

## **SEM BOARD CHARTER**

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## **PREAMBLE**

This Charter sets the framework for the composition, responsibilities, duties, procedures, powers, authority and accountability of the Board of Directors of the Stock Exchange of Mauritius Ltd.

This Charter is to be read in conjunction with the Constitution of the Stock Exchange of Mauritius Ltd.

This Charter embodies the rules of conduct of Board members of the Stock Exchange of Mauritius Ltd and the commitment of the Board of Directors to ensuring that the company's governance processes and structures comply with the Mauritius Code of Corporate Governance and international best practice.

This Charter also enunciates the mission statement and corporate objectives of the Stock Exchange of Mauritius Ltd.

## **Mission Statement**

The SEM is committed to becoming a World Class Stock Exchange. We will strive to position the Exchange as a service-driven and operationally excellent organisation with world-class trading and settlement capabilities which incorporate and maintain the fundamental principles of market integrity, investor protection and efficient price discovery.

We undertake to actively pursue strategies that contribute to the growth of capital market activities in Mauritius. In the pursuance of our mission, we endeavour to further the interests of the investing community, the business community, the government and nation, our members, shareholders and employees.

## **Key Objectives**

### **(1) TO THE INVESTING COMMUNITY**

We will aim to provide an efficient regulatory framework that promotes good governance, market integrity and investor confidence. We will constantly enhance our technological infrastructure to offer services which incorporate high standards of operational efficiency.

### **(2) TO THE BUSINESS COMMUNITY**

We will strive to maintain a responsive and flexible approach to the development of new products and market instruments that address the needs of financial market participants and make us attractive to both domestic and foreign companies. We will encourage the listing of eligible and profitable companies, enabling them to have access to the capital market to promote their growth.

### **(3) TO THE GOVERNMENT AND NATION**

To help our nation grow and achieve its aspirations, we will foster the development of a sound and secure capital market to further promote the industrialisation of our economy by actively supporting national policies designed to raise capital for businesses and to promote public share ownership for all citizens. We will aim for strategic alliances with like-minded exchanges and internationally recognised institutions to attain our objective of becoming a model exchange on the international forum.

### **(4) TO OUR MEMBERS**

We will act with integrity and fairness to ensure compliance with regulation and will offer the appropriate market infrastructure to support the growth and development of our members.

### **(5) TO OUR SHAREHOLDERS**

Our aim is to achieve a reasonable return on capital employed to provide for the growth of the company and pay a fair percentage of earnings as dividend.

**(6) TO OUR EMPLOYEES**

As a performance focused organisation which aims to achieve the objectives of self-sufficiency, good governance and management efficiency, we will promote a corporate culture that encourages employee commitment, professionalism and teamwork and which fosters the career advancement, personal growth and well being of our employees.

## **1. PURPOSE OF CHARTER**

- 1.1. The Securities Act 2005 provides that a securities exchange may make rules of conduct for its officers and for members of committees established for the securities exchange.
- 1.2. The Code of Corporate Governance for Mauritius recommends be the disclosure of the Board Charter on the organization's website and that a statement that the Board has approved its Charter be included in the corporate governance section of the Annual Report.
- 1.3. The Board Charter sets out the composition, responsibilities, duties, procedures, powers, authority and accountability of the Board of Directors of the Stock Exchange of Mauritius Ltd ("SEM").
- 1.4. The provisions of the Board Charter are complementary to the requirements regarding the Board and Board members contained in Mauritian legislation and regulations.
- 1.5. The conduct of the Board and Board members is also governed by the Constitution of SEM, the Code of Corporate Behaviour and by the provisions governing the relationship between the committees and the Board as contained in the terms of reference of the committees which have been adopted by the Board.

## **2. MEMBERSHIP AND TERM**

- 2.1. The SEM Constitution provides for not more than twelve directors, including directors of whom:
  - a. at least two (2) shall be Members of the Industry; and
  - b. at least one shall be an Executive Director.

No person shall be appointed as a Director without the prior approval of the FSC pursuant to Section 24 of the Financial Services Act 2007.

- 2.2. Membership of the Board shall be disclosed in the Annual Report including whether a director is independent or non-executive or executive.
- 2.3. A Director (excluding the Executive Director) shall remain in office for a maximum of two years; at the next Annual Meeting following the expiry of this period, such Director shall retire from office but shall be eligible for re-election or re-appointment, as the case may be.

## **3. RESPONSIBILITIES**

- 3.1. The Board is responsible for promoting the success of SEM in its roles as market operator and commercial entity, in a way, which ensures that the interests of shareholders and stakeholders are promoted and protected.
- 3.2. Specifically, the Board is responsible for:
  - a. setting strategic direction of SEM and monitoring management's performance within that framework;
  - b. ensuring there are adequate resources available to meet SEM's objectives;

- c. appointing and removing the Chief Executive and overseeing succession plans for the senior management team;
- d. approving and monitoring financial reporting and capital management;
- e. approving and monitoring the progress of business objectives;
- f. ensuring that adequate risk management procedures exist and are being used;
- g. safeguarding the interests of its users and the public interest;
- h. ensuring that SEM has appropriate corporate governance structures in place including standards of ethical behaviour and a culture of corporate and social responsibility; and
- i. ensuring that the Board is and remains appropriately skilled to meet the changing needs of the company.

3.3. With regard to financial matters, the Board shall:

- a. approve the Annual Report and accounts ;
- b. approve the monthly management accounts of the SEM;
- c. take note of the monthly accounts of the Central Depository & Settlement Co. Ltd;
- d. oversee the monthly income and expenditure of the SEM as it is presented in the monthly management accounts so as to ensure that it is in line with budget;
- e. approve the annual budget; and
- f. approve any exceptional items of expenditure which are above or not covered by budget;

3.4 At least once a year, the Board shall discuss the organisation's risk management policies, procedures and systems.

3.5 At least every two years, the Board shall conduct a survey among directors to evaluate the effectiveness of the board governance processes and procedures. The Board Self-Evaluation questionnaire shall cover the following main areas:

- a. Board Meetings
- b. Board Structure and Composition
- c. Leadership of the Board
- d. Board Functions
- e. Board Committees
- f. Planning and Objectives
- g. Risk Assessment
- h. Human Resources and Succession Planning
- i. Financial and Operational Reporting
- j. Compliance and Ethical Framework

**4. POWERS DELEGATED BY THE BOARD OF THE SEM**

- 4.1. The Board has delegated authority for the implementation of Board decisions and day-to-day management of the SEM to the Chief Executive.
- 4.2. The power to act on certain listing matters resides in the Board of the SEM.
- 4.3. The SEM Board has delegated a number of its responsibilities for listing regulation to a sub-committee of SEM Board with specific responsibilities for discharging SEM's regulatory responsibilities and to a Listing Executive Committee (LEC), comprised of executives of the SEM and such other member(s) as may be appointed by the Board.



- 4.4. The table below summarizes some of the main decisions and appeal mechanisms of the SEM on listing matters:

Listing decision/ Body concerned	Primary decision	Appeal
Initial suitability (issuers)	LEC	FSC
Suspension/cancellation of listings	LEC	Board
Adjudication on issuers enforcement	Board	FSC

- 4.5 The Board has delegated authority to the Chief Executive and SEM management in relation to expenses regarding the day to day operations of the SEM.

## **5. OTHER COMMITTEES**

- 5.1. The Board shall establish such other committees, as it considers appropriate for the proper performance of its functions.
- 5.2. The terms of reference and composition of Board committees shall be set out in separate documents.
- 5.3 The Board remains collectively responsible for the decisions and actions taken by any committee. A committee may only perform the tasks delegated to it by the Board and must not exceed the authority or powers of the Board as a whole. Decisions that, by law, must be taken by the Board must not be delegated to a committee.

## **6. CHAIRPERSON**

- 6.1. The Chairperson of the Board may be either an independent or non-independent non-executive Director.
- 6.2. The Directors shall elect two of their number as Chairperson and Vice Chairperson of the Board respectively and determine the period for which each of them is to hold office. Where no Chairperson is elected, or where at a meeting of the Board the Chairperson is not present within fifteen minutes after the time appointed for the commencement of the meeting, the Vice Chairperson shall act as Chairperson of the meeting. Where neither a Chairperson nor a Vice Chairperson is elected, or where at a meeting of the Board neither the Chairperson nor the Vice Chairperson is present within fifteen minutes after the time appointed for the commencement of the meeting, the Directors present shall choose one of their number to be Chairperson of the meeting.

## **7. SEPARATION OF FUNCTIONS BETWEEN THE CHAIRPERSON AND CHIEF EXECUTIVE**

- 7.1. The roles of the Chairperson and Chief Executive are strictly separated.
- 7.2. The Chairperson is responsible for:
- a. leading the Board in its duties to SEM;
  - b. ensuring there are processes and procedures in place for the nomination of Board members and evaluation of the performance of the Board and its committees;

- c. facilitating effective discussions at Board meetings; and
- d. ensuring effective communication with shareholders.

7.3. The Chief Executive is responsible for:

- a. implementing policies and decisions of the Board;
- b. making recommendations to the Board on the long term vision and strategy for the company and annual business plans and budgets that support the company's long-term strategy;
- c. striving consistently to achieve the company's financial and operating goals and objectives, and ensuring that the day-to-day business affairs of the company are appropriately managed and monitored;
- d. ensuring directors are provided with accurate and clear information in a timely manner to promote effective decision-making by the Board;
- e. ensuring all material matters affecting SEM are brought to the Board's attention; and
- f. maintaining a positive and ethical work climate conducive to attracting, retaining and motivating a diverse group of top-quality employees at all levels of the company.

**8. RESTRICTION ON ACTIVITIES OF CHIEF EXECUTIVE**

- 8.1. The Chief Executive may not have a material commercial association with a company listed or traded on SEM or an investment dealer, which participates in SEM. Restrictions on the Chief Executive's dealings in securities are set out in the *Dealing Rules* of SEM as embodied in the *SEM Employee Handbook*.

**9. REPORTING**

- 9.1. Proceedings of all Board meetings are minuted and signed by the Chairperson or the Vice-Chairperson of the meeting and the Secretary.
- 9.2. Minutes of all Board meetings are circulated to Directors and approved by the Board at the subsequent meeting.

**10. CONFLICT OF INTEREST**

- 10.1. A director should make a best effort to avoid conflicts of interest or situations where others might reasonably perceive there to be a conflict of interest.
- 10.2. Where a conflict of interest arises or may arise, a Director must disclose the conflict to the Board. On declaring their interest and ensuring that it is entered on the Register of Interests of the company, the director concerned should not be present at that part of the meeting in which the conflict or potential conflict is discussed and should not participate in the debate, vote or indicate how he or she would have voted on the matter in the Board or the committee meeting .

**11. REGISTER OF DIRECTORS' INTERESTS**

- 11.1. The Secretary to the Board shall maintain an interests register pursuant to *S190(2)(c)* of the Companies Act, 2001.
- 11.2. Upon appointment to the Board, a Director shall be required to provide the Secretary to the Board with a complete list of their directorships and/or material interests in any security listed or traded on SEM and in any Member Company of SEM or any interest as defined by *S147* of the Companies Act, 2001 for entry in the interests register.
- 11.3. For the purposes of this Charter, 'material interest' means any interest of 5 % or more in the share capital of a company.
- 11.4. Notwithstanding the provisions of *S.148* of the Companies Act, 2001, a Director shall forthwith inform the Secretary to the Board of any changes in their directorships and/or shareholdings which would have the effect of increasing or reducing their shareholding above or below the level of material interest disclosure.

**12. REVIEW OF CHARTER**

- 12.1. The Board will review this Charter regularly to ensure it remains consistent with the Board's objectives and responsibilities.

(Approved by the SEM Board on February 15, 2006; Amended and approved by the SEM Board on 28 June 2018)