

## Directors Forum

Publication No.10

# Artificial Intelligence Promotion and Governance

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# About the Directors Forum

To support the MloD in building more effective boards and to promote good corporate governance, the Directors Forum (the Forum) was set up in 2012, in collaboration with PwC Mauritius. The Forum acts as an Advisory Council and Technical Committee to the MloD.

## The Forum's objectives are to:

- identify issues which are of most concern to directors,
- produce position papers and, through consultation with Government and regulators, contribute to policy development,
- be the voice for governance and directors' issues in Mauritius,
- develop guidance on governance issues in Mauritius.

Collectively, the Forum is made up of members who are respected local directors and professionals with backgrounds in law, economics, finance and accounting, corporate and securities regulation, business and academia, in the private and public sectors.

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### Paper 8:

The African opportunity- Key Insights for Directors (December 2023)

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### Paper 3:

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### Paper 6:

Effective and sustainable good governance practices of family businesses (November 2021)

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An Ethics Guide for Boards (December 2013)

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Best Practice Guidelines for the Appointment of Directors (September 2012)



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## 1 Executive Summary

This position paper presents a strategic perspective on the promotion and governance of Artificial Intelligence (AI), offering Boards of Directors a comprehensive guide to navigating its transformative potential. It explores the dual nature of AI, its capacity to unlock competitive advantage and operational efficiency, and the risks it introduces if not governed responsibly. The paper identifies key opportunities, including the deployment of AI to enhance workforce productivity, accelerate product development, and reshape business models. These benefits, however, must be pursued with a clear understanding of the ethical, legal, and operational risks involved.

Central to the paper is the imperative for robust AI governance. A structured framework is proposed, encompassing strategic planning, risk oversight, transparent decision-making, and continuous monitoring. This framework enables organisations to maximise the value of AI while safeguarding against unintended consequences. The role of the Board is emphasised throughout, highlighting its responsibility to ensure that AI initiatives align with corporate values, strategic objectives, and evolving regulatory expectations. Boards must also foster a culture of learning and adaptability, equipping themselves and their organisations to respond to rapid technological change.

As AI technologies continue to evolve, their applications will expand, offering innovative solutions to complex challenges. Yet this progress must be matched by a commitment to fairness, transparency, and accountability. The paper concludes that Boards must lead the charge in promoting responsible AI use. By embedding governance into the core of their strategic oversight, they can ensure that their organisations not only mitigate risks but also thrive in an increasingly AI-driven world.



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## 2 Introduction

In November 2022, OpenAI, a Silicon Valley startup renowned for its pioneering work in AI, was preparing to launch a chatbot capable of generating human-like conversations tailored to user needs. This release, ChatGPT, marked a turning point in the public's engagement with AI. Within just one week, the platform had attracted over a million users, signalling a dramatic shift in how individuals and organisations could access and apply advanced technology.

Fast forward to 2025, and the use of AI has grown exponentially. Today, users rely on AI not only to generate text and edit images but also to produce error-free code and automate complex tasks. ChatGPT is no longer the sole player in the field. Competitors such as DeepSeek, Copilot, and Claude have emerged, while traditional search engines like Google have integrated AI into their core functionality. Social media platforms now use AI to help users optimise their content and maximise engagement.

AI has evolved from a novel innovation into a strategic necessity. Increasingly, organisations are embedding AI into their daily operations, while more ambitious firms are reimagining their entire value chains to integrate AI at a strategic level. This shift is not merely technological, it is structural and cultural. Boards of Directors must now grapple with the implications of AI adoption, not only in terms of opportunity but also in terms of governance, ethics, and risk.

To provide meaningful oversight and guidance, Boards must develop a clear understanding of AI's capabilities and limitations. They must be equipped to evaluate its impact on business models, workforce dynamics, and regulatory compliance. This paper aims to support Boards in that endeavour, offering a comprehensive framework for responsible AI promotion and governance in an increasingly AI-driven world.





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## 2 Introduction

### Defining AI

AI refers to computer systems that can sense their environment, think, learn, and act in response to their objectives. These systems enable computers, applications, and devices to perceive the digital or physical world, process information rapidly, and make decisions or recommendations that traditionally required human intelligence. As AI systems are exposed to more data and maintained effectively, their performance improves over time.

Within the broad field of AI, machine learning (ML) is a subset that learns patterns from data to make predictions or decisions without explicit programming. Deep learning (DL) is a specialised area of ML that uses multi-layered neural networks to model complex, high-dimensional data. Generative AI, typically based on deep learning, can generate new content, such as text, images, audio, or code, that resembles existing data.

### Global Regulatory Alignment

The widespread adoption of AI has prompted governments and international bodies to update regulatory frameworks to ensure responsible use. The European Union's AI Act (2024) introduces a risk-based approach, assigning obligations to AI systems based on their potential impact. These include requirements for transparency, human oversight, and conformity assessments. The OECD AI Principles (2024), endorsed by over 45 countries, echo similar themes, promoting trustworthy and inclusive AI development.

In the United States, Executive Order 14110 (2023) and the OMB memorandum M-24-10 (2024) encourage federal agencies to adopt responsible AI practices and support the creation of voluntary industry standards. Existing data protection laws also shape AI deployment. The EU's General Data Protection Regulation (GDPR) and California's Consumer Privacy Act (CCPA) establish foundational requirements for privacy and data governance.

Given the variation in data storage and processing rules across jurisdictions, organisations must pay close attention to data residency and ensure compliance with both local and international regulations. As AI continues to evolve, regulatory frameworks are expected to adapt accordingly. Future legislation will likely build on current best practices, aiming to balance innovation with oversight and accountability.



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### Global Best Practices

Effective AI governance requires a multi-dimensional approach that draws on lessons from past regulatory efforts, engages current stakeholders, and anticipates future challenges. The World Economic Forum’s “Governance in the Age of Generative AI: A 360° Approach” offers a practical model for policymakers and organisations.

This model is built on the following three pillars:



#### **Harness the past:**

This requires assessing current regulations and finding gaps caused by AI. This assessment would include redefining existing regulatory instruments, legal precedents and current regulatory agencies to attempt to close the identified gaps.



#### **Build the present:**

Proactive regulations cannot be defined alone. Instead, policy makers should focus on including all stakeholders across the industry, civil society and academia to come up with governance tools beyond laws and guidelines. This would ensure that challenges from all stakeholder groups are addressed, and public private sharing of best practices are promoted.



#### **Plan the future:**

This encourages for proactive strategies that anticipate emerging risks and regulatory shifts, ensuring governance remains agile and forward compatible. By embracing this comprehensive framework, organisations and governments can foster responsible AI development while maximising its benefits.

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### Public–Private Partnerships

Public–private partnerships (PPPs) play a pivotal role in promoting ethical, sustainable, and inclusive AI development. These collaborations bring together diverse stakeholders, accelerating innovation and supporting economic growth. Successful PPPs often involve shared funding and infrastructure, structured knowledge exchange, balanced regulatory frameworks, and investments in workforce development and talent pipelines.

Singapore’s National AI Strategy 2.0 exemplifies how PPPs can operationalise responsible AI. By convening over 100 experts from academia, industry, and government, Singapore is building a trusted AI ecosystem that addresses global challenges such as healthcare and climate change. This initiative also equips citizens and businesses to use AI responsibly.

In the United States, the Defense Advanced Research Projects Agency (DARPA) collaborates with universities and private companies to advance AI technologies for both military and civilian applications. These partnerships help bridge the gap between research and real-world impact, demonstrating the value of cross-sector collaboration in shaping the future of AI.





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### Research Insights

AI is no longer a speculative technology, it is a permanent fixture in the business landscape, poised to evolve further. The PwC 2025 CEO Survey for Mauritius reveals that over half of the thirty CEOs interviewed believe AI will increase their companies' profitability within the next twelve months. This level of optimism aligns with sentiment in East Africa and slightly exceeds the global average.

Despite this confidence, the survey also reflects a degree of caution. Only 37% of CEOs expressed full trust in AI, while 39% voiced reservations. This hesitancy persists even as leaders anticipate significant transformations in their technology platforms and substantial adjustments to business processes and workflows.

These findings mirror the results of the PwC 2023 Trust Survey, which showed that nearly all the 500 US executives surveyed were prioritising at least one initiative related to AI systems in the short term. However, only 35% of those executives expected their organisations to focus on improving AI governance over the next twelve months. This contrast highlights a critical gap between enthusiasm for AI adoption and the commitment to responsible oversight.





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## 3 Opportunities from the Use of AI

The transformative potential of AI is comparable to the early days of the internet, when a handful of companies built platforms and e-commerce models that remain dominant today. AI is expected to follow a similar trajectory, enabling organisations that embrace it early, whether AI-native or rapidly adapting incumbents, to establish long-term leadership.

Strategically, AI is more than a tool for productivity. Advanced models can analyse the outcomes of their own decisions, shaping new services and go-to-market strategies. A well-crafted AI strategy should balance short-term operational improvements with long-term innovation. Organisations often pursue a mix of foundational capabilities, targeted enhancements, and ambitious breakthroughs. These efforts are most effective when paired with proprietary data and institutional knowledge, supported by AI-powered cloud architectures.

In the workforce, AI is reshaping roles and responsibilities. Future teams will combine human expertise with AI agents that synthesise vast amounts of data. Organisations are increasingly deploying PrivateGPTs; secure, company-specific language models that coordinate specialised agents to deliver insights grounded in internal data. With strong governance and cryptographic protections, these systems can streamline operations, automate routine tasks, and amplify impact.

Public-sector examples illustrate this transformation. In Albania, an AI assistant named Diella has been developed to support public procurement by evaluating bids against human-defined criteria. Advocates argue that such systems can enhance transparency and reduce susceptibility to corruption, provided they are implemented with robust oversight.

AI is also revolutionising product development. Multimodal AI, capable of processing diverse data types such as CAD files and simulations, is accelerating design and testing processes. Generative AI tools can propose novel configurations, simulate performance under various conditions, and identify design improvements that engineers might overlook. These capabilities allow organisations to iterate rapidly, test virtually, and troubleshoot more effectively, cutting timelines dramatically, as seen in drug discovery where AI has reduced development time by over 50%.



**Responsible AI make sure that innovation deliver real business value while maintaining fairness, transparency, security and trust for customers and stakeholders.**

**Vikas Sharma**

PwC East Africa Consulting & Risk Service Leader,  
AI Practitioner and AI Security & Governance Certified Professional.

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## 4 The Risks

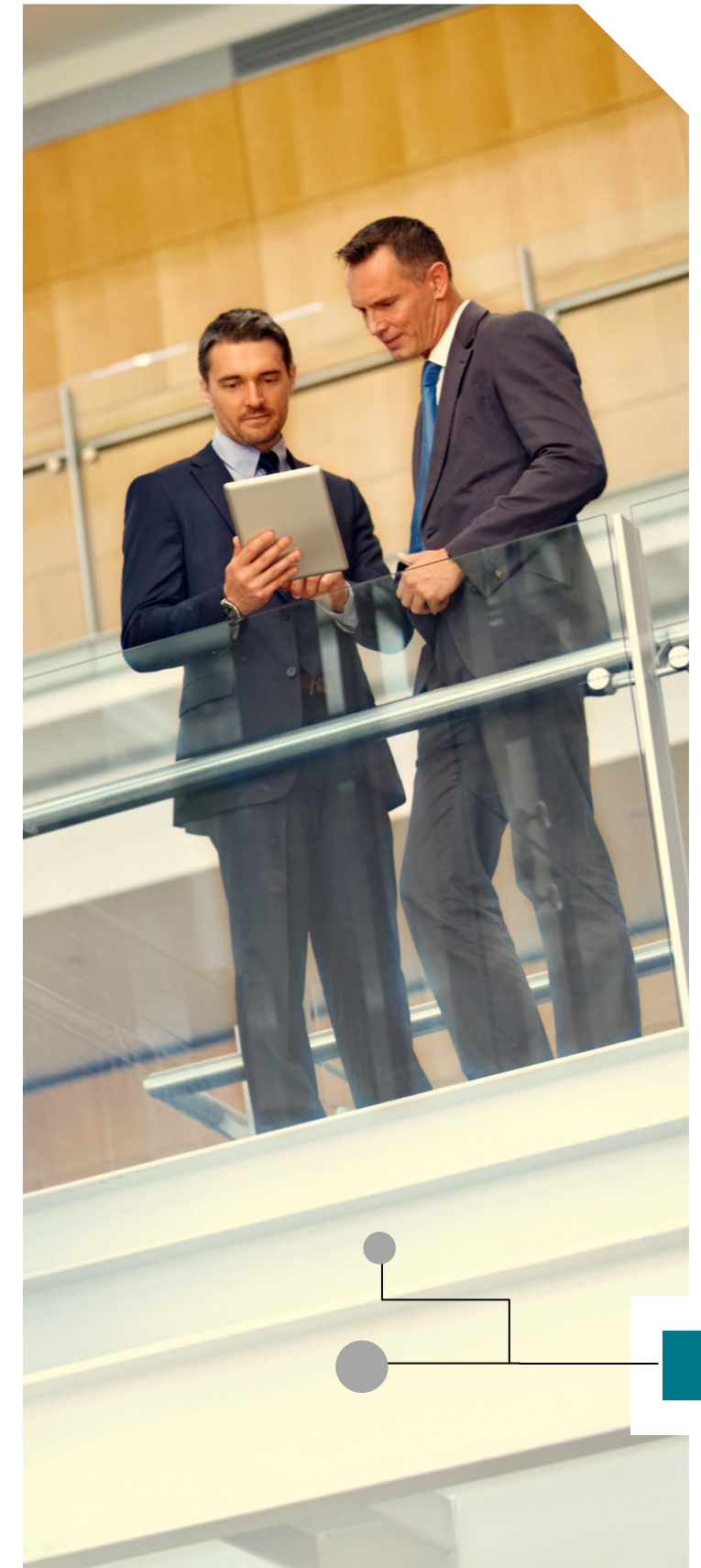
While AI offers immense potential, it also introduces new risks and amplifies existing ones. IBM has identified several key areas of concern.

Bias is a significant issue. AI systems can inadvertently learn and perpetuate biases present in training data or embedded in machine learning algorithms. These biases may lead to skewed outcomes, such as credit scoring systems that discriminate based on gender or healthcare diagnostics that perform poorly for underserved populations. The consequences of AI bias can be serious and far-reaching.

Cybersecurity threats are also heightened by AI. The reliance on high-quality training data makes AI systems attractive targets for attackers seeking sensitive information. Moreover, adversaries can use AI to enhance cyberattacks, including voice cloning, synthetic identity creation, and highly personalised phishing campaigns. These risks underscore the need for strong data governance, encryption, access controls, and incident response protocols.

Data privacy presents another challenge. Large language models often rely on vast datasets, some of which are collected through web scraping. This practice can raise concerns about consent and the inclusion of personally identifiable information. AI systems that personalise customer experiences may also collect and process sensitive data, requiring organisations to navigate complex privacy laws and cross-border data transfer regulations. Compliance may involve data localisation, region-specific storage, and contractual safeguards.

Finally, organisations that fail to integrate AI meaningfully risk falling behind. Without AI, they may miss opportunities to streamline operations, lag in product development, and respond slowly to market changes. This can result in lost insights, delayed actions, and diminished competitiveness. Their offerings may struggle to match those of AI-enabled rivals, especially in terms of cost and performance, widening the gap and eroding market share.





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## 4 The Risks

### AI as a Strategic Driver of Business Model Reinvention

AI is not just a tool for operational efficiency. It is a catalyst for reimagining business models. Across industries, AI is enabling organisations to create new value propositions, enhance customer experiences, and unlock new revenue streams. However, successful transformation requires more than implementation; it demands strategic reflection and bold decision-making.

Boards and senior management must consider which parts of their business are vulnerable to AI-led disruption. They should identify areas where innovation through AI capabilities is feasible and assess how future business models can be integrated into their current operations. This reflection is essential for positioning the organisation competitively in a rapidly evolving digital economy.

Forward-thinking organisations are already reimagining how they create, deliver, and capture value. By embedding AI into their strategic planning, they are preparing for long-term success and resilience. This shift requires not only technological investment but also cultural and organisational change, guided by leadership that understands the transformative power of AI.

### Governance Mismatches

Despite growing awareness of AI's strategic importance, many organisations face critical governance mismatches that undermine effective oversight. These disconnects often occur when AI governance is siloed from core functions such as sustainability, finance, and enterprise risk. Without integration, AI initiatives may lack alignment with broader organisational priorities, leading to fragmented decision-making and missed opportunities.

Another challenge is the limited coordination across local, national, and global regulatory frameworks. Organisations operating across borders must navigate a complex landscape of laws and standards, which can result in compliance blind spots and inconsistent practices. Boards must ensure that AI governance is harmonised across jurisdictions and informed by global best practices.

Perhaps most significantly, the pace of AI development consistently outstrips regulatory cycles. Innovations in generative AI, machine learning, and automation are advancing faster than most governance structures can adapt. This creates a lag between technological capability and oversight, increasing the risk of ethical breaches, reputational damage, and regulatory penalties.

To address these challenges, Boards should adopt a systems-thinking approach. This means integrating AI governance into broader corporate governance frameworks, aligning it with ESG priorities, financial risk assessments, and compliance strategies. Cross-functional coordination is essential, as is the ability to anticipate regulatory shifts and respond proactively. By bridging these governance gaps, Boards can ensure that AI oversight is not only robust but also adaptive and future ready.



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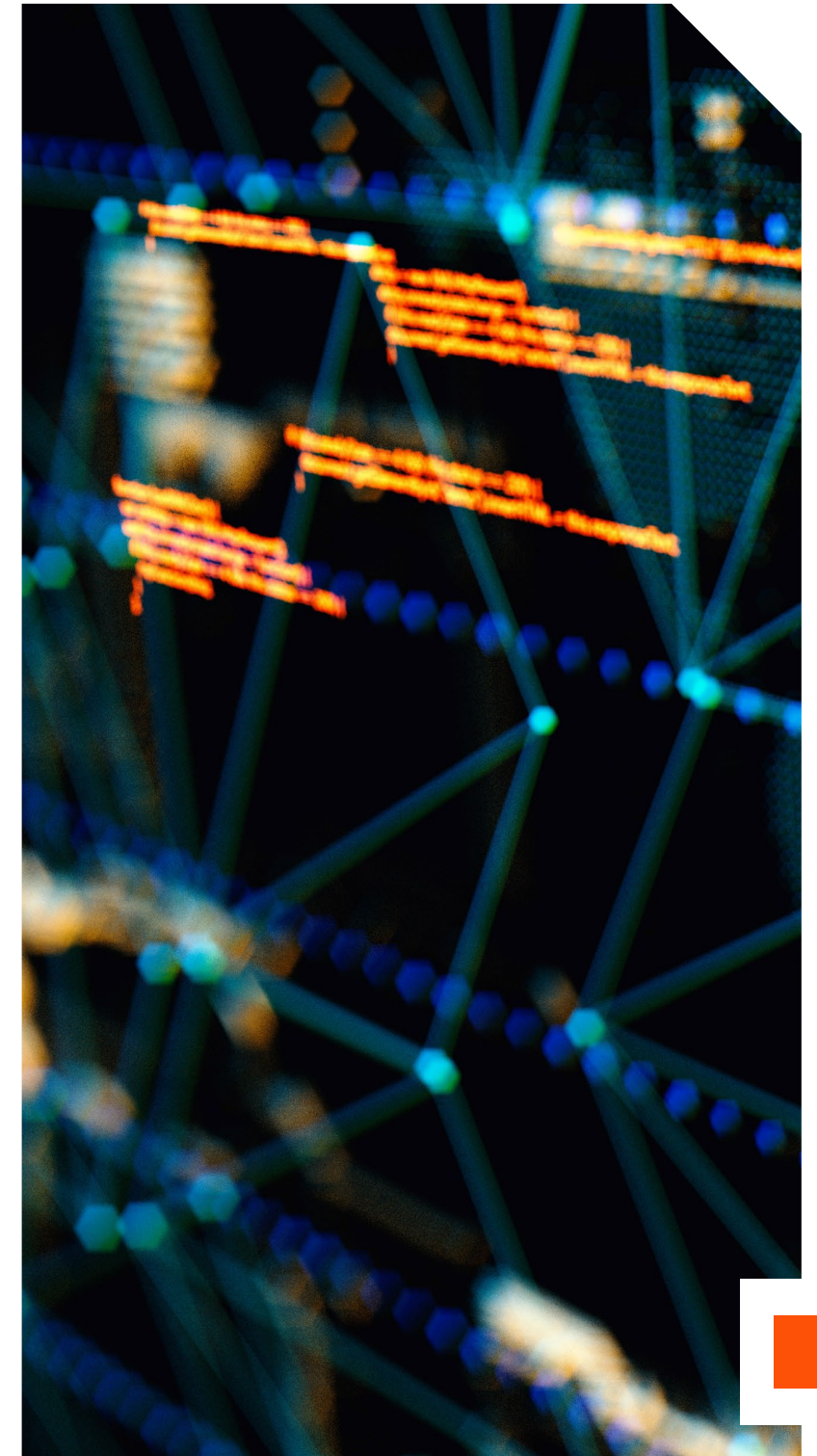
### Governance Structure for AI

AI governance is a critical enabler for organisations seeking to innovate responsibly and scale AI use cases in a structured and trustworthy manner. A well-designed governance framework ensures that AI initiatives are aligned with strategic goals and organisational values, while also adapting internal responsibilities and communication channels to support effective oversight.

A comprehensive approach to governance involves several interconnected elements. First, organisations must define their strategic intent and ethical boundaries, codifying these principles into operational policies. This includes assessing the moral implications of data usage and anticipating regulatory developments that may affect AI deployment.

Boards play a central role in this framework. They must ensure that AI initiatives contribute to measurable business outcomes and align with the organisation's broader strategy. This includes taking ownership of risk governance, overseeing the allocation of resources such as funding, talent, and infrastructure, and monitoring performance through clearly defined metrics. Boards should be prepared to scale successful initiatives and discontinue those that do not deliver value.

Oversight must extend across the organisation's three lines of defence: operational management, risk and compliance functions, and internal audit. Compliance teams must understand AI regulations and industry standards and be equipped to recommend policies that support safe and effective AI use. Risk management practices must evolve to address the unique challenges of AI, including transitional risks and emerging threats.





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## 4 The Risks

### Environmental and Infrastructure Governance

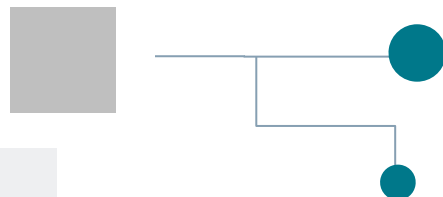
Responsible AI practices are also essential. Organisations should conduct algorithmic impact assessments before deploying AI systems, ensure transparency in decision-making, and implement safeguards for cross-border data transfers. System reliability and data privacy must be prioritised, alongside adherence to ethical review processes with independent oversight.

Another aspect of AI governance that is often overlooked is its environmental and infrastructural footprint. As organisations scale their use of AI, the demand for data centres, high-performance computing, and energy-intensive models has surged. This expansion raises urgent concerns around energy consumption, water usage, electronic waste, and the reliance on rare earth materials used in hardware manufacturing.

Boards must recognise that AI governance extends beyond algorithms and data—it includes the sustainability of the infrastructure that supports them. Evaluating the environmental impact of AI operations is no longer optional; it is a strategic imperative. This involves setting clear targets for energy efficiency, adopting green computing practices, and ensuring that AI deployment aligns with the organisation's broader sustainability commitments.

Moreover, stakeholders are increasingly scrutinising the environmental consequences of digital transformation. Investors, regulators, and customers expect transparency and accountability in how organisations manage their technological footprint. Boards must ensure that sustainability metrics are integrated into AI strategy and that environmental risks are considered alongside financial and operational ones.

By embedding environmental considerations into AI governance, organisations can enhance resilience, meet regulatory expectations, and build trust with stakeholders. This approach not only supports responsible innovation but also positions the organisation as a leader in sustainable technology adoption.



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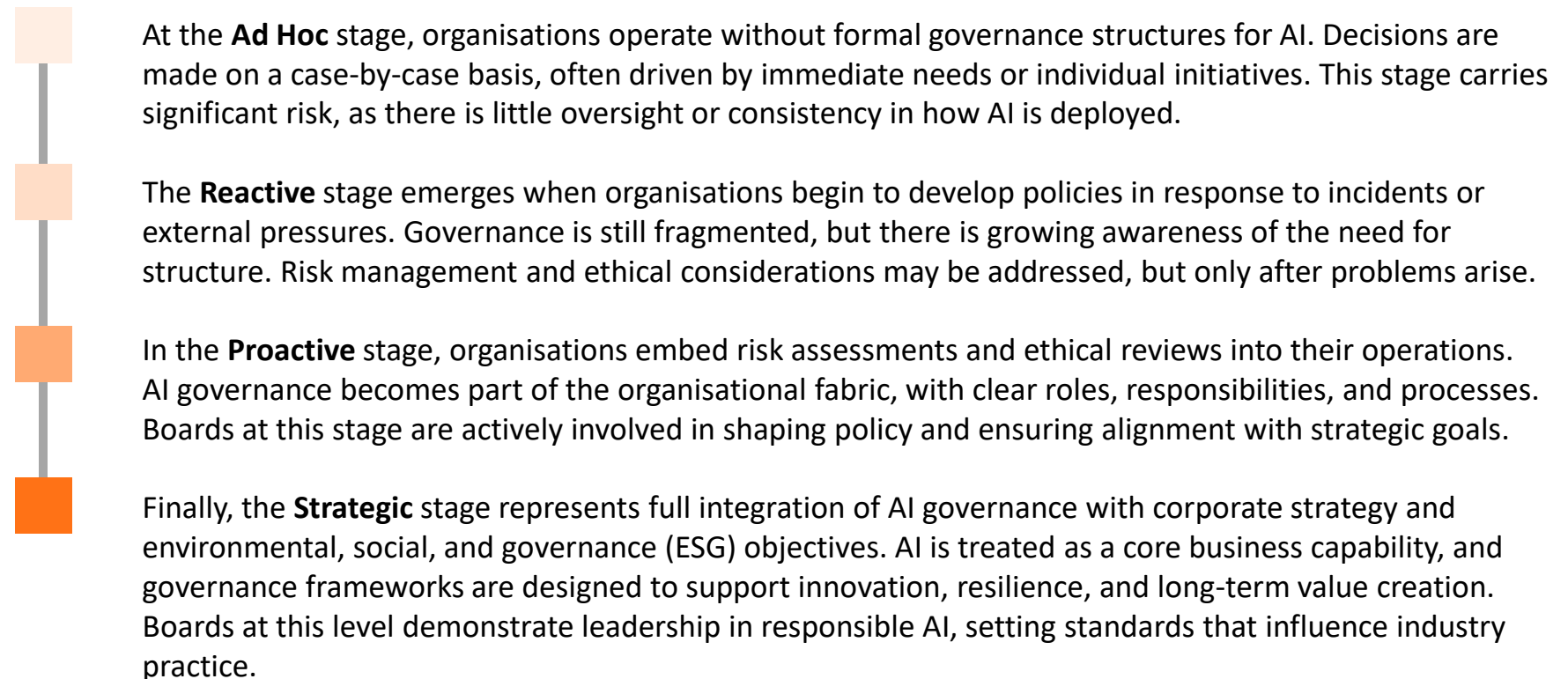
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## 5 AI Governance Maturity Model

To guide their strategic vision and implementation roadmap, Boards may consider adopting an AI Governance Maturity Model. This model, as proposed by the California Management Review, outlines four progressive stages of organisational readiness and integration.



This maturity model enables organisations to assess their current position, identify gaps, and chart a path toward robust, transparent, and value-aligned AI adoption.



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## 6 The Role of the Board

As organisations continue to explore the possibilities of generative AI, Boards must take a proactive role in overseeing its integration. Their responsibilities extend beyond traditional oversight to include strategic guidance, risk management, and stakeholder engagement.

Boards must first ensure that they understand the strategic opportunities presented by AI. This involves staying informed about emerging technologies, evaluating their potential impact across business functions, and identifying areas where AI can drive innovation. Boards should also assess the risks associated with AI, including ethical, legal, and operational concerns, and ensure that appropriate controls are in place.

To fulfil these responsibilities, Boards need a structured approach. This includes investing in education on AI and generative technologies, conducting cost-benefit analyses, and assigning clear ownership of AI implementation at the management level. Regular reviews of management plans and open communication with stakeholders are essential to maintain alignment and transparency.

Boards must also be agile, adapting their oversight as technologies evolve. They should set the tone for responsible AI use, ensuring that directors and management share a common understanding of ethical standards and regulatory requirements. This includes verifying that systems are designed to minimise bias and error, and that safeguards are in place to prevent manipulation or misuse.

Accountability is a cornerstone of effective AI governance. As AI becomes embedded in core business functions, its oversight must align with corporate governance codes, particularly in regulated sectors such as finance, healthcare, and energy. Frameworks like the OECD Principles and the UK Corporate Governance Code emphasise board-level responsibility for risk and ethics, which now extend to AI systems. Directors must stay informed, understand the risks, and ensure that appropriate safeguards are in place to promote fairness, transparency, and accountability.

Boards should also incorporate AI-specific risks into enterprise risk management exercises. Scenario planning and crisis simulations can help organisations prepare for potential failures, such as biased outcomes, data breaches, or regulatory non-compliance. These exercises clarify roles, refine escalation protocols, and strengthen organisational resilience.

Finally, Boards must recognise the broader implications of AI governance. This includes integrating oversight with sustainability, finance, and enterprise risk functions, coordinating across regulatory frameworks, and keeping pace with technological developments. A systems-thinking approach ensures that AI governance is robust, adaptive, and future-ready.

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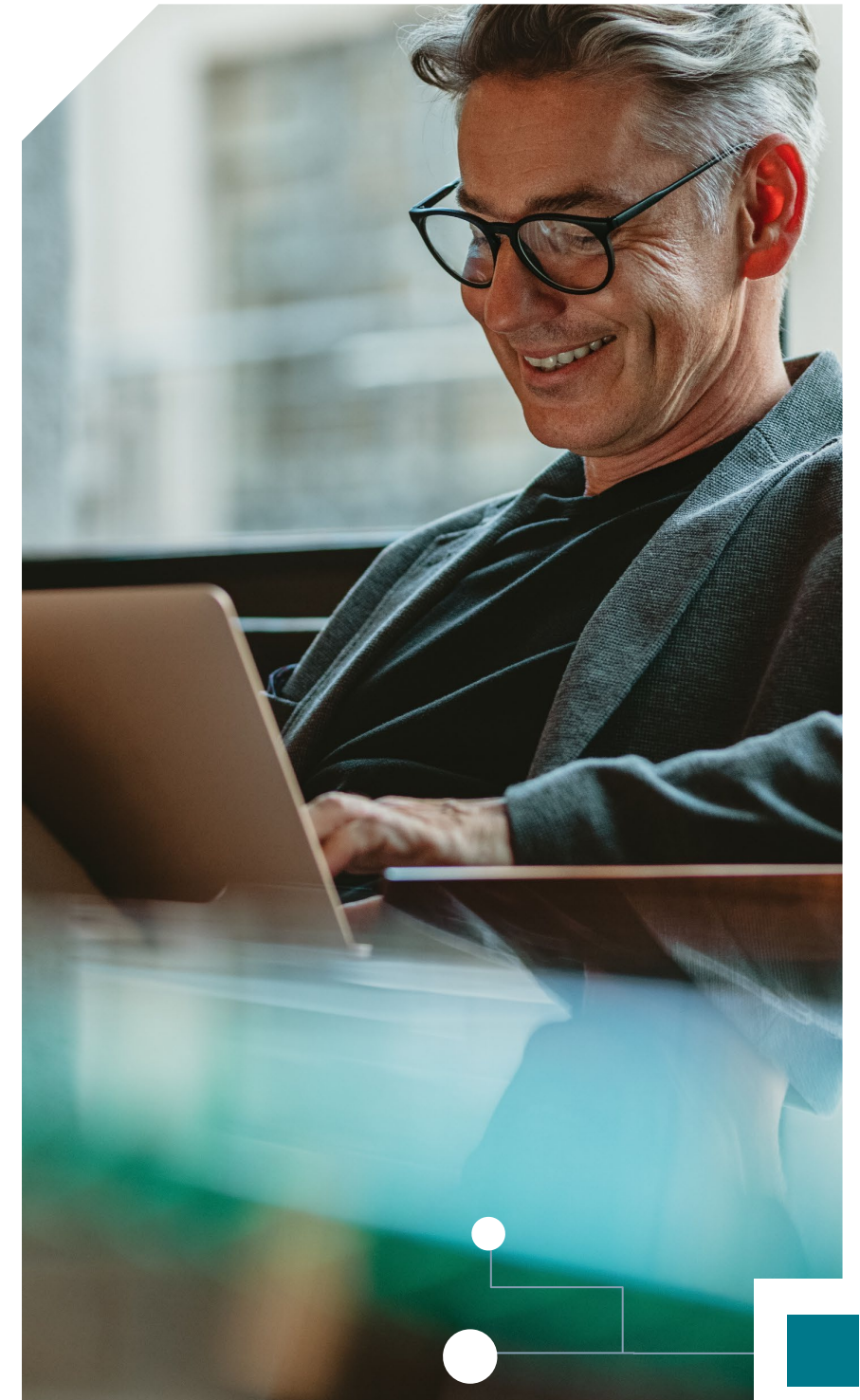
## 7 Implementation Guide for Directors – Key Considerations

To promote responsible AI use within their organisations, Boards must monitor several key considerations. These span education, strategy, talent, regulation, readiness, and stakeholder engagement.

Understanding AI and generative technologies is fundamental. Boards should assess their current level of knowledge and identify gaps. This may involve additional training, the inclusion of AI-savvy directors or advisors, and regular briefings from internal AI ethics officers. A well-informed Board is better equipped to oversee complex AI initiatives.

Strategic alignment is another priority. Boards must ensure that AI adoption supports the organisation's long-term goals and is implemented holistically. This includes identifying areas for prioritisation and monitoring how competitors are using AI to achieve differentiated outcomes. Opportunities for disruption should be evaluated in light of the organisation's risk appetite.

Talent strategy is critical to successful AI integration. Boards should segment the workforce based on AI readiness. Employees who are already proficient can serve as early adopters and champions. Those with potential can be upskilled through structured training and mentorship. Roles where AI use is limited due to safety or ethical concerns should receive light-touch support and alternative growth pathways. Across all groups, organisations must ensure equitable access to training, clear competency standards, and compliance with labour laws.



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## 7 Implementation Guide for Directors – Key Considerations (continued)

Regulatory compliance is a dynamic challenge. Boards must stay informed about evolving AI regulations and ensure that their organisation adheres to data protection and cybersecurity requirements. This includes oversight of data governance, cross-border data transfers, third-party risk, model monitoring, and incident response readiness.

Before implementing AI, organisations must assess their operational readiness. The quality of data used to train AI systems is often derived from internal processes. Boards and management should review these processes to determine whether they are AI-friendly. If not, redesign may be necessary to ensure long-term compatibility and effectiveness.

Transparency and stakeholder engagement are increasingly important. As public awareness and regulatory expectations grow, organisations must communicate clearly about their AI initiatives. Boards should oversee disclosures in annual reports, particularly where AI affects decision-making, customer experience, or operational integrity. High-impact deployments, such as those involving employment or public safety, should be subject to stakeholder consultations to build trust and ensure alignment with societal values.

By embedding transparency into AI governance, Boards reinforce their organisation's commitment to responsible innovation and strengthen stakeholder confidence.





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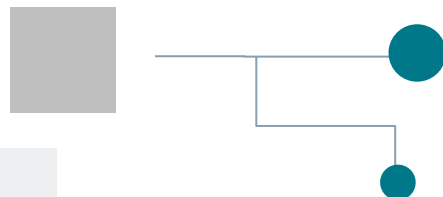
## 8 Conclusion

AI is reshaping the foundations of business, governance, and society. Its potential to unlock innovation, drive efficiency, and transform entire industries is no longer theoretical; it is unfolding in real time. Yet with this promise comes a profound responsibility. The adoption of AI must be guided by principles that ensure fairness, transparency, and accountability, not just for compliance, but for trust and long-term resilience.

Boards of directors stand at the helm of this transformation. Their role is not only to oversee AI integration but to lead it with vision and integrity. This means aligning AI initiatives with strategic objectives, embedding ethical safeguards into every stage of development, and fostering a culture of continuous learning and adaptability. Boards must also ensure that their organisations are prepared to navigate the evolving regulatory landscape and the societal expectations that accompany AI deployment.

The future of AI will be defined not just by technological breakthroughs, but by the governance frameworks that shape its use. Organisations that embrace responsible AI, anchored in robust oversight, inclusive stakeholder engagement, and sustainable practices, will be best positioned to thrive in a digital economy. They will not only mitigate risks but also unlock new sources of value, build trust with stakeholders, and contribute meaningfully to societal progress.

In this pivotal moment, Boards must rise to the challenge. By championing responsible AI governance, they can ensure that their organisations do more than adapt, they can lead. The journey ahead demands courage, clarity, and commitment. With the right governance in place, AI can be a force for good, driving innovation that is not only powerful, but principled.



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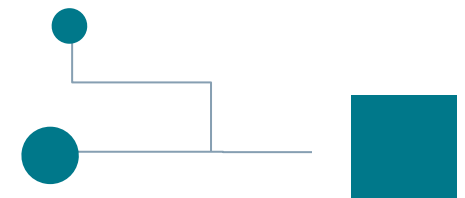
<https://www.pwc.com/us/en/tech-effect/ai-analytics/ai-predictions.html>

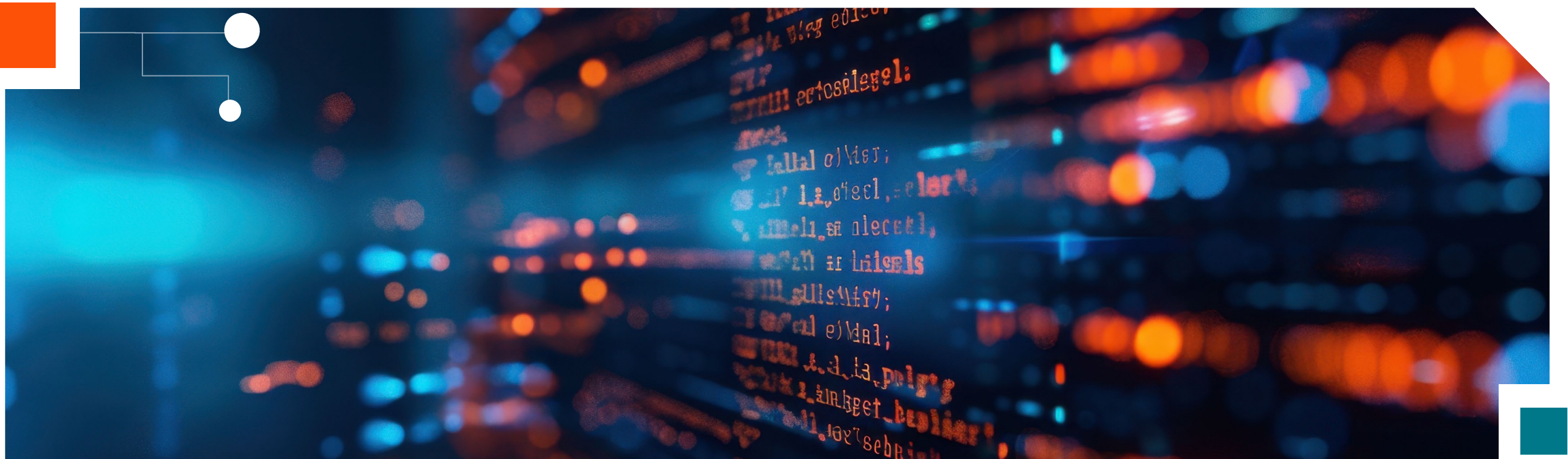
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PricewaterhouseCoopers Ltd  
PwC Centre  
Avenue de Telfair  
Telfair 80829, Moka  
Mauritius



[www.miod.mu](http://www.miod.mu)

Mauritius Institute of Directors 6th Floor,  
Building A5  
Hyvec Business Park  
15 Wall Street, Ebene 72201  
Mauritius

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