

Corporate ethics and Compliance in Mauritius

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In today's globalized business landscape, maintaining corporate ethics and compliance is crucial for the sustainable growth and reputation of any country or organisation. This holds true for Mauritius, a vibrant island in the Indian Ocean that has emerged as an international business hub. In this article, we will delve into the world of corporate ethics and compliance within the context of Mauritius, exploring its significance, challenges, regulatory framework, and the path forward for businesses to uphold ethical standards while operating within its borders.

Corporate ethics and compliance are integral to establishing a healthy business environment that fosters trust, transparency, and long-term growth. Ethics define the moral principles and values that guide a company's behavior, encompassing honesty, fairness, and social responsibility. Compliance, on the other hand, refers to adhering to laws, regulations, and industry standards. Together, these elements ensure that businesses operate in a manner that is not only legally sound but also morally upright.

The regulators in Mauritius have taken several measures to strengthen corporate ethics and compliance within the country. These measures are aimed at promoting transparency, preventing financial misconduct, and fostering a business environment built on integrity. Here are some of the key steps taken by regulatory bodies in Mauritius:

A Committee on Corporate Governance was established in September 2001 with the mandate to promote principles of good corporate governance (accountability, transparency, responsibility, fair treatment, meritocracy, management disciplines and fight against corruption) amongst public and private sector organisations. The Code of Corporate Governance, issued by the Financial Reporting Council (FRC), was first published in October 2003 and was held in high regard by both the national and international business community. The Code of Corporate Governance was further amended and updated in February 2017 and provides guidelines for promoting transparent and accountable business

practices. The Code of Corporate Governance encompasses eight corporate principles namely: Governance Structure which includes Code of Ethics; Structure of the Board and its Committees; Director Appointment Procedures; Director Duties, Remuneration and Performance; Risk Governance and Internal Control; Reporting with Integrity; Audit; and Relations with Shareholders and Other Key Stakeholders. These principles aim at improving and guiding the governance practices of organisations within Mauritius and is mandatory for Public Interest Entities, Public sector organisations, Management

Companies and holders of Global Business Licences (GBCs) which provide financial services or conduct financial business activities (Circular Letter CL280218 issued by the Financial Services Commission). However, the FSC does not make it mandatory for the following licensees (unless such licensees have the statutory obligation to comply with the Code) to comply with the Code

- Expert Funds, Professional CIS or Specialised CIS which are not Reporting Issuers;
- Overseas Family Offices;
- Private Pension Schemes;
- An individual person who is the holder of a

licence;

- Insurance agents;
- Holders of Global Headquarter Administration licence;
- Holders of Global Treasury Activities Licence.

The Code of Corporate Governance recognize, learn and apply governance lessons from the global financial crisis that began in 2008 and identify and apply international best practices. Insofar, companies whose standards of corporate governance are high are more likely to gain the confidence of stakeholders, especially shareholders and investors.



01 Financial Services Commission (FSC)

The FSC is the primary regulatory authority overseeing various financial activities in Mauritius. It plays a crucial role in implementing and enforcing regulations to ensure corporate ethics and compliance. The FSC licenses, regulates, monitors and supervises the conduct of business activities in

the non-banking financial services sector. The FSC has also established an Enforcement Committee which exercises the disciplinary powers of the FSC by imposing administrative sanctions on a licensee/officer and even go to the extent of revoking and suspending licenses.



02 Bank of Mauritius (BoM)

BoM regulates and supervises financial institutions under its purview, namely banks, non-bank deposit taking institutions, and money changers and foreign exchange dealers. BoM is also the AML/CFT Supervisor for institutions operating in the banking sector and ensures that these institutions comply with the banking laws which include, the Convention

for the Suppression of Financing of Terrorism Act, the Financial Intelligence and Anti-Money Laundering Act, the Prevention of Terrorism Act, the Prevention of Terrorism (International Obligations) Act and the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 amongst others.



03 Mauritius Revenue Authority (MRA)

The MRA is responsible for tax administration and revenue collection in Mauritius. As part of its tax transparency commitment, Mauritius has started to exchange information under the Organisation for Economic Co-operation and Development (OECD) Common Reporting Standard as from 2018 and is also a signatory to the Multilateral Competent Authority Agreement (MCAA). Information is also being exchanged on an automatic basis under Foreign Account Tax Compliance Act (FATCA) with

the Internal Revenue Service (IRS). Mauritius has also signed and ratified the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in 2015 and has a broad network of Double Taxation Avoidance Agreements and Tax Information Exchange Agreements (56 in all), providing mechanisms for exchange of information with some 140 jurisdictions including all European Union (EU) member States.



04 Financial Intelligence Unit (FIU)

Established under Section 9 of the Financial Intelligence and Anti Money Laundering Act in August 2002, the FIU is the national central agency in Mauritius that is responsible for the request, receipt, analysis and dissemination of financial information regarding suspected proceeds of crime and alleged money laundering offences as well as the financing of any activities or transactions related to terrorism to relevant authorities. As the AML/CFT regulator, the FIU is also responsible for ensuring compliance of AML/CFT legal and regulatory

framework by regulated entities under its purview. Pursuant to the Asset Recovery Act 2011, the FIU has also been assigned the functions of Asset Recovery.

Reporting of transactions that appear suspicious or unusual allows the FIU to investigate potential cases of money laundering and financial crime. The FIU also collaborates with domestic and international law enforcement agencies and regulatory bodies to exchange information and coordinate efforts to combat financial crime.



05 Stakeholder Engagement through Mauritius Finance and Associations such as The Society of Trust and Estate Practitioners Ltd (STEP) and the International Fiscal Association (IFA)

Regulators often engage with various stakeholders, including industry associations, businesses, and civil society organizations, to gather input and feedback

on regulatory initiatives. This collaborative approach ensures that regulations are effective, balanced, and reflective of industry needs.

While laws and regulations provide a foundation for ethical conduct, businesses themselves have a critical role to play in fostering a culture of integrity. Company leadership must set the tone by prioritizing ethical behavior and transparency. This involves implementing codes of ethics, whistleblower protection mechanisms, and regular training programs to educate employees about their responsibilities. There are several worldwide examples that illustrate how failure to implement corporate ethics and compliance have far-reaching negative consequences for a country's economy, reputation, and society. Here are a few notable cases:

1 Enron Scandal (United States, 2001)

The Enron scandal is one of the most infamous examples of corporate ethics failure. Enron, once considered a leading energy company, collapsed due to widespread accounting fraud and unethical practices. The company's executives manipulated financial statements to hide debt, resulting in massive losses for shareholders and employees. The scandal led to the dissolution of Enron, the loss of thousands of jobs, and the downfall of the accounting firm Arthur Andersen. The repercussions of the scandal included increased skepticism about corporate governance and accounting practices, prompting regulatory reforms such as the Sarbanes-Oxley Act.

2 Volkswagen Emissions Scandal (Germany, 2015)

Volkswagen was embroiled in a scandal when it was revealed that the company had equipped its diesel vehicles with software that manipulated emissions tests, making the cars appear less polluting than they actually were. The scandal not only led to massive recalls and fines but also damaged Volkswagen's reputation as a trusted and environmentally conscious brand. The incident significantly impacted the automotive industry and highlighted the need for stringent regulatory oversight and ethical behavior within corporations.

3 Petrobras Scandal (Brazil, ongoing)

The Petrobras scandal involves a vast corruption network within the Brazilian state-owned oil company, Petrobras. Executives, politicians, and contractors were implicated in a bribery scheme that diverted billions of dollars from the company. The scandal led to a crisis of confidence in Brazil's institutions, significant economic losses, and legal proceedings against many individuals involved. The fallout from the scandal continues to impact Brazil's political and economic landscape.

These examples highlight the severe consequences of failing to implement corporate ethics and compliance. They include financial losses for investors, damage to national economies, erosion of public trust, legal penalties, and tarnished reputations. Such cases underscore the importance of establishing robust ethical standards, effective regulatory frameworks, and a culture of integrity within businesses to prevent these kinds of crises.

Preventing ethical and compliance failures requires a comprehensive and proactive approach that addresses both internal and external challenges. Here are some strategies that businesses can implement to prevent ethical and compliance failures:

- 1. Strong Ethical Leadership:** Establish a culture of ethical leadership where top executives and managers consistently model ethical behavior. Leadership's commitment to ethical conduct sets the tone for the entire organization.
- 2. Robust Code of Conduct:** Develop and communicate a comprehensive code of conduct that outlines the company's values, expectations, and standards of behavior. The code should cover areas such as conflicts of interest, bribery, corruption, data privacy, and more.
- 3. Regular Training and Education:** Provide ongoing training to employees at all levels on ethical principles, compliance regulations, and potential risks. This helps employees understand their responsibilities and how to navigate ethical dilemmas.
- 4. Whistleblower Protection:** Implement a confidential and secure reporting mechanism for employees to report unethical behavior or compliance violations without fear of retaliation. Ensure that reports are thoroughly investigated and addressed.
- 5. Internal Controls:** Establish robust internal controls to prevent and detect compliance breaches. Regularly review and update controls to adapt to changing regulations and emerging risks.
- 6. Risk Assessment:** Conduct regular risk assessments to identify potential compliance gaps and ethical vulnerabilities. Address these risks with targeted policies, procedures, and controls.
- 7. Supplier and Partner Due Diligence:** Extend compliance and ethical considerations to suppliers and business partners. Conduct due diligence to ensure they adhere to similar standards, especially in industries with complex supply chains.
- 8. Transparency and Communication:** Foster transparent communication across the organization. Regularly update employees on compliance initiatives, regulatory changes, and the outcomes of ethical audits.
- 9. Consequences for Violations:** Clearly define consequences for ethical and compliance violations and consistently apply them. This demonstrates the seriousness of maintaining ethical conduct.
- 10. Auditing and Monitoring:** Implement regular audits and monitoring procedures to assess compliance with regulations and ethical guidelines. Audits can identify areas of improvement and potential issues.

11. Data Privacy and Security: Safeguard customer and employee data by implementing strong data privacy and cybersecurity measures. Non-compliance with data protection regulations can have severe legal and reputational consequences.

12. External Collaboration: Collaborate with industry associations, regulatory bodies, and peers to stay updated on best practices, industry standards, and regulatory changes.

13. Continuous Improvement: Continuously evaluate and improve your ethical and compliance programs based on feedback, new challenges, and lessons learned from past incidents.

14. Internal Reporting Channels: Establish clear channels for employees to seek guidance on ethical matters and compliance concerns. Encourage open dialogue and provide resources for employees to make informed decisions.

15. Stakeholder Engagement: Engage with stakeholders, including customers, investors, and communities, to build trust and demonstrate your commitment to ethical conduct.

16. Regular Review of Policies: Regularly review and update policies and procedures to reflect changing laws and regulations, as well as emerging ethical challenges.

By combining these strategies and tailoring them to the specific needs of each business, an organisation can create a strong framework that prevents ethical and compliance failures. A proactive and holistic approach is essential to maintain a culture of integrity, protect the organisation's reputation, and ensure long-term business success.

Corporate ethics and compliance are integral components of a thriving business environment in Mauritius. As the nation continues to grow and diversify its economy, maintaining high ethical standards is essential to preserving its reputation and attracting sustainable investments. By strengthening regulations, promoting ethical conduct, and fostering collaboration, Mauritius can pave the way for a future where integrity and compliance are at the core of its business landscape. Real-life international examples as outlined in this article, highlight the practical implications and complexities of navigating ethics and compliance in the world. Through dedicated efforts, Mauritius can position itself as a responsible and respected player in the global business arena.



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