corporate governance report

governance structure

The company is qualified as a public interest entity as defined under the Financial Reporting Act 2004.

The board is responsible for leading and controlling the organisation and meeting all legal and regulatory requirements. The board supports and is committed to attain and maintain the highest standards of corporate governance, including the principles of openness, integrity and accountability.

The board strives to comply substantively with all the eight principles set out in the National Code of Corporate Governance for Mauritius (2016) ("NCCG"). The company recognises the need to improve the principles and practices in the light of the new code and is currently in the process of implementing the necessary changes so as to be fully compliant therewith. The promotion of good corporate governance values, however, underlies the organisation's decisions and actions.

The company’s compliance with the principles of the NCCG is set out in the report.

board and its committees

board charter (the “charter”)
The board charter sets out the objectives, roles and responsibilities and composition of the board. The charter should be read in conjunction with the Company's Constitution and in case a dispute in content or meaning arises, the wording of the Constitution shall prevail.

The main objectives of the charter are to:

- define the purpose, strategy and value and determine all matters relating to the directions, policies, practices, management and operations of the company and the group in accordance with the directions and delegations of the board and;
- monitor the ethical conduct of the subsidiary companies, its executives and senior officials.

The charter defines inter alia the roles, function and objectives of the board, various board committees, the chairman, the managing director and the company secretary. It also sets out how they interact in order to promote efficient, transparent and ethical functioning/decision making processes within the group.

The charter is in the process of being approved by the board and will be available for consultation on the website of the company in due course.

code of ethics

The Group is committed to conduct business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. This Code has been designed to help officers and employees understand their ethical responsibilities as they conduct business on behalf of the Group.

It applies to all subsidiaries of the Caudan Group, irrespective of the business segment. Moreover, the Code must be read together with the other policies prevailing within the Group and any business-specific policies in the applicable area.

The Code will be reviewed and updated on a periodic basis in order to ensure it stays relevant to the Group.

This Code of Ethics is in the process of being approved by the board and will be available for consultation on the website of the company in due course.

profiles of key governance officers

The profiles of Mr René Leclézio and Mrs Jocelyne Martin appear in the directors’ profiles sections.

organisation chart and statement of accountabilities

The board is responsible to set general strategies and policies and ensure their implementation with the support of the key senior governance officers. These key governance officers have an experienced professional background. In addition, the board has set up two committees namely the Remuneration, Corporate Governance and Ethics Committee and the Audit and Risk Monitoring Committee.
structure of the board and its committees

The board is led by an effective and highly committed unitary board, whose responsibilities are, inter alia, the review and adoption of strategic plans, the overview of business performance, the adoption of appropriate risk management systems and the establishment of proper internal control systems. It comprises of an appropriate balance of executive, non-independent non-executive and independent non-executive directors.

directors’ duties and performance

The main role of the board is to protect and enhance shareholder value. It determines the group’s direction, monitors its performance, oversees risks and is collectively responsible for the long-term success of the group, its reputation and governance. The board is responsible to all its shareholders and to its other stakeholders for leading and controlling the organization and meeting all legal and regulatory requirements and is also accountable for determining that the company and its subsidiaries are managed in such a way as to achieve its objectives.

The board has ultimate responsibility and is accountable for the performance and activities of the company. The role of the board is to set the overall strategy for the group and to supervise executive management and the proper functioning of the company, including inter alia:

- ensuring that the long term interest of the shareholders are being served, and safeguarding the company’s assets;
- assessing major risk factors relating to the group and its performance, and reviewing measures, including internal controls, to address and mitigate such risks;
- reviewing and approving management’s strategic and business plans, including developing a depth of knowledge of the business, understanding and questioning the assumptions upon which plans are based and reaching an independent judgement as to the probability that the plans and/or the forecasts can be realized;
- monitoring the performance of the management against budget and forecasts;
- reviewing and approving the acquisition and divestment policy and significant corporate actions and major transactions;
- approving the treasury policy and raising of finance;
- assessing the effectiveness of the board;
- ensuring that good corporate governance policies and practices are developed within the group;
- ensuring ethical behaviour and compliance with laws and regulations, auditing and accounting principles and the company’s own governing documents;
- considering sustainability issues, e.g environmental and social factors, as part of its strategic formulation; and
- performing such other functions as are prescribed by law, or assigned to the board in the company’s governing documents.

The Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders in the course of discharging its duties. It is committed to highest standards of business integrity, transparency and professionalism in all of its activities.
directors’ profiles

Jean-Pierre Montocchio  
Chairperson and non-independent non-executive director  
Notary public. Has participated in the National Committee on Corporate Governance. Director of various listed companies including MCB Group, Fincorp Investment, Promotion and Development, Rogers, New Mauritius Hotels, Les Moulins de la Concorde and ENL Land.

René Leclézio  
Executive director  
BSc (Hons) in Chemical Engineering, Imperial College and MBA, London Business School. Worked as a manager at Lloyds Merchant Bank, London, before joining the company as its general manager in 1988. Director of several private and public companies including Promotion and Development, Medine, EUDCOS, Mauritius Freeport Development, Swan Life and Swan General.

Assad Abdullatiff  
appointed April 2018  
Non-independent non-executive director  
LLB (Hons) and LLM in Business Law, admitted to the Bar of Mauritius. Founding partner and Managing Director of AXIS Fiduciary Ltd. Previously an Assistant Director at the Board of Investment of Mauritius, where he was the Head of the Financial Services Cluster, responsible for the promotion of Mauritius as an International Financial Centre. Member of the Society of Trusts & Estate Practitioners (STEP), past Chairman of the Mauritius branch and appointed as Council member of STEP worldwide in 2017 to represent the Africa/Arabia region. Currently also engaged in the following organizations/committees: the Mauritius branch of the International Fiscal Association; the Executive Committee of Association of Trust and Management Companies. Director of Promotion and Development and a number of other companies in Mauritius operating in diverse economic sectors.

Bertrand de Chazal  
Non-independent non-executive director  
Fellow member of the Institute of Chartered Accountants of England and Wales and Commissaire aux Comptes. Worked during his career with Touche Ross, Paris and West Africa; retired as senior financial analyst of the World Bank. Director of Promotion and Development, MCB Equity Fund and MCB Capital Markets.

Catherine Fromet de Rosnay  
Non-independent non-executive director  

Gilbert Gnany  
Non-independent non-executive director  
Master’s degree in Econometrics - University of Toulouse and ‘DESS’ in Management/Micro-Economics - Paris-X. Currently the Chief Strategy Officer of MCB Group. Previously worked as Senior Advisor on the World Bank Group’s Executive Board. Prior to joining the World Bank, was the MCB Group Chief Economist and Group Head of Strategy, Research & Development after having been the Economic Advisor to the Minister of Finance in Mauritius. Has been involved in various high-profile boards/committees. Chaired the SEM and the Statistics Board and as well as having been a member of the Board of Governors of MOBAA and of the IMF Advisory Group for sub-Saharan Africa. Currently a Board member of several companies within the MCB Group. On the institutional side, member of the Financial Services Consultative Council and director of the Financial Services Institute, Chairperson of the Economic Commission of Business Mauritius. Director in other listed companies/funds namely MCB Group, Promotion and Development, COVIFRA, MCB India Sovereign Bond ETF and African Domestic Bond Fund.

Stéphanie de la Hogue  
appointed April 2018  
Non-independent non-executive director  
Bachelor in marketing from the Institut de Management International de Paris. Managing Director of Poivre Corporate Services, a family group of companies’ corporate office. She is also director of Promotion and Development, La Prudence Leasing Finance, Rey & Lenferna and Forges Tardieu.
Jocelyne Martin  
**Executive director**  
BSc (Hons) in Statistics, London School of Economics. Member of the Institute of Chartered Accountants of England and Wales. Trained with Deloitte Haskins + Sells (now part of PwC), London. After several years of experience in the UK, worked at De Chazal Du Mée before joining Promotion and Development in 1995 as Group Financial Controller. Was appointed director in 2004. She is also the Company Secretary. Director of Promotion and Development, Medine, EUDCOS and Mauritius Freeport Development.

Seedha Lutcheemee Nullatemby  
**Independent non-executive director**  
Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) and also holds an MBA in Finance. She is also a qualified Stockbroker. She has been working at the State Investment Corporation Ltd for the past 28 years and has wide ranging experience in the field of Finance, Accounting, Administrative and Corporate matters. She is a Director of various companies within the SIC Group. She is also the Chairperson of the Finance Committee and Director of Mauritius Educational Development Company Ltd.

Antoine Seeyave  
**Independent non-executive director**  
Chairman of Happy World and director of Ipro Growth Fund. Sloan fellow of the London Business School.

Bernard Yen  
**Non-independent non-executive director**  
Fellow of the UK Institute and Faculty of Actuaries. Currently the Managing Director of AON Hewitt, providing actuarial, pensions and other services in Mauritius and the African region. Has more than 30 years’ international consulting experience including 15 years with Mercer in Europe. Serves as the African representative on the Committee of Actuaries advising the UN staff pension fund since 2007. Also director of Promotion and Development, MCB Capital Partners and Mauritian Eagle Leasing.

key roles and responsibilities  
The executive directors are: Mr René Leclézio and Mrs Jocelyne Martin who are executive directors of PaD, the holding and management company of Caudan.

To ensure a better balance of power and authority on the board, the functions and roles of the chairperson and executive directors are separate. The Chairperson has overall responsibility for leading the board and ensuring its effectiveness whilst the executive directors are responsible for managing and leading the business of the group.

The chairperson provides overall leadership for decisions taken collectively by the board. He is responsible for ensuring the smooth functioning of the board and for promoting high standards of corporate governance. He is also responsible for ensuring that the directors receive accurate, timely and clear information and that adequate time is available for discussion of all agenda items at board meetings and in particular strategic issues. He encourages the active participation of all board members in discussions and decisions, constructive relation between the board and management and effective communication with stakeholders.

The executive directors are responsible for the day to day running of the group’s operations and for developing and recommending the long term strategy and vision of the company and the group. They lead and direct senior management to implement the strategy and policies set out by the board. They also ensure effective communication with shareholders.

The Company Secretary provides assistance and information on governance and corporate administration issues. She is responsible for ensuring that the board procedures are followed and that applicable laws and regulations are complied with, for guiding the board with regard to their duties and responsibilities and for preparing agenda and minutes for board meetings and circulating same together with any supporting documentation.

The position statements are in the process of being approved by the board and will be available for consultation on the website of the company in due course.

balance and diversity  
The company’s constitution provides that the board of the company shall consist of a minimum of 7 and a maximum of 14 directors. As at June 30th 2018, the board was made up of eleven directors as set out on page 6.

The board includes an appropriate combination of executive directors, non-independent non-executive directors and independent non-executive directors to prevent one individual or a small group of individuals from dominating the board’s decision taking. All the directors are citizens and residents of Mauritius. Taking into account the scope and nature of operations of the group, the board considers that the current board of 11 directors is commensurate with the sophistication and scale of the organization and appropriate to facilitate the effective decision making.
The directors come from diverse business backgrounds and possess the necessary knowledge, skills, objectivity, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the company.

The non-independent non-executive directors are directors of PaD, major shareholder of Caudan and as such they are not deemed to be independent. However, they are independent in both character and judgement and have wide experience and make important contributions to strategic issues and corporate governance.

There are 2 independent directors, proving a strong and independent element on the board. The objective is to facilitate the exercise of independent and objective judgement on corporate affairs, and to ensure that discussion and review of key issues take place in a critical yet constructive manner.

The board has considered that the following directors are regarded as independent directors of the company: Mrs Seedha Lutcheemee Nullatemby and Mr Antoine Seeyave.

For the period up to June 30th 2018, Mr Antoine Seeyave has been considered independent even though he has served on the board for more than nine consecutive years from the date of his first election. The board is of the opinion that Mr Antoine Seeyave, has been able to develop over time, increasing insights into the group’s business and operations and is therefore able to provide a significant and valuable contribution to the board as a whole. The board takes the view that a director’s independence cannot be determined solely and arbitrarily on the basis of the length of time. A director’s contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging the management in the interests of the group as he performs his duties in good faith, are more decisive measures in ascertaining a director’s independence than the number of years on the board. The board, which can have, according to the NCCG, “its own definition of independence”, considered and noted that notwithstanding that Mr Antoine Seeyave has served on the board for more than nine years, his independence as director is not affected, as he continues to exercise independent judgement and demonstrates objectivity in his conduct and deliberations at board meetings.

With four female directors as board members, the board is also in line with the recommendation of the Code regarding the gender diversity.

All directors are expected to objectively discharge their duties and responsibilities in the interests of the company. All directors should make their best efforts to avoid conflicts of interests or situations where others might reasonably perceive such a conflict. The personal interest of a director, or persons closely associated with the director, must not take precedence over those of the company or its shareholders. Any director, who is directly or indirectly interested in a transaction or proposed transaction, is required to disclose the nature of his interest, at the meeting in which the transaction is discussed, and should not participate in the debate, vote or indicate how he would have voted on the matter.

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<tr>
<td>Independent non-executive directors</td>
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<tr>
<td>Executive directors</td>
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<td>Non-independent non-executive directors</td>
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<tr>
<th>average age</th>
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<td>51 - 60</td>
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<td>61 - 70</td>
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<td>&gt; 70</td>
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<tr>
<th>gender diversity</th>
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<tr>
<td>Female</td>
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<tr>
<td>Male</td>
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The directors are required to carry out a self-appraisal of their individual and board evaluation and to report any shortcomings identified. The company acts where appropriate on feedbacks from board members on improvements. The board also encourages its members to keep on enhancing their knowledge and competencies through personal development programmes.

The directors’ code of Conduct contains provisions to prevent insider dealing as well as any potential conflict of interest. An interest register is maintained and updated on a quarterly basis and is available for consultation upon written request to the Company Secretary.
**director appointment procedures**

In accordance with the constitution of the company, all directors shall retire from office and shall be eligible for re-election at each annual meeting of shareholders.

The Board of directors may at any time appoint any person to be a director either to fill a casual vacancy or as an addition to the existing directors up to a maximum number permitted by the Constitution until the next Annual Meeting of Shareholders where the director shall then retire and shall be eligible for appointment at that meeting. The appointment of Assad Abdullatif and Stéphanie de la Hogue, who have been nominated by the board on the recommendation of the Remuneration, Corporate Governance and Ethics Committees, will be proposed at the forthcoming annual meeting in December 2018.

Newly appointed directors are briefed on key information relating to the group and the sector in which it operates. They are given the relevant governing documents of the company and meet executive management to familiarize with each of the group’s business and operation, its strength and weaknesses. This process contributes to ensuring a well-informed and competent board.

The procedures and accountability for certain of the board matters are delegated under clearly defined conditions to board committees and executive management and information is supplied to the board in a manner that enables the board to act diligently and fulfill its responsibilities. The board monitors regularly the effectiveness of the policies and decisions, including the implementation and execution of its strategies.

**board meetings**

All directors are expected to attend all meetings of the board, and of those committees on which they serve, and to devote sufficient time to the group’s affairs to enable them to properly fulfill their duties as directors. The dates of the meetings together with agenda items are scheduled up to one year in advance, with board meetings at least each quarter.

However, on occasion, in addition to the regular scheduled meetings, it may be necessary to convene ad-hoc meetings at short notice as and when circumstances warrant, which may preclude directors from attending. Besides physical meetings, the board and the board committees may also make decisions by way of written resolutions. Board meetings are chaired in Mauritius and participation by board members by means of teleconference or similar communication equipment is permitted.

Matters considered by the board in 2017-2018:

- The audited annual report for the year ended June 30th 2017;
- The abridged unaudited financial statements for the first, second and third quarters;
- Declaration of final dividend;
- The company’s and group’s budgets; and
- Investments of the company.

The board met six times during the year to consider all aspects of the company’s affairs and any further information which it requested from management. Directors are kept regularly informed of the up to date business position of the group.

The agenda of the board is prepared by the company secretary in consultation with the chairperson and the executive directors and circulated together with accompanying board papers in a timely manner.

**attendance at board meetings**

<table>
<thead>
<tr>
<th>2018</th>
<th>board of directors</th>
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<tbody>
<tr>
<td></td>
<td>Jean-Pierre Montocchio 5</td>
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<td></td>
<td>René Leclézio 6</td>
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<td></td>
<td>Assad Abdullatif * 2</td>
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<td></td>
<td>Bertrand de Chazal 4</td>
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<td></td>
<td>Catherine Fromet de Rosnay 6</td>
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<td></td>
<td>Gilbert Gnany 2</td>
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<td></td>
<td>Stéphanie de la Hogue * 1</td>
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<td></td>
<td>Jocelyne Martin 6</td>
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<td></td>
<td>Seedha Lutcheemee Nullatemby 6</td>
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<td></td>
<td>Antoine Seeyave 3</td>
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<td></td>
<td>Bernard Yen 4</td>
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* appointed in April 2018

The board committees

To assist the board in the discharge of its responsibilities, the board has delegated certain functions to the following committees, each of which has its own written terms of reference which deal clearly with their authorities and duties. Details of the most important committees are set out below:

**The Remuneration, Corporate Governance and Ethics Committees (“RCGEC”)**

The main role of the RCGEC is to advise and make recommendations to the board in the discharge of its duties relating to
corporate governance matters and nomination of directors and senior executives of the company and to all remuneration aspects.

The company being a subsidiary of Promotion and Development Ltd (PaD) does not have a separate RCGEC. The members of the PaD RCGEC, all of whom are directors of Caudan, fulfil the above roles and responsibilities with regards to matters affecting Caudan, taking into account the nature and business of the company and the applicable legal requirements.

The committee makes recommendations to the board, in respect of issues relating to appointments of directors and the composition, size and structure of the board and generally on all corporate governance provisions to be adopted by the company and oversees their implementation. It also has responsibility for the compensation strategies, plans, policies and programs of the company and its subsidiaries and evaluating and approving the remuneration package and other terms and conditions of service applying to directors and senior executives.

The committee is also responsible for updating from time to time, and as necessary, the company's Code of Ethics. It is also responsible for driving the process for the implementation of the National Code of Corporate Governance for Mauritius throughout the group. As such, it oversees that compliance to this Code is being monitored, with a view to ensuring that the importance of this document is continuously stressed within the Group, and that its core principles are embedded in the Group Corporate Culture.

Matters considered by the RCGEC in 2017-2018:
- Recommendations on the appointment of new directors;
- Review of key governance documents; and
- Approval of salary increases.

The Audit and Risk Monitoring Committee

The committee is appointed by the board to assist in the discharge of duties relating to the overall control aspects of the company and its subsidiaries, including the safeguarding of assets, the monitoring of internal control processes, and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. It also assists in setting up risk mitigation strategies and to assess and monitor the risk management process of the Group and to advise the Board on risk issues.

It comprises Mr Bertrand de Chazal, who chairs this committee and Messrs Assad Abdullatif, Gilbert Gnany and Bernard Yen. All four members of the committee have the relevant financial experience. None of the members of the Audit and Risk Monitoring Committee were previous partners of or directors of the external auditors, namely BDO nor do they hold any financial interest therein.

In addition to its statutory functions, the Audit and Risk Monitoring Committee considers and reviews any other matters as may be agreed to by the Audit and Risk Monitoring Committee and the board. In particular, the committee assists the board in fulfilling its financial reporting responsibilities. It reviews the financial reporting process, and monitors compliance with laws and regulations. It monitors the quality, accuracy, reliability and integrity of the financial statements, and reviews interim financial reports and the annual financial statements prior to their submission to the board, and the application of the company's accounting policies. It reviews the audit process and assesses and recommends the appointment of internal and external auditors.

The committee reviews matters affecting the company's financial and internal controls, their adequacy and effectiveness and the management of financial risk. The committee also monitors risks identified and considered critical by management, including capital, market, reputational, strategic and operational risks; it reviews and monitors the development and implementation of the company's risk management programme. The Audit and Risk Monitoring Committee provides a forum through which the external auditors can report to the board and monitors their performance and independence. The board is satisfied that the Audit and Risk Monitoring Committee has adequately discharged its responsibilities in compliance with its terms of reference.
Attendance of the Audit and Risk Monitoring Committee

2018

Assad Abdullahiff * 2
Bertrand de Chazal 4
Gilbert Gnya 5
Bernard Yen 4

number of meetings held 5

* appointed in April 2018

Matters considered by the Audit and Risk Monitoring Committee in 2017-2018:

- Review the abridged quarterly financial statements for the first, second and third quarters;
- Review and recommend for approval to the board the abridged and annual financial statements for the year ended 30 June 2017;
- Review and recommend for approval to the board the budgets for the forthcoming years;
- Various audit reports submitted by the internal auditor; and
- Audit reports and findings of the external auditor.

statement of remuneration philosophy

The company's remuneration philosophy concerning directors provides that:

- there should be a retainer fee for each director reflecting the workload, size and complexity of the business as well as the responsibility involved. It should be the same for all directors whether executive or non-executive directors;
- the chairperson having wider responsibilities should have higher remunerations;
- there should be committee fees for directors. The chairperson should have higher remuneration than members.

directors’ remuneration

remuneration and benefits received and receivable from the company and its subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>THE COMPANY</th>
<th>SUBSIDIARIES</th>
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<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Full time executive</td>
<td>60</td>
<td>60</td>
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<tr>
<td>directors</td>
<td></td>
<td></td>
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<tr>
<td>Non-executive directors</td>
<td>425</td>
<td>405</td>
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<td>485</td>
<td>465</td>
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The directors' fees and remuneration are in accordance with market rates. They have not been disclosed on an individual basis due to the sensitive nature of the information.

risk governance and internal Control

The group's activities are exposed to a wide range of risks that could impact on its operational and financial performance. The directors are responsible for maintaining an effective system of internal control and risk management. Whilst these two functions are delegated to the Audit and Risk Monitoring Committee, the nature and governance of risk remain the ultimate responsibility of the board.

The responsibility of the board also includes:

- Ensuring that structures and processes are in place for risks management;
- Identifying the principal risks;
- Ensuring that management has developed and implemented the relevant framework;
- Ensuring that systems are in place for implementing, maintaining and monitoring internal controls.

All risks have been documented in a risk register and this will be reviewed at least yearly to identify new and emerging risks.

Some of the operational risks to which the group is exposed are:

- physical: losses due to fire, cyclone, explosion etc.
- human resources: losses arising from acts inconsistent with employment, health and safety laws.
- business continuity: losses resulting from breakdown in systems, failure of internal processes, inadequate back-ups and loss of data.
- compliance: failure to comply with laws, regulations, codes of conduct and standard of good practice relevant to the group’s business environment.

The property segment is influenced mainly by economic growth in the country. The ability of commercial local businesses to rent properties depends on the former's financial performance, but with the increased competition due to new shopping malls across the country and a low economic growth, these businesses may struggle to stay operational. In addition, oversupply of rental property puts downward pressure on rentals.
The Caudan group is also exposed over the allocation of permits from the authorities for development projects. Delays in granting permits may be encountered.

To mitigate the above risks, the company has developed various policies, processes, systems and methods which are reviewed regularly to ensure that they are managed on a timely basis and in an effective manner. In June 2017, a Business Risk Identification and assessment exercise was carried across the group by MCB Consulting. Under their guidance, the group is putting in place a risk management framework and implementing the action plan to mitigate the business risks and/or to transform them into business opportunities.

The group is also exposed to financial risks such as market risk, credit risk and liquidity risk. The management of these risks is further discussed in note 1 of the financial statements.

The board is also responsible for information governance within the company and its subsidiaries. The management of information technology and information security governance are delegated to the IT function. The existing policies are being reviewed and an IT governance model for the company is currently being developed. A list of the existing policies is detailed below:

- Email, internet and other acceptable use policy: Outline appropriate and inappropriate use of email systems and services and internet resources.
- System administrator policy: establish administrative and privileged access rights to the company’s IT systems and confidential information.
- Logical access policy: limit access to information processing facilities and business processes of the group.
- Mobile code policy: protect integrity of software and information, provide instructions on measures to be taken to achieve effective malware detection and prevention.
- Information security & incident management policy: protect information assets, prevent security incidents and reduce their potential impact. Identify information security events and weaknesses and take timely corrective action.
- Back up policy: regular backup copies of information and software to protect against loss of data, maintain the integrity and availability of information and information processing facilities.
- Network security policy: protection of information in networks and of supporting infrastructure.
- Password policy: creating, protecting and changing passwords.
- Laptop policy: minimise information security risks that may affect laptops.

**reporting with integrity**

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare the financial statements in accordance with International Financial Reporting Standards.

The directors are also responsible for keeping adequate accounting records and for the preparation of accounts that fairly present the state of affairs of the company. The annual report and accounts are fair, balanced and understandable and provide the information necessary for shareholders and other key stakeholders to assess the company’s position, performance and outlook. The directors have also the duty to safeguard the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**sustainability reporting**

The company is committed to the development and implementation of social health and safety and environmental policies and practices in line with existing legislatives and regulatory framework.

**carbon reduction commitment**

Environment consciousness is among one of the most important business practices of the company and the group. The group wishes to go further in the strengthening and affirmation of the group’s identity as an eco-friendly destination by building on several ad-hoc green initiatives that have been taken over a certain period of time, like the use of eco-friendly biodegradable detergents when it comes to the cleaning of the premises and recycling of used oils among others. The group has reduced paper consumption through the elimination of paper invoices by sending them electronically.

The most visible and ambitious action taken at this level is the inculcation of environmental awareness to all staff, visitors and tenants via the implementation of selective separation and sorting of waste with the provision of adapted bins.

In the coming year, the group will continue to work towards bringing consistency to its environment friendly policy and actions in view of putting up a structured and full-fledged project that will strengthen the group’s commitment towards sustainable development, thus enabling us to meet international standards with regard to environmental consciousness.
audit

Audit and Risk Monitoring Committee
The mission of the Audit and Risk Monitoring committee is to establish formal and transparent arrangements regarding how to apply financial reporting and internal control principles and to maintain an appropriate relationship with the Company's auditors.

The Audit and Risk Monitoring Committee confirms that, for the year under review, it has met its key objectives and carried out its responsibilities effectively in accordance with its Charter.

During the year under review, the Audit and Risk Monitoring Committee has continued to focus on its key objectives namely: overseeing financial reporting, internal controls, internal and external audit.

internal audit
The company has established an in-house internal audit function. The group internal auditor evaluates all aspects of internal control of the company and its subsidiaries and assists the Audit and Risk Monitoring Committee to ensure that the company maintains a sound system of internal controls. The internal auditor reports to the Audit and Risk Monitoring Committee chairperson, and to the executive management on administrative matters. The Audit and Risk Monitoring Committee approves the hiring and decides on the removal of the internal auditor and also ensures the adequacy and effectiveness of the internal audit function. The internal audit plan is established in consultation with, but independent of, Management, and is reviewed and approved by the Audit and Risk Monitoring Committee. The Audit and Risk Monitoring Committee and management review and discuss internal audit findings, recommendations and status of remediation at Audit and Risk Monitoring Committee meetings. The management also submitted an action plan for the various findings. The internal auditor has unfettered access to the group's documents, records, properties and personnel, including access to the Audit and Risk Monitoring Committee. During the year under review, the internal auditor reported to the Audit and Risk Monitoring Committee on factual findings with respect to purchasing, stock management and parking management.

external audit
Annual audit plans are presented in advance by the external auditors and reviewed by the Audit and Risk Monitoring Committee.

The Audit and Risk Monitoring Committee also reviews the external auditors' report and any recommendations for improvements in controls and procedures identified in the course of their work and ensures the proper follow up of previous recommendations.

Following the enactment of the Finance Act 2016 and a subsequent regulation Government Notice No 64 of 2017, listed companies are required to rotate their auditors every seven years. By virtue of the Regulation aforementioned, current auditors are allowed to continue in office until the financial year ending June 30th 2020.

relations with shareholders and other key stakeholders
At June 30th 2018, the capital structure of the company was MRe2,000,000,000, represented by 2,000,000,000 ordinary shares of MRe1.00 each and there were 3,194 shareholders on the registry.

<table>
<thead>
<tr>
<th>shareholder</th>
<th>number of shares</th>
<th>% held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion and Development</td>
<td>1,217,257,922</td>
<td>60.86</td>
</tr>
<tr>
<td>Ferryhill Enterprises</td>
<td>195,236,234</td>
<td>9.76</td>
</tr>
<tr>
<td></td>
<td>1,412,494,156</td>
<td>70.62</td>
</tr>
<tr>
<td>Fincorp Investment</td>
<td>106,790,072</td>
<td>5.34</td>
</tr>
</tbody>
</table>

Subsidiaries and associates of the company are listed in notes 6 and 7 respectively of the financial statements.
group structure as at June 30th 2018

The holding structure up to and including Promotion and Development Ltd, the ultimate parent, is shown overleaf.

<table>
<thead>
<tr>
<th>size of shareholding</th>
<th>number of shareholders</th>
<th>number of shares owned</th>
<th>% holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-500 shares</td>
<td>351</td>
<td>62,355</td>
<td>0.003</td>
</tr>
<tr>
<td>501-1,000 shares</td>
<td>204</td>
<td>142,016</td>
<td>0.007</td>
</tr>
<tr>
<td>1,001-5,000 shares</td>
<td>920</td>
<td>2,150,309</td>
<td>0.11</td>
</tr>
<tr>
<td>5,001-10,000 shares</td>
<td>324</td>
<td>2,221,063</td>
<td>0.11</td>
</tr>
<tr>
<td>10,001-50,000 shares</td>
<td>766</td>
<td>17,182,124</td>
<td>0.86</td>
</tr>
<tr>
<td>50,001-100,000 shares</td>
<td>197</td>
<td>13,790,668</td>
<td>0.69</td>
</tr>
<tr>
<td>Above 100,000 shares</td>
<td>406</td>
<td>1,964,451,465</td>
<td>98.22</td>
</tr>
<tr>
<td>Total</td>
<td>3,168</td>
<td>2,000,000,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The number of shareholders given above is indicative, having been obtained by consolidation of multiple portfolios for reporting purposes.

The board places great importance on an open and transparent communication with all shareholders; and it endeavours to deliver to the shareholders and to the global investing community thorough and up to date information to support informed investment decisions and keep them informed on matters affecting the company, which could have a material impact on the company’s share price.

The company communicates to its shareholders through its Annual Report, publication of unaudited quarterly and audited abridged financial statements of the group, dividend declaration, press announcements and the Annual Meeting of Shareholders to which all shareholders are encouraged to attend. All shareholders of the company are entitled to attend and vote at shareholders meetings in person or by proxy. The company is required to comply with the provisions of the Listing Rules on the continuous disclosure obligations. Results and annual reports are announced and issued within the specified period. All announcements are posted on the Company’s website.

The company’s website is also an important means of effectively communicating with all stakeholders, keeping them abreast of developments within the group.

shareholders’ calendar

The company has planned the following forthcoming events:

- **Mid-November 2018**: release of first quarter results to September 30th 2018
- **December 2018**: annual meeting of shareholders
- **Mid-February 2019**: release of half-year results to December 31st 2018
- **Mid-May 2019**: release of results for the nine month period to March 31st 2019
- **June 2019**: declaration of final dividend
- **End-September 2019**: release of full year results to June 30th 2019
- **Mid-November 2019**: release of first quarter results to September 30th 2019
- **December 2019**: annual meeting of shareholders
share price information

evolution of the company’s share price compared to the Semdex over the past five years

the constitution

A copy of the constitution is available at the registered office of the company and on its website. There are no clauses of the constitution deemed material to be disclosed.

common directors

common directors within the holding structure of the company

at June 30th 2018

<table>
<thead>
<tr>
<th>Name</th>
<th>Promotion and Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean-Pierre Montocchio</td>
<td></td>
</tr>
<tr>
<td>René Leclézio</td>
<td></td>
</tr>
<tr>
<td>Assad Abdullatif</td>
<td></td>
</tr>
<tr>
<td>Bertrand de Chazal</td>
<td></td>
</tr>
<tr>
<td>Catherine Fromet de Rosnay</td>
<td></td>
</tr>
<tr>
<td>Gilbert Gnany</td>
<td></td>
</tr>
<tr>
<td>Stéphanie de la Hogue</td>
<td></td>
</tr>
<tr>
<td>Jocelyne Martin</td>
<td></td>
</tr>
<tr>
<td>Bernard Yen</td>
<td></td>
</tr>
</tbody>
</table>
shareholders agreement

There is currently no shareholders agreement affecting the governance of the company by the board.

third party management agreement

There were no such agreements during the year under review.

dividend policy

The company’s objective is to provide value to its shareholders through optimum return on equity. The company does not currently have a formal dividend policy. The declaration amount and payment of future dividends depend on many factors, including level of profits realised, cash flow and financial condition, expansion and working capital requirements, commitments with regards to future projects and other factors deemed relevant by the board. The company however aims at achieving a reasonable return and regular income in the form of stable dividends and as far as possible, intends to maintain or grow the dividend each year.

The Audit and Risk Monitoring Committee and the board ensure that dividends are paid out only if the company, shall upon the distribution being made, satisfy the solvency test. Dividends are normally declared and paid once a year.

The board declared a final dividend of MRe0.04 per share in respect of the year ended June 30th 2018 (2017: MRe0.04 per share).

trend over the past five years

<table>
<thead>
<tr>
<th>year</th>
<th>dividend per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.0</td>
</tr>
<tr>
<td>2017</td>
<td>4.0</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>-</td>
</tr>
</tbody>
</table>

statement of directors’ responsibilities

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flow of the company and of the group. In preparing those financial statements, the directors are required to:

- 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 followed and complied with, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2001. The directors are also responsible to ensure that:

- an effective system of internal control and risk management has been maintained and
- the code of corporate governance has been adhered to.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

Approved by the board of directors on September 26th 2018 and signed on its behalf by

René Leclézio
Director

Bertrand de Chazal
Director