

CARGO HANDLING CORPORATION LTD

CORPORATE GOVERNANCE AT THE CARGO HANDLING CORPORATION LIMITED

1. CORPORATE GOVERNANCE

Corporate governance is the structure of rules, practices and processes used to direct and manage a company. A company's Board of Directors is the primary force influencing corporate governance. The National Code of Corporate Governance for Mauritius 2016 (Code) defines Corporate Governance as a framework of processes and attitudes within an organisation that focuses on adding value to the business, ensuring its long-term continuity and success, and building its reputation. The Code employs an 'apply-and-explain' methodology.

2. THE NATIONAL CODE OF CORPORATE GOVERNANCE FOR MAURITIUS 2016

The National Code of Corporate Governance for Mauritius 2016 was officially launched on 13th February 2017. The Code applies to the following institutions:

- Public Interest Entities (as defined by the Financial Reporting Act 2004),
- Public sector organisations (listed as public interest entities in Schedule 1 of the Financial Reporting Act 2004), and
- Other companies (other companies are encouraged to give due consideration to the application of the Code insofar as the principles are applicable).

The Code became applicable from the reporting year (financial period) ending 30th June 2018 (i.e., companies were expected to apply the principles of the Code from July 2017 onward). Earlier compliance, however, was encouraged.

The Cargo Handling Corporation Ltd (CHCL) is a Public Interest Entity as defined by the Financial Reporting Act 2004 since both its annual turnover and total assets are well above 500 million rupees and that also for more than any two (2) consecutive preceding years. In line with its compliance requirements, the CHCL includes a Corporate Governance Report in its Annual Report to make required disclosures as laid down in the Code.

3. THE EIGHT CORPORATE GOVERNANCE PRINCIPLES

The Code recognises that 'one size does not fit all'. The principles take into account that different types of organisations can take different approaches to achieving good corporate governance. Good governance practices should reflect the nature of each organisation, its ownership structure and the range of interests of its stakeholders. Apart from a generic guidance, the Code also contains guidance for Statutory Bodies.

The following eight (8) corporate governance principles have been designed to be applicable to all organisations covered by the Code.

Principle 1: Governance Structure

CARGO HANDLING CORPORATION LTD

All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified.

Principle 2: The Structure of the Board and its Committees

The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties.

Principle 3: Director Appointment Procedures

There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders.

Principle 4: Director Duties, Remuneration and Performance

Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Each director must be able to allocate sufficient time to discharge his or her duties effectively. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information strategy, information technology and information security. The Board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives.

Principle 5: Risk Governance and Internal Control

The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.

Principle 6: Reporting with Integrity

The Board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its annual report and on its website.

Principle 7: Audit

Organisations should consider having an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's internal and external auditors.

Principle 8: Relations with Shareholders and Other Key Stakeholders

The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the

CARGO HANDLING CORPORATION LTD

interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

4. CORPORATE GOVERNANCE DOCUMENTS

The CHCL's Internal Audit Department prepared the following draft documents on Corporate Governance :

- i. Corporate Governance Committee Charter
- ii. Corporate Governance Policy
- iii. Board Charter
- iv. Code of Conduct and Ethics for Employees of Cargo Handling Corporation Ltd
- v. Code of Ethics for Directors

These draft documents were submitted to the Technical Sub-Committee of the National Committee on Corporate Governance (NCCG) in July 2020. The comments of the NCCG were received in July 2021. It is to be noted that the Code of Conduct and Ethics for Employees of CHCL was finalised by the Consultant on HR matters and already approved by the Board in May 2021.

Subsequently, the draft CHCL Corporate Governance documents - namely the Corporate Governance Committee Charter, the Board Charter, and the Code of Ethics for Directors - were revised to reflect the comments of the NCCG as far as possible.

5. REPORTING REQUIREMENTS & NON-COMPLIANCE WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE FOR MAURITIUS 2016

As required by the Financial Reporting Act 2004 [section 75 (2) (a)], the CHCL, being a Public Interest Entity, 'shall adopt, and report on corporate governance in accordance with the National Code of Corporate Governance'.

According to the Code, the Auditors should assess the explanations given for non-compliance with any requirement of the Code and report on compliance with the Code of Corporate Governance in the 'Corporate Governance Report' paragraph in the Independent Auditors' Report. In line with the requirements of the Code, CHCL has repeatedly disclosed its status of non-compliance with the Code.

The Statement of Non-Compliance with the Code, incorporated in the last Annual Reports of the CHCL (for FY 2022/2023), showed instances where CHCL is not adhering to the requirements of the Code. The requirements of the Code which are not being complied with can be summarised as follows:

SN	Non-Compliant Requirement & Comments	Course of Action
Principle 1: Governance Structure		
1	The functioning of the CHCL Board is governed by its constitution. The Board has not yet approved a Code of Ethics.	Finalisation of a Code of Ethics for Directors.

CARGO HANDLING CORPORATION LTD

SN	Non-Compliant Requirement & Comments	Course of Action
2	<p>For the time being, the following disclosures are not available on CHCL's website:</p> <ul style="list-style-type: none"> • The Company's constitution, • The Board's Charter, • The Company's Code of Ethics, • Appropriate job descriptions of the key senior governance positions, • An organisational chart, and • A statement of major accountabilities within the organisation. <p><i>CHCL is working towards disclosing the above information as well as describing the approval, monitoring and review process (including frequency) of these documents.</i></p>	<p>To prepare corporate governance documents as required.</p> <p>To decide on the level of disclosures on CHCL website.</p>
Principle 2: The Structure of the Board and its Committees		
3	<p>Frequency of board charter reassessment: No formal board charter exists for the time being.</p>	To finalise the CHCL Board Charter.
4	<p>Board Composition - Executive Directors and Independent Directors:</p> <p>Presently, there is only one executive director on the Board instead of two as recommended by the Code.</p> <p><i>In the light of the present structure of the Board (13 directors), the appointment of another director is deemed not urgent considering that the Deputy Managing Director may attend the CHCL Board as an observer.</i></p> <p>There is no independent director on the CHCL Board.</p> <p><i>The decision to review the composition of the Board rests on the Government of Mauritius as the major shareholder.</i></p>	<p>Subject to the Board's approval, the Deputy Managing Director of CHCL attends Board meetings.</p> <p>The major shareholder (Government of Mauritius) appointed the director representing consumer interests who is an independent director.</p>
5	<p>Board Sub Committee - Audit Committee: The chairperson of the Audit Committee should be an independent non-executive director and the majority of the members should be independent.</p> <p><i>For the time being, the Audit Committee is chaired by a Non-Executive Director.</i></p>	<p>Given the academic background required for the Chairperson of the Audit Committee, a non-executive director appears to best suit the appointment at the CHCL at present.</p>
Principle 3: Director Appointment Procedures		
6	<p>Succession Plan and Induction: <i>A succession plan is the responsibility of the Board and the same has not been developed for the moment.</i></p>	<p>Once a post of director becomes vacant, it is filled by the Shareholders.</p>

CARGO HANDLING CORPORATION LTD

SN	Non-Compliant Requirement & Comments	Course of Action
	<p>No formal induction and orientation programme exist at the CHCL for new directors.</p> <p><i>The Chairperson, the Managing Director and the Secretary of the Board are readily available to provide necessary information on the CHCL and its activities to newly appointed directors as and when required.</i></p>	To consider drafting a formal induction programme for new CHCL directors.
	<p>Professional development and ongoing education of directors have been initiated in financial year 2022/2023 and will be developed further during the year 2025/2026.</p>	To organise relevant yearly training programme for directors.
	<p>Presently, there is no re-election of Directors. <i>Change of directors occurs only in case of demise, retirement, resignation or transfer from Ministries / organisations concerned.</i></p>	Once a post of director becomes vacant, it is filled by the Shareholders.
Principle 4: Director Duties, Remuneration and Performance		
7	<p>Currently, the Board does not have a formalised conflicts-of-interest and related-party transactions policy and a Code of Ethics. <i>Such policies are being catered for.</i></p>	To devise policies recommended by the Code.
8	<p>The Board will also consider the creation of the following policies in the financial year 2025/2026:</p> <ul style="list-style-type: none"> • Information policy • Information technology policy • Information security policy 	To devise policies recommended by the Code.
9	<p>Board and Director appraisal: The Board or its Committees were not evaluated for the year under review since there is not a defined policy yet for appraisal. <i>A policy is contemplated in financial year 2025/2026.</i></p> <p><i>No evaluation of the effectiveness of the Board, its committees and its individual directors have been conducted during the year under review.</i></p>	To be decided by the Corporate Governance Committee / Board.
10	<p>Director selection, training and development: No formal training and development program existed at the Company for the year ended 30 June 2025.</p> <p><i>An induction pack for new Directors will be initiated and is expected to be completed in financial year 2025/2026. The induction pack will incorporate the activities of CHCL, role of Directors on the Board, their fiduciary duties,</i></p>	To devise a formal induction programme.

CARGO HANDLING CORPORATION LTD

SN	Non-Compliant Requirement & Comments	Course of Action
	<i>conflict of interest in respect of any decision taken by the Board.</i>	
Principle 5: Risk Governance and Internal Control		
11	No formal whistle-blowing rules and procedures are in place in the Company.	To put in place a system for employees and others to report any possible wrongdoing in financial reporting or other matters and ensure independent investigation of such matters and appropriate follow up action.
Principle 6: Reporting with Integrity		
12	Website: <i>Management will ensure that applicable disclosures are published in full on the CHCL's website. The annual reports, the Recruitment and Selection Policy, the Equal Opportunity Policy and the Anti-Corruption Policy are available on the website.</i>	To decides on the level of disclosures on CHCL website.

6. CORPORATE GOVERNANCE DISCLOSURES ON CHCL WEBSITE

According to the National Code of Corporate Governance for Mauritius 2016, the following disclosures need to be made on the CHCL Website:

1. The organisation's constitution;
2. Board and Committee Charters;
3. The terms of reference for all committees should be formally approved by the Board and published on the organisation's website;
4. Details of the Board/governance structure;
5. The organisation's Code of Ethics;
6. Appropriate job descriptions of the key senior governance positions;
7. Short biographies of each director that include experience, skills, expertise and where applicable continuing professional development;
8. Short biography of the Company Secretary that includes experience, skills, expertise and where applicable continuing professional development;
9. An organisational chart;
10. A statement of major accountabilities within the organisation;
11. The approval, monitoring and review processes (including frequency) of these documents;
12. The conflicts of interest and related party transactions policies;
13. The information, information technology and information security policies;
14. Details of the nomination and appointment process; and
15. The structure, organisation and qualifications of the key members of the internal audit function.

CARGO HANDLING CORPORATION LTD

7. OVERSIGHT OF CONCERNED INSTITUTIONS

It is to be noted that the application of the corporate governance practices is being strongly monitored at the level of concerned institutions / parties as detailed hereunder:

- a) The CHCL is required to report on corporate governance and should submit a statement of compliance with the Code to the Financial Reporting Council in accordance with the Financial Reporting Act 2004 as amended.
- b) The then Independent Commission Against Corruption of Mauritius (ICAC), now Financial Crimes Commission (FCC), and National Committee on Corporate Governance (NCCG) have signed a Memorandum of Understanding in December 2020 to formalise collaboration among them to promote corporate governance and to reinforce integrity to prevent corrupt practices and money laundering.
- c) The NCCG launched a Corporate Governance Scorecard for Mauritius which is a quantitative tool to measure the level of observance of a corporate governance code. The Scorecard can be used for self-assessment purposes and is also used to: (i) assess a company's governance practices, (ii) show progress over time, and (iii) compare different companies and even groups of companies within or across countries.
- d) CHCL needs to disclose its governance compliance status in the Corporate Governance Report of its Annual Report and the External Auditors are also required to report on the compliance with the Code.

8. MANAGEMENT RECOMMENDATIONS

Actions needed for compliance with the Code by CHCL include the followings:

- i. Finalising and approval of the Board Charter.
- ii. Finalising and approval of the Corporate Governance Committee Charter.
- iii. Finalising and approval of the Code of Ethics for Directors.
- iv. Appropriate disclosures on the CHCL website.
- v. Addressing matters on non-compliance statement on Corporate Governance in the Annual Report (including issue of independent directors).
- vi. Development of CHCL Corporate Objectives Statement (to be agreed by the Board and the Parent Ministry).
- vii. Job Description or Position Statement for each senior governance position for Chairperson, Managing Director, Chairperson for each Board committee and Company Secretary.
- viii. An organisational chart (at a level of detail commensurate with the sophistication and scale of the SB) and a written description of the major accountabilities within the SB.
- ix. To develop following policies:
 - Conflicts-of-interest and related-party transactions policy,
 - Information policy,
 - Information technology policy, and
 - Information security policy.
- x. Renaming the Audit Committee as the Audit and Risk Management Committee

CARGO HANDLING CORPORATION LTD

- xi. Revision of the Terms of Reference of the Staff Committee and development of a formal charter.
- xii. Revision of the Terms of Reference of the Finance Committee and development of a formal charter.

For the time being, to enhance CHCL's compliance status to the National Code of Corporate Governance for Mauritius 2016, Management recommended the consideration of the Corporate Governance Committee / Board on the actions as detailed below:

- 1. Finalising the CHCL Corporate Governance Committee Charter.
- 2. Finalising the CHCL Board Charter.
- 3. Finalising the Code of Ethics for Directors of CHCL.
- 4. Appropriate disclosures on the CHCL website.
- 5. Addressing matters on non-compliance statement on Corporate Governance in the Annual Report (including issue of independent directors).

04 December 2025