Mauritius: Raising the bar in corporate governance in the financial services sector

As investor trust hangs in the balance, Sachin Purmah of Venture Corporate Services (Mauritius) Limited explores the strategies and measures which can be applied to raise the corporate governance standards in the Mauritius International Financial Centre (IFC).

In the ever-evolving landscape of global finance, Mauritius stands at a pivotal crossroad, with robust corporate governance practices being crucial for economic stability and investors' trust.

In order for the jurisdiction to rise above the challenges and seize the opportunities presented by an increasingly interconnected world, it must elevate its corporate governance standards, with focus on the non-banking financial services sector.

Indicators of declining trends in corporate governance standards in Mauritius

1) World Economic Forum's Global Gender Gap

Despite significant strides towards gender equality in many areas, women remain underrepresented in executive roles, board memberships, and other key decision-making positions. Indeed, the 'World Economic Forum's Global Gender Gap Report' indicates that Mauritius has fallen from 98th place in 2023 to 107th place in 2024.

2) Transparency International Corruption Perception Index

In 2021, Mauritius was ranked 49th out of 180 countries in the 'Transparency International Corruption Perception Index'. It has declined to 55th in the year 2023.

3) Mo Ibrahim Index

If the country is still in a good position at the African level in this ranking, a decline has been observed on several levels and in the general classification. In the 'Overall Governance' category in the 2023 rating, according to the available data, Mauritius obtained its lowest score in 10 years.

Raising the bar by gender balance

Enhancing governance demands more rigorous measures. Public companies are now required to have at least one woman on the board of directors. If the public company is listed, the board should be comprised of at least 25% of women. A lot of diversity and inclusion initiatives have also been taken over the years for gender balance. The effectiveness of these measures remains to be seen over time.

In view of the declining trends described above, it is necessary to think of possible enhancements in gender representation on boards. The following measures are recommended to improve the board composition and strike the right balance:

1) Directorships

In cases where there are male directors holding between 50 to 100 directorships, it lessens the opportunities for women to become member of the board, creates cross directorships, and obstructs good governance. Revisiting the limit to a more reasonable number would pave the way for better female representation.

2) Special Licence Entities

It is recommended that same provisions currently applicable to public companies for female representation be extended to special licence entities regulated by the Financial Services Commission for better governance.

3) Time Commitment/ Mandatory attendance

Companies need to adopt a policy requiring a director to attend a minimum number of meetings each year, and in doing so, reduce reliance on alternate directors. It is important to redefine the roles of alternate

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directors and limit their responsibilities compared to the primary directors.

Raising the bar by enhanced competency standards and regulatory monitoring

The last two decades have seen several measures introduced by regulatory bodies to upskill finance professionals. For instance, compliance professionals are subject to competency standards prior to taking compliance jobs. In other jurisdictions, such measures have been introduced for directors.

The Singapore Institute of Directors recently launched an accreditation framework in a move to raise the standards and competencies of those who sit on company boards. The said accreditation framework is expected to give directors greater clarity on the competencies they should develop and to provide a common standard for companies to make decisions on board appointments. The framework identifies eight areas of competence that directors must exhibit in the boardroom as illustrated in Figure 1.

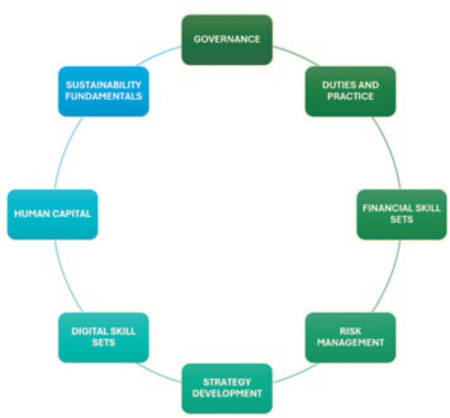

Fig. 1. Eight areas of competence

It is to be emphasised that in order for directors to discharge wholly their fiduciary duties and responsibilities, there is also an urgent need to implement continuous professional development for executive and non-executive directors under the supervision of the regulators. This measure has already produced remarkable results in the legal and accountancy fields, among others, where members of the respective professions are mandatorily required to attend relevant training sessions every year to keep abreast of new developments together with enhancing their skill levels.

It may be envisaged in the mauritian context that regulators require annual returns to be submitted by each director of special licence entities on his/her respective attendance at board meetings during the year, including number of absences as well.

Raising the bar through GRC information systems

To fulfill his or her fiduciary responsibilities to the best of their abilities, a director will need to rely on accurate, real-time information. GRC information system is that solution as it allows a director to manage information from a central dashboard and manage risk and compliance responsibilities while making governance transparent and actionable.

GRC tools combine data from different areas and indicate which risks are important and need attention. They identify and assess risks daily; and they also map risks to internal policies. The benefits are illustrated in Figure 2.

Fig. 2. GRC Benefits

All in all, it is highly recommended that companies further embrace technological change to drive innovation and digital transformation by investing in GRC systems.

Taking corporate governance in Mauritius to the next level

To quote Abraham Maslow, the revered American psychologist who created Maslow's hierarchy of needs, "In any given moment we have two options: to step forward into growth or step back into safety."

Growth in our financial services sector would be achieved by looking forward and taking bold steps in the right direction. Preserving status quo and looking for safety can only be detrimental to the sector while raising the bar now will certainly achieve growth and ensure sustainability in the long term.

Enhancing governance demands more rigorous measures

Sources:
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