

# Leadership and Governance

- Leadership Profile
- Corporate Governance Report



“Governance and leadership are the yin and the yang of successful organisations...” Mark Goyder (Director of Tomorrow’s Company)

We are driven by a **STRONG LEADERSHIP** team, which is committed to attain and sustain the highest principles of Corporate **GOVERNANCE**. The **ALLIANCE** of our dedicated Management with good governance principles **IS REFLECTED** in our **STRONG** performance for the financial year.

# PROFILE OF THE BOARD OF DIRECTORS OF SBM HOLDINGS LTD

SBM Group is driven by strong leadership. This section describes the profiles of the directors of SBM Holdings Ltd, and those of the chairpersons of SBM (Bank) Holdings Ltd, SBM (NBFC) Holdings Ltd, SBM (NFC) Holdings Ltd, as well as the profiles of the chief executive officers of the different clusters and banking operations of the Group.



**KEE CHONG LI KWONG WING, G.O.S.K.**  
Chairman, SBM Holdings Ltd

## Skills and Experience

Holder of the National Laureateship, Mr Kee Chong Li Kwong Wing, G.O.S.K. is an economist who graduated from the London School of Economics. He is the founder of the Mauritius International Trust Co. Ltd, one of the first professional firms licensed to provide financial services to international private and institutional clients.

During his career, he has served as Lecturer in Public Finance at the University of Mauritius, Project Manager at the Mauritius Cooperative Bank, and Advisor to the Minister of Finance in fiscal and monetary matters. He set up the first Mutual Fund in Mauritius, which was also the first Fund authorised by Government to make investments in global markets. He also launched the first Property Unit Trust of Mauritius.

Furthermore, he was Chairman of the Stock Exchange Commission (the predecessor of the Financial Services Commission), the State Investment Corporation Management Ltd and the National Advisory Council on Prices and Consumer Protection. He also served on several Statutory Boards such as the State Trading Corporation, the National Remuneration Board, the National Economic and Social Council and the University of Mauritius. Mr Kee Chong Li Kwong Wing, G.O.S.K. was also Consultant to the United Nations Economic Commission for Africa (UNECA), the U.N. Industrial Development Organisation (UNIDO) and the Finance and Investment Sector Coordinating Unit (FISCU) of the Southern African Development Community (SADC) Council of Finance Ministers.

Mr Kee Chong Li Kwong Wing, G.O.S.K. was an external lecturer on the MBA Programme of the University of Surrey School of Management (UK) and has published numerous reports and articles on cooperative banking, project management, development finance, structural adjustment and fiscal planning issues. In 2010-2014, he was Member of Parliament, responsible for Finance and Economic Matters on the Opposition bench.

He was elected as a director of the Board of Directors of SBM Holdings Ltd in June 2015 and has since been designated as its Chairman, being an independent non-executive director.

## Other Current Appointments

Mr Li Kwong Wing, G.O.S.K. sits on the Board of the State Insurance Company of Mauritius Ltd and Afrexim Bank.

## Board Committee Membership

Investment & Credit Committee (Chairman), IT Steering Committee (Chairman), Regional Expansion Steering Committee (Chairman), Remuneration Committee, Risk Management Committee, Steering Committee for East Africa (Chairman), Steering Committee on Seychelles (Chairman) and Strategy Committee (Chairman)



### AZIM CURRIMJEE

#### Skills and Experience

Mr Currimjee is the Managing Director of the Food & Beverages Cluster of the Currimjee Group of Companies and the Managing Director of Quality Beverages Ltd. He holds a BA in Mathematics from Williams College, Massachusetts and an MBA from Trinity College, Dublin. Mr Currimjee has had over 25 years of experience in Industry, and has led large textile concerns in the past and has been leading a significant food and beverage business for the last 15 years. He was elected to the Board of SBM Holdings Ltd in June 2016 and is an independent non-executive director.

#### Other Current Appointments

Mr Currimjee is on the Board of all the principal companies of the Currimjee Group as a non-executive Director. He is currently the President of the Mauritius Chamber of Commerce and Industry, a position he also held in 2007.

#### Board Committee Membership

Audit Committee, Corporate Governance & Conduct Review Committee IT Steering Committee, Regional Expansion Steering Committee, Risk Management Committee (Chairman), Steering Committee for East Africa, Steering Committee on Seychelles, Strategy Committee

#### Skills and Experience

Mr Gunpath is the Permanent Secretary to the Minister Mentor's Office, Ministry of Defence and Rodrigues effective February 2017. Prior to that, he was the Permanent Secretary to the Private Office of the Prime Minister's Office. He has completed a BSc (General) at the University of Punjab, India and a Diploma in Public Administration & Management at the University of Mauritius. He started his career in the Government Service in 1977 and has worked in several Ministries and within the Prime Minister's Office. Mr. Gunpath has also acted as Chairman of several Boards such as Sugar Planters Mechanical Pool Corporation, Tobacco Board, Town and Country Planning Board, Farmers' Service Centre and SSR Botanical Garden. He has also served as a member of the Board of Tourism Authority and of the Mahatma Gandhi Institute. He joined the SBM Holdings Ltd Board in February 2015 and is a non-executive director.

#### Other Current Appointments

He is currently a director of the Mauritius Post Ltd.

#### Board Committee Membership

Corporate Governance & Conduct Review Committee, Investment & Credit Committee, IT Steering Committee, Regional Expansion Steering Committee, Remuneration Committee (Chairman), Risk Management Committee, Steering Committee for East Africa, Steering Committee on Seychelles, Strategy Committee

### MEDHA GUNPUTH





### MAXIME HARDY

#### Skills and Experience

Mr. Hardy is a Fellow Member of the Association of Accounting Technicians, UK. Mr. Hardy has experience in the accounting and finance field, having spent several years in the sugar, beverage, textile and car dealer industries. He has spent some 7 years at the GML head office and reached the position of financial controller. In 2008, he moved into the newly created real estate development arm of the GML, now known as BlueLife Ltd, as the Asset Executive, having within its portfolio at that time, responsibility for companies holding the properties now earmarked for development. He was elected as director of the Board of SBM Holdings Ltd in June 2015 and is an independent non-executive director.

#### Board Committee Membership

Audit Committee, Corporate Governance & Conduct Review Committee, Remuneration Committee, Steering Committee on Seychelles

### VIDIANAND LUTCHMEEPARSAD

#### Skills and Experience

Mr Lutchmeeparsad holds a Master in Business Administration from the University of Mauritius. He also holds post graduate qualifications from universities in Australia and India. Currently Permanent Secretary at the Ministry of Finance and Economic Development, Mr. Lutchmeeparsad has more than 30 years' experience in the field of public administration, having served, at senior management level in different Ministries. He has worked for 15 years at the Ministry of Public Infrastructure and has been closely involved in the implementation of major road projects at the Road Development Authority. He was elected as director of the Board of SBM Holdings Ltd on 30 June 2015 and is a non-executive director.

#### Other Current Appointments

Director on the Board of State Investment Corporation Ltd, Landscape (Mauritius) Ltd, NIC Health Care Limited and National Day Celebrations Co Ltd

#### Board Committee Membership

Corporate Governance & Conduct Review Committee, Regional Expansion Steering Committee, Remuneration Committee, Risk Management Committee, Strategy Committee





### RAMPRAKASH MAUNTHROOA



#### Skills and Experience

Mr Ramprakash Maunthrooa is the Senior Adviser at the Prime Minister's Office. He has served as the Managing Director of the Board of Investment and has also been the Director General of the Mauritius Ports Authority and subsequently served as Chairman of the organisation from 2000–2003.

He has also worked as a freelance Consultant as a port specialist and subsequently as an Investment and Management Consultant both in Mauritius and the region.

He was elected as Director of the Board of SBM Holdings Ltd on 30 June 2015 and is an independent non-executive Director.

#### Other Current Appointments

Mr Maunthrooa also serves on the Board of Air Mauritius and of the Board of Investment (BOI).

#### Board Committee Membership

Corporate Governance & Conduct Review Committee, Investment & Credit Committee, Regional Expansion Steering Committee, Remuneration Committee, Strategy Committee

### ROODESH MUTTYLALL



#### Skills and Experience

Mr Muttylall is a Fellow Member of The Association of Chartered Certified Accountants, UK and an Associate Member of The Institute of Chartered Secretaries and Administrators, UK. He also holds a Master's Degree in Finance from the University of Mauritius. Mr Muttylall is currently the Financial Controller of a Global Business Company and has several years of experience in similar positions in the hotel sector. He worked for SBM Group between 2000 and 2001. He joined the Board of SBM Holdings Ltd on 30 June 2015 and is an independent non-executive director.

#### Board Committee Membership

Audit Committee, Corporate Governance & Conduct Review Committee (Chairman), Investment & Credit Committee

### OUMA SHANKAR OCHIT



#### Skills and Experience

Mr. Ochit is the Senior Partner of Nexia Baker & Arenson, a member of Nexia International. He is a fellow of the Chartered Association of Certified Accountants and holds a Master of Business Administration, with specialisation in Finance, from the University of Mauritius. He was also the Managing Director of Halifax Management Limited, a management company licensed by the Financial Services Commission, and a member of the COMESA Infrastructure Fund Interim Advisory Board. Prior to joining Nexia Baker & Arenson, he worked for Coopers & Lybrand, International Financial Services Ltd and the University of Mauritius. He joined the Board of SBM Holdings Ltd in June 2015, as an independent non-executive director.

#### Other Current Appointments

Mr Ochit currently sits on the Board of the Tertiary Education Commission.

#### Board Committee Membership

Audit Committee (Chairman), Investment & Credit Committee, IT Steering Committee, Risk Management Committee, Strategy Committee

## Other Subsidiaries of SBM Group and Overseas Expansion Cell

The activities of SBM Holdings Ltd is segregated into three clusters namely (i) Banking, (ii) Non-Banking Financial Services and (iii) Non-Financial. More details have been provided in the Group Structure at page 156. An Overseas Expansion Cell led by Mr Jairaj Sonoo, C.S.K. was established in August 2016 to monitor the overseas expansion initiatives.

### Brief Profiles of the Chairpersons and Chief Executives of Each Cluster



**NAYEN KOOMAR BALLAH**  
Chairman, SBM (Bank) Holdings Ltd and  
SBM Bank (Mauritius) Ltd

Mr Ballah is presently the Secretary to Cabinet and Head of the Civil Service - Prime Minister's Office. He holds a BA Political Science & Economics and BA (Hons) English (India) and Diploma in Public Administration & Management. Mr Ballah was the Permanent Secretary at the Prime Minister's Office (2004–2005), the Ministry of Arts & Culture (2005–2008), the Ministry of Youth & Sports (2008–2011), the Ministry of Public Infrastructure, NDU, Land Transport & Shipping (2011–2014) and Secretary to Home Affairs Prime Minister's Office (2014 – 2016). He was appointed as Non-Executive Director of SBM Bank (Mauritius) Ltd since 30 June 2015.

**RAJ DUSOYE**  
CE, SBM Bank (Mauritius) Ltd



Mr Dussoye holds a Masters in Business Administration from the Heriot-Watt University - Edinburgh, Scotland and is also an Associate of the Chartered Institute of Bankers (ACIB). He started his career in banking at SBM in 1982, where he has occupied various senior positions across different banking business lines until 2007. From 2003 to 2006, he was the CEO of State Bank of Mauritius Ltd (India) before joining Ciel Group, where he was CEO of Edge Forex Ltd and responsible for the Group's Initiative. He was then appointed CEO of Bank One Ltd from 2008 to 2013. Prior to joining SBM in 2016, Mr Dussoye has also acted as Consultant for the AXYS Group (Mauritius) for new projects in financial services. He became Chief Executive and ex-officio member of the Board of directors of SBM Bank (Mauritius) Ltd in August 2016, responsible for the Banking Business across the whole Group – Mauritius, Madagascar, Seychelles, Kenya, India and Myanmar.



**GILBERT LAGAILLARDE**  
Directeur Général, Banque SBM Madagascar

Mr Lagaille holds a Masters in Business Administration from the University of Leicester UK. He has more than 35 years of banking experience. He has been working at Senior Management level in overseas banks for the last 10 years including Opportunity International – Democratic Republic of Congo and Banque Commerciale du Rwanda. Prior to joining Banque SBM Madagascar SA, Mr Lagaille was the CEO of Première Agence de Microfinance – Madagascar. He is currently the General Manager of Banque SBM Madagascar SA and reports to the Board of Directors of Banque SBM Madagascar.



**SIBY SEBASTIAN**  
CE, SBM India Operations

Mr Siby Sebastian has over 20 years of experience across banking and financial services. He is a Chartered Accountant from the Institute of Chartered Accountants of India and has joined SBM Bank (Mauritius) Ltd in November 2016 from ICICI Bank. Mr Sebastian has served in other prominent entities like ICICI Bank, ICICI Housing Finance Company, Kotak Mahindra Prime and Deloitte Haskins & Sells. He brings outstanding experience from his 15 years in ICICI Group, having led teams in retail banking, mortgage finance, cards as well as building out ICICI's rural and agri-finance offering. He comes with a strong domain knowledge in business development, corporate strategy, business risks, technology, financial management and country governance. His key strengths include project financing transactions, commodity sales, derivative solutions, retail banking, mortgage and consumer finance, cards, rural banking & agro lending, customer service and an in-depth understanding of the Indian and African markets. Branch banking, customer service, retail operations, segmented operations, digitised operations, currency management, productivity enhancement, new outlets, relationship management and managing large teams. He has also a keen understanding of fintech - mobile banking, eWallets, robotic advisory, software robotics, workflows, artificial intelligence, blockchain etc - and macro-economic dynamics, finance, customer service. He is currently the CE SBM India Operations and reports to the CE Banking.



**JAIRAJ SONOO, C.S.K.**  
CE, Overseas Expansion

Mr. Sonoo, C.S.K. holder of a Master in Business Administration from University of Surrey, UK has experienced a rich career in the banking field over nearly four decades, both at local and international level. He has been the Chief Executive of two listed financial institutions, including SBM and another local commercial bank in Mauritius respectively. At international level, Mr. Sonoo acted as the Chief Executive Officer of the SBM India Operations and has also overseen the operations of Banque SBM Madagascar.

Mr. Sonoo was previously an executive director of the Board of Directors of SBM Bank (Mauritius) Ltd and board member of several companies within SBM Group and is currently the Chief Executive, Overseas Expansion of SBM Holdings Ltd.





**KEE CHONG LI KWONG WING, G.O.S.K.**  
Chairman, SBM (NBFC) Holdings Ltd

Profile on page 144



**SOONDRASSEN MARDAY, O.S.K.**  
Chairman, SBM (NFC) Holdings Ltd

Mr Soondrassen Murday has been the Managing Director of the Computer Training Centre at the Institute of Information Technology. He is the holder of a Diploma in Information & Communications Technology and a Diploma in Communication, Data Production, Data Manipulation, Integrity & Output Data. He was conferred the title of an Officer of the Order of the Star and Key of the Indian Ocean.



**LAKSHMANA LUTCHMENARRAIDOO**  
CE, SBM (NBFC) Holdings Ltd

Mr. Kris (Lakshmana) Lutchmenarraido is currently the Chief Executive of SBM (NBFC) Holdings Ltd. He is a seasoned banking professional with over 40 years' experience across the banking and financial services sectors. During the 13 years he spent at SBM, he held various positions across the bank namely Branch Manager, Head of Internal Audit, and Assistant General Manager. He then moved on to occupy the highest positions in various prominent entities such as Mauritius Leasing Company Ltd, Mauritius Post Ltd, Mauritius Post and Cooperative Bank Ltd, La Prudence Mauricienne Assurances Ltée and Mauritius Union Assurance Co. Ltd. More recently, he was the Group Managing Director at Phoenix East Africa Assurance Company Ltd., based in Kenya and supervising operations in Kenya, Tanzania, Uganda and Rwanda. Mr Lutchmenarraido holds a Banking Diploma from FinAfrica Institute, Milan, Italy.

# Corporate Governance Report



“The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company”.

## Corporate Governance Report (cont'd)

### Introduction

**“The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company”.**

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. It essentially involves balancing the interests of a company's stakeholders, such as shareholders, Board of Directors, management, employees, customers, suppliers, regulators, creditors, auditors, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Corporate governance is central to the Group's approach to the enhancement of shareholder value and the protection of shareholders' funds. It ensures that the business environment is fair and transparent such that the interests of all shareholders (majority as well as minority shareholders) are safeguarded and that the Group be held accountable for its actions. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.

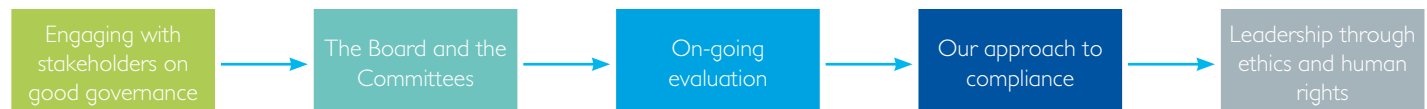
The Code of Corporate Governance for Mauritius (the Code) was reviewed by the National Committee of Corporate Governance in 2016 and the revised Code will be applicable as from the reporting year (financial period) ending 30 June 2018, i.e. companies should apply the principles of this Code from July 2017 onwards. Earlier adoption is however encouraged. This Code comprises a set of principles and guidance aimed at improving and guiding the governance practices of organisations within Mauritius.

The Code together with the Bank of Mauritius Guideline on Corporate Governance (the Guideline), provides SBM Holdings Ltd ('SBMH') with a robust framework within which it ensures a strong culture of good governance, transparency and accountability.

### SBM's Governance Framework

The Board of Directors of SBM Holdings Ltd ("SBMH" or "the Group") is fully committed to attaining and sustaining the highest standards of Corporate Governance with the aim of maximising long-term value creation for the shareholders. This is achieved through group-wide awareness of business ethics and the stewardship and supervision of the management of the Group by the Board of Directors and the various Committees of the Board.

There are various mechanisms put in place to enable us to adhere to the high standards of good governance as detailed below:



The Board of Directors must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics in addition to business and financial issues. The approval of the shareholders is generally sought for major decisions in line with company law, listing rules and SBMH's constitution.

It is the responsibility of the Board of Directors to continuously monitor and adapt practices to reflect developments in corporate governance principles given their significance in ensuring smooth business operations and active stakeholder engagement within an increasingly challenging environment. The Board sets out the strategic direction and establishes the procedures and practices for effective capital allocation and internal controls alongside ensuring adherence by SBMH and its subsidiaries to relevant legislations and policies.

# STATEMENT OF COMPLIANCE

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

Name of Public Interest Entity : SBM Holdings Ltd

Reporting Period: 01 January 2016 to 31 December 2016

We, the Directors of SBM Holdings Ltd, confirm, to the best of our knowledge, that SBM Holdings Ltd has complied with the obligations and requirements under the Code of Corporate Governance in all material aspects save with respect to the requirement to appoint executive directors.

SBMH is currently in the process of recruiting personnel to fill key executive roles at the Group level, in particular the position of CEO. It is hoped that this exercise will be completed soon in order to ensure that the Board composition meets the requirements of the Code of Corporate Governance.



**KEE CHONG LI KWONG WING, G.O.S.K.**

Chairman, SBM Holdings Ltd



**ROODESH MUTTYALL**

Chairman – Corporate Governance & Conduct Review Committee

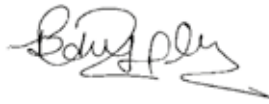
Date: 30 March 2017

## Corporate Governance Report (cont'd)

**Company Secretary's Certificate**

For the Financial year ended 31 December 2016

I certify to the best of my knowledge and belief that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 in terms of Section 166 (d).



**D RAMJUG CHUMUN**

Company Secretary

Date: 30 March 2017

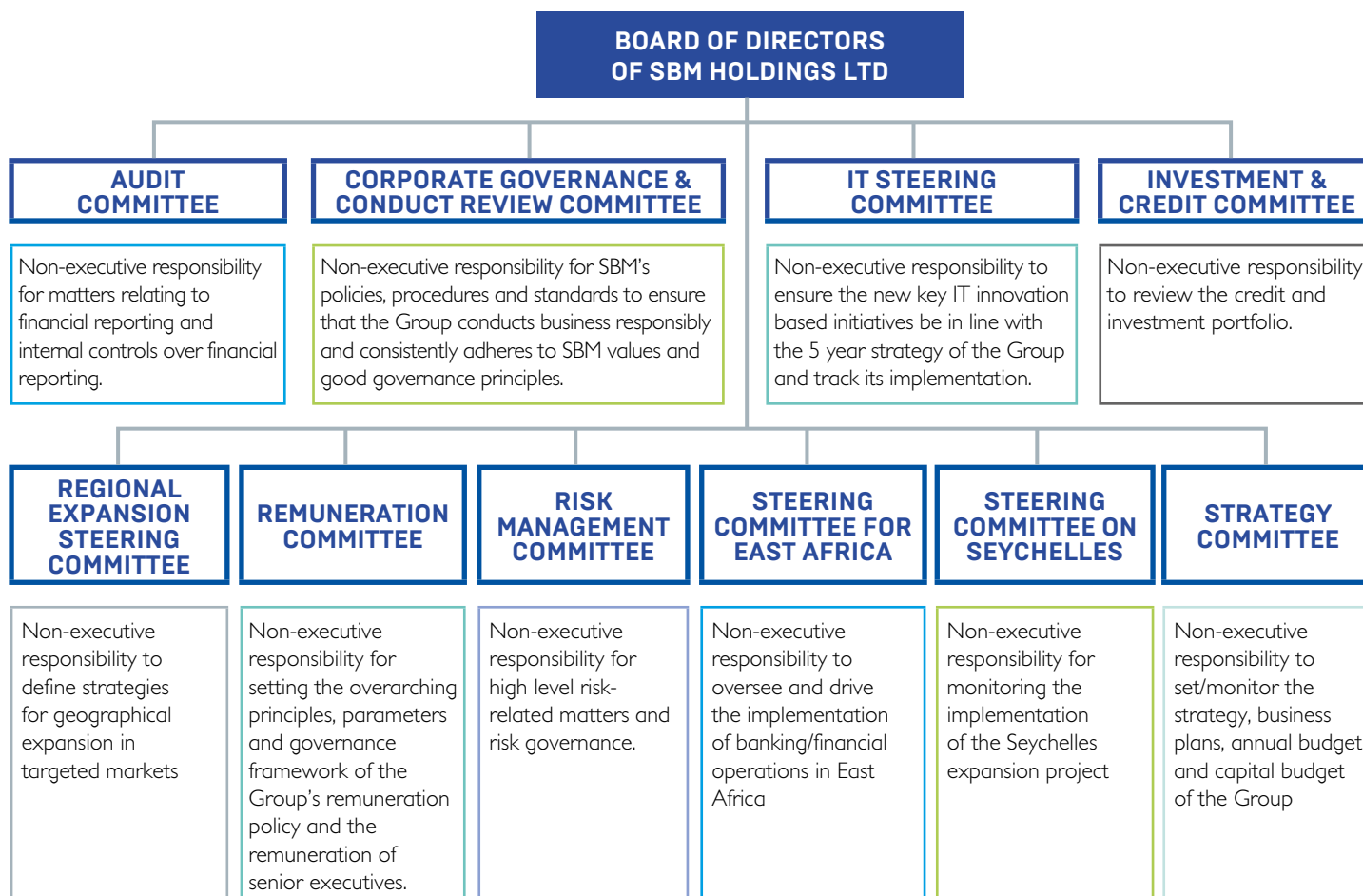


## Holdings Structure

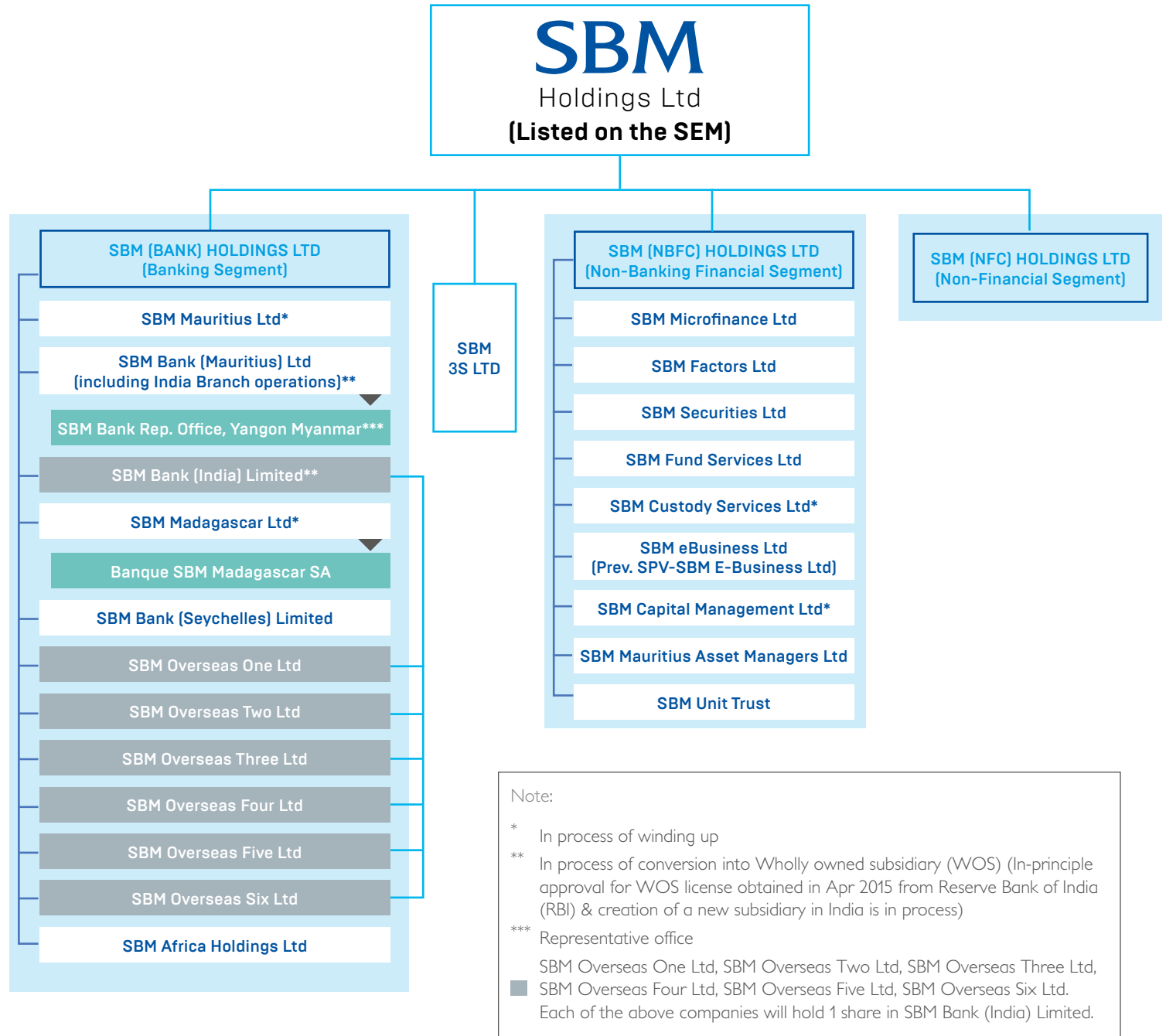
SBM Holdings Ltd is a public company, listed on the Stock Exchange of Mauritius since 03 October 2014 following a restructuring exercise of the Group approved by the Bank of Mauritius under section S32A of the Banking Act. Prior to this State Bank Mauritius Ltd (Now SBM Bank (Mauritius) Ltd) which was the holding company, was listed since 1995. The activities of SBM Group are divided into three clusters namely (a) banking, (b) non-bank financial and (c) non-financial. The SBM Group Structure is set out at page 156.

## How we are governed

The Board of SBMH provides entrepreneurial leadership and vision to the Group to enhance shareholder value creation within a framework of prudent and effective controls, which enables risk to be assessed and managed to ensure long term sustainable development and growth. The board has ultimate accountability and responsibility for the performance and affairs of the company and is responsible for ensuring the Group adheres to high standards of ethical behaviour



# Group Structure



## SBM (Bank) Holdings Ltd

The Banking segment is clustered under SBM (Bank) Holdings Ltd which was incorporated in 2013 is wholly owned by SBMH and a non-operating Special Purpose Vehicle (SPV) holding investments in all bank operating companies of the Group. The banking operations for each different country/ geography/major segment will be carried out by a separate and independent bank subsidiary. In this manner, the banking operations in each operating company will be ring-fenced from the rest of the Group operations.

## SBM (NBFC) Holdings Ltd

SBM (NBFC) Holdings Ltd, a wholly owned subsidiary of SBMH and a non-operating SPV company holding SBM Group's non-bank financial investments, is domiciled in Mauritius since 1999.

The following companies are 100% held by SBM (NBFC) Holdings Ltd:

- (i) SBM Securities Ltd, operating since 1989;
- (ii) SBM Mauritius Asset Managers Ltd, operating since 1995;
- (iii) SBM Fund Services Ltd, operating since 1997;
- (iv) SBM eBusiness Ltd (previously known as SPV-SBM E-Business Ltd), operating since 2014;
- (v) SBM Microfinance Ltd, operating since 2016 and;
- (vi) SBM Factors Ltd, operating since 2016

All the operating companies within this cluster are licensed and supervised by the Financial Services Commission of Mauritius.

## SBM (NFC) Holdings Ltd

SBM (NFC) Holdings Ltd is a wholly owned subsidiary of SBMH and a non-operating company incorporated in 2011 holding SBM Group's investments in non-financial companies.



## Corporate Governance Report (cont'd)

The Board of Directors ("the Board") is a body of elected members who jointly oversee the activities of SBMH and its subsidiaries. The Board's primary responsibility is to ensure the Group's prosperity by collectively directing its affairs, whilst meeting the appropriate interests of its shareholders and other stakeholders. The Board has ultimate responsibility for the management, direction and performance of the Group, and leads and controls the Group's business. The Board is also responsible for ensuring appropriate resources and controls are in place to achieve its strategy and deliver sustainable performance. Through authorities delegated to its committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters.

While the Board is accountable for oversight of the governance process, management is responsible for implementing the policies and procedures through which governance occurs within the Group. The Board is responsible for understanding and for advising management on the processes through which governance occurs within the Group, and is accountable for the results of those processes. The Board has further responsibility for ensuring that Management maintains both an effective system of internal controls and an effective risk management and oversight process. While discharging these responsibilities, the Board considers the Group's business and reputation, the materiality of risks that are inherent in the business and the costs and benefits of implementing controls. The Group's internal control system provides assurance of internal financial controls, compliance with laws and regulations, and effective and efficient operations.

The Board is directly accountable to the shareholders and, each year, SBMH holds an Annual Meeting at which the directors provide a report to shareholders on its performance, its future plans and strategies and also directors submit themselves for re-election to the Board.

### Board Leadership and Committees

#### Experienced, effective and diverse leadership

Our business is led by our Board of Directors.

The Board of Directors of SBM Holdings Ltd has a unitary structure and presently comprises eight non-executive directors of which six are independent non-executive directors. Seven out of the eight directors were re-elected at the last Annual Meeting held in June 2016. Mr Azim Fakhruddin Currimjee was elected as director of the Company in place of Dr Jameel Khadaroo.

Mr Kee Chong Li Kwong Wing, *G.O.S.K.* was re-appointed as Chairman of the Board of SBMH on 28 June 2016. Brief profiles of the Directors are included at pages 144 to 147 of the annual report.



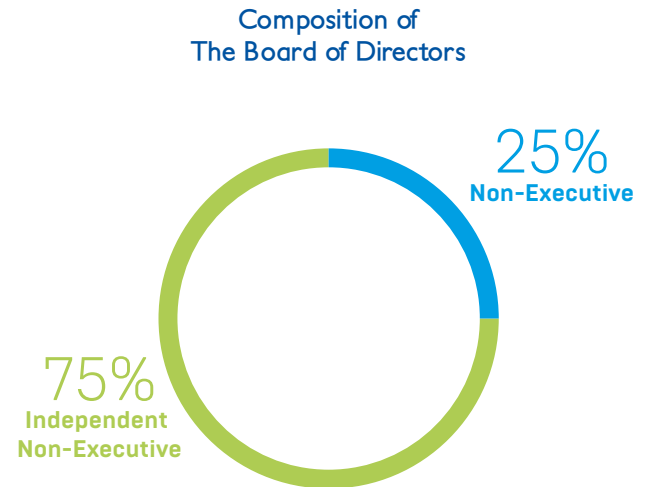
### Board Diversity

SBM Holdings Ltd understands the importance of having a Board containing the right balance of skills, experience and diversity, and the composition of the Board is regularly reviewed. The skills and experience of the current directors and the value they bring to the SBMH Board is described at pages 144 to 147.

The Board functions effectively and efficiently and is of an appropriate size for the Group, taking into account, among other considerations, the need to have a sufficient number of directors to structure Board Committees appropriately, regulatory requirements as well as the need to adequately address the Board's succession plans. Non-executive directors bring diverse perspectives to board deliberations, and are encouraged to constructively challenge the views of management. A clear division of responsibilities at the Board level ensures that no one director has unfettered powers in decision-making.

Each year, an effectiveness review is conducted in order to evaluate the performance of the Board, as well as the performance of each of the Board Committees. This annual review assesses whether the Board and Committees continue to discharge their respective duties and responsibilities effectively and is considered when deciding whether individual directors will offer themselves for election or re-election at the AGM. More information on the 2016 Board effectiveness review can be found on page 168.

### Balance of Executive, Non-Executive and Independent Non-Executive Director



### Length of Tenure

LENGTH OF TENURE (Chairman & Non-Executive Directors)		
0-1 year	1	
1-3 years	7	





## Corporate Governance Report (cont'd)

### Accountability

The Board takes overall responsibility for the success of SBMH. Its role is to exercise leadership and sound judgment in directing SBMH to achieve sustainable growth and act in the best interests of shareholders.

### Executive Directors

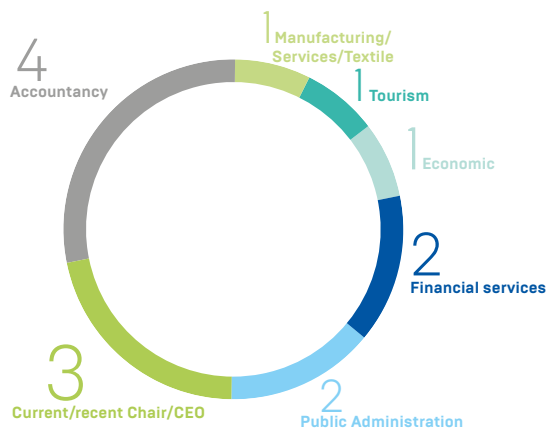
SBMH is currently in the process of recruiting personnel to fill key executive roles in particular the position of CEO. It is hoped that this exercise will be completed soon in order to ensure that Board composition meets the requirements of the Code of Corporate Governance.

### Non-Executive Directors

Non-executive directors are not employees of SBMH and thus do not participate in its daily management. Each director is elected by a separate resolution at the Annual Meeting of Shareholders for a period not exceeding three years but in practice is subject to re-election at the Annual Meeting of Shareholders.

The Board members' collective experience and expertise provide for a balanced mix of attributes to fulfil their duties and responsibilities. The breadth of experience on the Board includes banking, risk management and regulatory, finance and accountancy, and public sector matters. The industry background of directors can be split as follows:

### Industry/Background Experience



*Note: The Directors have expertise in the domains as defined in the above table. Individual directors may however fall into one or more categories.*

The below six members qualify as independent directors in accordance with the requirements of the Mauritius Code on Corporate Governance:

- Mr Kee Chong Li Kwong Wing, G.O.S.K.
- Mr Azim Fakhruddin Currimjee
- Mr Maxime Hardy
- Mr Ramprakash Maunthrooa
- Mr Roodesh Muttylall
- Mr Ouma Shankar Ochit

### Independent Director

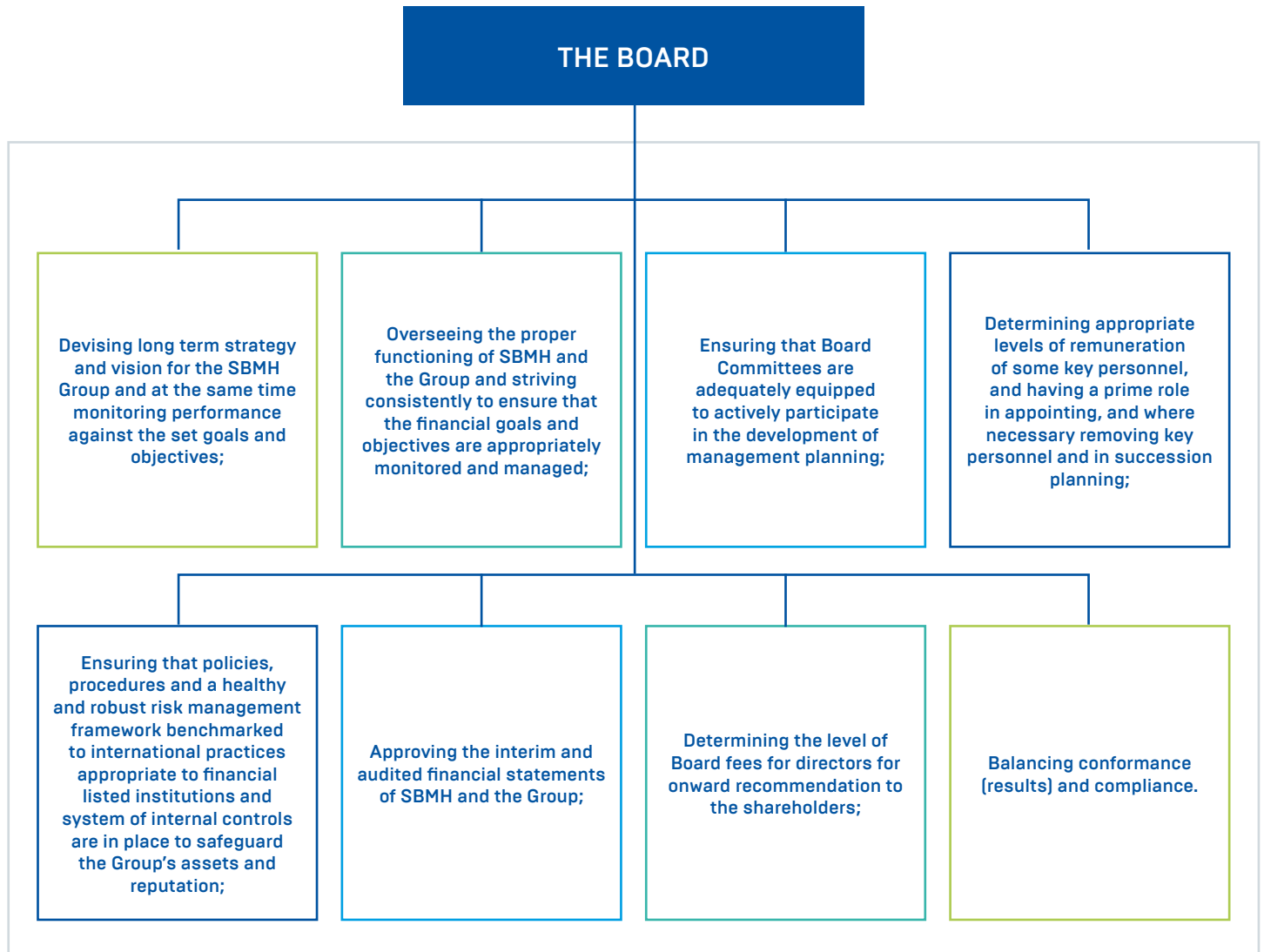
The Code defines an independent director as someone who:

- is not a representative or member of the immediate family (spouse, child, parent, grandparent or grandchild) of a shareholder who has the ability to control or significantly influence the board or management. This would include any director who is appointed to the board (by virtue of a shareholders' agreement or other such agreement) at the instigation of a party with a substantial direct or indirect shareholding in the Company;
- has not been employed by the company or the group of which the company currently forms part, in any executive capacity for the preceding three financial years;
- is not a professional advisor to the company or the group other than in a director capacity;
- is not a significant supplier to, debtor or creditor of, or customer of the company or group, or does not have a significant influence in a group related company in any one of the above roles;
- has no significant contractual relationship with the company or group;
- is free from any business or other relationship which could be seen to materially impede the individual's capacity to act in an independent manner;
- in the case of banks, the Bank of Mauritius' definition of independent director applies.



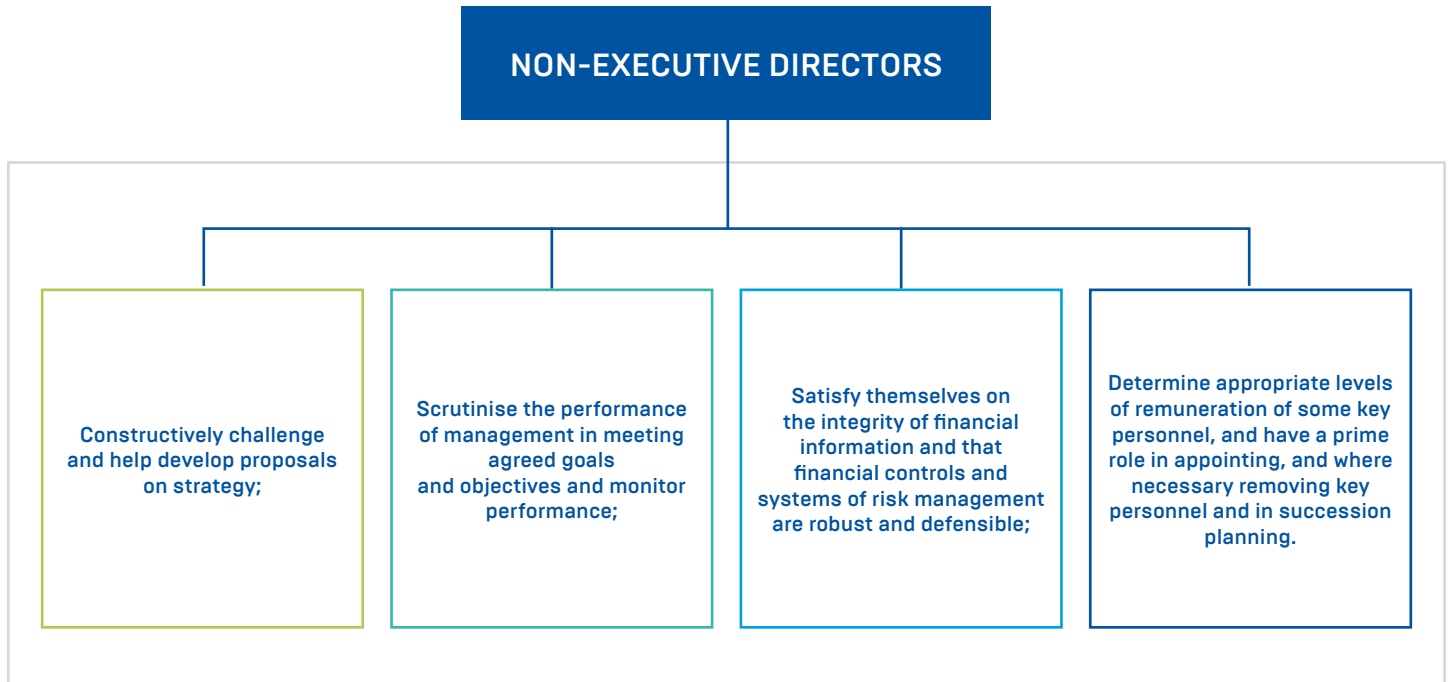
## Powers of the Board

The key roles and responsibilities of the Board of Directors are set out in SBMH's Constitution and in the Terms of Reference for the Board. The Board is aware of its responsibility to ensure that the Group adheres to all relevant legislations such as the Banking Act 2004, the Financial Services Act 2007, the Financial Reporting Act 2004, the Companies Act 2001 as well as the Stock Exchange of Mauritius Listing Rules. The Board also follows the principle of good corporate governance as recommended in the National Code on Corporate Governance. The roles and responsibilities of the Board of SBMH are defined below:



## Corporate Governance Report (cont'd)

### Roles and Responsibilities of Non-Executive Directors



### Key Management Personnel

No Key Management Personnel is currently employed in SBM Holdings Ltd. A brief profile of the Chairman and Chief Executive of each Group cluster is given on pages 144 to 150.

### Board Meetings

The Board holds a minimum of four Board meetings annually and Special Board meetings are convened when necessary. Eighteen Special Board meetings were held during the reporting period. An off-site strategy retreat meeting was also organised in November 2016 to discuss the Budget and Strategy of the Group and its Subsidiaries for Financial Year 2017.

## Attendance of the Board/Board Committees of SBM Holdings Ltd ('SBMH')

The table below shows each Director's attendance at meetings of all Board and Committee meetings of SBMH during 2016.

		Board	Audit Committee	Corporate Governance & Conduct Review Committee	Investment & Credit Committee	IT Steering Committee	Regional Expansion Steering Committee	Remuneration Committee	Risk Management Committee	Steering Committee on Seychelles	Strategy Committee	Sub Committee (Strategy Retreat)	Flamingo Project Monitoring Committee	AGM
No. of meetings held		23	5	5	3	7	7	6	4	4	4	1	29	1
Directors	Note													
Mr Kee Chong Li Kwong Wing, G.O.S.K. <sup>1</sup>	a	22	-	-	3	6	7	5	4	4	4	1	-	1
Mr Azim Fakhruddin Currimjee <sup>2</sup>	a	11	2	2	-	-	2	-	2	2	1	-	-	-
Mr Medha Gunpath <sup>3</sup>	b	19	-	4	3	7	3	6	3	4	3	-	28	1
Mr Maxime Hardy <sup>4</sup>	a	22	5	5	-	-	-	6	-	4	-	1	-	1
Dr Jameel Khadaroo <sup>5</sup>	a	9	3	-	-	5	3	-	2	4	-	-	-	-
Mr Vidianand Lutchmeeparsad <sup>4</sup>	b	23	-	5	-	6	6	3	4	-	4	-	-	1
Mr Ramprakash Maunthrooa <sup>4</sup>	a	18	-	1	-	3	3	1	-	-	2	-	-	1
Mr Roodesh Muttylal <sup>4</sup>	a	19	5	4	3	-	-	-	-	1	-	1	-	1
Mr Ouma Shankar Ochit <sup>4</sup>	a	20	5	-	3	-	-	-	4	-	2	-	-	1
In Attendance														
Mr P Ah-Chuen <sup>6</sup>	-	1	-	-	-	6	-	-	-	-	-	1	-	-
Mr C Appadoo <sup>10</sup>	-	5	2	1	-	5	-	1	-	3	-	1	3	-
Mr N Koomar Ballah <sup>6</sup>	-	3	-	-	-	1	-	-	-	-	-	1	-	-
Mr E Balloo <sup>10</sup>	-	-	-	-	-	-	-	-	-	4	-	-	-	-
Mr M Burkutoola <sup>6</sup>	-	1	-	-	-	7	-	-	-	-	-	-	20	-
Mr R Chellapermal <sup>6</sup>	-	3	-	-	-	2	-	-	-	-	-	1	-	-
Mr R Hurdoyal <sup>11</sup>	-	2	-	-	-	-	-	-	-	-	-	1	-	-
Mr R Dussoye <sup>7</sup>	-	7	-	-	-	2	2	1	-	2	1	-	8	-
Mr I A Gaya <sup>6</sup>	-	1	-	-	-	2	-	-	-	-	-	1	12	-
Mr A Gujjalu <sup>10</sup>	-	-	-	-	-	-	-	-	-	2	-	-	-	-
Mr V Lochun <sup>8</sup>	-	1	-	-	-	5	-	-	-	-	-	-	14	-
Ms P Seeyave <sup>9</sup>	-	-	-	-	-	-	-	-	-	1	-	-	14	-
Mr J Sono <sup>7</sup>	-	10	-	2	1	7	5	4	1	3	2	1	22	-

Note:

<sup>1</sup> Appointed on 14 April 2015

<sup>2</sup> Appointed on 28 June 2016

<sup>3</sup> Appointed on 04 February 2015

<sup>4</sup> Appointed on 30 June 2015

<sup>5</sup> Resigned on 28 June 2016

<sup>6</sup> Director of SBM Bank (Mauritius) Ltd, appointed as Member of IT Steering Committee

<sup>7</sup> SBM Executive Management

<sup>8</sup> Former Director of SBM Bank (Mauritius) Ltd and Member of IT Steering Committee who resigned on 27 June 2016

<sup>9</sup> SBM Executive Management who resigned effective July 2016

<sup>10</sup> SBM Executive Management and Member of the Steering Committee on Seychelles

<sup>11</sup> Director of SBM Bank (Mauritius) Ltd



## Corporate Governance Report (cont'd)

### Board Focus Areas in 2016

The following key topics were discussed at Board level during the reporting year:

- |                   |  |
|-------------------|--|
| <b>Strategy</b>   | <ul style="list-style-type: none"> <li>• Reviewed the strategic orientations and budget plans of all the banking and non-banking entities of the Group</li> <li>• Monitored the regional expansion initiatives in the following regions:             <ul style="list-style-type: none"> <li>• East Africa</li> <li>• Seychelles</li> <li>• WOS Initiatives</li> </ul> </li> <li>• Enlisted the services of an external consultant to review the governance structure of the Group</li> <li>• Monitored the implementation of initiatives proposed by McKinsey, an international consultancy firm hired to devise the five year strategy roadmap for the Group</li> </ul> |
| <b>Governance</b> | <ul style="list-style-type: none"> <li>• Reviewed the structure, size and composition of the Board and Board Committees</li> <li>• Reviewed the findings of the evaluation of the Board and its committees</li> <li>• Reviewed the related party transactions on a quarterly basis</li> <li>• Reviewed the terms of reference of the Board and Board Committees</li> </ul>   |
| <b>Finance</b>    | <ul style="list-style-type: none"> <li>• Reviewed and approved the Group's consolidated financial statements on a quarterly basis</li> <li>• Assessed and monitored the Group's financial performance against budget</li> <li>• Approved declaration of dividend</li> <li>• Reviewed the valuation of equity investments held by the Group</li> <li>• Reviewed the reports from Internal Audit and Fraud Risk</li> </ul>   |
| <b>Technology</b> | <ul style="list-style-type: none"> <li>• Monitored the implementation of the Flamingo Project</li> </ul>   |

### Focus for the year ahead

- Embedding the board succession plans and ensuring and enhancing the effective functioning of the Board as a cohesive unit;
- Continuing to monitor the implementation of the approved IT governance framework;
- Measuring progress against strategic objectives and monitoring the group's operational and financial performance;
- Partnering with management in ensuring that the culture of talent development is embedded across the Group;
- Monitoring the Group regional expansion initiatives.





## BOARD COMMITTEES CROSS MEMBERSHIP

The Table below details the cross membership at Board Committees of SBMH:

	Audit Committee	Corporate Governance & Conduct Review Committee	Investment & Credit Committee	IT Steering Committee	Regional Expansion Steering Committee	Remuneration Committee	Risk Management Committee	Steering Committee on Seychelles	Strategy Committee	Board
Audit Committee	X	3	2	2	1	1	2	2	2	4
Corporate Governance & Conduct Review Committee	3	X	3	2	4	4	3	3	4	6
Investment & Credit Committee	2	2	X	3	3	3	3	2	4	5
IT Steering Committee	2	2	3	X	3	2	4	3	4	4
Regional Expansion Steering Committee	1	4	3	3	X	4	4	3	5	5
Remuneration Committee	1	4	3	2	4	X	3	3	4	5
Risk Management Committee	2	3	3	4	4	3	X	3	5	5
Steering Committee on Seychelles	2	3	2	3	3	3	3	X	3	4
Strategy Committee	2	4	4	4	5	4	5	3	X	6
Board	4	6	5	6	5	5	5	7	6	X



## Corporate Governance Report (cont'd)

### Separation of the Roles of Chairman and Chief Executive

The separation of the Chairman and CEO roles increases the Board's independence from management and thus leads to more effective monitoring and oversight.

It is the responsibility of the Chairman to lead the Board and to ensure that it operates effectively, whilst the responsibility for the day-to-day management would rest with the Chief Executive.

Mr Kee Chong Li Kwong Wing, G.O.S.K., is presently the Chairman of SBM Holdings Ltd and is an independent non-executive director.

#### KEY RESPONSIBILITIES OF THE GROUP CHAIRMAN

- Leads the Board and ensures its effectiveness in terms of implementing the Group's strategies;
- Sets the Board agendas in consultation with the Company Secretary and directors;
- Ensures that Committees are properly structured with appropriate terms of reference;
- Leads the Group's interactions on matters of public policy and regulatory reform with regard to the banking and financial services industry;
- Ensures that directors receive accurate, timely and clear information; and
- Ensures that the development needs of directors are identified and appropriate training is provided.

SBM Holdings Ltd is seeking to recruit a Chief Executive with the appropriate background and skills in order to foster a corporate culture that promotes sustainable ethical practices, encourages individual integrity and fulfils social responsibility objectives and imperatives, while ensuring all employees maintain a commercial mind-set and drive the business forward. The Chief Executive would also be responsible for driving business growth and fostering synergy across the Group.

## Appointment, Retirement and Re-election of Directors

Board members with diverse skills and backgrounds foster debate and discussion in the decision-making process. Well-thought-out succession planning can improve the composition and effectiveness of boards.

The Board of SBMH ensures effective succession planning, that is, at the time a director retires, the Board ascertains that candidates with sufficient skills and experience are identified to ensure that the Board's competence and balance is maintained or enhanced, taking into account the Group's current and future needs. Appointments to the Board are made in a formal and transparent manner and are a matter for the Board as a whole.

### Constitution of SBMH

- Section 14.1** • the number of Directors shall not be less than **Seven (7)** nor more than **Eleven (11)**.
- Section 14.2** • 'No Director shall be required to hold shares in the Company to qualify him for appointment/ election'.
- 'No person shall however be qualified for appointment/election as a Director (or alternate Director) unless he holds a degree or an equivalent qualification from a recognized University or Institution'
- 'No person shall if he does not qualify to be a fit and proper person as per the criteria laid down in the relevant BOM guideline and/or has ever been convicted of an offence relating to financial crime or other criminal acts shall be eligible for election or appointment as a director on the Board of Directors of the Company'.
- Section 14.3** • Each Director shall be elected by a separate resolution at the Annual Meeting of Shareholders, for a period not exceeding three years and maybe re-elected for a second term not exceeding three years and thereafter shall be eligible for re-election after a cooling period of two years or as permitted by the Bank of Mauritius. ["Year" shall mean in the present context any period between two Annual Meetings].

In practice however and in accordance with the Code of Corporate Governance, elections are held on a yearly basis at SBMH's Annual Meeting of Shareholders. In addition to the candidate's experience, availability and background, the Board also considers the individual's other directorships and commitments to ensure that they will have sufficient time to discharge their roles. Candidates must also satisfactorily meet the fit and proper test, as required by the Bank of Mauritius Guidelines on Fit and Proper Persons.

## Induction

**Induction and training programs for directors are a fundamental tool to improve the effectiveness of corporate governance.**

On appointment to the Board, all Directors go through a comprehensive induction process which is formal and tailored to the new Director's individual requirements. Induction is designed to enable them to be acquainted with the vision, business, strategic direction, financial matters, values, code of ethics and conduct as well as best Corporate Governance practices and other key policies and practices of the Group.

On completion of the induction programme, the Director should have sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing SBMH, to enable them to effectively contribute to strategic discussions and oversight of the Group.

SBMH also ensures that every new director is briefed on the Corporate Governance policies of the group and actively participates in the induction process. From time to time and during formal sessions, the board receives presentations about the businesses and operations, as well as their strategic plans, financial, accounting, legal and risk management matters, and adjustment programs. These periodic presentations also cover Corporate Governance matters, trust obligations and responsibilities of the Directors, legal and regulatory developments, as well as any other topic deemed relevant by the Board. In addition, an induction pack is also provided to each newly appointed director.



## Corporate Governance Report (cont'd)

### Training and Development

In order to ensure that our non-executive Directors have the necessary knowledge and understanding of the Group's business to enable them to contribute effectively at Board and Board Committee meetings, the Directors may participate in external training organized by SBMH. During the year, the Directors of SBMH and its Subsidiaries received training on the following topics:

- The New Corporate Governance Code for Mauritius – Organised by MIOD
- Launch of Audit Committee Forum Paper 4: Guidelines for the Audit Committee's assessment and response to the Risk of Fraud – Organised by MIOD;
- Introductory Course to Common Reporting Standard provided by Trainer Jurisconsult
- Training on Fraud Risk (In-house - Fraud Risk Team)

### Board Performance Evaluation

**Good Governance encourages the Board to undertake a formal, regular and rigorous evaluation of its own performance and that of its committees and of individual directors and produce a development plan on an annual basis.**

The Board of SBMH is committed to regular evaluation of its own effectiveness and that of its committees. The Chairman plays a crucial role in the Board's overall effectiveness. A self-evaluation questionnaire has been designed to evaluate the performance of its board and board committees. Each director is requested to give his score in strict confidence to a set of parameters for the Board and Board Committees on which he serves on an annual basis. The score of each of the parameters are consolidated and these results are presented to the Board and their respective committees.

The Board monitors the implementation of actions arising from each performance evaluation.

#### Board Evaluation 2016

Overall, Directors felt that the Board is highly effective, engagement is robust and open dialogue is encouraged.

### Conflicts of interest, indemnification of Directors and contracts of significance

Section 148 of the Companies Act 2001 requires that a director who has a personal financial interest in respect of a matter to be considered at a meeting of the board or knows that a related person has a personal financial interest, to disclose the interest and its general nature, withdraw himself/herself and not take part in the decision making process on that matter.

### Directors' interest and dealings in SBM shares

The directors of SBMH confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as set out in Appendix 6 of the Stock Exchange of Mauritius Listing Rules. All new directors are required to notify the company secretary in writing of any holdings in the Group's securities.

The table below outlines the interests of the Directors of SBMH in SBMH and its subsidiaries at 31 December 2016.

Directors	Direct shareholding	Indirect shareholding
Mr Kee Chong LI KWONG WING, G.O.S.K.	-	284,320

No other director held shares in SBMH or its subsidiaries either directly or indirectly as at 31 December 2016 apart from the above mentioned director.

The Company Secretary maintains a register of directors' interests and ensures that the Group complies with the provisions of the Companies Act in this regard.



## Remuneration of the Directors

The following table relates to the remuneration and benefits received by the directors of SBMH and its subsidiaries during the financial year.

Name of Non-Executive Directors	2016		2015	
	SBM Holdings Ltd	Other Subsidiaries	SBM Holdings Ltd	Other Subsidiaries
	MUR'000	MUR'000	MUR'000	MUR'000
Mr Kee Chong Li Kwong Wing, G.O.S.K.	2,505	1,350	1,010	1,645
Mr Azim Fakhruddin Currimjee <sup>1</sup>	645	-	-	-
Mr Medha Gunpath	1,740	240	425	100
Mr Maxime Hardy	735	-	250	-
Dr Jameel Khadaroo <sup>2</sup>	615	120	475	100
Mr Vidianand Lutchmeeparsad	1,120	-	475	-
Mr Ramprakash Maunthrooa	1,080	480	450	-
Mr Roodesh Muttylall	690	-	250	-
Mr Ouma Shankar Ochit	900	240	375	-
<b>Directors of SBM Bank (Mauritius) Ltd</b>				
Mr Philip Ah-Chuen <sup>3</sup>	90	1,080	-	525
Mr Nayen Koomar Ballah <sup>3</sup>	90	3,000	-	1,065
Mr Mahmadally Burkutoola <sup>3</sup>	240	1,231	-	495
Mr Rajakrishna Chellapermal <sup>3</sup>	90	960	-	480
Mr Anoopum Ishwar Gaya <sup>4</sup>	210	240	-	-
Mr Vivekanand Lochun <sup>5</sup>	235	405	-	465
<b>Executive Directors of SBM Bank (Mauritius) Ltd</b>				
Mr Jairaj Sonoo <sup>6</sup>	-	21,023	-	17,945
Mr Chandradev Appadoo <sup>7</sup>	-	9,973	-	9,894
Mr Raj Dussoye <sup>8</sup>	-	4,252	-	-
Ms Pauline Seeyave <sup>9</sup>	-	5,710	-	9,768
<b>TOTAL</b>	<b>10,985</b>	<b>50,096</b>	<b>3,710</b>	<b>42,482</b>

<sup>1</sup> Appointed on 28.06.2016

<sup>2</sup> Retired on 28.06.2016

<sup>3</sup> Directors of SBM Bank (Mauritius) Ltd and also Member of IT Steering Committee

<sup>4</sup> Appointed on 27.06.2016

<sup>5</sup> Retired on 27.06.2016

<sup>6</sup> Remuneration is for the full year, and includes the period where Mr Sonoo did not serve as Executive Director

<sup>7</sup> Divisional Leader of SBM Bank (Mauritius) Ltd / Executive Director of the Bank and other Subsidiaries of SBMH

<sup>8</sup> Chief Executive of SBM Bank (Mauritius) Ltd / Executive Director of the Bank and other Subsidiaries of SBMH, appointed as Director as from 16.08.2016

<sup>9</sup> Resigned on 22.07.2016



## Corporate Governance Report (cont'd)

Directors are also entitled to an allowance when travelling overseas on behalf of SBM Holdings Ltd.

Executives are not paid any director fee for serving on the Board of subsidiaries or investee companies where the Group holds shares.

### Directors' Service contracts

There were no service contracts between SBM Holdings Ltd and its directors during the year.

### Directors and Officers Liability Insurance

The Group has subscribed to appropriate insurance cover in respect of legal action or liability against its directors and officers.

## BOARD COMMITTEES

**Good governance requires the setting up of appropriate Board Committees to assist the Board in the effective performance of its duties.**

The SBMH Board has established ten Board Committees to help it in discharging its duties and responsibilities as detailed below. Each Board Committee has specific responsibilities delegated to it by the Board. The Committees report to the Board through their respective chairpersons and minutes of all Committee meetings are submitted to the Board. In addition, Committee chairpersons provide verbal updates/reports at each quarterly meeting of the Board and are required to respond to appropriate and legitimate questions on the activities of the Committee since the previous quarterly Board meeting. The Board Committees of SBM Holdings Ltd are as follows:

- Audit Committee
- Corporate Governance & Conduct Review Committee
- Investment & Credit Committee
- IT Steering Committee
- Regional Expansion Steering Committee
- Remuneration Committee
- Risk Management Committee
- Steering Committee for East Africa\*
- Steering Committee on Seychelles
- Strategy Committee

All committee nominations are made by the Board of SBM Holdings Ltd.

\*The Steering Committee for East Africa was established in February 2017.

Board and Board Committee Meetings are held at least once quarterly to enable directors to discharge their responsibilities to maintain the Group's overall position, strategy and policy and to monitor the exercise of any delegated authority and so that individual directors can report on their particular areas of responsibility.

The Board reviews each Committee's mandate at least once annually. The mandates set out the role, responsibilities, scope of authority, composition, terms of reference and procedures for each Committee. The Board ensures that SBMH and its subsidiaries are being managed in line with the Group's objectives through the deliberations and reporting of its various committees.



The composition and terms of reference of the Board Committees, which have been approved by the Board of SBMH, are listed below.

## (i) AUDIT COMMITTEE

**The Audit Committee plays essential role in ensuring the integrity and transparency of corporate reporting and provides key links between management, the board and external auditors. The committee is able to focus on the key issues facing the organisation and oversees management's financial reporting controls and processes' through the review of significant accounting and reporting issues.**

### Composition and Purpose

The Audit Committee of SBMH assists the Board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the Audit Committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

The committee comprises four independent non-executive directors and is chaired by Mr Ouma Shankar Ochit.

The other three members are:

- Mr Azim Fakhruddin Currimjee
- Mr Maxime Hardy
- Mr Roodesh Muttylall

The responsibilities of the Audit Committee are:

### Financial Reporting

- Provide assurance that financial disclosures made by management reasonably portray SBMH and its subsidiaries financial conditions, results of operations and long term commitments. To accomplish this, the Audit Committee shall critically review the draft financial and interim reports, prospectus and other financial circulars/documents;
- Consider the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements;
- Consider the validity of any changes in accounting treatment or disclosure by comparing with the previous year;
- Review critical accounting issues;
- Review significant estimates based on judgment which are included in the financial statements;
- Review adequacy of provisions including provision for credit impairment losses;
- Consider any difference of opinion between auditors and management on the level of provisions, on accounting treatment or on disclosure;
- Discuss with senior management and external auditors the overall results of the audit, quality of financial statements and any concerns raised by external auditors;
- Review the financial reporting process with a view to ensuring Group compliance with accounting standards and financial matters and the applicable laws and regulations



## Corporate Governance Report (cont'd)

- |                                 |   |
|---------------------------------|---|
| <b>External Audit</b>           | <ul style="list-style-type: none"> <li>• Make recommendations for the appointment and retention of the external auditors;</li> <li>• Review and discuss the scope of the audit and audit plan, including for the subsidiaries;</li> <li>• Consider differences of opinion between management and the external auditor;</li> <li>• Evaluate the performance, objectivity and independence of the external auditor;</li> <li>• Review the nature and extent of non-audit services provided by the external auditors;</li> <li>• Obtain assurance from the auditors that adequate accounting records are maintained;</li> <li>• Receive audit reports and ensure that management is taking appropriate corrective action in a timely manner to address control weaknesses and non-compliance with laws and policies identified by auditors.</li> </ul>   |
| <b>Internal Audit</b>           | <ul style="list-style-type: none"> <li>• Review the objectives of the internal audit function and the annual plan of action;</li> <li>• Review the scope of internal audit and approve the audit plan to ensure that these are risk-based and address all activities over a measurable cycle;</li> <li>• Assess the adequacy and performance of the internal audit function and the adequacy of available resources;</li> <li>• Review significant matters reported by the internal auditor;</li> <li>• Review significant differences between Management and the internal auditors;</li> <li>• Review the cooperation and coordination between the internal and external Auditors.</li> </ul>  |
| <b>Internal Control Systems</b> | <ul style="list-style-type: none"> <li>• Review the systems of internal controls to ascertain its adequacy and effectiveness;</li> <li>• Ensure that there is appropriate structure for identifying, monitoring, managing compliance risk as well as reporting system to advise the Committee of non-compliance on a timely basis;</li> <li>• Review and discuss any previously identified material weaknesses in controls and deficiencies in system;</li> <li>• If considered necessary, recommend additional procedures to enhance the system of internal controls;</li> <li>• Review internal and external auditors' reports (management letter) and management's response thereto and consider status of actions taken by management;</li> <li>• Receive audit reports and ensure that management is taking appropriate corrective action in a timely manner to address control weaknesses and non-compliance with laws and policies identified by auditors;</li> <li>• Review response thereto and consider status of actions taken by management;</li> <li>• Identify any change necessary to the agreed audit scope or to other services as a result of any weaknesses or deficiencies revealed.</li> </ul> |

During 2016, the Audit Committee met five times and the attendance is provided on page 163.

### Focus for the year 2016

- Reviewed the Interim/Audited Consolidated Accounts of the Group and each holding entity;
- Recommended payment of interim dividend to the Board;
- Reviewed the report from the Internal Audit and Fraud Risk;
- Reviewed and monitored the NPAs;
- Reviewed and monitored the implementation of the IFRS 9 standard which would become effective as from January 2018;
- Reviewed the valuation of equity investments.





### Focus for the year 2017

- Continue to ensure that the Group's financial systems, processes and controls are operating effectively, are consistent with the Group's complexity and are responsive to changes in the environment and industry;
- Continue to monitor the activities of external audit, internal audit, compliance and financial crime control as they pertain to the regulatory and internal control environment of the Group;
- Continue to monitor regulatory developments, feedback from the Group's response to interaction with regulators;
- Review reports relating to financial crime, material incidents, mitigation strategies and remedial actions;
- Review reports from management;
- Review and consider management plans in respect to future changes to accounting standards.

### (ii) CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE

**A comprehensive corporate governance framework is vital as it helps ensure that shareholders' investment in SBMH is protected, while recognising the interests of wider stakeholders.**

The Corporate Governance & Conduct Review Committee ensures that the Group's policies on corporate governance are in accordance with the applicable laws and regulations and good corporate governance. The Committee is chaired by Mr Roodesh Muttylall and has five members of whom three are independent non-executive and two are non-executive directors, namely:

- Mr Azim Fakhruddin Currimjee
- Mr Medha Gunpath
- Mr Maxime Hardy
- Mr Vidianand Lutchmeeparsad
- Mr Ramprakash Maunthrooa

The roles and responsibilities of the Corporate Governance & Conduct Review Committee include the following:

- Advise the Board on all aspects of corporate governance and recommend the adoption of best practices as appropriate for SBMH as well as the Group;
- Determine and develop the Group's general policy on corporate governance in accordance with the applicable Code of Corporate Governance and best international practices;
- Annually review the Group's policies - such as related party policy and conflict of interest policy, amongst others - and procedures to ensure their continuing adequacy and enforcement;
- Recommend to the Board any closed period during which the directors and any other persons in the Group who are privy to price sensitive information shall not be permitted to trade in shares or securities of the Group;
- Review the corporate governance report to be published in SBMH's annual report;
- Ensure that disclosures are made in the annual report in compliance with the Companies Act, Corporate Governance Code and SEM Listing Rules and any other applicable laws;
- Report any breach of the Corporate Governance Code to the Board of SBMH for any remedial action;
- Review any statements on ethical standards or requirements for SBMH and assist in developing such standards and requirements;
- Give recommendations on situations involving any breach of the SBMH's Code of Ethics;
- Monitor developments in the area of corporate governance and recommend initiatives to maintain the highest standards of corporate governance;
- Fulfill its oversight responsibilities with regards to the size, composition and structure of the Board and its committees;
- Ensure accurate disclosure of directors' remuneration and that transactions with related parties are at arm's length;
- Assess non-financial management policies and practices relating to safety, health and environment, equal opportunities and human capital development;
- Provide all directors with appropriate continuing training opportunities so as to maintain and/or enhance their skills and abilities as directors;
- Propose and review annually the Corporate Social Responsibility plan and budget;
- Review all proposed significant related party transactions and situations involving a Board member or affiliate's potential or actual conflict of interest;
- Review credit exposures to related parties / directors;
- Review all proposed material transactions and practices of SBMH to ensure that any transaction with the related parties that may have a material effect on the stability and solvency of SBMH or the Group are identified and dealt with in a timely manner;
- Report periodically to the Board of directors on matters reviewed by it, including exceptions to policies, processes and limits.



## Corporate Governance Report (cont'd)

During 2016, the Corporate Governance & Conduct Review Committee held five meetings and its attendance is set out on page 163.

### The Committee's key focus areas during the year included:

- Review of related party transactions on a quarterly basis
- Review of the terms of reference of the Board and Board Committees
- Review of the interim Governance Review Report received from the external consultant

### Focus for the year ahead

- Evaluate the adequacy, efficiency and appropriateness of the governance framework and practices across the group on an on-going basis;
- Ensure corporate governance best practice and statutory compliance;
- Review related party transactions.

### (iii) INVESTMENT & CREDIT COMMITTEE

**"The quality of the Group's credit and investment portfolio are sound and conservatively determined considering the challenging macroeconomic conditions".**

The Investment & Credit Committee is chaired by Mr Kee Chong Li Kwong Wing, G.O.S.K. and has four members of which three are independent non-executive and one non-executive. The members are:

- Mr Medha Gunpath
- Mr Ramprakash Maunthrooa
- Mr Roodesh Muttylall
- Mr Ouma Shankar Ochit

The key responsibilities of the Investment & Credit Committee are:

- Ensure that the Group's credit risk policies and procedures are implemented and applied consistently across the Group;
- Review the methodologies for assessing the Group risk and country risks and recommend appropriate exposure limits;
- Ensure that credit exposure limits are in line with the Group's strategy and risk appetite;
- Ensure that concentrations of risks are within the risk tolerance of Group entities;
- Review and recommend substantial equity and investment proposals;
- Implement sound and effective investment policies in line with the Group's strategy and objectives;
- Review and monitor Group investment and credit policies, and recommend changes where required.

During 2016, the Investment & Credit Committee held three meetings. Attendance is set out on page 163.

### Focus for the year 2016

- Review the Group's credit portfolio;
- Review the Group's investment portfolio.

### Focus for the year ahead

- Review the Group's credit and investment portfolios;
- Review the equity investments made by the Group;
- Implement sound and effective investment policies in line with the Group's strategy and objectives.

### (iv) IT STEERING COMMITTEE

The IT Steering Committee was established to monitor the implementation of the Flamingo project. Mr Kee Chong Li Kwong Wing, G.O.S.K. is the Chairman of the IT Steering Committee. The IT Steering Committee was re-constituted effective February 2017 and comprises the following members:

#### *Representatives of the Board of SBM Holdings Ltd*

- Mr Kee Chong Li Kwong Wing, G.O.S.K. - Chairman
- Mr Azim Fakhruddin Currimjee
- Mr Medha Gunpath
- Mr Ouma Shankar Ochit

#### *Representatives of the Board of SBM Bank (Mauritius) Ltd*

- Mr Mahmadally Burkutoola
- Mr Ishwar Anoopum Gaya

The main responsibilities of the IT Steering Committee include the following:

- Set metrics dashboard of the IT function across:
  - Performance with respect to. the regulatory and compliance framework;
  - Performance monitoring of SLAs and deliverables of key service providers;
  - Delivery status of strategic programmes – quality, timelines and financial (e.g.: India operations system upgrade, Seychelles IT program status, Website upgrade);
  - Performance of Enterprise IT Infrastructure (ETI) in terms of downtimes;
- Monitoring usage by SBM users of delivered and completed programs;
- Report key issues for the month and action plan for issue closure



- Approve the approach of new key IT innovation based initiatives. These initiatives will be in line with the 5 year strategic objective plans around:
  - Data governance, analytics and business intelligence driven dashboards;
  - Mobility and 'App' based solutions;
  - Approach to refresh the customer experience across channels;
  - Cloud based solutions on a 'pay as you use' instead of upfront capital expenditure;
  - Software robotics to automate processes;
  - Use cases for SBM around new technologies related to blockchain, facial recognition, augmented and virtual reality.

During 2016, the IT Steering Committee held seven meetings and its attendance is provided on page 163.

#### Focus for the year 2016

- Implementation of the core banking system for Madagascar (May 2016) and Mauritius (September 2016)
- Addressing the challenges experienced with the implementation of the IT platform for Madagascar and Mauritius

#### Focus for the year ahead

- Focus on the implementation of the IT Platform for the following:
  - a. SBM Seychelles Operation
  - b. SBM India Operations
  - c. Other overseas expansion initiatives to be adopted by the Group
- Continue tracking the challenges experienced with the implementation of the IT platform for Madagascar and Mauritius
- New IT innovation based initiatives to be implemented to become a "digital entity," such as Omni channel

### (v) REGIONAL EXPANSION STEERING COMMITTEE

The Regional Expansion Steering Committee has been established to define the Group strategies for geographical expansion. It is chaired by Mr Kee Chong Li Kwong Wing, G.O.S.K. and the other members are:

- Mr Azim Fakhruddin Currimjee
- Mr Medha Gunpath
- Mr Vidianand Lutchmeepsad
- Mr Ramprakash Maunthrooa

The responsibilities of the Committee are as follows:

- Define strategies coupled with intent for geographical expansion in defined markets;
- Target and identify appropriate and suitable acquisitions/joint venture partners, as the case may be, aligning to the strategic intent of the Group;
- Take suitable steps/decisions regarding the appointment of competent teams/firms, with regards to due diligence in respect of accounting, legal and valuation matters;
- Review recommendations of consultants, including valuations of identified targets in line with the strategic intent of the Group;
- Take a decision with regards to negotiations with the appropriate target(s) in terms of acquisition and/or the joint venture(s) and make recommendations to the Board;
- Take such other steps as may be incidental to the objective of geographic expansion in line with the strategic intent of the Group.

During 2016, the Regional Expansion Steering Committee held seven meetings and its attendance is set on page 163.

#### Focus for the reporting year

- Potential acquisition of the Fidelity Commercial Bank situated in Kenya
- Implementation of the Seychelles Operation
- Exploring other potential targets in East Africa
- Implementation of the wholly-owned subsidiary (WOS) initiative in India

#### Focus for year 2017

- Establish the following operations:
  - a. SBM Bank (Seychelles) Limited during Q2
  - b. SBM Bank (Kenya) Limited during Q2;
  - c. SBM India WOS during Q4
- Extend the Group's presence in other jurisdictions through the setting up of representative offices
- Pursue with the geographical expansion in defined markets



## Corporate Governance Report (cont'd)

### (vi) REMUNERATION COMMITTEE

**"The Committee remains focused on ensuring that employees are paid based on performance and also that pay is set at a level which allows the Group to attract, retain and motivate employees, but is no more than necessary to ensure that the Group accelerates the delivery of shareholder value".**

The remuneration policy underpins the Group's strategic objectives through balancing reward for both short-term and long-term sustainable performance.

Mr Medha Gunputh is the Chairman of the Remuneration Committee and the other members are:

- Mr Maxime Hardy
- Mr Kee Chong Li Kwong Wing, G.O.S.K.
- Mr Vidianand Lutchmeeparsad
- Mr Ramprakash Maunthrooa

The responsibilities of the Remuneration Committee are as follows:

- Review on an annual basis the remuneration policy and HR related policies of the Group;
- Review and approve performance based remuneration by reference to the Group's goals and objectives and review Key Performance Indicators (KPI);
- Ensure that Board members receive thorough orientation on board governance and key strategic issues facing the Group;
- Recommend to the Board to accept or decline any tendered resignation of a director;
- Ensure a review at least annually of current directors' performance and attendance at Board and Committee meetings;
- Identify qualified candidates for Board membership and for the position of chairperson of the Board, chairperson of the committees and their members;
- Reward senior management based on KPIs such as economic value added, RAROC, profitability, business levels etc.;
- Approve the recruitment or promotion of senior SBMH personnel and approve their remuneration, benefits and other terms and conditions of employment;
- Recommend to the Board the terms and conditions of service contracts of other directors both executive and non-executive, if any, including compensation benefits for those services;

- Establish formal, clear and transparent selection criteria for prospective directors and evaluation criteria for current directors;
- Review the reward policy to ensure that SBMH executives are fairly rewarded for their efforts to the Group's overall performance and demonstrate to all the stakeholders in the business that the remuneration of the senior management is done objectively;
- Approve productivity bonus policy for employees;
- Approve salary revisions and service conditions of other employees of SBMH, taking into consideration the demands of trade unions;
- Review and approve policy on staff welfare and fringe benefits;
- Determine the level of Board fees for directors to be recommended to shareholders;
- Ensure that no director or senior executive is involved in deciding their own remuneration;
- Ensure that remuneration for employees in risk management, compliance and audit functions is determined independently of other business areas;
- Provide technical expertise and strategic guidance where required with respect to the recruitment of senior management within the Group;
- Meet at least 4 times annually and escalate matters of interest or concern to the Board.

During 2016, the Remuneration Committee held six meetings and its attendance is set out on page 163.

#### Focus for the reporting year

- Monitor the recruitment of senior personnel at the Bank level
- Review the remuneration and HR related policies
- Approve productivity bonus
- Ensure transparent and fair recruitment
- Identify and evaluate candidates for senior management positions

#### Focus for the year 2017

- Review the HR policy
- Ensure adequate training is provided to directors
- Ensure succession planning in respect of the senior leadership team
- Identify and recommend to the Board the appointment of key personnel at Group level



## (vii) RISK MANAGEMENT COMMITTEE

The Committee is chaired by Mr Azim Fakhruddin Currimjee and has four members of whom two are independent non-executive and the remaining are non-executive. The members are:

- Mr Medha Gunpath
- Mr Kee Chong Li Kwong Wing, *G.O.S.K.*
- Mr Vidianand Lutchmeeparsad
- Mr Ouma Shankar Ochit

In 2016, the Committee continued to supervise the risk appetite of the Group, as well as its funding and capital position, taking into consideration regulatory requirements and the Group's expectations of continued volatility in external conditions. The responsibilities of the Risk Management Committee are set out below:

- Ensure that the Group has a solid and effective risk management infrastructure in place, in terms of people, systems, policies, controls and reporting;
- Adopt the risk appetite for the Group, as recommended to and approved by the Board, in the context of capital adequacy and the Group's strategy;
- Establish and review the adequacy of risk management control techniques and methodologies and monitor their effectiveness, particularly in the areas of credit, market, liquidity and operational risks;
- Monitor the Group's risk profile - its on-going and potential exposure to risks of various types;
- Review the Group's risk profile particularly the risk trends, risk concentrations, key performance indicators and the performance versus the risk appetite;
- Monitor Management's performance in controlling risk, in light of the established policies, procedures and limits of authority, and approve any departure from the acceptable prudential norms;
- Evaluate the stress-testing scenarios and risk implications with regards to the Group's strategic and other material investments;
- Receive and act upon relevant reports from the regulators, and internal and external auditors, in respect of risk management guidelines and specific risk events;
- Review Group policies for management of risks particularly in the areas of credit, market, interest rate, liquidity, operational and technological risks, and make recommendations thereon;
- Review adequacy of insurance coverage, material outsourcing arrangements, the Disaster Recovery Plan and Business Continuity Plan;

- Monitor material legal cases brought against the Group and its subsidiaries and major events of fraud and irregularities;
- Review and recommend to the Board the 'Risk Management Report' published in the Annual Report;
- Ensure appropriate methodologies and systems are in place to identify and adequately assess and manage operational risks;
- Review of the principal risks, including but not limited to credit, market, liquidity, operational, legal, compliance and reputational risk and the actions taken to mitigate these risks;
- Ensure that SBMH's Chief Executive Officer facilitates training programmes for directors and Senior Management to enable them to have a robust understanding of the nature of the business, the nature of the risks, the consequences of risks being inadequately managed and the techniques for managing the risks effectively;
- Receive periodic information on risk exposures and risk management activities from senior officers of the Group;
- Review and assess Group-wide risk, portfolio risk profile and the portfolio management plan and recommend improvements, where appropriate;
- Discuss, review and recommend to the Board any other matter or issue which is relevant to the Risk Management of the Group.

During 2016, the Risk Management Committee held four meetings and its attendance is set out on page 163.

### Focus for year 2016

- Ensure that the Group has a robust risk management system;
- Review the capital and funding;
- Review the risk appetite;
- Review the credit, market and operational risks of the Group;
- Review the risk framework and governance;
- Review and update the terms of reference and recommend to the Board for approval;
- Evaluate the stress testing scenarios/Review the risk heat map;
- Review policies;
- Review new products/initiatives;
- Review the Group's investment book;
- Review the outstanding legal claims



## Corporate Governance Report (cont'd)

### Focus for year 2017

- Continue to monitor the current and future risk profile of the Group to ensure that the Group is managed within risk appetite relative to the strategy;
- Monitor and review the Group's progress with its risk data aggregation and risk reporting programme;
- Continue to monitor new and emerging risk trends and their potential impact on the Group;
- Continue to monitor industry-wide operational risk trends and incidents to ensure proactive response by the Group;
- Continue to monitor the capital adequacy of the Group and review the impact of significant transactions on capital;
- Continue to review the policies in line with new guidelines and regulations;
- Continue to review the outstanding legal claims against the Bank/ Group.

### (viii) STEERING COMMITTEE FOR EAST AFRICA

The Steering Committee for East Africa has been established to oversee and drive the implementation of banking/financial operations in East Africa. It is chaired by Mr Kee Chong Li Kwong Wing, *G.O.S.K.* and the other members are:

- (1) Mr Nayen Koomar Ballah
- (2) Mr Azim Fakhruddin Currimjee
- (3) Mr Medha Gunpath

The Committee was established in February 2017 and only one meeting was so far convened. The responsibilities of the Committee are as follows:

- Identify, interview and appoint the CEO, directors and senior management of the banking/financial institutions within the region including determining terms and conditions of appointment
- Review and approve project execution plans with clear timelines for the acquisition of/investment in banking/financial institutions in the region
- Identify and recruit consultants to assist in the acquisition of/ investment in banking/financial institutions in the region
- Financial planning
- Resource planning
- Determining logistics and branch/entity setup
- Infrastructure/systems setup
- Risk management - policies and procedures

### Focus for the year 2017 and ahead

- Oversee and drive the implementation of banking/financial operations in East Africa

### (ix) STEERING COMMITTEE ON SEYCHELLES

The Steering Committee on Seychelles was set up in 2016 to monitor the implementation of the Group's expansion initiatives in Seychelles. The Committee is chaired by Mr Kee Chong Li Kwong Wing, *G.O.S.K.* and has six members of whom two are independent non-executive, one is non-executive and the remaining three are representatives of the Bank. The members of the Committee are:

- Mr Chandradev Appadoo
- Mr Eddirao Balloo
- Mr Azim Fakhruddin Currimjee
- Mr Ragnish Gujjalu
- Mr Medha Gunpath
- Mr Maxime Hardy

The key responsibilities of the Committee are:

- Identify, interview and appoint the CEO, directors and senior management of the Seychelles banking entity including determining terms and conditions of appointment;
- Review and approve a project execution plan with clear timelines;
- Identify and recruit consultants;
- Financial planning;
- Resource planning;
- Determine the logistics and branch setup;
- Infrastructure/systems setup;
- Risk management - policies and procedures.

During 2016, the Steering Committee on Seychelles held four meetings. Attendance is set out on page 163.

### Focus for the year 2017 and ahead

- Set up the SBM Seychelles operations
- Recruit senior management and other resources to drive the operations in Seychelles
- Finalise the infrastructure and systems set up



## (x) STRATEGY COMMITTEE

The Strategy Committee sets the Group's strategy and reviews strategic investments to ensure they are in compliance with the Group's mission, mission and objectives. Mr Kee Chong Li Kwong Wing, G.O.S.K. is the Chairman of the Strategy Committee, which has five members of whom three are independent non-executive with the remaining being non-executive. The members are:

- Mr Azim Fakhruddin Currimjee
- Mr Medha Gunputh
- Mr Vidianand Lutchmeeparsad
- Mr Ramprakash Maunthrooa
- Mr Ouma Shankar Ochit

The key responsibilities of the Strategy Committee include the following:

- Review and recommend the Group strategy, business plans, annual budget and capital structure to the Board;
- Review and recommend strategic investments or divestments in strategic assets to the Board;
- Review and recommend the delegation of authority to management committees;
- Oversee the business strategy of the Group;
- Advise on key performance indicators and targets for businesses and geographies;
- Recommend to the Board investments, capital expenditure and expenses that exceed the limits that can be authorised by the management committees and are strategic in nature;
- Provide recommendation on large projects to the Board and monitor large projects;
- Ensure that capital is fully optimised through effective capital management;
- Provide recommendation to the Board on new businesses and geographies to be explored;
- Provide recommendation to the Board on raising of funds;
- Review and recommend manpower requirements provided by different reporting executive business forums;
- Discuss, review and recommend to the Board any such matter or issues which pertains to the strategic planning of the Group;
- Consider and review the type of organisational structures and functions necessary for implementing strategic plans;
- Review issues of fundamental importance and proposals from management that are material to the Group's long term objectives and goals.

During 2016, the Strategy Committee held four meetings. Attendance is set out on page 163.

### Focus for the year 2017 and ahead

- Review the Group Strategy;
- Ensure the strategic investments or divestments made are in line with the Group strategy;
- Recommend to the Board any large projects for consideration;
- Review the implementation of the initiatives proposed by McKinsey in line with the 5 year strategy roadmap for the Group;
- Review the economic outlook and competition.

### Attendance by Executive Management of SBM Bank (Mauritius) Ltd

The Executive Management is invited to attend the Board and Board Committee meetings as and when required.

### Independence of Board Committees

SBMH's Board is supported by the Board Committees as mentioned on pages 276 to 277. The majority of the members of each Committee are independent non-executive directors

### Sub Committees of the Board Committees

#### (i) Flamingo Project Monitoring Cell ("FPMC")

The FPMC was set up under the delegated authority of the Flamingo IT Steering Committee in January 2016. The Committee was chaired by Mr Medha Gunputh and had two other members:

- Mr Mahmaddally Burkutoola
- Mr Anoopum Gaya

\*Mr Vivekanand Lochun ceased to be Member of the FPMC effective 27 June 2016.

The Committee met once fortnightly to monitor the progress of the implementation of the Flamingo project.

The Committee held twenty nine meetings during the reporting period and following the successful go-live in September 2016, this Committee was disbanded in December 2016 as recommended by the Board of SBM Holdings Ltd. Flamingo project related matters are now taken in the IT Steering Committee.



## Corporate Governance Report (cont'd)

### Management Committees

#### (ii) Disclosure Forum

The Disclosure Forum reviews the adequacy of the Group's disclosures to ensure compliance with legal and regulatory requirements and best practices. The Committee was re-constituted in November 2016 and is presently chaired by Mr Chandradev Appadoo and has the following members:

- Mr Deenesh Ghurburrin
- Mr Kwon Li Pak Man
- Mr Shailen Sreekeessoon
- The Group Company Secretary

The Committee meets twice annually. The Minutes of Proceedings of this Forum are submitted to the Corporate Governance and Conduct Review Committee.

### Significant Contracts

In order to safeguard the interests of SBMH, the Group and its shareholders, and ensure that instructions from SBMH Holdings Ltd are being safely, soundly and sustainably implemented across the group, SBMH has entered into shareholders agreements with the following subsidiaries:

- SBM Bank (Mauritius) Ltd
- Banque SBM Madagascar SA
- SBM Mauritius Asset Managers Ltd
- SBM Securities Ltd
- SBM Fund Services Ltd
- SBM Capital Management Limited
- Two segmental SPVs, namely (a) SBM (Bank) Holdings Ltd and (b) SBM (NBFC) Holdings Ltd as well as with the single investor SPVs.

### Donations

#### SBM Bank (Mauritius) Ltd ("the Bank")

A total donation of MUR 2.145 million was made by the Bank during the reporting period, of which MUR 1.545 million pertained to SBM Staff Children Education Fund.

#### Other Operating Entities

No donations were made by SBM India Operations, Banque SBM Madagascar SA and the Group

No political donations were made by the three entities of the Group during the reporting period.

### Related party transactions

For the Related Party Transactions, please refer to Note 36 of the Financial Statements.

### Role and Function of the Company Secretary

Mrs Dayawantee Ramjug Chumun is the Secretary of the Board and Committees. She joined SBM Board Division in 2010 and became the Secretary of SBM Holdings Ltd in 2015. She is an Associate of the Institute of Chartered Secretaries and Administrators and is also ACCA qualified.

The Company Secretary plays a key role in the application of corporate governance in the Company. The Company Secretary is the primary point of contact within the company for institutional and other shareholders.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and all applicable rules and regulations are complied with.

Under the direction of the Group Chairman, the Company Secretary's responsibilities include ensuring effective information flow within the Board, its committees and non-executive directors, as well as facilitating induction and assisting with professional development as required.

The Company Secretary is responsible for advising the Board on corporate governance matters. The agenda and supporting papers are distributed in advance of all Board and Board Committee meetings to allow time for appropriate review and to facilitate full discussion at the meetings.

All directors have full and timely access to all relevant information and may seek independent professional advice if required.





## Shareholder Information

### Material Clauses of the Constitution of SBMH ('the Company')

#### Object of the Company

**The Company shall be a non-operating financial investments holding company. In carrying out its role as a non-operating financial investments holding company:**

- (iii) The Company shall invest not less than 90% [Ninety percent] of the capital and reserves and borrowings of the Company in the banking investments. This requirement shall be reduced to 80% [Eighty percent] by 30 June 2017 and further reduced to 70% [Seventy percent] by 30 June 2018.
- (iv) The Company is authorised to raise or borrow money which shall be used in accordance with (i) above. The Company is authorised to invest only in the existing segmental conduits which have been specially set up for this purpose, which shall thereafter be routed into the operating companies through conduits which have been specially set for this purpose. Notwithstanding the above the Company shall be allowed to maintain investments which have been made by the Company in SICOM and Mauritius Telecom prior to the reorganisation of the Group.
- (v) Subject to the above (i) and (ii), the Company shall have full capacity to acquire and hold either by itself or its subsidiaries any share, debenture, bond, security or any interest in any Company in Mauritius and/or outside Mauritius, to do any act, or enter into any transaction which shall be within the ambit of the objectives of a financial investments holding company and in accordance under the Companies Act.
- (vi) The Company also has the power to do all such things which are incidental to or the conduct, promotion or attainment of the objects of the Company.

#### Limitation of Share Ownership

No shareholder shall hold individually, jointly or in concert, directly or indirectly more than THREE PER CENT (3%) of the issued share capital of the Company with voting rights by an individual, jointly, or in concert or without previous authorisation of the Board of Directors of the Company save a shareholder who has been issued on the reorganisation

of the Group a portion of the share capital which is superior to 3% [Three percent] shall be entitled to continue hold that higher percentage. In the event those shareholders who have been allowed to hold more than 3% of the share capital wishes to divest in the Company, once they have divested shall not be allowed to increase their shareholding to more than 3% [three percent]. For the purpose of this document "in concert" shall mean such situation where persons who pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company. For avoidance of doubt a manager of a Collective Investment Scheme may not acquire and hold shares more shares as it has been expressly specified herein, whether singly, jointly or in concert unless with the approval of the Board of Directors.

### Share capital

#### Share Capital Structure

The Company has a stated capital amounting to MUR 32,500,203,861 consisting of 3,037,402,230 shares fully paid ordinary shares of no par value which includes Treasury shares of 455,610,330.

#### The Reverse Share Split

With a view to enhancing the marketability of its shares to a wider range of institutional and professional investors and other members of the investing public, the Company undertook a reverse share split exercise during the reporting year, which became effective on 19 October 2016 subsequent to approval received from the Shareholders at the last Annual Meeting held in June 2016. Shareholder has thus received 1 share for every 10 shares held in SBMH post the reverse share split.

No fractional shares were issued and instead same were pooled and sold with the proceeds distributed accordingly. The reverse share split had no impact on the share capital of SBMH.

#### Large shareholders

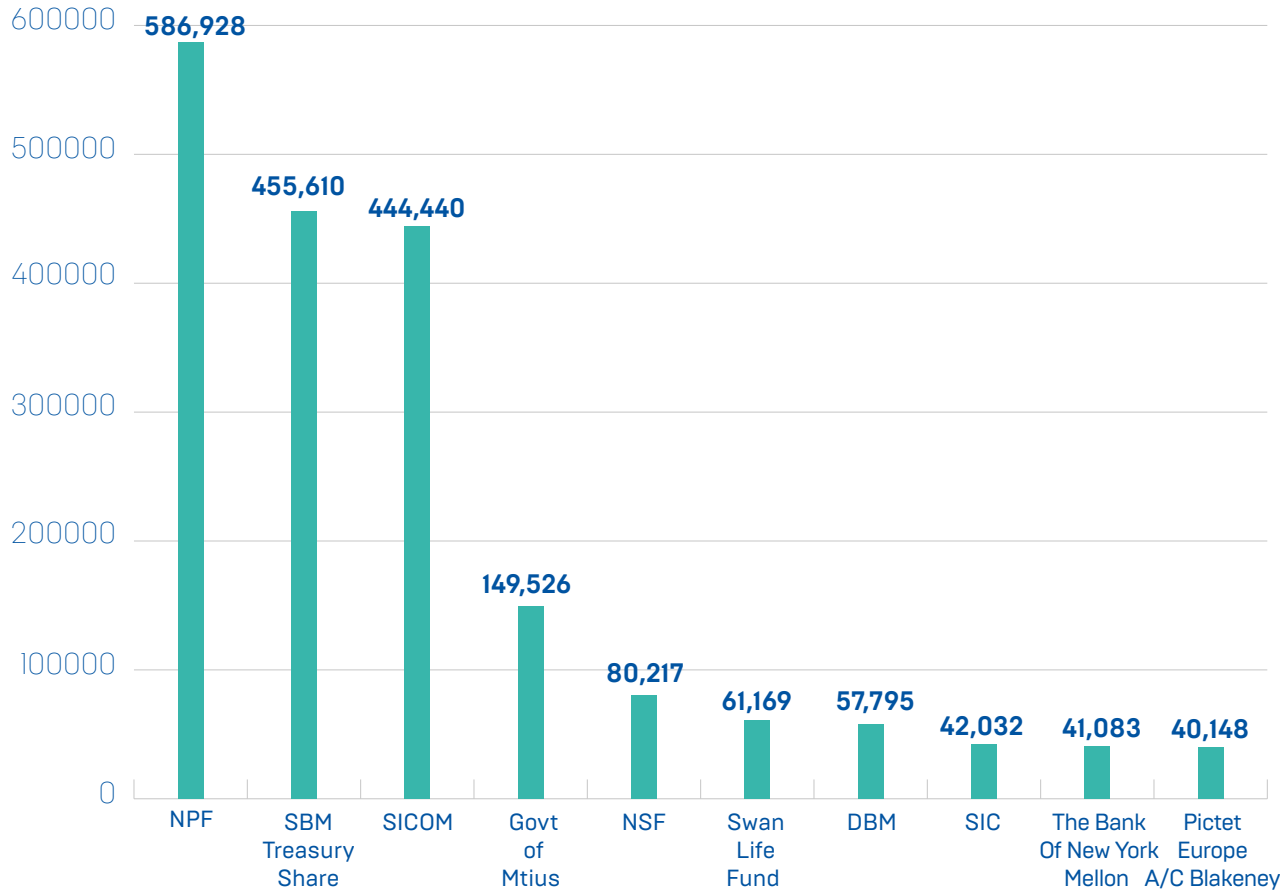
Major shareholders do not have different voting rights from those of other shareholders.



## Corporate Governance Report (cont'd)

The exhibits which follow show the top 10 shareholders, shareholders spread and split between local and foreign shareholders of SBMH as at 31 December 2016

### Top 10 Shareholders



*Balance of remaining holdings may include additional institutional/retail shareholdings.*

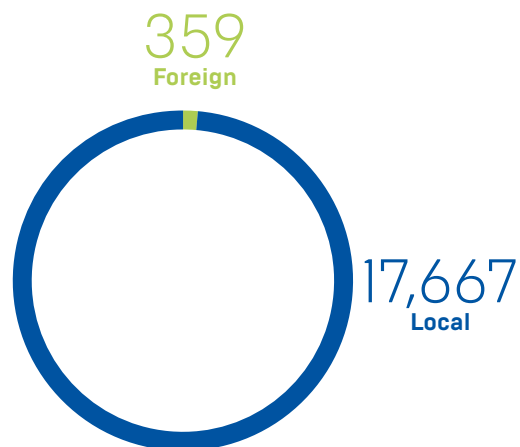


## Shareholders Spread

Number of shares	Shareholders' Spread			
	Number of shareholders	% of shareholders	Number of shares	% of shares
1-50,000	16,080	89.2045	154,299,913	5.08000
50,001-100,000	818	4.5379	60,653,207	1.99688
100,001-500,000	836	4.6377	179,976,697	5.92535
500,001-1,000,000	122	0.6768	84,807,454	2.79210
1,000,001-5,000,000	122	0.6768	281,219,386	9.25855
5,000,001-10,000,000	19	0.1054	127,817,747	4.20813
10,000,001-25,000,000	11	0.0610	182,713,991	6.01547
25,000,001-50,000,000	9	0.0499	312,753,759	10.29675
50,000,001-100,000,000	4	0.0222	241,647,801	7.95574
>100,000,000	5	0.0277	1,411,512,275	46.47104
<b>Total</b>	<b>18,026</b>	<b>100.0000</b>	<b>3,037,402,230</b>	<b>100.00000</b>

## Local and Foreign Shareholders

SBM Holdings Ltd has 18,026 shareholders as at 31st December 2016 split between Foreign and Local as illustrated below.



## Corporate Governance Report (cont'd)

### Dividend Policy

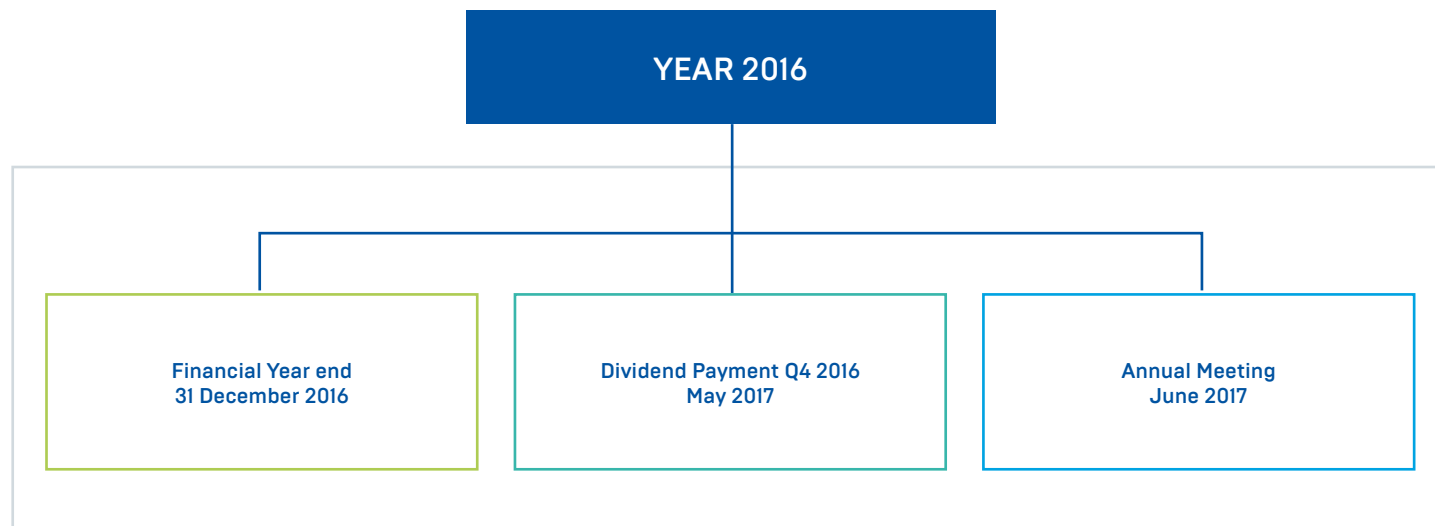
SBMH's dividend policy requires a distribution of a minimum of at least 25% of its net profit available to shareholders for the year subject to approval from Bank of Mauritius and subject to the solvency test under the S61(2) of the Companies Act 2001 being satisfied. As from 2014, SBMH has adopted a policy to declare and pay quarterly interim dividends. There are no presently taxes on dividend income and capital gains in Mauritius.

The Group made a profit after tax of MUR 2,309 million for the year ended 31 December 2016. The table below shows dividend payments in 2016 and the payment dates.

Quarter	Dividend per share (cents)	Approved by the Board on	Paid on
First quarter	10	19 May 2016	27 June 2016
Second quarter	10	11 August 2016	16 September 2016
Third quarter	10	14 November 2016	16 December 2016

An interim dividend of 10 cents for the fourth quarter ended 31 December 2016 was approved by the Board of SBMH on 30 March 2017 and paid on 18 May 2017.

### Shareholders' Diary



Note:

Dividend Payment: As per the Group Policy, Dividend will be declared quarterly and payment date will be communicated.

The Annual Meeting for reporting year ending 31 December 2017 will be held in June 2018.



## CONTACT DETAILS FOR SHAREHOLDER RELATIONSHIP

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Head of Legal & Corporate Affairs

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### Mrs D Ramjug Chumun

Company Secretary

SBM Tower,  
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Phone: (230) 202 1752

Fax: (230) 202 1666

Email: company.secretary@sbmgroup.mu,  
poonam.chumun@sbmgroup.mu

## RISK MANAGEMENT AND AUDIT

### Risk Management

In the absence of key Management personnel, the Board of SBM Holdings Ltd continuously seeks to develop its risk and control procedures in order to enhance risk identification, assessment and monitoring. The Board considers business risks when setting strategies, approving budgets and monitoring progress against budgets.

The risk management framework of SBMH is covered in the Risk Management Report at pages 94 to 141 of the annual report.

### Internal Audit

In addition to setting strategy and overseeing its implementation, the Board of SBM Holdings Ltd is also responsible for ensuring that the Group maintains an effective system of internal controls. An effective system of internal controls should provide assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. In meeting this responsibility, the Board of SBM Holdings Ltd considers what is appropriate for the Group's business and reputation, the materiality of financial and other risks and the relevant costs and benefits of implementing controls.

### Audit Fees and Fees for Other Services

In line with good governance and following the request of the shareholders at the Annual Meeting held in June 2015 for a rotation of the statutory auditors, the Board of Directors of SBM Holdings Ltd decided to issue a Request for Proposal ('RFP') to three reputable auditing firms registered with the Financial Reporting Council namely (i) Ernst & Young, (ii) Pricewaterhouse Coopers ('PwC') and (iii) KPMG in 2015.

Ernst & Young was re-appointed as the statutory auditors for the financial year ended 31 December 2016 at the shareholders' meeting held in June of last year.



## Corporate Governance Report (cont'd)

The table below shows the fees paid to the statutory auditors for the reporting period:

	2016 Audit (MUR 000)	2015 Audit (MUR 000)
<b>Ernst &amp; Young</b>		
<b>SBM Holdings Ltd</b>		
Statutory Audit – December 2016	517.5	350
Other services	287.5	-
<b>SBM (Bank) Mauritius Ltd &amp; Other Subsidiaries</b>		
Statutory Audits and quarterly reviews	7,480	7,099
<b>Other auditors</b>		
<b>SBM Bank (Mauritius) Ltd – Indian Operations</b>		
S.R Batliboi	935.7	-
GD Apte & Co	-	202
<b>Banque SBM Madagascar SA</b>		
Delta Audit Deloitte Associates	214.3	42
Mazars Fivoarana	214.3	42





