nomination process**

The Board has a formal and transparent process in place for the nomination and appointment of directors. It is supported in fulfilling this duty 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 a diverse Board membership in terms of competencies, knowledge and experience. The NRC is also 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 specific skills, expertise, knowledge and experience. In addition, consideration is given to gender diversity, independence as well as the time commitment of directors in the discharge of their responsibilities. The nomination and appointment process of directors for the Bank is highlighted in the diagram below.

![Nomination and appointment process diagram](image-url)

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*
Corporate governance report

Board induction and training

On appointment to the Board, all new directors attend and participate in a comprehensive induction programme. The latter seeks, *inter alia*, to make them aware of their legal duties and help them to develop a quick understanding of the Bank’s business operations as well as associated opportunities and challenges. The objective is to enable them to promptly and effectively contribute to strategic discussions and oversight of the Bank. Furthermore, mindful of the importance of continuous learning, the Board has an ongoing training and development programme for directors, which is reviewed periodically to cater for their needs and requirements amidst an evolving context, with a training log being maintained for each director. During the last financial year, directors attended a workshop on Anti-Money Laundering and Combating the Financing of Terrorism. Moreover, interactive presentation sessions were organised with subject matter experts on specific business segments and with consultants working on the transformation projects. It is also worth noting that directors had the opportunity to make a local site visit to the MCB Digital Factory in August 2018 for them to gain on-the-ground knowledge of progress made with respect to the Digital Transformation Programme and to interact directly with the team involved on the project. An outline of the induction and training programme is set out in the diagram hereafter.

**Induction/training programme**

- **Induction pack**: Includes information on a broad range of matters relating to the role of directors, Company’s Constitution, Board and Board Committees Charters, recent Board papers, disclosure requirements with respect to directors’ interests
- **One-to-one briefings**: Provide directors with the opportunity to interact with the Chairperson, Company Secretary and senior executives across the Bank with the nature and extent of these consultations depending on the specific needs of the directors
- **Presentation sessions**: Provide directors with an overview of the Bank’s organisational structure, financial performance and strategic orientations, activities of the different business segments as well as specific areas of interest
- **Ongoing professional development & training**: Enable directors to update their skills and knowledge, by providing insight into specific areas of strategic focus and current topics of interest as well as other training with respect to specific requirements of directors

**Briefing and reading materials are made available on the Board Portal for consultation**
**Board/Director’s performance**

The Board, with the help of the NRC, regularly assesses its performance and effectiveness, that of its committees and individual members in order to identify areas of improvement and to act upon them accordingly. In August 2019, an evaluation exercise was conducted by an external independent consultant, Ernst and Young Ltd, on various governance aspects based on the principles of the National Code of Corporate Governance for Mauritius (2016). This assessment involved a review of governance related documents as well as gathering the views of directors on a range of topics related to the governance structure of the board and its committees, risk and control, appointment and development of directors, audit, reporting, stakeholder relations and director performance and remuneration amongst others. The performance of the Board was scored using a pre-determined scale measuring the maturity of the Bank on the chosen topics. The outcome of the assessment indicates that governance practices in place generally exceed the minimum performance and compliance requirements, and that key documents required to formalise the governance arrangements are in place. Whilst the report contained a few recommendations for enhancing performance, it did not identify any material concern.

An outline of the evaluation process methodology used is provided in the diagram hereafter.
Corporate governance report

Risk governance

Risk management and internal control

The Board has the ultimate responsibility to maintain a robust risk management and internal control system, which it regularly reviews to cater for new emerging risks and threats emanating from the operating context. In this respect, the Board, supported by the Risk Monitoring Committee, 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 Chairperson of the Risk Monitoring Committee, on the adequacy of the risk management arrangements during the year under review.

The Board ensures that the internal control framework in place results in an acceptable level of risk exposure whilst guaranteeing compliance with internal established policies and procedures and relevant laws and regulations. The Board is assisted in its responsibility by the Audit Committee, which oversees the effectiveness of the Bank’s internal control systems. The Internal Audit as well as the Permanent Control and Compliance functions regularly report to the Audit Committee. In addition, the Committee receives reports from the Company’s external auditor and has a discussion with the latter without Management being present 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 is of opinion that the internal control systems are adequate and effective.

Information governance

The Bank attaches significant importance to the confidentiality, integrity and availability of information, backed by a robust framework that protects its information asset and upholds the security and performance of information and Information Technology (IT) systems. Alongside ensuring continued investment to maintain operational resilience, the Board is responsible for setting appropriate policies, which are regularly reviewed, for implementation by Management, backed by fitting structures, processes and resources. In this respect, access to information is only available to authorised parties while physical and logical access controls are in place at all times with staff being regularly made aware of relevant requirements. In line with the Board’s endeavours to continuously adapt the information risk framework to the operating context, actions are currently being implemented to ensure compliance with the local Data Protection Act as well as the European Union’s General Data Protection Regulation and to better cope with the increasing risk of occurrence of cyber threats, taking on board recommendations from an external consultant and Internal Audit. The latter, in fact, provides for an independent assurance to assess the suitability of the Bank’s information and IT policies while the Audit Committee evaluates the effectiveness of related internal control systems.
External auditor

With a view to ensuring the overall adequacy of the Bank’s internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention. The proposal to reappoint PricewaterhouseCoopers (PwC), which was first appointed in May 2015 as external auditor, was approved by shareholders at the Annual Meeting of Shareholders of MCB Ltd, held in December 2018. As regards the timeframe, the total duration of the audit assignment is for a period of one year with the possibility of reappointment of the selected firm/s annually, subject to regulatory provisions and approval at the Annual Meeting of Shareholders of MCB Ltd. The latter retains the right to renew and extend the contract following an assessment by the Audit Committee of the external auditor’s overall scope, terms of reference and independence.

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 resulting 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

<table>
<thead>
<tr>
<th>MCB Ltd</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs ‘000</td>
<td>Rs ‘000</td>
</tr>
<tr>
<td><strong>Audit fees paid to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>20,206</td>
<td>18,597</td>
</tr>
<tr>
<td><strong>Fees for other services provided by:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>9,884</td>
<td>3,240</td>
</tr>
</tbody>
</table>

Note that the fees for other services relate to ad hoc tax assessments settlement and tax compliance, annual internal control reviews, ad hoc IFRS 9 review, quarterly reviews of our abridged unaudited financial statements, specific comforts for external stakeholders and minor ad hoc services.
Corporate governance report

Business Executives

The conduct of 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 and Deputy Chief Executive 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 the Executive Credit Committee, the Information Risk, Operational Risk and Compliance Committee and the Asset and Liability Committee.

Profiles of Business Executives

The profiles of Business Executives – excluding those for Alain LAW MIN and Raoul GUFFLET, which appear in the Directors’ Profiles section – are given hereunder.

Vincent CHATARD – Age 55
Chief Operating Officer

Qualifications: Masters of Engineering from Agro ParisTech (France) and MBA from HEC Paris (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.

Mike SOPHIE – Age 50
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.

Bhavish NAECK – Age 48
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 & Touche 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. Since January 2014, he heads the Finance SBU where he is responsible for the provision of internal and external financial/regulatory reports and the team of finance business partners which provides key support to the main Committees of the Bank.
Frederic PAPOCCHIA – Age 45  
Chief Risk Officer

Qualifications: Masters in Finance from Paris Dauphine University 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. He then took office as Deputy Chief Risk Officer in April 2014 and currently oversees the Credit Risk, Credit Management, Credit Modelling, Recovery Business and Market Risk units of the Bank. As part of his ongoing responsibilities, he also acts as Secretary to the Executive Credit Committee of the Bank and to the 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.

Interests in shares

The following table gives the interests of Business Executives in the Group’s listed securities at the end of the financial year:

<table>
<thead>
<tr>
<th>Interest as at 30 June 2019</th>
<th>MCB Group Limited Shares</th>
<th>MCB Group Limited Subordinated Notes</th>
<th>MCB Group Limited Floating Rate Senior Unsecured Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
<td>Direct</td>
</tr>
<tr>
<td>Bhavish NAECK</td>
<td>24,944</td>
<td>6,066</td>
<td>1,000</td>
</tr>
<tr>
<td>Frederic PAPOCCHIA</td>
<td>7,673</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mike SOPHIE</td>
<td>5,919</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

Remuneration

The aggregate amount paid to the Business Executives in terms of remuneration can be found in Note 36 of the Financial Statements.
Corporate governance report

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 other entities. The Bank of Mauritius Guideline on Related Party Transactions, issued in January 2009 and revised in June 2015, is articulated around three main elements:

- the role of the Board of Directors of a financial institution, its Conduct Review Committee and that of its Senior Management 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 36 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 30 June 2019.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 8,394 million (on-balance sheet) and Rs 2,359 million (off-balance sheet), which represented respectively 3.7% and 3.2% of Bank loans and Bank contingent liabilities as at 30 June 2019.

Exposure of the Bank’s top six related parties as at 30 June 2019 were Rs 2,334 million, Rs 1,758 million, Rs 1,128 million, Rs 1,056 million, Rs 1,028 million and Rs 978 million. These balances represented 5.0%, 3.8%, 2.4%, 2.3%, 2.2% and 2.1% respectively of the Bank’s Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2019, except for a small exposure of Rs 0.6 million in relation to a company in which a related party has a stake.

**Stakeholders’ relations and communication**

The Board is committed to building open and trusted 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 and timely manner through various communication channels. In addition to official press announcements, occasional press conferences, the Bank’s website, hosted at 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.
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 applicable accounting 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 Mauritian Companies Act 2001 as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

The external auditor is responsible for reporting on whether the Financial Statements are fairly presented. 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 controls and risk management 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 Mauritian Companies Act 2001, as well as the requirements of the Banking Act 2004 and the guidelines issued hereunder have been adhered to; and
- the Financial Statements have been prepared on the going concern as the Bank is likely to continue in business.

On behalf of the Board.

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive
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 2018 to 30 June 2019  

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

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

<table>
<thead>
<tr>
<th>Principles of the Code</th>
<th>Relevant sections of the Annual Report</th>
</tr>
</thead>
</table>
| **Principle 1:** Governance Structure | · Our Corporate Profile<sup>1</sup>  
· Corporate Governance Report |
| **Principle 2:** The Structure of the Board and its Committees | · Corporate Governance Report |
| **Principle 3:** Director Appointment Procedures | · Corporate Governance Report |
| **Principle 4:** Director Duties, Remuneration and Performance | · Corporate Governance Report |
| **Principle 5:** Risk Governance and Internal Control | · Corporate Governance Report  
· Risk and Capital Management Report<sup>2</sup> |
| **Principle 6:** Reporting with Integrity | · Corporate Governance Report  
· Delivering on our strategic objectives<sup>3</sup>  
· Group Financial Performance<sup>4</sup>  
· Sustainability report<sup>5</sup> |
| **Principle 7:** Audit | · Corporate Governance Report  
· Risk and Capital Management Report<sup>2</sup> |
| **Principle 8:** Relations with Shareholders and Other Key Stakeholders | · Corporate Governance Report  
· Delivering on our strategic objectives<sup>3</sup>  
· Sustainability Report<sup>6</sup> |

**Notes:**

<sup>1</sup> ‘Our Corporate Profile’ can be found on pages 22-36  
<sup>2</sup> ‘Risk and Capital Management Report’ can be found on pages 118-157  
<sup>3</sup> ‘Delivering on our strategic objectives’ includes information on our environmental and social performances and can be found on pages 38-68  
<sup>4</sup> ‘Financial Performance’ provides an assessment of the Bank’s results and can be found on pages 70-79  
<sup>5</sup> ‘Sustainability Report’ provides an overview of our Corporate Sustainability Programme and our engagement with various stakeholders and is available on our website
Company Secretary’s certificate

Name of Public Interest Entity (‘the PIE’): The Mauritius Commercial Bank Limited
Reporting Period: 1 July 2018 to 30 June 2019

In our capacity as Company Secretary, we hereby certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 of Mauritius in terms of section 166(d).

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

26 September 2019