

# **THE NATIONAL CORPORATE GOVERNANCE CODE**

**(THE NATIONAL CODE)**



**NOVEMBER 2022**

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# **PART I**

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## **Introductory statements**

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# FOREWORD 1

It is widely accepted that a vibrant private sector and an efficient public sector drive economic growth and development. Consequently, it is important to have an effective corporate governance framework to ensure that both private sector and public sector organisations operate effectively, efficiently, and sustainably towards creating long-term value for individuals and society. However, previous efforts to develop corporate governance codes in many jurisdictions have largely been aimed at large corporations, such as listed companies and banking institutions. Therefore, many developing countries, including Ghana previously, have not been able to fully exploit the potential of their private sector, because they have overlooked critical subsectors, such as small and medium-sized enterprise (SMEs) (including family-owned businesses), informal sector businesses and not-for-profit organisations (including churches and mosques).

The *National Corporate Governance Code for Ghana* (i.e., the *National Code*) has attempted to address this limitation by developing a comprehensive national corporate governance code that addresses the needs of all forms of organisations, including the private and public sectors, listed and unlisted corporations, large and small businesses, formal and informal sector businesses, and not-for-profit organisations. Therefore, an important feature of the *National Code* is its recognition of businesses and economic activities in the SME, informal, and not-for-profit sectors of the economy. These sectors contribute significantly to the national economy by being a major source of employment for a vast majority of Ghanaians. By supporting the growth of such small and informal businesses, the *National Code* becomes an important tool for empowering Ghanaians towards creating and sustaining successful enterprise culture.

The *National Code* is also designed to incentivise businesses to aspire to do more than just generating profits for a few investors, but to also show consideration for the welfare and needs of wider stakeholders, including employees, customers, suppliers and the community, as well as respecting the natural environment and Ghana's rich traditional values and heritage. These ideals of the code are espoused in the fundamental values of *Patriotism*, *Accountability*, and *Responsibility*. I hope that these values which form the bedrock of the code will encourage businesses to create long-term value to benefit all stakeholders, including the community.

The *National Code*'s consideration of global goals and aspirations, such as the UN's sustainable development goals (SDGs) and African Union's (AU) Agenda 2063 goals ('*the Africa we want*') also signals Ghana's readiness and intent to be an ideal investment destination for all types of investors, both local and foreign, and including ethical and impact/'green' investors. Besides being comprehensive in nature, the *National Code* recognises sectoral differences and uniqueness, and therefore, endorses existing sectoral governance codes (e.g., those of the Bank of Ghana, Securities and Exchange Commission, the National Insurance Commission, the Public Services Commission, the State Interest and Governance Authority, and the listing rules of the Ghana Stock Exchange). Further, the *National Code* has developed new governance codes for sectors without codes; namely, the informal sector businesses, SMEs, and not-for-profit organisations).

Overall, I hope that the *National Code* will promote good corporate governance in the country and help to transform the culture of businesses and organisations in Ghana towards 'ethical and responsible business' as a strong foundation for long-term business/organisational success, economic growth, and national development.

I trust that all organisations in Ghana will not only adopt the *National Code* by its letter, but will also apply the spirit of the *National Code* for the intended objectives to be realised.

Thank you and I wish the *National Code* and Ghanaian businesses and organisations the very best of success.

*Sir Dr Samuel Esson Jonah, Executive Chairman, Jonah Capital and Equity Fund, and Chancellor, University of Cape Coast, Ghana*

10 November 2022

## FOREWORD 2

I am delighted to see the culmination of the nearly year-long effort that has given us the first ever *National Code for Corporate Governance in Ghana* (i.e., *The National Code*). These efforts are laudable and the new code will undoubtedly raise the profile of Ghana as an investment destination both on the African continent, and in the broader world economy. The new code is aptly framed to serve as a reference point, which managers and business owners can use to run organisations in a way that serves the interests of all their stakeholders, ranging from the customers, who buy their products, and employees, who provide skills and labour to government that provides space for enterprises to thrive, as well as communities that provide raw materials and other factors of production, ensuring that both formal and informal sector businesses flourish.

This *National Code* provides corporate governance guidelines and principles that are specific to the nature of the different types of organisations that operate in Ghana, including informal businesses and small and medium enterprises (SMEs), listed and private companies, and non-profit organisations. By design, the code reminds those who exercise power in organisations to maintain a sense of accountability and responsibility towards their stakeholders, including the Ghanaian society – hence, promoting the fundamental values of *legality, Accountability, Sustainability, and Responsibility* across organisations operating in Ghana.

By design, the *National Code* also reflects current and critical global issues by encouraging organisations to consider how their actions and operations impact climate change and the natural environment. The *National Code* also highlights the importance of safeguarding human rights in organisations, as well as promoting diversity and inclusion. These features of the *National Code* combined with its fundamental values seek to encourage Ghanaian organisations and businesses to engage in responsible business practices that create long-term value for all stakeholders, including investors and the wider society.

Another important feature of the *National Code* is its alignment with national, continental, and global aspirations and priorities by drawing from relevant local, regional, and global goals and standards, such as the *African Union's (AU) Agenda 2063 ('The Africa We Want')*, *UN Global Compact and Sustainable Development Goals (SDGs)*, *Global Reporting Initiative's (GRI) standards*, *International Sustainability Standards Boards' (ISSB) standards*, *Integrated Thinking and Reporting*, *Triple Bottom Line Reporting*, *the Concept of Dual/Double*

*Materiality and the Nolan Principles of Public Life*. Therefore, organisations that implement the *National Code* will be contributing towards the realisation of laudable national and international goals, and in the process obtain legitimacy from local and international stakeholders.

Finally, I would like to conclude by thanking the framers of the *National Code* and all those who supported its development both financially and in-kind. I would also like to implore on all Ghanaian organisations to dutifully implement the provisions of the *National Code* for the prosperity of all Ghanaian people and our motherland.

*Dr Tony Oteng-Gyasi, Past President of the Association of Ghana Industries & Former Chairman of the Governing Council of the University of Ghana, Legon, Ghana.*

10 November 2022



# PREFACE

The Institute of Directors-Ghana (IoD-Gh) was established in 1999 with a mission to support the growth and development of Ghana by promoting and institutionalising good corporate governance in Ghana and championing director professionalism and development through the provision of advisory, advocacy, consultancy, networking, research, publication and training services to Ghanaian organisations and individuals. Since its establishment, the Institute has, and continues to, pursue several initiatives and projects that are aimed at improving the governance architecture of our country.

In particular, the Institute has *proactively worked towards increasing awareness of the need to uphold the tenets of good corporate governance through the provision of director training, the development of directors' handbook to support the work of professional directors, the development of the draft Directors Bill, the institution of the annual Directors Week Celebration, the institution of the annual IoD-Gh corporate governance and director excellence awards scheme, and the formation of the Ghana Association of Integrated Thinking and Reporting (GAITR)* to promote integrated thinking and reporting and sustainability culture in the country, amongst others.

This *National Code* of corporate governance for Ghana becomes the latest initiative of the Institute as part of fulfilling its mandate. Despite having several sectoral governance codes for banks, insurance companies, listed companies, and public sector organisations, amongst others, Ghana did not have a *National Corporate Governance Code*. This did not just lead to a lack of coherence in the country's approach to corporate governance, but left a vast cross-section of businesses and enterprises in the informal sector, not-for-profit organizations, and small and medium-sized enterprises (SMEs) without any corporate governance guidelines.

Meanwhile, across the African continent, 20 countries already had national codes of corporate governance to promote good corporate citizenship and professional director development, as well as support national economic growth and development. To address this gap in the national corporate governance architecture, the Institute led the corporate sector of Ghana to develop a comprehensive *National Corporate Governance Code* that harmonises existing sectoral codes,

covers sectors without corporate governance codes and incorporates best international corporate governance practices.

As part of fulfilling this objective, the Institute in collaboration with the Bank of Ghana, the Securities and Exchange Commission, the Ghana Stock Exchange, the State Interests and Governance Authority, National and International Academics, and other key stakeholders, held a multi-stakeholder meeting on 4 November 2021 and a project to develop a *National Corporate Governance Code for Ghana* was launched by the Governor of the Bank of Ghana, represented by Mrs. Elsie Addo Awadzi, the 2<sup>nd</sup> Deputy Governor of the bank.

A highly inclusive development process was subsequently adopted and a steering committee and a technical/drafting committee were established to include official representatives from major stakeholder groups. After several stakeholder engagements, consultations, and iterations, the technical/drafting committee submitted an exposure draft *National Code* to the Institute on 31 August 2022 for further national consultation and feedback, which was completed in October 2022. Extensive feedback and comments were received from individuals, academics, government officials, policy-makers/regulators, professionals, practitioners, public sector and private sector organisations. The feedback received was incorporated into the final version of the *National Code*.

It is, therefore, with great privilege that I introduce to you the *National Corporate Governance Code for Ghana*, which seeks to:

- set a national standard of best corporate governance principles and practices;
- promote Ghana as a place where democracy, good governance, social justice and human rights & dignity thrive;
- promote enterprise and entrepreneurship by signalling Ghana as being ready for business; and
- promote Ghanaian values, including shared prosperity and wealth, amongst others.

The *National Code* is underpinned by *three* core values (*Patriotism, Accountability and Responsibility*), and consists of *five* pillars (*Purpose, Leadership, Controls, Disclosures and Engagements*), *thirteen* fundamental principles, and *seventy-nine* individual provisions.

A distinctive feature of the *National Code* is that it provides guidance for all types of Ghanaian organisations – whether formal or informal, for profit or non-profit, regulated or not, private or public sector, small or large, and therefore, I recommend its adoption and use by all Ghanaian organisations.

On behalf of the Institute, I wish to express my profound gratitude to all the stakeholders, especially the sponsors, technical/drafting committee members, executives and council members of the Institute for continuously partnering with, and supporting, the Institute's efforts in promoting and strengthening the culture of good corporate governance in our dear country.

*Mr Rockson Kwesi Dogbegah, President, Institute of Directors-Ghana (IoD-Gh)*

10 November 2022

# BACKGROUND AND SETTING

## **1. The need for a national code of corporate governance for Ghana**

Debates around corporate governance continue to occupy a centre stage in various academic and policy conversations. There are numerous forums organised each year across the world by practitioners and policy-makers, such as the Organisation for Economic Cooperation and Development (OECD), International Finance Corporation (IFC), International Corporate Governance Network (ICGN), and the European Corporate Governance Institute (ECGI), among others, to discuss global governance issues. In the case of Africa, organisations, such as the African Corporate Governance Network (ACGN), African Development Bank (AfDB), and the African Peer Review Mechanism (APRM) continue to play a huge role towards championing good corporate governance practices on the continent.

These forums by the international and supra-national bodies are in addition to efforts by professional organisations, governments, and national regulatory bodies (e.g., Institute of Directors, Stock Exchanges, Central Banks, and Chartered Associations of Accountants and Secretaries) to promote effective corporate governance practices in their individual countries. There are also academic research and conferences organised annually to discuss emerging issues and the future direction of the subject of corporate governance.

The ever-increasing global attention on the topic of corporate governance emanates from several fronts, including attempts to:

- avert costly financial crises in the future;
- promote sustainable business practices and to mitigate climate change; and
- promote efficient corporate sector capable of driving economic growth.

These corporate governance endeavours are also consistent with existing research evidence, which shows that good corporate governance practices can yield numerous benefits, including:

- promoting corporate financial transparency and accountability;
- attracting investments;
- promoting economic growth;
- safeguarding financial stability of a country; and
- creating a fairer and more inclusive societies.

In Ghana, while a national code did not exist, there have been several sectoral corporate governance codes, such as the Securities and Exchange Commission (SEC) Code for Listed Companies (2020), the Bank of Ghana (BoG) Corporate Governance Directive of 2018, the BoG Corporate Governance Directive for Rural and Community Banks (2021), National Insurance Commission (NIC) Code (draft), State Interests and Governance Authority (SIGA) Code (draft), and the Public Services Commission Code (draft).

Although this Ghanaian case of having sectoral codes is laudable, experience from elsewhere on the continent (e.g., King Code of Corporate Governance for South Africa) shows that there is a great imperative now to develop a unified corporate governance framework at the national level for several reasons. For example, having a unified national code of corporate governance:

- Would mitigate regulatory burden resulting from multiplicity of several regulations, such as listed banks' obligation to comply with provisions of both the BoG and SEC codes, in addition to other prudential rules and company statutes (e.g., 2019 Companies Act). A national corporate governance code can help to avoid confusion or conflicts arising due to varying requirements of different sectoral codes.
- Can serve as a point of reference for good management and effective accountability for businesses and organisations, including small business entities and charities. Small and medium-sized enterprises (SMEs), including the large informal sector, for instance, constitute approximately 85% of all businesses operating in Ghana and contribute about 70% of Ghana's annual GDP, as well as employ over half of Ghana's total labour force. Yet, there is no sectoral code for SMEs and micro-businesses operating in the informal sector. Consequently, despite

its crucial role as a cornerstone of Ghana's economy, the SME sector in Ghana continues to endure high business mortality rates, mostly occasioned by weak corporate governance practices.

- Can serve as a strong signal of Ghana's readiness and suitability as an investment destination to international investors by directly supporting the achievement of national and continental developmental imperatives, such as the *African Union's 2063 Agenda* ('*The Africa we want*'). Usually, foreign investors exhibit greater confidence in countries that have well defined regulatory framework, including corporate governance codes. A national code of corporate governance can, thus, unlock additional funding opportunities for Ghanaian firms.
- Can provide a shared focus for all businesses by embracing the concept of '*double or dual materiality*', including promoting good and ethical business practices grounded in Ghanaian national values, protecting the natural environment, promoting human rights, diversity and inclusion in organisations, enhancing long-term value creation across Ghanaian business organisations, and encouraging organisations to operate in ways that benefit the wider Ghanaian society.

Finally, Ghana hosts the African Continental Free Trade Area (AfCFTA), which works to promote free trade and investment within the continent through good business and corporate governance practices. A national code of corporate governance will, therefore, not only be befitting of its host status, but also send a positive signal for other countries on the continent to follow suit. More broadly, Ghana has often been considered to be a model of democracy in sub-Saharan Africa, on account of her admirable political governance framework. Therefore, it is high time the country worked towards a similar image at the corporate level, rooted in a robust national corporate governance agenda.

## **2. The purpose (aspirations) of the code**

Since independence in 1957, Ghana has experienced different types of governments (both civilian and military) that have usually set the national development plan and vision, including economic agenda

and social priorities. Some of these national development priorities have often been expressed in the form of popular economic slogans, social ideals, and values. For example:

- The 1960s and 1970s national governments pursued different variants of strategic plans of self-governance, mass education, industrialisation, agriculture, and self-dependence (e.g., ‘operation feed yourself’), whilst governments of the 1980s and 1990s promoted social ideals and values, such as accountability, integrity, and probity.
- More recent governments have pursued economic and social plans, such as making the ‘private sector as the engine for growth’, promoting ‘zero tolerance for corruption’ and espousing ‘Ghana beyond aid’ ideals, amongst others.
- The Ghana national anthem, constitution and pledge also espouse values, such as accountability, boldness, faithfulness, freedom, honesty, humility, integrity, justice, liberty, loyalty, and service.

This code, therefore, seeks to embody and reflect these national cultural, economic, and social aspirations, ideals, and values. In particular, the purpose of the code is to recognise Ghana as a democratic country that promotes free enterprise and entrepreneurship within diverse cultures and traditions that respect customs, people, and leaders, whilst displaying great sense of ethical, moral, and responsible behaviour, including embedding and promoting the concept of shared prosperity and wealth.

To this end, the code seeks to promote at least five attributes and aspirations of the nation, discussed below:

#### *Democracy and good governance*

The code seeks to promote Ghana as an independent and democratic country that is characterised by good governance, accountability, and transparency in all types of organisations (public and private enterprises, profit and non-profit institutions, and local and global corporations, as well as formal and

informal organisations) and delivers for all parts of society. In addition, the code encourages all organisations to seek to:

- conduct their private and public affairs, and manage their resources with honesty and integrity;
- promote natural and social justice and human rights in a manner that is free of abuse and corruption; and
- have due regard for the democratic principles of participation and consensus-building, responsiveness, effectiveness and efficiency, equity and inclusivity, and observance of the rule of law.

#### *Enterprising and entrepreneurship*

The code seeks to promote Ghana as a place, where free enterprise and entrepreneurship can flourish.

In particular, the code aims to present Ghana as an environment:

- Where individuals and organisations will have the resourcefulness, imagination, initiative, and drive to recognise opportunities, and the motivation to make the most of them by undertaking innovative projects of both small and large scale or even untested schemes that are able to provide creative solutions to the multiplicity of societal challenges facing the country.
- Where it is easy to do business in terms of raising finance, complying with laws and regulations, including paying taxes, promoting healthy competition, and recruiting human talent with the best enterprising skills, such as strategic thinking; calculated risk-taking, networking, resilience, confidence, self-belief, self-awareness, and communication, amongst many others.

#### *Equal opportunities and importance*

The code seeks to promote Ghana as a place where all types of businesses and organisations seek to provide genuine equality of opportunity for all employees, regardless of gender, age, ethnic/tribal origin, marriage, religion, and/or disability. Specifically:

- The code promotes a society where there is a level playing field in which every person has equal access to the same opportunities to achieve their full potential in life regardless of their



status in society or their individual characteristics and, is unhampered by artificial barriers, prejudices, or preferences.

- With specific reference to businesses, the code inherently recognises all types of Ghanaian businesses to be of equal importance irrespective of size (e.g., small or large), sector (e.g., private or public), reach (e.g., domestic or global), and incorporation (formal or informal).

#### *Diversity, culture, customs, and traditions*

The code recognises the history of Ghana as a unitary state with multiple ethnic groups and tribes, with diverse cultures, customs, and traditions, and seeks to promote unity, mutual respect, co-existence, and inclusivity among them. In particular, businesses, business leaders and employees need to be sensitive to, and show respect for, the cultural practices, customs, traditions and traditional leaders of the communities in which they operate in such a way that fosters peaceful co-existence that is able to generate prosperity and wealth for all stakeholders.

#### *Ethics, morality, and responsibility*

The code expects that all Ghanaian businesses and organisations will always act and maintain high standards of ethics, morality, and responsibility. This will not only involve operating within both the letter and spirit of the appropriate Ghanaian laws, rules, and regulations (including this code), but also organisations and their leaders will be dependable, keep promises, honour commitments, be truthful, avoid wrongdoing, accept consequences of actions or inactions and be benevolent.

#### *Shared prosperity and wealth*

The code seeks to promote the concept of shared prosperity and wealth (by embracing different forms of **'double/dual materiality'** concepts, such as the *UN sustainable development goals, global reporting initiative, integrated thinking and reporting, triple bottom line reporting, and International Sustainability Standards Board's standards*) by not only generating inclusive and sustainable economic growth for all, but also one that will particularly target increasing incomes by offering equal access to education, training and employment opportunities, and reducing poverty and inequality among the

poorest households or population. This will entail government and businesses pursuing economic innovation, creating competitive business environment, implementing efficient tax collection systems, and pursuing socially progressive policies.

### **3. The content and format of the national corporate governance code**

Although a number of developing and African countries have national corporate governance codes, the content of such codes often does not reflect the interlinkages of their business, cultural, economic and social contexts, principles and values. In this code, efforts have been made to ensure that the content of the code reflects the unique Ghanaian business context, values and principles. To this end, the existing corporate governance landscape of Ghana is given prime consideration, while also incorporating international best practices. The current Ghanaian corporate governance landscape consists of:

- the 1992 national constitution;
- the various relevant statutory acts, regulations, rules and laws (e.g., the 2019 Companies Act 2019, and 2019 Public Financial Management Act);
- several sectoral corporate governance codes (e.g., the BoG codes, SEC code, NIC code, etc.);
- a number of professional and private codes of conduct; and
- the international codes of best practice.

Indeed, there is an explicit acknowledgment that governance needs and standards tend to differ among different organisations, institutions and sectors. This is because different organisations and sectors have different objects, practices, and regulations. As such, the content and format of presenting this code have been structured in such a way that it does not only set and harmonise/unify national governance standards, but it is also flexible, inclusive, and reflective of all types of Ghanaian organisations and sectors. This has been done in three main ways, as follows:

- A national corporate governance code (‘national code of best corporate governance practice’ or simply, the ‘*National Code*’) that sets the national standard for governance has been developed and presented. The governance standards of the ‘*National Code*’ reflect the content

of the 2019 Companies Act (Act 992) and the 2020 SEC code to seek to set the general national governance standard for all incorporated entities in Ghana. These general (national) standards of corporate governance are presented in Part II of the code and apply to all types of firms, particularly, large, formal, listed companies;

- The existing sectoral codes have been recognised and endorsed in Part III (appendices) of this code to reflect the unique governance requirements for different sectors. These sectoral codes currently include:
  - the 2018 and 2021 (Rural Banks) Bank of Ghana (BoG) codes that are backed by the 2016 Bank and Specialised Deposit Taking Institutions Act (Act 930) (see Appendices D and E);
  - the National Insurance Commission (NIC) code (draft) that is backed by the 2006 Insurance Act (Act 724) (see Appendix F);
  - the 2020 Securities and Exchange Commission (SEC) code that is based on the 2016 Securities Industry Act (Act 929) (see Appendix G);
  - the Public Services (PS) code (draft) that is based on Article 190(1) of the 1992 Constitution (see Appendices H and I); and
  - the State Interests and Governance Authority (SIGA) code (draft) that is based not only on the 2019 SIGA Act (Act 990), but also on other relevant statutory Acts, such as the 2016 Public Financial Management (Act 921), 2011 Petroleum Revenue Act (Act 815) and the 2003 Public Procurement Act (Act 663) (see Appendix I).
- New sectoral codes have been developed for three important sectors that had no existing corporate governance code. The first is for the informal sector, including micro-enterprises, the second is for SMEs, and the third is for the not-for-profit sector, including charities, NGOs, educational institutions, political parties, professional associations, recreational clubs/societies, and religious bodies, etc. These three new sectoral codes are also contained in the appendices in Part III of the code.

# OVERARCHING VALUES, PILLARS, AND PRINCIPLES OF THE CODE

## FRAMEWORK

The ‘*National Code*’ is built on four interrelated sub-structures:

- core values;
- governance pillars;
- fundamental principles; and
- general provisions.

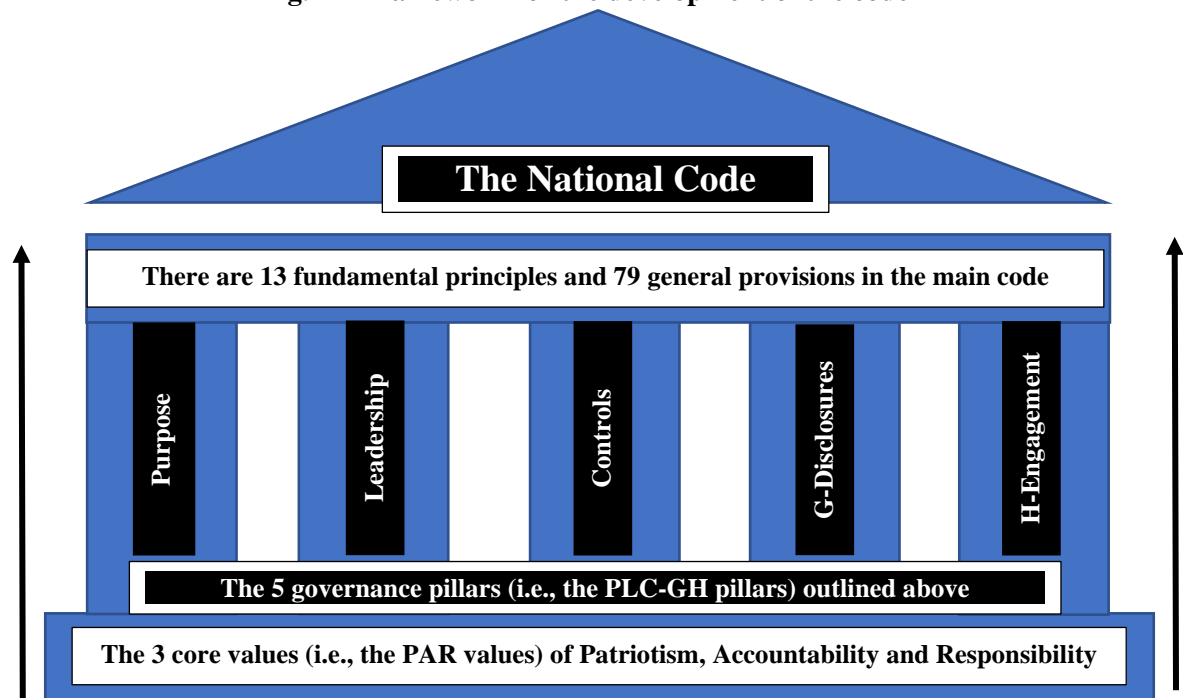
The elements of the sub-structures sum up to ‘100%’, comprising:

- three [3] core values;
- five [5] governance pillars;
- thirteen [13] fundamental principles; and
- seventy-nine [79] general provisions.

The core values are largely Ghanaian/African in nature, but also reflect common global values. These core values then inform the governance pillars, which are, in turn, translated into fundamental principles. Finally, the principles shape the general provisions/recommendations of the code.

Fig. 1 summarises the framework for the development of the code. The core values, governance pillars, and fundamental principles are briefly discussed below. The general provisions/recommendations are numerous and are, therefore, reserved in Part II of the main code.

**Fig. 1 – Framework for the development of the code**



### **THE THREE CORE (PAR) VALUES OF THE CODE**

The code is underpinned by three overarching values (i.e., PAR values) of:

- Patriotism;
- Accountability; and
- Responsibility.

The Ghanaian/African business context is characterised by certain cultural, economic, and social value system. Some of these values are unique to the Ghanaian/African society, whilst others are global in nature. They have been drawn mainly from Ghanaian/African value system and other African corporate governance codes, especially the *King Codes of Corporate Governance for South Africa* and the *African Peer Review Mechanism's (APRM)* corporate governance guidelines. The core (PAR) values can play the following roles:

- They must guide the behaviour and performance of leaders/managers, workers, partners, and owners of all Ghanaian organisations in their application of the code.
- Where there are no specific provisions to deal with peculiar situations or there are inconsistencies between provisions, these core values should provide general guidance to leaders and managers to find optimal solutions.

The core (PAR) values along with their detailed explanations are discussed below:

### 1. Patriotism

Leaders, managers, employees, and all stakeholders of organisations in Ghana must act with a sense of patriotism, showing love for and pride in the country. Patriotism involves having a sense of ‘Ghanianness/Africanness’ and allowing it to guide ones’ behaviours and actions. The following elements or features of the Ghanaian/African society need to be given considerations.

- In Ghanaian/African societies and business contexts, *collectiveness* is prized over *individualism*, reflecting the idea of shared prosperity and wealth and concept of ‘*double/dual materiality*’. This explains the communal way of life, where households live as an interdependent neighbourhood.
- An inclination towards *consensus* rather than *dissension* helps to explain the loyalty and faithfulness of Ghanaians/Africans to their leadership and communities. Having a heart of true *humility* to help others is more important than merely criticising them. These notwithstanding, Ghanaian culture cherishes *fearlessness and boldness* to resist oppressive rule. In the main, Ghanaian/African culture is *non-discriminatory* and does not promote *prejudice, injustice, and oppression*. Ghanaian/African culture also embraces reconciliation at all levels, including the political and business levels.
- *Co-existence* with, and respect for other people are highly valued. The essence of *our common humanity* that cuts across Ghana/Africa is based on the premise that you can be respected only because of your *cordial co-existence* with others. There is also an inherent trust and belief in fairness and justice for all human beings. This manifests itself in the predisposition towards

universal brotherhood/sisterhood among Ghanaians/Africans. This is bolstered by the close kinship observed through totem or clan names and the extended family system.

- Traditionally, Ghanaian/African governance reflects a hierarchical political ideology, which is based on an ***inclusive system of consultation*** at various levels. The tradition of consultation as practiced by the chiefs, kings, and queens since time immemorial should form the basis of modern labour relations and people management practices.
- Ghanaians/Africans also have a ***sense of perpetual optimism***, as well as commitment to high standards of morality, integrity, honesty, and truthfulness.

## **2. Accountability**

Accountability involves making management or the leadership answerable for their actions through independent oversight mechanisms. In the corporate world, it involves directors (agents) being answerable to shareholders (principals) for the performance of the company. This means individuals or groups in a company, who make decisions and take actions on specific issues, need to be accountable for their decisions and actions. Although accountability is important in all settings, it is particularly crucial in situations, where there is separation between resource managers (directors, managers, and politicians, etc.) and resource owners (e.g., shareholders, lenders, investors, citizens, and communities). Therefore, accountability structures in a large, multinational, listed company may need to be more sophisticated than those in a small, informal businesses that are self-financed and self-managed by the proprietors.

Appropriate and commensurate mechanisms must exist in all organisations to ensure effective accountability. For example, mechanisms to promote ***discipline, integrity, independence, and transparency or openness*** must exist in all organisations in Ghana to minimize the risk of irresponsible behaviour of leaders and managers. Further details on these desirable qualities to promote accountability are below:

- Corporate ***discipline*** is a commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted to be correct and proper. This encompasses a company's awareness of, and commitment to, the underlying principles of good governance, particularly at the senior management level.
- ***Integrity*** involves the ***honest or truthful*** recognition of duties to the company, its shareholders, and other stakeholders by ***honestly or truthfully*** observing high standards of ethical behaviour and abiding by all laws and regulations.
- ***Independence*** is the extent to which individuals and groups can act and speak on issues as objectively as they view them. Independence helps to minimise or avoid potential conflicts of interest that may exist, for example, when there is dominance by a strong chief executive or a large shareholder. Independence can be achieved through a range of mechanisms, including the composition of the board, appointments to committees of the board, and appointment of external parties, such as the auditors. The decisions made by leaders and officers should be objective and not allow for undue influences.
- ***Transparency or openness*** is the ease with which an outsider (e.g., shareholders, the public) is able to make meaningful analysis of a company's actions, its economic/financial fundamentals and the non-financial aspects pertinent to that business. It entails the provision of accurate, timely, consistent, and comparable financial and non-financial disclosures. Transparency is a measure of how good management is at making necessary information available to relevant stakeholders in a candid, accurate and timely manner, not only the audited financial reports, but also general reports and press releases of the company. Transparency reflects whether or not investors and other outsider stakeholders can obtain a true picture of what is happening inside the company. These elements of accountability can together provide investors and other stakeholders with the means to query and assess the actions of the board and its committees.



### 3. Responsibility

With regards to management, responsibility pertains to behaviour that pursues righteousness to be done, while allowing for corrective action (including penalising) for mismanagement. Responsible management would, when necessary, put in place what it would take to set the company on the right path. While the board is primarily accountable to the company's shareholders, it must act responsively to and with responsibility towards all stakeholders of the company. A well-managed company should be aware of, and respond to, social issues, placing a high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative, and responsible with regards to sustainability and social justice issues. Responsibility regarding sustainability, social justice, and respect for human rights is particularly important, therefore, further details are provided below.

- **Sustainability** of a company involves conducting operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. It means having regard to the impact that the business operations have on the economic life of the community in which it operates. Sustainability embraces the *concept of 'double/dual materiality'*, including environmental/climate, social and governance issues.
- **Social justice** requires organisations in Ghana to act with *fairness* and ensure that their systems are balanced in taking into account all those who have an interest in the organisation and its future. The rights of various groups must be acknowledged and respected (e.g., minority shareholders, people from marginalised communities). The strong and privileged in a company (e.g., directors and managers) should not oppress, abuse, or victimise the less privileged (e.g., lower-level employees), and there must be formal structures (e.g., transparency, effective whistle-blowing mechanisms) to guard against all kinds of injustice, and to speedily detect and correct unfair practices whenever and wherever they occur.
- The leaders and managers must treat all stakeholders (e.g., employees, customers, and suppliers) with dignity and respect the rights of everyone. For most companies, achieving fairness may include the protection of shareholder rights generally, and specifically against fraud, insider dealing, conflicts of interest and the disadvantaging of minority shareholders by

the majority. For example, minority shareholders' interests must receive equal consideration to those of the dominant shareholders. A company is likely to experience indirect economic benefits, such as improved productivity and corporate reputation by taking these sustainability and social justice factors into consideration.

Against this backdrop, companies in Ghana must recognise that they co-exist in an environment, where many of the country's citizens disturbingly remain on the fringes of society's economic benefits, and must, therefore, act to bridge inequalities, create opportunities for all, and minimize (if it cannot entirely avoid) damage to the environment and the people in the community.

## **THE FIVE (PLC-GH) GOVERNANCE PILLARS**

The core values of the code can be translated into five key governance pillars upon which the principles of the code rely. The five governance pillars are mnemonically referred to as the *PLC-GH* pillars to reflect both the corporate/business and the national nature/aspects of the code. The five pillars (*PLC-GH*) consist of:

- Purpose (P)
- Leadership (L)
- Controls (C)
- Genuine disclosures (G)
- Humane engagements (H)

As with the core values, these governance pillars are applicable to all types of business organisations, including:

- Large listed firms;
- Large unlisted firms;
- Regulated and unregulated financial institutions;
- SMEs;

- Family-owned firms;
- Informal sector businesses;
- Global companies/corporations, including multinational corporations operating in Ghana;
- Charities, not-for-profits & NGOs (e.g., churches, mosques, political parties, professional associations, educational institutions, including primary, secondary, universities and tertiary institutions, academic associations, trade unions, and social clubs, societies & sports associations, etc); and
- State-owned enterprises and organisations.

The *PLC-GH* pillars are summarised below:

### **1. Purpose**

The organisation should have a clearly defined purpose which shapes its values, culture, strategy, and practices. The organisational purpose should encompass financial and environmental sustainability (by embracing the *concept of ‘double/dual materiality’*, as reflected in global priorities, such as the *UN SDGs, Global Reporting Initiative, Integrated Reporting, Triple Bottom Line Reporting, and International Sustainability Standards Board’s Standards*). The organisational purpose should also promote the creation of long-term value for the benefit of its owners, other stakeholders, and the wider Ghanaian society.

### **2. Leadership**

The organisation should have a governing body that operates with integrity and selflessly works to achieve the organisational purpose, as well as champions organisational survival and long-term growth.

- The governing body should provide effective and ethical leadership, as well as promote accountability and fairness.
- Organisations with effective leadership achieve the desired results and lead the organisation to realise its purpose.

- Organisations with ethical leadership make the right decisions and seek to do good beyond the minimum requirements of the law.
- Accountable organisations have adequate checks and balances in their governance structures to prevent concentration of power in few hands.

### **3. Controls**

The organisation should have comprehensive and robust systems to:

- manage risks, operate sound internal controls, safeguard assets and other resources from fraud and irregular use; and
- promote effectiveness and ensure compliance to laws, regulations, and policies, as well as make it easy for non-compliance to be detected.

### **4. Genuine disclosures**

The organisation should, as far as practicable, operate in a transparent and open manner and implement a ‘genuine disclosure’ framework, which will enable outside parties (e.g., investors) to hold the executive accountable and answerable for their actions and decisions.

- Information should not be withheld from stakeholders unless there are clear and lawful reasons for doing so.
- A ‘genuine disclosure’ framework of an organisation should identify stakeholders and their interests, ensure that the leadership provides sufficient and reliable information to enable these relevant stakeholders to hold them to account.
- A ‘genuine disclosure’ framework of an organisation should also ensure that the information is complete, reliable, and understandable, with due regards to the costs of providing such information.
- ‘Genuine disclosure’ implies the organisation is providing high-quality information for stakeholders to make informed decisions. Such information would typically be comprehensive,

free from material omissions/errors, communicated in plain language, avoids duplicate and generic information, adopts diagrams/examples to facilitate communication, and allows for comparisons where applicable.

## **5. Humane engagements**

The organisation should ‘humanely engage’ with its stakeholders (including investors, employees, customers, suppliers, and the communities) in a manner that inspires trust, care, and mutual respect and underpinned by the idea of shared prosperity and wealth by embracing the *concept of ‘double/dual materiality’*, as captured by global ideals, such as the *UNSDGs, Global Reporting Initiative, Integrated Thinking and Reporting, Triple Bottom Line Reporting, and International Sustainability Standards Board’s Standards*.

- The organisation is not subordinate to the interests of dominant owners or powerful managers, but is the superordinate entity owned by multiple parties with a stake in it. Therefore, the organisation should act with fairness and seek to promote the good of all and protect the interests of minority and the less privileged groups (e.g., minority shareholders) against exploitations by the dominant/powerful groups (e.g., controlling shareholders).
- Stakeholders should be seen as critical resource providers, which the organisation needs in order to survive and succeed.
- The governing body should ensure that the organisation is not exclusively ‘owner-profit-oriented’, but adopts a win-win approach, which considers the means through which the organisation actively engages with its key stakeholders, and incorporate their views, concerns, and interests, as much as possible into the organisation’s long-term strategy, and in alignment with the company’s purpose and goals.
- Through the ‘humane engagement’ process, organisations can avoid or at least minimise the harm or damages they cause to people (employees, customers, suppliers, investors) and the environment.

## THE 13 FUNDAMENTAL PRINCIPLES

Finally, the governance pillars of the ‘*National Code*’ are implemented through thirteen [13] key principles, which reflect the Companies Act 2019 (Act 992), key existing sectoral corporate governance codes in Ghana, APRM’s African corporate governance guidelines, the King codes of corporate governance for South Africa and other international best practices and standards of corporate governance. Although the extent of application of these principles may vary among different organisations, all organisations operating in Ghana (i.e., whether local or foreign, large or small, public or private, incorporated or unincorporated) are encouraged to operate by the spirit of these principles in order to achieve the ‘national’ standards of corporate governance for effective and sound operations. The 13 principles of the ‘*National Code*’ are summarised below.

### 1. Shared purpose, ethical culture, and values

An effective organisation is guided by a shared purpose, ethical culture, and values, ensuring that its strategy, values, and organisational culture align with the shared purpose by fully embracing the concepts of *shared prosperity and wealth*, as captured by the idea of ‘*double/dual materiality*’.

- An effective organisation ensures that the corporate ethical culture permeates the entire organisation and sets expectation for all members of the organisation.
- This is important as unethical corporate practices can cause harm to the organisation and to others, and can attract legal, reputational, and financial costs/risks.

### 2. Effective, accountable, and ethical leadership

An effective organisation develops and promotes effective, accountable, and ethical leadership, guided by a clear governance framework and committing to ethical business practices.

- Organisations with effective leadership achieve desired results and can lead the organisation to realise its shared purpose.

- Organisations with accountable leadership establish a framework to prevent conflict of interest and to allow relevant stakeholders (particularly, shareholders) to hold the leadership to account or answer for their actions and decisions.
- Organisations with ethical leadership make the right decisions and seek to do good beyond the minimum requirements of the law.

### **3. Sound appointments and balanced board composition**

An effective organisation has a system (comprising recruitment policies, structures, principles, framework, succession plans, etc.) that ensures that it has the right calibre and number of leaders (directors and managers) to deliver the effective, accountable, and ethical leadership.

- Organisations should ensure that the appointment and succession planning framework delivers a good balance of skills, experience, expertise (both industry-specific and technical/functional), and diversity (e.g., gender, backgrounds, etc) within the governing body to improve effectiveness.

### **4. Professional independence and checks**

An effective organisation ensures that there is a reasonable level of independence of the governing body from the management team.

- Professional independence denotes officers being able to discharge their professional responsibilities without fear or favour and being free from interference or influence by any individual, interest group or political authority.
- The organisation should ensure that there is sufficient checks and balances within the governance architecture to minimize unbridled power and potential power abuses.

## **5. Commensurate remuneration**

An effective organisation has a competitive remuneration scheme to attract and retain good talent, as well as reward the efforts of employees, managers, and governing members towards organisational success.

- The remuneration schemes, especially of top management, of effective organisations should promote long-term performance, and be linked to the realisation of the organisation's purpose, but should not incentivise excessive risk taking.

## **6. Periodic evaluations and reviews**

An effective organisation periodically reviews the performance of its governing body as a whole and the individual members serving on it.

- The review and evaluation process should help the governing body to assess the contributions of the members to the work of the governing body and to the organisation.
- The review and evaluation process can provide an opportunity for the governing body to assess its training needs, design its recruitment strategy, and provide accountability for individual members of the governing body.

## **7. Robust risk systems and internal controls**

An effective organisation institutes comprehensive and robust systems to manage risks, operate sound internal controls, safeguard assets and other resources from fraud and irregular use, and to promote effectiveness and compliance to laws, regulations, and policies.

## **8. Effective cyber and information systems**

An effective organisation institutes a strong cyber and information systems to not only reap the benefits of improved efficiency and cost savings associated with cyber and information systems, but to also minimize IT and cybersecurity risks.



## **9. Whistleblowing and challenging wrongdoing**

An effective organisation implements mechanisms to challenge wrongdoing and to ensure efficient use of resources (human, financial, technological, infrastructural and board) to achieve its purpose and other desirable outcomes, such as improved profitability/share price, better delivery of services to beneficiaries/citizens, increased staff motivation and customer satisfaction, and operating more sustainably (ethically, socially, and environmentally).

- Given the Ghanaian value of respect for the elderly, which makes it difficult for employees to speak their mind openly to senior colleagues, organisations in Ghana should have robust whistleblowing systems to mitigate wrongdoing and improve effectiveness.

## **10. Providing regular and sufficient information**

An effective organisation regularly provides sufficient and quality information to its owners and other key stakeholders to enable them to assess the organisation's performance and hold the leadership to account.

- The organisation should periodically present a fair, balanced, and understandable assessment of its financial, environmental, social and governance position, performance, and prospects to aid internal and external stakeholders make informed decisions.

## **11. Reporting with integrity**

An effective organisation establishes formal and transparent policies and procedures to ensure the independence and effectiveness of the internal and external audit functions to provide reasonable assurance on the integrity of the financial and narrative information it produces.

## **12. Effective stakeholder relationship**

An effective organisation promotes good stakeholder relationships that are aligned to the company's shared purpose, which should fully embrace the concept of *shared prosperity and wealth*, as implicit in the idea of *'double/dual materiality'*.

- Such organisations promote respect for the rights and interests of not just shareholders, but also other stakeholders, such as customers, employees, government, local communities, and suppliers.
- This is important as good corporate citizenship potentially leads to contented stakeholders and enhanced corporate image.

## **13. Operating sustainably and humanely**

An effective organisation exercises its powers and rights in a way that is consistent with local and national customs, values, and norms, and consistent with good ethical strategy that delivers long-term sustainable success for the local community and the Ghanaian society at large by fully embracing the concept of shared prosperity and wealth, as captured by the idea of *'double/dual materiality'*.

- It is the responsibility of the governing body to ensure that the organisation exercises good corporate citizenship and integrates social and environmental considerations into its business strategy.
- The organisation considers the climate and environmental impact of its operations and makes conscious efforts to minimize the negative impacts of its operations.

# APPLICATION OF THE CODE

## 1. Legal locus

This is a *National Code* that seeks not only to set the national standards of good corporate governance, based on international best practices, but also the content reflects the Companies Act 2019 (Act 992) and the SEC code, as well as other African (e.g., King Codes of Corporate Governance for South Africa, and APRM's corporate governance guidelines) and international corporate governance codes. Moreover, the *National Code* attempts to harmonise and/or unify existing sectoral governance standards.

As set out in Section 3 of the Background and Setting section and presented in the Appendices in Part III, this code adopts and endorses the existing sectoral codes, all of whom are directly backed by various statutory Acts duly passed by the Parliament of Ghana. These Acts notably include the 1992 Constitution; 2019 Companies Act; 2016 Securities Industry Act; 2011 Public Financial Management Act; 2019 State Interests and Governance Act; 2016 Banks and Specialised Deposit Taking Institutions Act; 2006 Insurance Act; 2011 Petroleum Revenue Management Act; 2000 Audit Service Act; 2003 Public Procurement Act; 2003 Internal Audit Agency Act; 1999 Forestry Commission Act; 2019 Minerals and Mining Act; and 1994 Environmental Protection Agency Act, amongst many others.

Collectively, compliance with the national standards of corporate governance contained in this code largely dovetails into compliance with the corporate governance requirements contained in the various legal frameworks of Ghana.

## 2. Applicability of the code

The code applies to all types of entities in Ghana regardless of the manner and form of incorporation or establishment and whether it is in the public, private sectors, or non-profit sectors, including, but not limited to all:

- Companies with securities listed on the Ghana Stock Exchange;

- Banks, financial and insurance entities as defined in the various legislation regulating the Ghanaian financial services sector;
- Public and state sector enterprises and agencies that fall under the various legislation regulating the Ghanaian public and state sector entities;
- Global multinational corporations operating in Ghana;
- Not-for-profit entities, such as educational institutions, political parties, professional associations, religious bodies, trade unions, academic associations, sports/social/recreational bodies, clubs, societies and other charities, think-tanks, civil society and non-governmental organisations; and
- Informal and semi-formal sector entities, such as micro-enterprises, partnerships, SMEs, sole traders, street hawkers and traders.

Overall, all entities, in addition to those falling within the categories listed above, should give due consideration to the application of this code insofar as the principles are applicable, and not inconsistent with specific provisions in their sectoral codes or legislations. In this case, where a principle or a provision contained in this code is inconsistent with legal requirements of the organisation (e.g., statutory requirements), it is within the spirit of the code for such an organisation to not apply with such a principle or provision, but clearly explain this in their applicable corporate governance report. Stakeholders interacting with such entities are encouraged to monitor or pay attention to the reasons for not applying by the specific provisions or principles set out in this code.

Finally, apart from the ‘general code’ (*The National Code*) in Section II, which applies to all firms, different types of businesses/organisations can choose to focus on specific sections of the code that are dedicated to them. Specifically, in addition to the provisions/recommendations of the ‘general code’ (*The National Code*) in Section II:

- ***Micro, informal sector businesses*** should go to ***Appendix A of Section III on page 73***;
- ***Small, medium (formal) enterprises (SMEs)*** should go to ***Appendix B of Section III on page 84***;

- *Not-for-profit (NFPs)* organisations such as charities, churches, mosques, political parties, civil society organisations, think-tanks, sports/social/recreational societies, clubs & associations, NGOs, trade unions, professional associations, and educational institutions, including primary, secondary and tertiary institutions, etc. should go to *Appendix C of Section III on page 93*;
- *Banks, savings and loans companies, finance houses, and financial holding companies* should go to *Appendix D of Section III on page 107*;
- *Rural and community banks* should go to *Appendix E of Section III on page 156*;
- *Insurance (non-life) companies* should go to *Appendix F of Section III on page 186*;
- *Listed companies, including global companies/multinational corporations* should go to *Appendix G of Section III on page 214*;
- *Public sector entities* should go to *Appendix H of Section III on page 245*; and
- *State-owned enterprises* should go to *Appendix G of Section III on page 311*.

### **3. Principles-based approach**

The *National Code* is a set of guidelines, principles, and values, and does not purport to determine the detailed course of conduct of governing bodies or organisations on any particular matter. It anticipates that organisations and their governing bodies will be required to measure the principles set out in the code against all other statutes, regulations and other authoritative directives regulating their conduct and operations, some of which have been referenced, with a view to applying not only the most applicable requirements, but also to seek to adhere to the best available practice that may be relevant to the organisation in its particular circumstances. Organisations are encouraged to implement the spirit of the provisions, principles, and values of the code rather than follow a rule-based ‘tick-box’ exercise when complying with this code.

#### **4. Compliance regime: Apply or explain**

The ‘*apply or explain*’ regime shows an appreciation for the fact that it is often not a case of whether to comply or not, but rather to consider how the principles and recommendations can be applied. This code, therefore, is expected to be implemented by organisations on an ‘*apply or explain*’ basis and its practical execution should be addressed as follows:

- It is the legal duty of the governing body to act in the best interests of the entity. In following the ‘*apply or explain*’ approach, the governing body, in its collective decision-making, could conclude that to follow a recommendation would not, in the particular circumstances, be in the best interests of the entity.
- The governing body could then decide to apply the recommendation differently or apply another practice and still achieve the overarching objective of the corporate governance values, pillars, and principles. Explaining how the principles and recommendations were applied, or the reasons (if not applied) in the applicable corporate governance report will result in compliance.
- The ultimate compliance officer is not the organisation’s compliance officer or a bureaucrat ensuring compliance with statutory provisions, but the stakeholders, including the governing body/members, shareholders, investors, financial markets, labour unions, activists and civil society groups, local communities, traditional authorities and leaders, and governments/regulatory authorities.

#### **5. Recommended compliance, reporting and disclosure approach**

The code presents the principles in a way that ensures that every entity can apply them and, in doing so, achieve good governance.

- All entities should apply the principles in the code and consider the best practice recommendations in the code.

- All entities should by way of explanation make a positive statement about how the principles have been applied or have not been applied. This level of disclosure will allow stakeholders to comment on and challenge the board on the quality of its governance.
- Nonetheless, it is inherently expected that the manner of application will differ for each entity/sector and is likely to change as the aspirational nature of the '*National Code*' should drive entities to continually improve governance practices. Indeed, a distinguishing feature of this code from others is its explicit acknowledgement, endorsement, and development of separate governance standards for different entities and sectors. Thus, it is important to understand that the '*apply or explain*' approach requires more consideration – application of the mind – and explanation of what has actually been done to implement the principles and best practice recommendations of governance.
- A corporate governance report, either as part of the organisation's annual report or standalone corporate governance report document (whichever is deemed appropriate) should be produced and published publicly in easily accessible media (e.g., traditional media, social media, and organisational website, as and when appropriate or applicable).
- The corporate governance report should explain the level of compliance with the *National Code* and/or the applicable sectoral code or explain why specific principles and provisions are not applicable, and what alternative good governance practices have been implemented instead.

## **6. Effective date**

The code is effective on or after 10 November 2022 following its approval/launch. The code should be seen as a “living document” that may need to be updated from time to time (usually after every 5 years) by the Institute of Directors-Ghana (IoD-Gh) to ensure the currency of its recommended guidelines, principles, and values, in line with the changing Ghanaian and international corporate, economic, legal, political, and social contexts and practices.

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## **PART II**

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### **The National (General) Code**



## SECTION 1: PURPOSE

### PRINCIPLE 1 – SHARED PURPOSE, ETHICAL CULTURE AND VALUES

Organisations are expected to have a clearly defined purpose which should embrace Ghanaian/African values of shared prosperity and wealth and the concept of ‘*double/dual materiality*’. The organisational purpose should then shape the organisation’s values, culture, strategy, structures, and practices. Purpose is the reason for which something exists. The main purpose of organisations should be to create long-term value in ways that do not unsustainably harm the economy and the natural environment, and to share the value created with the wider society, including the resource owners. Although S.8(1) of the Companies Act 2019 (Act 992) implies that companies, other than those limited by guarantee, can be *incorporated with the object of carrying on business for the purpose of making profit*, organisations in Ghana, whether owned by Ghanaians or foreigners, should endeavour to also contribute to Ghana’s sustainable development, and to consider how their purpose (i.e., existence) helps to improve the welfare of their stakeholders and the Ghanaian society at large.

Organisations and their owners are, in turn, profitably rewarded for the value they create and share with society. By sharing the value created with the wider society, organisations in Ghana are reflecting the Ghanaian/African values of collectivism and humaneness. Organisations should also endeavour to reflect other wider Ghanaian/African values, such as respect and care for others, diversity and inclusion (particularly, ethnic, tribal, religious, age, and gender diversity), honesty, unity, fairness, ethics and morality, among others. By reflecting Ghanaian values, organisations can harmoniously operate in Ghana and contribute to national cohesion and development.

Companies should develop an ethical culture and while this requires everyone’s contributions, it remains the responsibility of the governing body. The governing body should see that the corporate ethical culture permeates the entire organisation and should represent a shared ethical belief and expectation from all members of the organizations. This is important as unethical corporate practices can cause harm to the organization and to others, thus, attracting legal, reputational, and financial costs/risks.

## Provisions

1. An organisation should consider having a shared purpose that ensures that it adds long-term value to society by creating value and sharing it with its stakeholders, including the local community and the wider Ghanaian society. The shared purpose should reflect the collectivist and humane Ghanaian/African values and practices. The organisation should ensure that its strategy, values, and culture are aligned with the shared purpose. In practice, delivering on the shared purpose may entail the governing body/organisation embracing and implementing the *concept of ‘double/dual materiality’*, by reflecting global ideals contained in the *UN SDGs, Global Reporting Initiative, Integrated Reporting, Triple Bottom Line Reporting, and International Sustainability Standards Board’s standards*, amongst others.
2. Large multinational organisations, in particular, should consider how their existence and operations contribute to Ghanaian society and local businesses. In this regard, the multinational organisations can integrate local Ghanaian businesses, especially the SMEs and micro-enterprises, into their supply chain activities. With such a shared purpose-driven business model, multinational organisations can become key drivers of good governance practices, business development and economic growth in Ghana, and in the process, generate employment for Ghanaian youth and the workforce.
3. For companies, S.190(2) requires directors to promote the purposes for which the company was formed, and to have regard to:
  - i. the likely consequence of any decision in the long term; and
  - ii. the impact of the operations of the company on the community and the environment.
4. The governing body of an organisation should establish, or at least be able to significantly influence, the organisation’s shared purpose and values and satisfy itself that the organisational culture, strategy, policies, and practices are aligned with the shared purpose and values.
5. An organisation needs to ensure that it effectively communicates its purpose and values to the entire workforce, the wider supply chain, and other connected stakeholders. It can achieve this through its

mission and vision statement, code of ethics, staff and stakeholder training and other communication outlets, such as its websites, annual reports, magazines, and bulletins, etc.

6. Where practicable, the governing body should ensure that its shared purpose, mission, values, strategy, and policies are aligned with national development aspirations of Ghana and other global developmental commitments, such as the UN Sustainable Development Goals (SDGs), African Union's Agenda 2063 (i.e., "The Africa We Want"), and other global concepts that reflect the principle of shared prosperity and wealth (e.g., double materiality, global reporting initiative, integrated thinking and reporting, triple bottom line reporting, and international sustainability standards board's standards).
7. The governing body should determine what ethics mean for the organisation and lead by example in setting the desired ethical climate, through their own ethical behaviour. The governing body as a whole and as individual members must conduct their activities with the highest standard of ethical behaviour.
8. The governing body must ensure that policies are in place to educate on ethics, prevent unethically, investigate, and punish wrongdoing, protect whistle-blowers, and reward exceptional ethical behaviour, through an organisational code of conduct and ethics. The organisational code of conduct and ethics should apply to all organizational dealings with internal (e.g., employees) and external stakeholders (e.g., suppliers, government, and tax authorities) and should reflect the key business-specific ethical dilemmas and risks facing the organisation. All breaches of the code should be recorded, and the governing body should seek regular updates from management regarding the implementation and execution of the organisational code of conduct and ethics. The organisational code of conduct and ethics should be published preferably on the organisation's website, or should be accessible externally, at a minimum.
9. The governing body or its ethical committee (chaired by a non-executive director) should conduct an independent assessment of compliance with the organisational code of conduct and ethics once every two years to ensure it remains fit for purpose. Recommendations, where made and adopted by the governing body, should be implemented within a six-month period or within a timeframe that the governing body deems to be appropriate and/or reasonable.

## SECTION 2: LEADERSHIP

### PRINCIPLE 2 – EFFECTIVE, ACCOUNTABLE, AND ETHICAL LEADERSHIP

Organisations should have a governing body that works to achieve the shared purpose, as well as champions organisational survival and long-term growth. The governing body should provide effective, accountable, and ethical leadership. Organisations with effective leadership achieve desired results and can lead the organisation to realise its shared purpose. Organisations with accountable leadership establish a framework to prevent conflict of interest and to allow relevant stakeholders (particularly, shareholders) to hold the leadership accountable or answerable for their actions and decisions. Organisations with ethical leadership make the right decisions and seek to do good beyond the minimum requirements of the law. The governing bodies of organisations in Ghana should not only possess the capacity and competence to be effective but should also be accountable for their decisions and actions. The members of the governing body are also expected to act ethically, as well as promote ethical behaviour across the organisation.

#### Provisions

10. Organisations should be led by effective governing bodies that can achieve the organisation's purpose, objectives, promote long-term sustainable success, and generate value for owners, as well as contribute to the wider society. This is consistent with S.2(1)(2) of the Securities and Exchange Commission's Code of Corporate Governance (SEC Code, hereafter). To be effective, S.188(1) of the Companies Act (Act 992) requires that *directors of a company shall meet at least once every six months in each year to consider financial and operational affairs of the company*, and the quorum for such meetings shall be two or whatever number fixed by the directors. Nevertheless, the standard international practice is for governing bodies to *meet four times* (quarterly) in any financial year, and governing bodies of organisations in Ghana should endeavour to do so, unless it is impossible or inappropriate to do so. Governing body's constitution/remit, membership, details (e.g., qualifications, experience, age, pictures, role/s, titles, other directorships held, and professional background), classification (e.g., independent, non-executive, and executive director),

governing body sub-committee memberships and meetings attendance record should be fully disclosed in the annual or appropriate corporate governance report.

11. The responsibilities of the governing body should be clearly defined in the governing documents (e.g., constitution, board charter, etc.) and should include promoting the organisation's long-term sustainable success, generating value for the owners, and contributing to the wider society. Such a charter/constitution should, as much as possible embrace different concepts of shared prosperity and wealth or '*dual materiality*' as reflected in the UN SDGs, Global Reporting Initiative, Integrated Thinking and Reporting, Triple Bottom Line Reporting, and International Sustainability Standards Board's standards.
12. The governing body needs to be accountable for its actions and should establish an effective framework to prevent conflict of interests. Consistent with S.192 of the Companies Act 2019 (Act 992), the governing body should ensure that all its members declare all their investments or business interests in a firm, company or institution as a significant shareholder, director, partner, proprietor, or guarantor, with a view to prevent conflicts of interest with the duties or interests of that person as a director, or key management personnel of the organisation. Where a member of the governing body has an interest in any matter that is the subject of discussion by the governing body, he or she shall declare the nature and extent of that conflict of interest to the governing body and the company secretary shall keep a register of such interests. This should be done in line with Sections 192 to 195 of the Companies Act 2019 (Act 992) and S.8 of the SEC Code, as well as Sections 7 and 8 of the Corporate Governance Directive of the Bank of Ghana (BoG Code, hereafter).
13. Consistent with S.9 of the SEC Code, the governing body shall adopt a related party transaction policy to identify relevant related parties to the organisation and any transactions with related parties that may take place. The related party transactions policy should specify procedures to be adopted to mitigate the risk that such transactions may be conducted in a way that constitutes a conflict of interest or which is against the interests of some shareholders and stakeholders.
14. All members of the governing body must act ethically and with integrity, lead by example, and promote an ethical culture across the organisation. Sections 172(a) and 177(1)(2) of the Companies Act 2019 (Act 992) prohibit the appointment of directors with criminal records, particularly crimes

involving fraud or dishonesty. Similarly, S.58(c) of the Bank and Specialised Deposit-Taking Institutions Act (Act 930) and S.6(c) of the BoG Code prohibit a person from being appointed or elected or from accepting an appointment or election as a director, Chief Executive Officer or Key Management Personnel of a Regulated Financial Institution if that person has been convicted of an offence involving fraud, dishonesty or moral turpitude. Additionally, S.190(2)(c) of the Companies Act 2019 (Act 992) requires directors to give regard to *the desirability of the company maintaining a reputation for high standards of business conduct*.

### **PRINCIPLE 3 – SOUND APPOINTMENTS AND BALANCED COMPOSITION**

Organisations should have a system (comprising recruitment policies, structures, principles, framework, and succession plans, etc.) that ensures that they have the right calibre and number of governing members and senior management to be able to deliver the effective, accountable, and ethical leadership outlined in Principle 2. Having a good balance of skills, experience, knowledge, expertise (both industry and technical/functional), and diversity (e.g., age, ethnic, gender, and backgrounds, etc.) within the governing body can improve its effectiveness. The organisation should also have a clear framework for removing underperforming governing members and senior management.

#### **Provisions**

15. Appointments to the governing body should be subject to a formal, rigorous, and transparent procedure, and an effective succession plan should be maintained for the governing body and senior management. The appointment process and the succession plan should strive to constitute a team capable of delivering effective, accountable, and ethical leadership of the organisation. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The governing body and its committees should have a combination of skills, experience, knowledge, and expertise that can help the organisation to realise its shared purpose and strategic objectives. Consideration should be given to the length of service of the governing body as a whole and membership regularly refreshed.

16. The governing body should establish a nomination or governance committee to lead the process for appointments, ensure plans are in place for orderly succession to both the governing body and senior management positions. A majority of members of the nominating committee should be independent non-executive governing members. The chair of the governing body should not chair the nominating committee when it is dealing with the appointment of their successor. The nomination committee should usually have at least 2 members and two meetings per year, with its remit/terms of reference, policies, membership and meetings attendance record fully disclosed in the corporate governance report. If the remit of the nomination committee is delegated to a different committee or part of another committee, then, this should be clearly disclosed in the annual report or applicable corporate governance report.
17. Section 171(1) of the Companies Act 2019 (Act 992) requires companies to *have at least two directors, one of these directors being ordinarily resident in Ghana*. Although Act 992 is silent on the maximum number of directors, large boards may be dysfunctional. Depending on the size and complexity of the organisation, the recommended board size may range from two [2] to thirteen [13] directors. S.3(7) of the SEC Code requires listed firms with boards smaller than five [5] and larger than thirteen [13] to explain in their annual reports why they consider such a number as appropriate.
18. It is recommended that all members of the governing body be subject to a term of four [4] years and should be eligible for re-election or re-appointment for up to three [3] terms. The governing body should ensure that not more than 30% of its members complete their terms at the same time. For small, private, non-regulated organisations, they can choose to have a longer or infinite term for their governing members, but they must guard against the organisation getting stuck in old ideas and lacking creativity and innovation. For public companies, S.325(a)(d) of the Companies Act 2019 (Act 992) requires one-third of directors to retire from office each year at the annual general meeting. The retiring directors are, however, eligible for re-election.
19. Notwithstanding the recommended term of the governing body members, S.176(1) of the Companies Act 2019 (Act 992) makes it possible for a company by ordinary resolution at a meeting to remove from office all or any of the directors despite anything in the constitution of that company

or in an agreement with the director. This is partly to ensure accountability of the directors to the shareholders.

#### **PRINCIPLE 4 – PROFESSIONAL INDEPENDENCE AND CHECKS**

Organisations should ensure that there is reasonable and sufficient level of independence of the governing body from the management team. Professional independence denotes officers being able to discharge their professional responsibilities without fear or favour and being free from interference or influence by any individual, interest group or political authority. Professional independence also entails officials acting with a degree of professional scepticism, being critical friends to colleagues, and keeping inquiring minds. Organisations in Ghana should ensure that the governing body has majority of its members being independent of the management team. Organisations should also ensure that they have sufficient checks and balances to minimize unbridled power and potential power abuses. Checks and balances are governance mechanisms and arrangements to prevent any individual or small group of individuals within the governing body from exerting too much power.

#### **Provisions**

20. The governing body should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) members, such that no one individual or small group of individuals dominates the governing body's decision-making. The governing bodies should have sufficient non-executive members to be able to contribute to the organisation, including providing effective oversight over management. In line with S.3(2)(a)(b) of the SEC Code and S.3(1) of the National Insurance Commission (Non-Life) Code (NIC Code, henceforth), majority of the members of the governing body should be non-executives, and majority of the non-executive directors should be independent. For effective monitoring of the management, it is a good practice for at least two-thirds of the members of the governing body to be non-executive directors. Additionally, where possible and appropriate, 30% of the members of the governing body should be women or females.
21. The non-executive members on the governing body should have sufficient time to meet their responsibilities, which include providing constructive challenge and strategic guidance, offering



specialist advice, and holding management to account. The governing body should appoint one of the independent non-executive members to be the senior independent non-executive member to provide a sounding board for the chair and serve as an intermediary for the other members of the governing body and owners/other stakeholders.

22. A chair or member of the governing body is considered to be independent if s/he:

- i. Is not or has not been an employee of the organisation or group within the last five years;
- ii. Does not have, or has not had within the last three years, a material business relationship with the organisation;
- iii. Does not receive or has not received additional remuneration from the organisation apart from a fee for their roles connected to being a member of the governing body;
- iv. Does not have close family ties with any of the organisation's advisers, members of the governing body or senior employees;
- v. Does not represent a significant shareholder (defined as a shareholder holding at least 5% of shares of the company); and
- vi. Has not served on the governing board for more than nine years from the date of their first appointment.

23. The members of the governing body and senior management should guard against the Ghanaian and cultural practice of giftings and donations from people and organisations that can compromise their professional independence and judgements. Since the practice of giftings could corrupt officials, the governing body should ensure that all gifts and donations made are accurately recorded and sufficiently disclosed to it and other relevant stakeholders. The size, value, nature, and frequency of the gifts and donations should provide early warning signals of threat to professional independence to the governing members and managers. The governing body should see to it that the organisation has a policy on giftings and donations to mitigate this threat to professional independence.

24. There should be a clear division of responsibilities between the leadership of the governing body and the executive leadership (responsible for the day-to-day management) of the organisation. For example, in a company, the roles of the board chair and the chief executive officer (CEO) should,

as much as possible, not be held by the same individual. The chair leads the governing body and is responsible for its overall effectiveness in directing the organisation. The CEO leads the management team and is accountable to the governing body and responsible for implementing the decisions of the governing body. No two [2] related persons should occupy the positions of chair and CEO of an organisation. Small, private, non-regulated organisations may choose to combine the two roles and explain in their annual reports and governance documents why they have made that choice.

25. The chair should demonstrate objective judgement and promote a culture of openness and debate. The chair should be independent on appointment. The chair should facilitate constructive relations among members of the governing body and the effective contribution of all non-executive members of the governing body. The chair and the company secretary should ensure that all members of the governing body receive accurate, timely and clear information to enable them to effectively discharge their responsibilities. This is in line with S.6(1)(4) of the SEC Code.

## **PRINCIPLE 5 – COMMENSURATE REMUNERATION**

Organisations should have remuneration schemes that are competitive to attract and retain good talent, as well as reward the efforts of employees, managers, and governing members towards organisational success. The remuneration scheme should promote long-term performance and be linked to the achievement of the organisation's shared purpose but should not incentivise excessive risk-taking. The executive members of the governing body should have performance-based remuneration while the non-executive members should earn a flat fee commensurate with the time commitments of the role.

### **Provisions**

26. Remuneration policies, practices and reward systems for employees should be designed to support organisational strategy and promote the organisation's shared purpose and long-term sustainable success. The organisation should reward and acknowledge employees in relation to measures of performance that evaluate success of the organisation in delivering its purpose and strategy.

27. Executive remuneration should be aligned to organisation's purpose and values and be clearly linked to the successful delivery of the organisation's long-term strategy. The remuneration of the executive governing members should include an element that is linked to corporate performance:
- i. the link to performance may be by means of the issue of share options; but
  - ii. as per S.36(b) of the Ghana Stock Exchange Listing Rules, the link to performance may be such that the salaries of executive directors would not include commission on or percentage of profits or turnover<sup>1</sup>; and
  - iii. the link to corporate performance shall be such as to give priority to longer term sustainable performance over short-term performance.
28. The governing body, particularly, the independent non-executive members, should actively oversee the design and operation of the executive remuneration system to ensure that it is effectively aligned with prudent risk-taking. Where remuneration is tied to performance, it shall be designed in such a way as to prevent excessive risk-taking.
29. The remuneration of non-executive governing members should be determined by the whole governing body. Levels of remuneration for the chair and all non-executive governing members should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive governing members should not include share options or other performance-related elements. Rather, in line with S.36(b) of the Ghana Stock Exchange Listing Rules, non-executive directors should be paid a fixed fee, and not paid by a commission on or percentage of profits or turnover.
30. The governing body may delegate the design and review of remuneration policies and packages of executives to a remunerations committee. The remunerations committee should exclusively comprise of non-executive directors, preferably, independent non-executive directors. For companies, S.185(1)(2) requires *the fees and any other remuneration including salary payable to the directors in whatever capacity, to be determined from time to time by ordinary resolution of the company*. The remuneration committee should usually have at least 2 members and two meetings

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<sup>1</sup>See the full listing rules of the Ghana Stock Exchange here: <https://gse.com.gh/listing-rules/> [Accessed on 15/06/2022].

per year, with its remit/terms of reference, policies, membership, and meetings attendance record fully disclosed in the corporate governance report. Remuneration, including cash (e.g., fees, expenses, commissions, bonuses, and pension contributions, etc.) and non-cash (e.g., share options, shares, insurance, housing, medical, and transport allowances/benefits, etc.) paid to the governing body members and senior executives should be fully disclosed on an individual basis in the corporate governance report. If the remit of the remuneration committee is delegated to a different committee or part of another committee, then, this should be clearly disclosed in the annual or applicable corporate governance report.

## **PRINCIPLE 6 – PERIODIC EVALUATION AND REVIEWS**

An organisation should periodically review the performance of its governing body as a whole and the individual members serving on it. The review process should help the governing body assess the contribution of the members to the work of the governing body and to the organisation. The review and evaluation process can provide an opportunity for the governing body to assess its training needs, design its recruitment strategy, and provide accountability for individual members of the governing body.

### **Provisions**

31. Consistent with S.5(4) of the SEC Code, there should be a formal annual internal evaluation of the performance of the governing body, its committees, the chair, and individual governing members (i.e., following a 360 degrees evaluation process). The chair should consider having a regular externally facilitated governing body evaluation at least every three years. The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the governing body. Each governing member should engage with the evaluation process and take appropriate action when development needs have been identified. The annual evaluation of the governing body should consider its composition, diversity and how effectively members work together to achieve organisational objectives and the shared purpose. Individual evaluation should demonstrate whether each governing member continues to contribute effectively to the governing body and the organisation.

32. Led by the senior independent non-executive governing member, the non-executive members of the governing body may meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary. The non-executive members of the governing body should scrutinise and hold to account the performance of management and individual executive members against agreed performance objectives. The chair may hold meetings with the non-executive governing members without the executive governing members present to appraise the performance of the executives, and on other occasions as necessary.

## **SECTION 3: CONTROLS**

### **PRINCIPLE 7 – ROBUST RISK MANAGEMENT SYSTEMS AND INTERNAL CONTROLS**

Organisations should have comprehensive and robust systems to manage risks, operate sound internal controls, safeguard assets and other resources from fraud and irregular use, promote effectiveness and ensure compliance to laws, regulations, and policies. The risk management system should include effective internal control, consisting of procedures or practices within an organisation that ensure the organisation achieves the targets set in its strategy, uses resources economically and the information in support of management decisions is reliable. Typically, internal controls comprise of activities/processes such as authorization levels, documentation, reconciliation, security, and the separation of duties. Implementation of strong controls makes an organization's adherence to corporate governance guidelines less cumbersome and minimizes the risks of irresponsible behaviour. Internal control activities may be detective, preventive, or corrective.

#### **Provisions**

33. The governing body should ensure that: (i) the necessary resources and systems are in place for the organisation to meet its purpose and strategic objectives, and (ii) control mechanisms are established to bring actual performance in line with the organisational objectives and targets. In particular, the governing body should ensure that the organisation has financial resources available to fund activities, and that the financial capital does not only meet the statutory or regulatory requirements but are also adequate (with respect to the nature, size, and complexity of its activities) to meet its liabilities as they fall due.
34. In line with S.7(1)(2) of the SEC Code, the governing body should oversee the design of, and regularly review procedures to manage risks, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its purpose and strategic objectives.
35. Risks (e.g., financial risks, operational risks, credit risks, IT and cybersecurity risks) should be identified and monitored on an on-going basis by the executive (senior management team) but the governing body is responsible for regularly reviewing and approving the 'risk appetite' of the

organisation. This includes reviewing and assessing whether risk mitigation measures are in place and appropriate, and that the organisation is not taking too much risk with due regards to its purpose and agreed strategy. The sophistication of the risk management system and internal control infrastructure (including use of information technology) will vary in accordance with the level of development and type of organisation (e.g., revenue growth, operating in different countries, engaging in conglomerate models, and regulatory requirements for financial institutions).

36. In carrying out risk monitoring, management and internal control activities, the governing body typically delegates its role to sub-committees (e.g., audit and risk committees; risk management committees) consisting of expert executive and non-executive directors and advisors. At the same time, the governing body, as a whole, needs to satisfy itself that appropriate systems are in place to ensure that the organisation complies with all relevant regulations and laws.

## **PRINCIPLE 8 – EFFECTIVE CYBER AND INFORMATION SYSTEMS**

Cyber and information systems deserve much attention in the present ICT age. Cyber and information systems refer to all the physical equipment and facilities and associated technological systems that are used for data collection, data storage, data processing, and communication within and outside of an organisation. Physical equipment and facilities include, but not limited to, computers, servers, routers, and other telecommunication equipment. On the other hand, technological systems include management and business information systems, such as computer programs that are used in communication, record keeping, inventory management, data processing, among other uses. Such cyber and information systems have become indispensable in modern day organisations and can provide a business with several advantages including improved efficiency and cost savings. Organisations should, therefore, ensure that they have systems in place to not only to reap the benefits of improved efficiency and cost savings but to also minimize IT and cybersecurity risks.

### **Provisions**

37. The governing body should oversee the governance of cyber and information systems within the organisation and ensure that the performance of such systems leads to business benefits and creates

value for the organisation and its stakeholders. The governing body should request regular updates from those tasked with management of cyber and information systems, on how such systems are being implemented as well as an assessment of the value they deliver throughout their life cycles in the organisation.

38. The governing body should ensure that there is a clear policy framework for safeguarding against IT and cybersecurity risks within the organisation. Such a policy should be communicated to all staff and other users of the cyber and information systems owned by the organisation. It is recommended that such a policy framework adheres to the standards set by internationally recognised bodies (e.g., ISACA) and frameworks (e.g., COBIT 5).
39. The governing body should ensure that there is a dedicated board committee, such as the audit committee, or risk management committee, or another relevant board committee (e.g., IT and cybersecurity committee, etc), consisting of executives and non-executive directors, experts and advisors to actively monitor, and reviews risk policies related to cyber and information systems within the organisation. Where necessary, the relevant board committee should be provided with resources to obtain independent assurance concerning the effectiveness of cyber and information systems within the organisation. The governing body should satisfy itself that the management and other staff tasked with managing IT and cybersecurity risks are adequately resourced and empowered to discharge their duties.
40. The governing body should ensure that the policy framework for safeguarding against IT and cybersecurity risks is regularly reviewed and monitored. Such policy framework should also contain procedures for responding to adverse events, such as cyber-attacks and other incidents related to cyber and information systems within the organisation.

## **PRINCIPLE 9 – WHISTLEBLOWING AND CHALLENGING WRONGDOING**

To achieve accountability and effectiveness, organisations should implement mechanisms to challenge wrongdoing. The pursuit of effectiveness can have different meanings in different organisations and/or at different points in time. Effectiveness can mean the efficient use of resources (human, financial, technological, infrastructural and board), improving profitability/share price, delivering services to



beneficiaries/citizens, increasing staff motivation and customer satisfaction, and operating more sustainably (ethically, socially, and environmentally). To be effective, managers are to ensure that resources are put to optimum use and that losses/wastage are minimized through monitoring and control systems. The governing body, guided by the organisation's shared purpose and strategy, should ensure that the operations and outcomes of its monitoring and control systems are properly monitored and regularly reviewed. Given the Ghanaian value of respect for the elderly, which makes it difficult for employees to speak their mind openly to senior colleagues, organisations in Ghana should have whistleblowing to mitigate wrongdoing and improve effectiveness.

### **Provisions**

41. Beyond ensuring compliance and monitoring of systems, the governing body needs to promote effectiveness in the organisation. To be effective, organisations must regularly review their structures to fit their purpose and strategy. Lines of accountability and reporting must be clear. For example, a family-owned company may be growing and in need of better structuring; a state-owned enterprise may need to streamline structures to be more efficient and develop policies to mitigate the risks of political interference; or more advanced information technology has to be deployed to improve organisational efficiency and minimise waste and corruption.
42. The governing body, through critical questioning, a sceptical mind-set and regular review of audit/assurance/internal control reports, is responsible for implementing change and continuous improvement to ensure that the organisation performs effectively and efficiently with due regards to its purpose, value for money and sustainability.
43. To be effective, governing bodies must be well informed about the organisation's performance, including financial and sustainability matters, as well as corrupt, illegal, and unethical organisational practices. There should be operational systems and structures to ensure that information on such matters reach the senior management and the governing body. The governing body should ensure that policies and processes in place are appropriately designed, fostered, and enforced to enable employees, managers, and stakeholders to speak up without fear or favour when confronted to illegal, corrupt, inappropriate, or unethical organisational acts.

44. The governing body should ensure the workforce, management, and key stakeholders (e.g., suppliers, customers, community) are able to raise any matters of concern without being targeted or victimised. A system should be in place to raise concerns in confidence and - if so wished - anonymously. The governing body shall routinely review the whistleblowing process and the reports arising from its operation. It should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.
45. The governing body should appoint a person to whom whistleblowing disclosures may be made in good faith. The person may be an independent governing member, or this function may be outsourced to a third-party professional who reports to the audit committee chair.
46. Further whistleblowing arrangements to be overseen by the governing body should include:
- i. A facility to investigate the concerns and to prepare a report to the board or one of its committees;
  - ii. Protection for the whistle-blower against retaliation by the organisation, management employees or agents;
  - iii. The whistleblowing framework shall be made known to employees and key stakeholders and the facility for making such whistle-blowing reports shall be described on the organisation's web site;
  - iv. Penalties for reports made by whistle-blowers for malicious purposes;
  - v. The governing body may require its employees or agents to exhaust internal complaints grievance or appeals procedures before making a report in line with the code unless the whistle-blower has reason to believe that existing complaints, grievance, or appeals procedures would not be effective or may result in action taken against the whistle-blower or the specific wrongdoing is criminal in nature; and
  - vi. Where a whistle-blower has been subjected to any victimization as a result of disclosure of information, s/he may make a complaint to the governing body or Commission for Human Rights and Administrative Justice (CHRAJ) for a compensation and/or reinstatement as appropriate.

## **SECTION 4: GENUINE DISCLOSURES**

### **PRINCIPLE 10 – PROVIDING REGULAR AND SUFFICIENT INFORMATION**

For effective accountability, organisations must regularly provide information to its owners and other key stakeholders to enable them to assess the organisation's performance and hold the leadership to account. This can be achieved through the organisation submitting or publishing periodic reports on their performance on their websites and in other media. Organisations should make 'genuine disclosures' by presenting a fair, comprehensive, balanced, and understandable assessment of their financial, environmental, social and governance position, performance, and prospects to aid internal and external stakeholders make informed decisions.

#### **Provisions**

47. The governing body should ensure that the organisation is run in a transparent manner and that appropriate disclosures are made in the annual report and other company communiques and media (e.g., website, social media, traditional media, and stakeholder report). The governing body should explain in the annual report its responsibility for preparing the annual report and accounts, and state whether it considers the annual report and accounts, taken as a whole, to be fair, balanced, and understandable, and provide the information necessary for the owners and other key stakeholders to assess the organisation's position, performance, and outlook. The annual report should state that the accounts have been prepared in accordance with the relevant accounting standards or IFRS/IAS as adopted by the Institute of Chartered Accountants, Ghana (ICAG) and the Companies Act 2019 (Act 992). Any variations or departures must be explained, quantified, and fully disclosed.
48. The governing body must state in the financial statements, whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the organisation's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.
49. The governing body should ensure that the annual report includes information on the organisation's corporate governance structures, policies, practices and any environmental, social, IT and cyber risks and opportunities. The governance information should include a list of governing members,

including their qualifications, experience, other directorships, material interests and shareholdings in the company, and any appointments, resignations, or dismissals that have occurred during the period. The committees on which the governing body members serve, and their attendance record should also be disclosed. The governing body should regularly make disclosures to stakeholders in the corporate governance section of the annual report, regarding whether a governance framework for cyber and information systems exists within the organisation and their assessment of its effectiveness. Section 136(1)(c) of the Companies Act 2019 (Act 992) requires directors to report *on the corporate social responsibility of the company and the amount spent on such activities during the year.*

50. The governing body should include in the annual report an explanation of how the organisation creates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.
51. The governing body should ensure adequate and transparent disclosure of any conflicts of interest, including those resulting from controlling interests and significant shareholdings (including voting rights), related party transactions, and ensure that the influence of third parties does not compromise or override independent judgement.
52. The governing body shall disclose any price sensitive information in a timely manner in accordance with the law. If the board considers that, in exceptional circumstances, disclosure of the information would be commercially damaging, it may seek the permission of the Securities and Exchange Commission to defer disclosure but shall also act to prevent the creation of a false market in the price of the securities.

## **PRINCIPLE 11 – REPORTING WITH INTEGRITY**

Information integrity is the dependability or trustworthiness of information, and involves the accuracy, consistency, and reliability of the information content as well as the processes and system that generated the information. Organisations should establish formal and transparent policies and procedures to ensure the independence and effectiveness of the internal and external audit functions to provide

reasonable assurance on the integrity of the financial and narrative information produced by the organisations.

## **Provisions**

53. The governing body should oversee the development of, and approve, formal policies and procedures to satisfy itself that internal and external audit functions are operating independently and effectively. It should also ensure that the information provided in the financial statements, notes and narrative parts of the annual report represent fairly the position, performance, and prospects of the organisation.
54. Subject to the size and complexity of the organisation, the governing body should establish an internal audit function that is adequately resourced and empowered. The governing body should, on the advice of the audit committee, appoint an internal auditor who shall have appropriate qualifications and who may be: (i) a member of staff; or (ii) an external appointment. The internal auditor shall report to the audit committee or directly to the board.
55. The governing body should establish an audit committee of at least three, or in the case of smaller organisation, two independent non-executive governing members. The chair of the governing body shall not be a member except in smaller organisations, where if considered independent on appointment, can be a member but not chair of the committee. At least one member of the committee should have recent and relevant financial experience, and overall, the audit committee should have competence relevant to the sector in which the organisation operates. The audit committee should usually have at least three meetings per year, with its remit/terms of reference, policies, membership, and meetings attendance record fully disclosed in the corporate governance report. If the remit of the audit committee is delegated to a different committee or part of another committee, then, this should be clearly disclosed in the annual or applicable corporate governance report.
56. The main roles and responsibilities of the audit committee should include:

- i. Monitoring the integrity of the financial statements of the organisation and any formal announcements relating to the organisation's financial performance and reviewing significant financial reporting judgements contained in them;
  - ii. Providing advice to the board on whether the annual report and accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for shareholders and other key stakeholders to assess the organisation's position and performance, business model and strategy;
  - iii. Reviewing the organisation's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive governing members, or by the governing body itself;
  - iv. Monitoring and reviewing the effectiveness of the organisation's internal audit function or, where there is not one, considering annually whether there is a need for one and making a recommendation to the governing body;
  - v. Conducting the tender process and making recommendations to the governing body, about the appointment, reappointment, and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; and
  - vi. Reviewing and monitoring the external auditor's independence and objectivity.
57. The governing body shall arrange for the financial statements to be audited by the external auditor in accordance with the Companies Act and accounting/auditing standards issued or adopted by the Institute of Chartered Accountants, Ghana (ICAG) and/or in accordance with international auditing standards.
58. The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment, and removal of the independent external auditors. The governing body shall establish a formal and transparent arrangement for appointment of independent external auditors by the annual general meeting of owners/shareholders.
59. The governing body should confirm in the annual report the existence or otherwise of an internal audit function. Where the internal audit function does not exist, the governing body should explain

the reasons and indicate the frequency with which the organisation assesses the need to establish an internal audit function and the date of the last such review.

## SECTION 5: HUMANE ENGAGEMENTS

### PRINCIPLE 12 – EFFECTIVE STAKEHOLDER RELATIONSHIPS

The organisation is not subordinate to the interests of owners, but is in itself the superordinate entity owned by multiple parties with a stake in it. Stakeholders should be seen as critical resource providers which the organisation needs to survive and succeed. The governing body should, therefore, ensure that the organisation is not exclusively ‘owner profit-oriented’ but adopts a win-win approach which considers the means through which the organisation actively engages with its key stakeholders, and incorporate their views, concerns, and interests as much as possible into the organisation’s long-term strategy, and in alignment with the company’s purpose and goals. In practice, the governing body may implement the Ghanaian/African value of shared prosperity and wealth by embracing and engaging with the concepts of ‘*double/dual materiality*’, as reflected in the *UN SDGs, Global Reporting Initiative, Integrated Thinking and Reporting, Triple Bottom Line Reporting, and International Sustainability Standards Board’s standards*, amongst others.

#### Provisions:

60. The governing body should identify and define the organization’s key stakeholders in an encompassing and holistic manner. Stakeholders will normally include owners (shareholders), employees, customers, suppliers, government, creditors, local business environment, society, and other business specific stakeholders. All stakeholders are important, but the organisation may prioritise those mostly affected by its operations or those that can mostly affect its operations. As these may vary, organisations should regularly review and map their stakeholders.
61. The governing body should treat all stakeholders fairly in its policies and practices. This means, that the governing body, at a minimum, should ensure that the organisation does not cause harm to any stakeholder, and where this happens, measures must be taken to appease and prevent re-occurrence. For example, the organisation must remember that most stakeholders (e.g., employees) are fellow human beings and should be treated humanely, and in the manner the governing members would like to be treated.



62. The governing body should ensure that there are both formal (including but not only through the AGM) and informal channels through which regular dialogue with stakeholders are sought. The governing body should ensure that these dialogues are appropriately documented and are considered in organisational decision-making processes, including at the governing body level.
63. During such stakeholder engagements, the organisation should ensure that participating stakeholders are able to discuss without fear, intimidation or inhibition but with mutual respect for all views. The organisation must take responsibility and appropriate measures in creating a conducive stakeholder dialogue atmosphere. Overall, it is the governing body's responsibility to govern stakeholder dialogue and relationships.
64. Organisations must ensure that stakeholder dialogue fora do not become avenues for the pursuit of other interests which may pitch stakeholder groups against themselves. Organisations may consider separate dialogues with different stakeholder groups. Organisations must ensure that they avoid corruption including bribery, nepotism, and rent-seeking behaviours during stakeholder engagements with community groups and the public sector, for example. Organisations have a duty to make Ghana corruption-free.
65. Stakeholder engagement should be appropriately reported in the public domain, through mediums such as a new stakeholder report or the traditional annual financial statements and sustainability reports. This should not be to tick-box exercise but to provide useful information that meets stakeholders' legitimate expectations. As such, it should be written in a jargon-free manner, and in simple, accessible, and clear narratives that can be understood by the local community and people from all walks of life. Organisations may consider issuing stakeholder reports in applicable local languages where possible. No doubt, stakeholder reports may provide goodwill and a positive reputation, thus, organisations must ensure that they do not become a marketing ploy but remain a factual and honest assessment.
66. Stakeholder reports should be issued at least yearly, and should include, amongst others: (i) the framework for stakeholder dialogue and relationship management, (ii) highlighted areas of

concerns identified from the reporting year's dialogue, (iii) how they were or would be addressed within relevant timeframes, or (iv) relevant explanations regarding how they cannot be addressed.

67. The governing body or its stakeholder committee (consisting of executives and non-executive directors, and chaired by a non-executive member of the governing body) should conduct an independent assessment of its stakeholder engagement mechanism/policy once every two years to ensure that it remains fit for purpose. Where recommendations are made and adopted, the governing body should ensure that they are implemented within one year and/or as deemed appropriate and reasonable by the governing body. The stakeholder committee (may also be named sustainability committee or safety, health and environment committee, environment, social and governance committee, climate and stakeholder committee, etc.) should usually have at least three meetings per year, with its remit/terms of reference, policies, membership and meetings attendance record fully disclosed in the corporate governance report or in a separate/standalone stakeholder or sustainability report. If the remit of the stakeholder committee is delegated to a different committee or part of another committee, then, this should be clearly disclosed in the annual or applicable corporate governance report.

### **PRINCIPLE 13 – OPERATING SUSTAINABLY AND HUMANELY**

Organisations should conduct their operations in a sustainable manner that reduces inefficiencies and wastages, and where practical, should adopt circular economy practices that encourage a culture of reuse and recycling. The governing body should ensure that the organisation's business strategy is aligned with the Sustainable Development Goals (SDGs)/other global variants, such as *Global Reporting Initiative, Integrated Thinking and Reporting, Triple Bottom Line Reporting, and International Sustainability standards*, and also tap into Ghanaian value systems (including collectivism, cooperation, inclusivity, and shared prosperity and wealth) and promoting fair and sustainable business practices. This is important as it may provide an organisation with a competitive advantage, including cost savings, improved brand image and organisational reputation, enhanced

stakeholder buy-in and backing, and seamless compliance with formal regulations and Ghanaian social norms and expectations.

Companies should exercise their powers and rights in a way that is consistent with local and national customs, values, and norms, and consistent with good ethical strategy that delivers long-term sustainable success for the local community and Ghanaian society at large. It is the responsibility of the governing body to ensure that the company exercises good corporate citizenship and integrates social and environmental considerations into its business strategy. This is important as good corporate citizenship potentially leads to contented stakeholders and enhanced corporate image.

Organisations should strive to demonstrate environmental responsibility in all their activities, processes, and operations. Organisations have a responsibility to ensure that their activities do not cause irreparable harm to the natural environment and living things. The governing body should ensure that the organisation monitors the impact of their operations on the environment, including but not limited to tree and forest cover, air quality, soil quality, wetlands, and water bodies. This is important as it can enhance an organisation's reputation in the market and also unlock additional sources of capital from 'green' investors seeking to invest in environmentally responsible organisations.

Companies should safeguard respect for human rights in all their activities, operations, processes, and initiatives. This is important since practices which undermine human rights can have a negative impact on organisational reputation, increase risk of legal action against an organisation or discourage critical stakeholders from engaging with the organisation.

## **Provisions**

68. The governing body should ensure that their organisation adopts sustainable business practices, including the use of green technologies in their operations, where relevant. The governing body should also ensure that their organisation contributes to the sustainable development of the Ghanaian society that leads to meaningful improvement in the people's lives.

69. In the case of large organisations, there should be clear policy towards creating economic opportunities for diverse members of the Ghanaian society including disabled entrepreneurs, youth

and women-owned businesses and start-up and SMEs operators in order to give all societal members a chance to thrive and grow.

70. The governing body should ensure that their organisation pays their suppliers on time and at the agreed contract price in order to alleviate working capital challenges for small business suppliers in particular. Where applicable, the governing body should ensure that the organisation communicates to suppliers and customers in time regarding anticipated changes or disruptions to the supply chains in order to minimise wasted resources and production, or any significant negative impact on the environment.
71. Where possible, the governing body should strive to source for raw materials and other inputs locally in order to minimise the organisation's impact on the environment and promote sustainable development of local communities, and through that grow the Ghanaian economy. Manufacturing and commodity processing firms and other large organisations are encouraged to conduct regular environmental assessment of their supply chain network and where necessary provide training to their supply chain partners to ensure that high environmental standards are maintained across the country.
72. Where possible, large organisations should strive to provide mentorship opportunities to operators of SMEs and other underrepresented groups of people in order to promote fairer and more equal society for all Ghanaians. The governing body should ensure that the company does not unfairly use its resources or privileged position, including market dominance, to cause harm or to disadvantage employees, competitors, suppliers, local communities, and other stakeholders.
73. The governing body should ensure that the company operates in full compliance with the Constitution of Ghana, and all applicable industry and sectoral laws, regulations, standards, and guidelines. The governing body should ensure that the organisation's operations and waste management policy are aligned with relevant national and international laws concerned with control of environmental contamination and pollution, waste disposal, and the protection of biodiversity.

The governing body should ensure that the company honours all its obligations and meets its legal responsibilities in a timely manner.

74. The governing body should develop and regularly review an evaluation and monitoring framework for assessing the impact of their organisation's operations on the environment, including the risk of environmental degradation or ecological disturbance. The governing body should ensure that an environmental impact assessment is completed and made available to stakeholders before new policies, products, or operations are launched. The governing body should ensure that there is a clear strategy for responding to environmental incidents that may result from their organisation's activities and operations. Organisations should strive to safeguard Ghana's pristine forests and indigenous life in all forms, as well as sacred sites and groves of the Ghanaian people.
75. Organisations should strive actively towards reducing their carbon footprint and where possible switch to renewable sources of energy, and practice sustainable use of finite resources such as freshwater. Where possible, organisations should strive to produce, procure, or consume products and materials that have minimal carbon footprint and waste generation, and where possible should use recyclable materials. Large organisations should consider the provision of communal transportation for staff to reduce their carbon footprint.
76. The governing body should ensure that the organisational strategy is not narrowly designed to making economic profit for the owners only, but also to add value to the society through improving the welfare of stakeholders and safeguarding the environment. Where possible, organisations should work in partnership with relevant stakeholders, such as government and community representatives, to build a thriving Ghanaian society through improved access to basic human needs such as water, medicines, education, among others.
77. Good corporate citizenship should be understood to be more than simply one-off corporate philanthropy, and organisations should instead develop a clear and publicly available manifesto that outlines their environmental and social sustainability engagements and the impact they have generated.

78. The governing body should ensure that their organisation operates in full observance of basic civil and human rights. The governing body should ensure that their organisation complies with applicable national and international laws related to safeguarding the health and safety of all its stakeholders, including but not limited to employees and customers. The governing body should ensure that their organisation pays employees a fair remuneration that is commensurate with effort and experience. The governing body should ensure that employees right to freedom of association and collective bargaining is safeguarded within their organisation.
79. The governing body should ensure that all workers have access to fair procedures and remedies for articulation and addressing difficulties and concerns that they face in their working environment. The governing body should ensure that their organisation develops and communicates a clear policy towards zero tolerance to workplace bullying, sexual harassment, and other forms of discrimination. Organisations should strive to safeguard the welfare of all women and girls and ensure that their voice and safety are given due consideration in all organisational processes and operations. Organisations should take reasonable measures to employ persons with disabilities.

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## **PART III**

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### **Sectoral and Other Appendices**

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## **SECTORAL APPENDICES**

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# **APPENDIX A**

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## **Governance Code for the Informal Sector Businesses**

## INTRODUCTION

The informal sector plays a critical role in Ghana; both as a source of employment and livelihood for millions of people, whilst at the same time serving as a major contributor to Ghana's GDP. Notably, up to 80 per cent of the workforce in Ghana is believed to be employed in the informal sector. Estimates further show that 92 and 86 per cent of women and men, respectively, in Ghana are employed in the informal sector. These statistics reinforce the national importance of this sector as a major contributor to both national economic output and economic security of women, and other marginalised groups, such as the youth and people living with disability. Yet, the informal sector, both in Ghana and elsewhere in Africa, suffers from high mortality rates due to various factors, including limited access to credit, poorly defined business strategies and lack of proper financial record keeping. The informal sector in Ghana comprises many business forms, including individuals/sole proprietorships, family, and community or group ownership. This includes, to mention a few examples, roadside and market vendors, transport operators, small-scale farmers and miners ("galamsey"), fishermen, and food retailers and wholesalers, etc.

This sectoral code is one of a first, both in Africa and globally, and aims to serve as a "*NorthStar*" for operators of businesses in Ghana's informal sector on how to manage their businesses effectively and sustainably in today's contemporary world. The proposed corporate governance guidelines for the informal sector are, thus, intended to serve as a reference point for operators of informal sector businesses, with a view to promoting effective management of businesses and inspire their sustainable growth. Many owners of businesses operating in the informal sector start with the aspiration of being able to grow their entities into large ventures or corporations that would then help them to achieve economic security and/or realise a sense of self-fulfilment. Such achievements also require a clear business strategy, access to capital to facilitate growth, and effective governance framework, as well as controls to check against inefficiencies and wastage.

## **PRINCIPLES AND PROVISIONS OF THE CODE FOR THE INFORMAL SECTOR**

### **PURPOSE**

1. Operators of informal businesses should strive to operate their businesses in such a way that they generate profit by contributing towards solving the problems affecting Ghanaian people and the environment, and also ensure that they do not make profit by creating problems for society or the environment. Business organisations are especially encouraged to adopt this principle as a guiding mantra for both their mission and operating strategy.
2. Operators of businesses in the informal sector should ensure that the culture, values, and operating strategy of their businesses do not cause harm to the environment and people around them and should always strive to contribute meaningfully to the socioeconomic development of Ghana. Operators should constantly ask themselves how their activities are contributing to the Ghanaian society.
3. Operators of informal businesses should ensure that they operate within the laws of Ghana and take advantage of targeted schemes to promote the activities of the informal sector. In this regard, the operators need to understand the legal requirements and expectations of the government, including what the government has put in place to support the growth and development of the informal entities (such as incentives, tax exemptions, and business opportunities, etc).
4. Operators of informal businesses should seek to run their businesses in ways that allow them to be in business for the foreseeable future. In this regard, they should endeavour to develop short-, medium- and long-term goals for their businesses to help them work toward continuity and growth.
5. As a practical guidance on building a business with ‘right purpose’, informal sector operators should carefully think through and strive to address the following questions:
  - a. What are the problems facing the community I live and work in, and why are they facing these problems?
  - b. How is my business helping to address any of the identified problems? Can I earn any economic reward or profit (in the medium to long-term) for solving any of the identified problems?

- c. Does my business cause any harm to people or the environment? If yes, how can I avoid or at least minimize the harm or damage?
- d. What are the existing laws, regulations, customs, norms, and practices in the community that can impact (either positively or negatively) my business? How do changes in these formal and informal regulatory frameworks affect the viability and continued existence of my business?

## **LEADERSHIP**

- 6. Operators of informal businesses should develop and promote authentic, effective, and inclusive leadership and decision-making processes, while committing to rational and ethical business practices. To achieve this, operators of informal businesses should strive to:
  - a. Develop mechanisms (whether formal or informal) for incorporating external advice and monitoring (e.g., fellow experienced traders, fellow trade union executives/mentors, family elders, family members, etc);
  - b. Develop personal leadership skills through attending trade association meetings and learning from mentors and colleagues;
  - c. Develop financial and IT literacy (such as basic bookkeeping, accessing bank accounts, use of mobile phones/tablets/laptops to conduct business, etc.) and ensure that employees or workers are equally trained to the appropriate standards, where applicable; and
  - d. Reflect on mistakes or successes made in the past and incorporate relevant lessons in their decision-making
- 7. Informal businesses should strive to put in place governance structures that promote accountability and transparency. Operators of informal businesses can achieve this by:
  - a. Following the guidance and recommendations made by relevant trade or business associations; and
  - b. Following the guidance provided by relevant government ministries or agencies and by this code.

8. Operators of informal businesses should ensure that there is clear leadership provided by an individual or group of people who is (or are) responsible for making major business decisions and overseeing meaningful engagement with stakeholders, including the workforce and customers, and having regard to the views of others when taking decisions. Leadership by a group should ideally be preferable to leadership by an individual.
9. It is a good practice for the founder (and leader) to willingly submit himself or herself to the leadership structure and accountability framework put in place to achieve effective monitoring and control. The founder-leader should act and treat the other members of the leadership team with respect and see them as co-leaders of the business.
10. Where applicable, the non-founding leaders of informal businesses should equally respect the founder-leader, but should also be able to exercise professional independence in their dealings with the other leaders, including the founder. For example, non-founding leaders of informal businesses should be able to have open, frank, constructive and robust discussions with the founder-leader in both formal and informal meetings and settings.
11. Where practicable and depending on the size of the business, operators of businesses in the informal sector should strive to have leadership arrangements that provide counsel regarding the future growth plans, strategic planning, and operational decisions to ensure that the business is able to realise meaningful growth and meet its obligations. The source of such counsel can be from family, friends, relevant trade associations, or dedicated external engagement centres of universities and other higher education institutions.
12. Operators of businesses in the informal sector should strive to ensure that they have a clear succession planning policy to develop potential future leaders or managers, who can take over the business leadership with minimal disruption if the founder was unable to continue in their role. The potential successors should be given the opportunity to shadow the founder (or current leader) for a sufficient period.
13. Where there is the need to employ workers, operators should not hand over jobs to people merely based on them being in their family and friends' network. It is better to recruit based on considerations of merit, competence, character, and attitude. If family and friends are to be

recruited, it is important to ensure that they meet the minimum recruitment criteria and possess the relevant attributes.

14. Operators in the informal sector are encouraged to refrain from making haphazard drawings from the business before properly declaring profits. Instead of making haphazard withdrawals from the business, it may be better for operators to agree a reasonable fee for their managerial services to the business.
15. When profits are properly declared by the business, it is a good practice for the founder to plough back a large share, if not all, of the profit into the business. This will ensure the financial sustainability of the business and its expansion and growth into the foreseeable future.
16. Operators in the informal sector (and their advisers, where present) should periodically pause, assess, and review their individual performances as managers, and the business performance over a period. This assessment or review can be carried out after every three months to allow for corrective or improvement actions to be implemented where necessary.
17. As a practical guidance on achieving 'effective and inclusive leadership', informal sector operators should carefully think through and strive to address the following questions:
  - a. Who makes the major and important decisions of the business? Is it an individual or a group?
  - b. Are the decision makers or leaders sufficiently competent, vested with the appropriate balance of skills, knowledge, and experience to make such decisions? If there are any competency gaps, how does the business fill those gaps?
  - c. What is the relationship and power dynamics between the founding leader and the other leaders? Is there mutual respect and professional independence to allow for frank, constructive, and robust discussions?
  - d. How often does the leadership of the business pause to reflect and review their effectiveness and performance?
  - e. How does the founding leader benefit financially from the business? Is he on an official periodic fee or salary or he makes withdrawals of cash and/or stock whenever s/he desires?

- f. How are other employees, including family and friends recruited into the business? Are they expected to meet some minimum standards in terms of competence, attitude, and aptitude?

## **CONTROLS**

18. Operators in the informal sector should ensure the long-term survival of their businesses by identifying opportunities to create and preserve value and by establishing oversight for the identification and elimination or reduction of risks. This can be achieved through a number of ways including:

- a. Checking regularly that products sold or services provided to customers are not sub-standard. This can avoid loss of reputation, customers, and future revenue and prevent damages and legal action;
- b. Practicing basic book-keeping and cash flow management to be able to gauge the financial viability of their businesses on a daily or weekly basis;
- c. Checking regularly that the business does not run out of cash to order new supplies;
- d. Ensuring that cash sources and bank accounts of the business are separate from those of the owner;
- e. Taking insurance policies to cover them against risks such as fire, flood, etc. that could cause them to lose their inventories or other assets;
- f. Employing workers and engaging with stakeholders (e.g., suppliers, customers, etc.) with the right moral values and business ethics. This could reduce counter-party risks with suppliers and customers, as well as the risk of irresponsible behaviour (e.g., pilferage or theft) from employees; and
- g. Where the business employs workers, business owners should clearly define the responsibilities of the employees and let them also know their authority limits, as well as the consequences of breaching the authority limits.

19. Operators of businesses in the informal sector should ensure that all money, properties, and other resources are properly used, managed, and accounted for. This may involve ensuring that appropriate policies and procedures are in place for staff and for volunteers, and that both the staff and volunteers are properly managed and supported.
20. Operators of businesses in the informal sector should strive to develop annual financial plans or budget to promote financial discipline and ensuring predictability of income and expenses for their business.
21. Operators of businesses in the informal sector should ensure that they keep a form of financial record keeping, either manual or electronic, with a view to promote financial discipline and compliance with business and operational targets.
22. Operators of businesses in the informal sector should keep an inventory of all their business assets, both non-current assets and current assets, to ensure that they are easily accessible when required to support business operations. The informal business operators should where possible track their personal usage of the same assets to ensure that their use does not adversely affect their business organisation.
23. As a practical guidance on achieving 'effective controls' to mitigate risks, informal sector operators should carefully think through and strive to address the following questions:
  - a. What are the major risks facing the business? Think of strategic risks (competition, customers, brand), operational risks (theft, fire, IT failure), financial risks (interest rate, exchange rate, inflation, credit), and others (e.g., earthquake, political unrest).
  - b. How likely are these risks to occur and what will be the consequences on the business should any of the risks occur?
  - c. What actions can the business put in place to prevent some risks from occurring? What can be done to mitigate unpreventable risks should they occur? Think of: (i) risk-shifting mechanisms such as taking insurance policies; (ii) instituting preventive controls, such as having a safe and restricting access to certain places and documents through the use of locks and passwords; and (iii) having robust risk assessment procedures and financial



management strategies (e.g., budgeting, cash flow projections and monitoring, and proper record keeping, etc.).

## **GENUINE DISCLOSURES**

24. Operators of informal businesses should ensure that they comply with disclosure requirements and conduct specified by national laws, or standards of relevant trade and business associations.
25. Operators in the informal sector should keep basic books of accounts that allow them to reliably determine their profits or loss over a period and to establish the value of their assets, liabilities, and equity at a point in time.
26. Apart from helping management evaluate the business performance, keeping basic books of accounts and preparing periodic (at least annual) financial reports could enhance the prospects of informal sector businesses by helping them to secure bank loans and financing from other sources.
27. If obtaining professionally qualified accountants to prepare the books of accounts and financial reports would be unaffordable, the operators in the informal sector could engage with the Institute of Chartered Accountants (Ghana) to find them suitably qualified or part-qualified accountants who may prepare such financial reports for an affordable fee. Alternatively, the operators in the informal sector could reach out to business schools, placement centres, and external engagement units of universities and other higher education institutions who may be able to find suitably qualified persons within their institutions to help with the accounting service.
28. Businesses in the informal sector should take advantage of free digital marketing on social media platforms such as Facebook, Instagram, Twitter, etc. to advertise and promote their businesses, products, and services. Again, the operators in the informal sector can engage with the Chartered Institute of Marketing (Ghana) or relevant units or departments within the universities to find suitably qualified professionals or students who may be able to help them implement these business marketing/disclosure strategies for a reasonable fee.
29. As a practical guidance on achieving 'effective disclosure strategies', informal sector operators should carefully think through and strive to address the following questions:

- a. What are the legal disclosure requirements the business is expected to comply with?
- b. Does the business have the required structures and systems to be able to produce the required information to satisfy the disclosure requirements?
- c. How can the business strengthen its information processing systems to be able to produce regular, reliable, and accurate records and reports?
- d. Is the business maximizing the opportunities presented by the various social media (e.g., Facebook, Twitter, YouTube, etc.) to advertise their business, products, and/or services?
- e. Is the business leveraging on professional associations and universities and higher education institutions to obtain professional expertise at affordable costs?

## **HUMANE ENGAGEMENTS**

30. Operators in the informal sector should be inclusive, recognising their stakeholders' uniqueness and creating a sense of common social identity among them. To achieve this, operators of informal businesses should:
- a. Be fair and considerate to those who assist them in their business;
  - b. Be fair and fulfil the expectations of the informal apprenticeship systems; and
  - c. Acknowledge the views and wellbeing of employees and apprentices. These could include making contributions to pension or employee benefit schemes.
31. Operators in the informal sector should have a sense of place and belonging, and where possible consider being a part of business and trade associations, local government schemes and where applicable dutifully pay local rates. Operators of informal businesses should also strive to keep the working environment around their businesses clean and safe for themselves and others.
32. Informal sector businesses should establish and maintain trust with their stakeholders. The operators can achieve this by:
- a. Ensuring that they deliver on their promises in a timely and professional manner;
  - b. Being honest about their business dealings and being fair to clients;

- c. Ensuring that they relate positively with suppliers and customers in the conduct of the business; and
  - d. Keeping their debt and interest payment obligations with their bankers and other creditors.
33. Operators of businesses in the informal sector should strive to promote effective stakeholder relationships that are aligned to the purpose of the business. Some suggested practices in this regard may include:
- a. Developing a habit of discussing informally with clients or members of the community about what they expect from the business;
  - b. Cultivating strong and positive relations with suppliers and customers in the conduct of the business; and
  - c. Having open discussions with people who work for or help in the business and treating all workers, apprentices, or assistants fairly.
34. Business organizations should ensure that they comply with national law on human rights and child labour, and not engage in unfair labour practices.
35. Operators of informal businesses should ensure that they pay the correct amount of taxes to the national government and relevant local authorities.
36. Operators of informal businesses should ensure that they run their businesses in accordance with national and local laws and comply with applicable health and safety standards.
37. Operators of businesses in the informal sector should put measures in place to safeguard against pollution and wastages, especially with regard to using critical resources such as water and energy responsibly, disposing waste in a responsible manner, and keeping places of work and business clean.

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# **APPENDIX B**

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## **Governance Code for the Small and Medium Enterprises (SMEs)**

## INTRODUCTION

Small and medium-sized enterprises (SMEs) dominate business activities in many countries, especially on the African continent and other developing countries. By virtue of this, SMEs play a major role in job creation for millions of people and also benefit governments through enhanced revenue generation. SMEs are also noted to constitute over 90% of the total market share for Ghana's private sector. The Government of Ghana in the *Venture Capital Trust Fund Act 2004 (Act 680)* defines an SME as a "business whose total assets base, excluding land and building, does not exceed the cedi equivalent of US\$1.0 million and whose total number of employees does not exceed 100 persons." According to records from the Registrar-General Department, approximately 90% of registered businesses in Ghana fall into the SME category, and operate in a range of business activities, such as, to name a few, agriculture and farming firms, food processing firms, education institutions, exporting and importing firms, micro-finance institutions, accounting firms, law firms, dental practices, skin care and hair grooming, hotels, bars and restaurants, and transport operators, etc.

Noting the critical role that such SMEs play as the backbone of the Ghanaian economy, there is a need to ensure that such businesses are governed in an effective manner in order to safeguard the millions of jobs that they provide to local people, contribute to enhanced revenue mobilization for the government and also put them firmly on a path for sustainable growth. Good corporate governance practices can also bring many benefits to owners and/or operators of SMEs including promoting positive management and employee behaviour, improving decision-making processes, improving internal control and business efficiency, and potentially lowering the cost of capital. Most importantly, good corporate governance practices can promote business accountability and transparency, thus, unlocking capital needed for growth, including from international investors, venture capitalists, and commercial lenders.

This sectoral code is, therefore, intended to assist and guide SMEs in Ghana towards adopting best practices for corporate governance including, but not limited to, leadership, accountability, openness, integrity, effective control. By promoting these practices, it is hoped that SMEs will be better positioned to realise their potential and avoid many mortality risks associated with early life cycles of many SMEs.

However, the practicality of these corporate governance principles may vary depending on the stage of growth and size of each SME and SME owners and/or operators. Generally, SMEs fall in between the businesses in the informal sector that are the focus of Appendix A and the formal, large organisations that are considered in Part II of this code. Thus, the SMEs are encouraged to implement as many principles/provisions as possible, and where appropriate adopt the principles contained in the main code in Part II or in the code for the informal sector in Appendix A of Part III.

## **PRINCIPLES AND PROVISIONS OF THE CODE FOR SMEs**

### **PURPOSE**

1. An effective business organisation is guided by a shared purpose, ensuring that its strategy, values, and organisational culture, align with the shared purpose.
  - a. For start-up SMEs: The Vision of the Founder must consider that beyond the idea of making profits, the business organisation considers the extent to which it will be meeting societal needs. The Vision must, therefore, reflect this principle.
  - b. For small-sized SMEs: There is a need to ensure that the interest and activities of the enterprise remain aligned with the vision of the owner.
  - c. For medium-sized SMEs: There is a need to ensure that the interest, activities and vision of the owner, employees, the board and management are aligned for the sake of achieving a shared purpose.
2. Business organisations should be inclusive, recognising their stakeholders' uniqueness and creating a sense of common social identity among them.
  - a. For small & medium SMEs: There is a need to emphasize the importance of working together for the achievement of a common purpose, and to communicate with and treat all employees fairly and with respect.
  - b. For medium SMEs: There is a need to recognise the value of diversity by including all employees in decision-making processes. Importantly, racial, gender, ethnic and cultural diversity must be embraced at employee and supervisory levels.
3. Business organisations should have a sense of place and belonging, and their owners and managers should strive to establish and maintain trust with all their stakeholders.
4. Business organisations need to promote ethical behaviour among all employees of the firm through their shared purpose and values.

## LEADERSHIP

5. SMEs should be guided by a clear governance framework, including having governance structures that ensure accountability and transparency.
  - a. For start-up and other small-sized SMEs: This can be facilitated through securing the support and counsel of a business mentor or informal advisor, as well as leveraging the services of government SMEs Agencies and Chambers of Commerce.
  - b. For medium-sized SMEs: This may be achieved through appointing a board of directors with its specialised committees or advisors/consultants. At this stage, Boards should have at least an independent member. There should also be a clear division of responsibilities at the head of the company between the running of the board and the running of the company's day to day business.
6. An effective business organisation develops and promotes authentic, effective, and inclusive leadership and decision-making processes, committing to rational and ethical business practices.
  - a. For start-up and other small-sized SMEs: The owners should ensure that the leadership maintains a record of key decisions made and where needed engage a business mentor or informal advisor.
  - b. For small-sized SMEs: There is a need to formalise the appointment of the Board starting small, in proportion to the size of the firm. There should also be a practice of keeping record of minutes of the board meetings, and also set clear divisions of roles and responsibilities between management and Board.
  - c. For medium-sized SMEs: There should be a formal Board that includes independent member/s with a combination of skills, experience and knowledge that allows objective thought, open discussion and provides constructive criticisms and advice to achieve effective decision-making.
    - i. Medium-sized SMEs are also encouraged to have in place HR policies to attract and recruit talent in key operational roles.



- ii. Depending on the scale and complexity of the medium-sized SMEs, the board should establish appropriate board committees in order to effectively discharge its duties.
  - iii. The Boards of medium-sized SMEs should consider establishing Ethics and Integrity Committee, or at the minimum, have an ethics policy to oversee and promote ethics at all levels of the organisation including anti-corruption policies and initiatives within the organisations and with external stakeholders.
  - iv. Medium-sized SMEs should facilitate induction and training for their directors to undergo upon joining the board to ensure that new directors understand their responsibilities and liabilities. All directors should also regularly update and refresh their skills and knowledge pertaining to matters of the organisation's business.
  - v. There should be a clear mandate for board of directors to oversee the operational performance of the business as well as evaluating and improving business strategies.
7. SMEs that have a board of directors should make use of board evaluations to ensure dynamic and effective board decision-making.
  8. SMEs that have a board of directors should consider maintaining a conflict of interest and related party transactions register, to be signed by the principal officers annually.
  9. Where practical, SME owners should establish a culture that rewards honesty and discourages bribery and corruption at all levels of the organisation.
  10. The organisation's leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.
  11. Business continuity is directly impacted by succession planning, which is also essential to ensuring that SMEs continue to exist after the exit of the founding entrepreneur. SMEs should ensure that there is a clear succession planning strategy that is aligned with the culture, values, and operating strategy of their businesses to cater for both planned and unexpected exits of existing leadership, including senior management and the board of directors.

12. The succession planning strategy should include developing an ownership succession policy to ensure business continuity. To facilitate the protection and transfer of wealth to the next generation, family-owned SMEs should put in place orderly succession planning strategy concerning transfer of ownership to family member(s) or partners. The ownership succession strategy should focus on providing appropriate training and development to younger family members if the objective is to pass on the business to the next generation.

## **CONTROLS**

13. SMEs should follow credible accounting practices from day one and utilize a reputable independent accounting firm to prepare a complete set of financial statements including a statement of financial position, comprehensive income, cash flows and changes in equity statement.
14. SMEs should formally evaluate the effectiveness of the external audit and formulate policies on preserving the independence of the audit function.
15. SMEs should establish a formal process for identifying significant business risks and the management should adopt formal control mechanisms.
16. For start-up and smaller-sized SMEs, the owners should strive to separate business bank accounts from that of the owners.
17. SMEs should establish transparent policies for reporting misconduct and unethical practices including on unfair treatment of workers.
18. SMEs should develop Anti-corruption policies and Codes of Ethics for staff, management, and board members to sign.
19. Where practical, medium- to large-sized SMEs should set up a specialized board-level committee (e.g., audit committee) to monitor the overall control environment of the business.
20. Where an SME is family-owned, it is important to clearly define a formal approach to the family's relationship with the business by:
  - a. Formulating a family governance constitution setting out the family's vision and policies regulating their relationship with the company;

- b. Formulating a family governance constitution with written procedures to guide effective communication and coordination between family members and the business organisation; and
- c. Developing a policy on the appointment of family members to the board and employment of family members in the company.

## **GENUINE DISCLOSURES**

- 21. The board or senior management of business organisations should ensure that they prepare financial reports according to national or internationally recognised standards at least once a year.
- 22. SMEs should establish timely, open and transparent channels for communicating relevant information with their stakeholders, including shareholders, regulatory bodies, tax authorities, bankers etc.
- 23. SMEs should ensure that all stakeholders have equal access to information.
- 24. SMEs should disseminate information through various channels such as company website, newsletters, annual reports for ease of access to their stakeholders.
- 25. SMEs should ensure that they disclose any changes in accounting policies and justify the same in the financial statements.
- 26. All material financial and non-financial information should be adequately disclosed for the benefit of all stakeholders.
- 27. SMEs should establish their role in a more sustainable future by reporting on their sustainability impacts with focus on their practices that affect the environment in a meaningful way.

## **HUMANE ENGAGEMENTS**

- 28. SMEs should participate and sign up for the Skills Development Initiatives such as Bursaries, Internships, Workplacements, Learnerships, Apprenticeships and Work Integrated learning offered by the national government, local governments, universities and other relevant organisations.

29. SMEs owners and operators should recognise and respect the rights of their capital providers, especially the minority shareholders.
30. An effective business organization promotes effective stakeholder relationships that are aligned to the company's purpose.
31. SMEs should respect human rights wherever they operate and whatever their size or industry.
32. SMEs should consider the environmental impact of their operations by investing in technologies that enhance energy efficiency and reduce waste.
33. SMEs should encourage and advise organisations in the supply chains to adopt environmentally friendly approaches in the operations.
34. SMEs are encouraged to share their sustainable business practices with their suppliers, distributors and other firms.
35. SMEs should ensure that they comply with national law on human rights and child labour, and not engage in unfair labour practices.
36. SMEs should strive to promote effective stakeholder relationships that are aligned to the company's purpose. Some suggested practices in this regard include:
  - a. Cultivating strong and positive relations with suppliers and customers in the conduct of the business;
  - b. Having open discussions with people who work for or help in the business and treating all workers, apprentices or assistants fairly; and
  - c. Medium-sized SMEs are encouraged to adopt integrated reporting framework in their annual report that details information on the firm's environmental, social and governance performance.

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# **APPENDIX C**

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## **Governance Code for the Not-For-Profit (NFP) Organisations**

## INTRODUCTION

The Not-For-Profit (NFP) sector is one of the few sectors in Ghana without its own sectoral code. While the NFP sector could benefit from the general principles and provisions outlined in the main Corporate Governance Code for Ghana (The National Code) presented in Part II, it faces some unique issues that merit special attention. Therefore, this sectoral code seeks to clarify, as well as introduce additional principles/provisions to address the specific governance issues in the NFP sector of Ghana. The NFP sector is sometimes referred to as the Benevolent (charitable) sector, the Third sector or the Civil Society sector. The NFP sector covers organisations pursuing a wide range of activities, including:

- Charitable organisations (e.g., hospitals, human right groups, emergency relief groups, etc.);
- Professional and academic associations/clubs (e.g., research centres, accountants' associations, engineers' associations, etc.);
- Civil society organisations/Think-Tanks.
- Religious bodies and organisations, (e.g., churches, mosques, seminaries, etc.);
- Educational institutions (e.g., schools, colleges, universities, training colleges, polytechnics, libraries, museums, etc.);
- Political parties (e.g., political parties, lobbying groups, etc.);
- Social/recreational bodies (e.g., fun clubs, music groups, etc.); and
- Non-governmental organisational (NGO) activities (e.g., Red Cross, World Vision, etc.).

Generally, NFP organisations do not exist to make profit (financial success), but to create a better world by pursuing diverse missions that either fill a social gap or achieve a humane purpose. NFP organisations play an important role in society, and therefore, tend to attract huge financial support from domestic and foreign donors and philanthropists. For whatever reason (e.g., conviction, religion, fear, deceit, ignorance, need, philanthropy, etc.), many of the donors contributing large sums of money to the NFP organisations fail to actively monitor or demand accountability from the leadership of the NFP organisations. Thus, there is ample opportunity for resources to be diverted away from the social and humane missions of NFP organisations to the personal needs of the founders and leaders. Against this

backdrop, there is the need for good governance in NFP organisations, not only to boost donor/public confidence in them, but to also ensure their continued existence and operation to benefit society.

This sectoral code of the NFP sector should not be read as a standalone document but should be considered with the spirit of the main Corporate Governance Code of Ghana. However, where there are inconsistencies between provisions of this sectoral code and the main Code, the specific provisions of this sectoral code should prevail.

## **PRINCIPLES AND PROVISIONS OF THE CODE FOR NFP ORGANISATIONS**

### **PURPOSE**

1. Like all organisations, NFP organisations need to have a clear purpose, which should be clearly spelt out in its governing documents, such as the Constitution or Charter. However, the purpose of NFP organisations may not primarily be to create long-term (financial) value. Section 8(1) of the Companies Act 2019 (Act 992) stipulates that *a company limited by guarantee (i.e., NFP organisation) shall not be incorporated with the object of carrying on business for the purpose of making profits other than making profits for the furtherance of its objects.*
2. However, NFP organisations are encouraged to operate in a financially and environmentally sustainable way. NFP organisations are also encouraged to pursue missions and activities that benefit the wider society. NFP organisations should have a vision/mission statement, which clearly and concisely conveys the purpose and direction of the organisation.
3. An educational institution, especially those in the higher education sector, should consider including the following as an integral part of its purpose:
  - a. Academic excellence – pursuing high-quality research, scholarship, and teaching; and
  - b. Real world impact – delivering applied research and education that generates social, economic, cultural, environmental and/or scientific impact. Education with real world impact makes a difference in peoples' lives and aligns its research and learning to the current and developmental needs and challenges of the country.

### **LEADERSHIP**

4. NFP organisations should endeavour to have leadership arrangements that prevent concentration of governance and/or administrative power in the hands of a single individual or few individuals. This can be achieved by delineating clear roles and responsibilities to specific governance structures and to some principal officers.
5. NFP organisations should consider establishing the following governance structures:



- a. The Governing Board (or Board of Trustees); and
  - b. The Management (or Executive) Committee.
- 6. The two governance structures should ideally be led and chaired by different individuals and the roles and responsibilities of the governance structures, and their chairs should be clearly defined in the governing documents of the NFP organisation.
- 7. The governing board should be the principal governing body of the NFP organisation and, should exercise the governance functions set out in the organisation's governance document. The board should lead by example, act ethically and with integrity, as well as act within the organization's purposes and ensure that the Mission of the NFP organisation is pursued.
- 8. The governing board have a responsibility to understand the environment in which the organisation is operating and to lead the NFP organisation in fulfilling its purposes as effectively as possible with the resources available. To do otherwise would be failing beneficiaries, funders and supporters.
- 9. The role of the governing board will typically include:
  - a. Determining and reviewing the vision, mission, and values of the NFP organisation;
  - b. Approving the strategic plans, annual budgets, and expenditures of some pre-specified limits;
  - c. Appointing, evaluating the performance of, and terminating the employment of the Head of the Management Committee (e.g., CEO) and possibly other senior staff;
  - d. Overseeing risk and checking the integrity of external financial and non-financial reports;
  - e. Providing additional monitoring activities to satisfy itself that the NFP organisation is operating efficiently, sustainably, and in compliance with the relevant legislation; and
  - f. Engaging with key stakeholders.
- 10. The Chair of the governing board has the primary responsibility of ensuring the effective operation of the board in working as a group to achieve the NFP organisation's purpose and strategic objectives.
- 11. The functions of the Chair of governing board should normally involve:
  - a. Scheduling board meetings and setting the agendas with the CEO;

- b. Presiding and leading discussions at board meetings and coordinating board activity outside of board meetings;
  - c. Overseeing the hiring and performance evaluation, and the supervision of the CEO; and
  - d. Ensuring that the board performs its responsibilities effectively, as well as undertakes an evaluation of itself.
- 12. The Chair of the governing board should not be involved in the day-to-day operations of the NFP organisation.
- 13. At least half of the members of the governing board should be non-executive directors. Non-executive directors should not be involved in the day-to-day operations and management of the organisation. They should be chosen on the basis of their wide experience, specialist knowledge and personal qualities and are expected to bring these qualities to bear on issues of strategy, performance and resources.
- 14. Non-executive directors should be provided with appropriate facilities and administrative support for the effective discharge of their duties. They should receive adequate and comprehensive information on all board matters in a timely manner.
- 15. Non-executive directors may be entitled to be paid sitting directors' fees and reimbursable travel and other expenses. They should not be involved in setting their fees.
- 16. Executive directors should be involved in the day-to-day operations and management of the organisation. They should be persons knowledgeable in relevant areas of the organisation's activities as may be needed for their specific assignments or responsibilities on the board.
- 17. The level of remuneration of executive directors should be such that it will attract, retain and motivate directors of the quality required to run the organisation successfully. Executive directors' remuneration may be structured to link rewards to organisational and individual performances. They should not be involved in the determination of their remuneration.
- 18. Directors must be recruited in accordance with the organisation's governing document and relevant legislations. The board should ensure that the recruitment process is fair and transparent in a manner as to attract suitable candidates.

19. Before the appointment of new directors, the board should determine what new attributes, skills and knowledge are needed and ensure that the appointment fills this gap. Candidates should be formally interviewed and appointed on merit.
20. The board should ensure that the procedures for joining and leaving the board are well documented and understood by those concerned. The term of office of governing board members should not be more than nine years (either two terms of four years or three terms of three years) unless there is exceptional justification.
21. All members of the governing board should give sufficient time to the organisation to carry out their responsibilities effectively. This includes preparing for meetings and sitting on board committees and other governance bodies where needed. The expected time commitment is made clear to the members of the governing board before nomination or appointment and again on acceptance of nomination or appointment.
22. The board should ensure that at least every two years, it reflect on its own performance and functioning as a team; and find a way of assessing the individual performance of the directors including the Board Chair and the various sub-committees.
23. The results of these individual and group appraisals and evaluations should be used to make necessary changes and improvements, to inform the creation of appropriate training programmes, and to guide director's tenure renewal and recruitment.
24. The Management (or Executive) Committee has the responsibility for the management of the organisation and delivering the outcomes for which it has been set up. The Management Committee normally provides administrative leadership to the organisation by ensuring the effective management of the organisation and its activities while monitoring the activities of the organisation to ensure they are in keeping with the founding principles, objects, mission, and values.
25. The typical functions of the Management Committee may include:
  - a. Ensuring that the organisation's activities support its vision, mission, purpose, and objectives This may involve safeguarding the fundamental values, ethical principles, and strategic direction set by the board;

- b. Ensuring that all money, properties, and resources are properly used, managed and accounted for. This may involve ensuring that appropriate policies and procedures are in place for staff and for volunteers, and that both the staff and volunteers are properly managed and supported;
  - c. Encouraging and enabling the engagement of key stakeholders, such as users and beneficiaries, in the organisation's planning and decision-making. This may involve identifying those with a legitimate interest in its work (stakeholders) and ensuring that there is regular and effective communication with them about the organisation; and
  - d. Being open and accountable to stakeholders about its own work and the governance of the organisation.
26. The Management Committee is headed by the Chief Executive Officer who is accountable to the board. The CEO should not be the only executive director on the board.
27. The authority of the CEO and the relationship between the office and the board should clearly be spelt out in a letter of appointment.
28. NFP organisations should consider having a Secretary who shall be responsible for supporting the Chairman and the governing board in ensuring the smooth functioning of the Board. The Secretary should be responsible to the board and should have functions that include:
- a. Ensuring that meetings of the NFP organisation, such as general assembly or annual general meetings, Board meetings, Committees meetings, etc, are effectively organised and minutes of such meetings properly recorded; and
  - b. Ensuring that the NFP organisation complies with all legal requirements regarding its existence and operation.
29. NFP organisations should consider having a Treasurer who shall have general financial oversight of the organisation, and shall be responsible for financial planning, budgeting, financial reporting, banking, and book-keeping. The Treasurer should also:
- a. Ensure that appropriate financial systems and controls are in place and complied with; and
  - b. Ensure compliance with relevant legislation and ensure that record keeping, and accounts meet statutory requirements and conditions of funders.

30. Some NFP organisations (e.g., religious, and political organisations) should consider establishing a General Assembly to serve as the highest decision maker for some important decisions and to hold the Governing Board to account. Those decisions or activities that need to be ratification of the General Assembly should be clearly outlined in the organisation's Constitution, but will typically include the appointment and removal of directors.
31. The membership of the General Assembly should ideally be all members of the NFP organisation. Where the size of the organisation makes it impracticable to have all members in a meeting, clear modalities should be in place to compose the General Assembly to reflect the generality of the members.
32. The Governing Board of the NFP organisation should convene a general assembly or an annual general meeting each year in addition to any other meetings as may be provided for in its Constitution/Charter/Articles of Association or other statutes.
33. The Governing Board should ensure that all members of the NFP organisation (including the members of the General Assembly) are treated fairly at all times and are adequately protected from abusive actions.
34. The governing board should ensure that members of the NFP organisation (including the members of the General Assembly) are furnished with adequate information on the state of finances and other activities of the NFP organisation. Where these are rendered electronically, the board should ensure that they are rendered to members promptly and in a secure manner.
35. Some NFP organisations have Founders or Leaders who occupy special positions in the organisation and sometimes yield enormous power and reverence. Where the positions of Founder and Leader are not held by one and the same person, only the Founder (not the Leader) can have an indefinite term.
36. Ideally, the Founder or Leader of the NFP organisation should not simultaneously occupy any of the two governance structures (Governing Board and Executive Committee). This is to ensure the separation of powers and to avoid possible concentration of powers in one individual.

37. The Founder or Leader may however choose – subject to the agreement of the organization’s apex authority (e.g., Annual General Assembly) – only one of these two governance positions subject to his current tenure.
38. In the case of religious or cultural organisations, nothing in this code is intended to change the spiritual leadership and responsibilities of Founders, General Overseers, Pastors, Imams and Muslim Clerics, Presidents, Bishops, Apostles, Prophets, etc. which are distinguishable from purely corporate governance and management responsibilities and accountabilities of the entities.
39. The leadership of educational institutions, especially at the higher education sector, need to reflect the “Nolan Principles of Public Life” in their personal behaviours. The Nolan Principles form the basis of the ethical standards expected of public office holders, and include selflessness, integrity, objectivity, accountability, openness, honesty, and leadership (see Appendix III for details).

## **CONTROLS**

40. The governing board should put a system in place to manage risk, safeguard assets and resources of the organisation and to ensure compliance to relevant legislation. To achieve this, the board should consider setting up Audit and/or Risk Management Committee(s).
41. Audit and/or Risk Management Committee(s) should have at least two directors serving on it. Ideally, the Chair of the governing board should not serve on the Audit Committee. Members of the Audit and/or Risk Management Committee(s) should be independent of any interest that may unduly influence their objectivity.
42. The main role and responsibilities of the Audit and/or Risk Management Committee should be set out in written terms of reference. The Audit and/or Risk Management Committee should typically be responsible for audit, internal control and risk management of the NFP organisation.
43. The Audit and/or Risk Management Committee should comprise of individuals who collectively possess a good understanding of internal controls, finance, and financial reporting. At least one of the members of the committee must have sound knowledge of accounting and financial management.

44. Members of the Audit and/or Risk Management Committee should receive appropriate information, advice and training to enable them carry out their roles effectively.
45. The governing board of NFP organisation needs to ensure complete inventory of all the assets of the organization, both non-current assets and current assets wherever they may be situated. The assets of a NFP organisation are donated or acquired by the organization in order to advance the charitable objectives of the organisation and are normally intended towards that use alone.
46. The governing board should consider prohibiting assets of the NFP organisation being used for purposes other than the intended charitable objective, and limit or prohibit founders, directors, managers and volunteers having control over the assets of NFP organisation for their personal use.
47. Where the assets of the NFP organization are currently in the custody of any person, whether being used or not, such assets must be identified, and the custodian must be made to admit the interest and control of the organization over such assets.
48. Where any form of assets has been bought by the organization for the use of a Founder or eminent member, such assets remain under the control of the organization who also retains legal ownership. This position is different when members voluntarily donate cash or other assets outside the purview of the organization's control as a gift to such persons, in which case, such assets belong to such persons personally. The basis of any personal donations or gift must be clearly stated to facilitate proper accountability for organizational assets. The use of organisational resources for such gifts must be discouraged, if not prohibited.
49. The board of every NFP organisation should consider establishing a whistle-blower policy that encourages individuals to report credible information on illegal practices or violations of policies of the organization. The whistle-blower must specify that the organization will protect the individual (whistle-blower) from retaliation and identify the parties to whom such information can be reported. The whistle-blower policy should be known to employees, stakeholders such as contractors, service providers and the general public.
50. A whistle-blower is any person including the employees, management, directors, service providers, and other stakeholders of the NFP organisation who report any form of unethical behaviour or dishonesty to the appropriate internal authority or external regulators.

## **GENUINE DISCLOSURES**

51. NFP organisations should as far as possible operate in an open and transparent manner and to provide relevant information to stakeholders to be able to assess the effectiveness or otherwise of the organisation.
52. The NFP organisation should prepare annual financial statement in accordance with approved framework of accounting and financial reporting issued by the Institute of Chartered Accountants (Ghana) and other relevant International Accounting Standards.
53. Audited annual financial statements shall be distributed to relevant stakeholders after the Audit and/or Risk Management Committee has reviewed them, and the Governing Board has approved them.
54. Directors are stewards of the NFP organisation's financial and other resources. The governing board should ensure that the financial resources are used to further the NFP organisation's objectives and that the organisation's funds are appropriately accounted for by regularly receiving and reviewing up-to-date financial statements and any auditors' letter or Audit and/or Risk Committee reports.
55. The board should view maintaining the integrity and interest of the organisation as a primary overriding duty. Directors should act reasonably at all times in the interests of the organisation and of its present and future beneficiaries, users and relevant stakeholders. All individual board members should maintain high ethical standards and ensure that conflicts of interest are promptly disclosed and appropriately dealt with. The Secretary must keep a register of such interests that are disclosed.
56. The governing board should ensure that the NFP organisation's annual report includes a corporate governance report that conveys to stakeholders' clear information on the strength of the organisation's governance structures, policies and practices. The report should typically include the following:
  - a. Composition of the board of directors stating the names of the chairman, the chief executive officer, the executive and non-executive directors as well as any independent non-executive directors;



- b. The number of meetings of the board and its committees held during the year and the attendance of individual directors at those meetings;
  - c. Aggregate tenure of each director (years and months) at the end of the reporting period;
  - d. Aggregate tenure of the external auditor (years and months) at the end of the reporting period;
  - e. Company's sustainability policies and programmes; and
  - f. A detailed list of all the fines and penalties (including date, amount, and subject matters) paid to regulators in the financial year for infractions of this Code or other regulations.
57. The governing board should ensure that the organisation has a website through which it publicises its activities and programmes. The organisation's Annual Report and Accounts should be made available at its website.

## **HUMANE ENGAGEMENTS**

58. NFP Organisations should identify those with a legitimate interest in its work (stakeholders) and ensure that there is regular and effective communication with them about the organisation. The NFP organisation should strive for a healthy relationship with its stakeholders.
59. The board should encourage and enable the engagement of key stakeholders, such as funders, donors, staff, volunteers, members and beneficiaries, suppliers, local community, etc. in the organisation's planning and decision-making.
60. In the interest of transparency and accountability, the governing board of the NFP organisation should ensure that:
- a. information about the organisation and its activities are readily available to members of the public except those that are designated as being confidential in order to protect personal privacy or commercial confidentiality;
  - b. stakeholders have the unfettered opportunity to hold the Directors of the organisation to account for their stewardship and the procedures for doing so are adequately communicated;

- c. the principles of equality and diversity are applied, and that information and meetings are available to all sections of the community; and
  - d. all codes and standards of practice applicable to the organisation are publicly accessible.
- 61. The board makes sure there is suitable consultation with stakeholders about significant changes to the charity's services or policies.
- 62. The governing body of NFP organisations should ensure the organisation is accessible and relevant to its local communities, and should be open to, and engage with, their local communities in identifying their role in delivering public/community benefit and economic, civic duties, cultural and social growth.
- 63. For educational institutions, the governing body needs to ensure that the activities of the institution are in the interests of students (current and future) and other stakeholders. Donations, partnerships, and similar activities must not inappropriately influence the institution's independence, mission or academic integrity.
- 64. In NFP organisations where the members of the governing body or key leaders are appointed by an organisational membership wider than the directors, the board should make sure that the organisation:
  - a. has clear policies on who is eligible for membership of the organisations;
  - b. has accurate and up-to-date membership records; and
  - c. looks for, values, and considers members' views on key issues.

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# **APPENDIX D**

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## **Corporate Governance Directive 2018 (Bank of Ghana)**

**For Banks, Savings and Loans Companies, Finance Houses and Financial Holding  
Companies**



**BANK OF GHANA**

# **CORPORATE GOVERNANCE DIRECTIVE 2018**

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*For Banks, Savings and Loans Companies, Finance Houses and  
Financial Holding Companies*

**DECEMBER 2018**

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## PART I - PRELIMINARY

### Title

1. This Directive may be cited as the Corporate Governance Directive, 2018.

### Revocation

2. This Directive shall supersede the Banking Business - Corporate Governance Directive 2018 issued in March 2018. The Banking Business-Corporate Governance Directive 2018 issued in March 2018 is hereby revoked.

### Application

3. This Directive is issued under the powers conferred by Sections 56 and 92(1) of the *Banks & Specialised Deposit Taking Institutions Act, 2016 (Act 930)* and shall apply to Banks, Savings and Loans Companies, Finance Houses and Financial Holding Companies licensed or registered under Act 930.

### Interpretation

4. In this Directive, unless the context otherwise requires,

**"Act 930"** means the *Banks & Specialised Deposit-Taking Institutions Act, 2016 (Act 930)*.

**"Alternate Director"** means a person appointed by an existing director to act in his absence from the jurisdiction or inability for any other reason to act as a director. Such a person shall have the same powers to attend, speak and vote at meetings as the principal director would have had for a period not exceeding six (6) months.

**"Board"** means the board of directors of a Regulated Financial Institution.

**"Corporate Governance"** means the manner in which the business and affairs of a Regulated Financial Institution is governed by its Board and Senior Management, including how its strategy and objectives are set; its

risk appetite/tolerance are determined; its day-to-day business is operated; interests of depositors are protected and shareholders obligations are met, taking into account the interests of other recognised stakeholders; and aligning corporate activities and behaviour with the expectation that it will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

**“Cross Directorship”** means a situation where two (2) or more directors of a Regulated Financial Institution serve on the board of another institution.

**“Duty of Care”** includes the duty of a director to act in utmost good faith towards a Regulated Financial Institution and to act at all times in the best interest of the Regulated Financial Institution so as to preserve its assets, further its business and promote the purposes for which it was formed.

**“Duty of Loyalty”** includes a director’s duty not to act in his own interest, or the interests of another person(s), so as not to conflict with the interest of the Regulated Financial Institution or the director’s fiduciary duty to the Regulated Financial Institution.

**“Executive Director”** means a director who has defined management responsibilities in addition to their function as director.

**“Independent Director”** means a non-executive director who has the ability to exercise objective, independent judgment after fair consideration of all relevant information and views without undue influence from management or from inappropriate external parties or interests. However, a non-executive director who represent the interests of shareholders or has some form of connection with the Regulated Financial Institutions will not be considered as an independent director.

**“Key Management Personnel”** means the chief executive officer or managing director, deputy chief executive officer, chief operating officer, chief finance officer, Board secretary, treasurer, chief internal auditor, the chief risk officer, the head of compliance, the anti-money laundering reporting officer, the head of internal control functions, the chief legal officer, the manager of a significant business unit of the a Regulated Financial Institution.



**"Non-Executive Director"** means a director other than an executive director, who is not an employee of the Regulated Financial Institution and does not hold any other office in the institution in conjunction with his office as a director.

**"Regulated Financial Institution"** means a bank, savings and loans company, finance house or financial holding company regulated under Act 930.

**"Related Persons"** includes a spouse, son, daughter, step son, step daughter, brother, sister, father and mother, cousin, nephew, niece, aunt, uncle, step sister and step brother of a shareholder, director or Key Management Personnel.

**"Related Party"** in relation to business transactions means a company/entity in which

- a) The Regulated Financial Institution or any of its Directors or Key Management Personnel have equity interest of at least 5%;
- b) A director(s) of the Regulated Financial Institution also serves as a director(s) of the company/entity;
- c) A director or Key Management Personnel of the Regulated Financial Institution has influence in the company/entity.

**"Senior Management"** means members of the Executive Management Committee (EXCO) of a Regulated Financial Institution and any other Key Management Personnel as may be determined by the Regulated Financial Institution.

**"Significant Shareholder"** means a shareholder with direct or indirect holdings which represent five percent (5%) or more of the capital or of the voting rights.

**"Specialised Deposit-Taking Institution"** means a body corporate which engages in deposit taking business and is issued with a licence to engage in the deposit-taking business in accordance with Act 930.

## Objectives

5. The objectives of this directive are —

- a) to require Regulated Financial Institutions to adopt sound corporate governance principles and best practices to enable them under take their licensed business in a sustainable manner.
- b) to promote the interest of depositors and other stakeholders by enhancing corporate performance and accountability of the Regulated Financial Institutions.
- c) to promote and maintain public trust and confidence in Regulated Financial Institutions by prescribing sound corporate governance standards which are critical to the proper functioning of the banking sector and the economy as a whole.

## **PART II— RELEVANT LEGAL REQUIREMENTS**

### **Disqualification of Directors, Employees and Key Management Personnel**

6. Section 58 of Act, 930 prohibits a person from being appointed or elected or from accepting an appointment or election as a director, Chief Executive Officer or Key Management Personnel of a Regulated Financial Institution if that person
- a) has been adjudged to be of unsound mind or is detained as a person with a mental disorder under any relevant enactment;
  - b) has been declared insolvent, has entered into any agreement with another person for payment of that person's debt and has suspended payment of the debt;
  - c) has been convicted of an offence involving fraud, dishonesty or moral turpitude;
  - d) has been a director, Key Management Personnel associated with the management of an institution which is being or has been wound up by a court of competent jurisdiction on account of bankruptcy or an offence committed under an enactment;
  - e) is a director or Key Management Personnel of another bank, specialised deposit taking institution or financial holding company in the country;
  - f) is under the age of eighteen years (18 years);
  - g) does not have the prior written approval of the Bank of Ghana ; or
  - h) has defaulted in the repayment of the financial exposure of that person.

### **Disclosure of Interest by Directors**

7. Section 59 of Act 930 requires a person, before assuming office as a director or Key Management Personnel of a Regulated Financial

Institution , to declare to the Board of that Regulated Financial Institution and the Bank of Ghana;

- a) the professional interests of that person or the office that person holds as manager, director, trustee or by any other designation; and
- b) the investment or business interests of that person in a firm, company or institution as a significant shareholder, director, partner, proprietor or guarantor, with a view to prevent a conflict of interest with the duties or interests of that person as a director, or Key Management Personnel of the Regulated Financial Institution.
- c) A director or Key Management Personnel of a Regulated Financial Institution shall declare to the Board of that Regulated Financial Institution and the Bank of Ghana any material change in business interest or holding of an office when a change in (a) and (b) above occurs.

8. Section 59 (3) of Act 930 requires a director of a Regulated Financial Institution who has an interest in a

- a) proposed credit facility to be given to a person by the Regulated Financial Institution or
  - b) transaction that is proposed to be entered into with any other person
- to declare the nature and the extent of that interest to the Boards whether directly or indirectly and shall not take part in the deliberations and the decision of the Board with respect to that request.

### **Intervention of the Bank of Ghana in Appointments**

9. Section 60 of Act 930 prescribes, among others, the following:

- a) A Regulated Financial Institution shall seek prior written approval of the Bank of Ghana before it appoints a Chief Executive Officer or a Deputy Chief Executive Officer, each of whom shall be ordinarily resident in the country;

- b) A Regulated Financial Institution shall not appoint a Key Management Personnel without the prior written approval of the Bank of Ghana;
- c) The Bank of Ghana shall not grant approval for a person to be appointed as a Chief Executive or Deputy Chief Executive of a Regulated Financial Institution, if in the opinion of the Bank of Ghana that person is not a “fit and proper person, in accordance with Act 930” to be appointed in that capacity;
- d) Where the Bank of Ghana considers, after hearing representations made by that Regulated Financial Institution, that a director or Key Management Personnel is not a fit and proper person, to act in that capacity, the Bank of Ghana shall direct the removal of such person(s) from the Board within one (1) month from the date of the directive.

## **PART III— SOUND CORPORATE GOVERNANCE STANDARDS**

### **Board's Overall Responsibility**

10. The Boards shall have overall responsibility for the Regulated Financial Institution, including approving and overseeing the implementation of the strategic objectives, risk strategy, corporate governance and corporate values. The Board shall be responsible for appointing and providing oversight of Senior Management. These responsibilities should be set out in the formal charter of the Board.
11. The Board shall ensure that a well-structured and rigorous selection system is in place for the appointment of Key Management Personnel of the Regulated Financial Institution.

### **Annual Certification**

12. a) Within 90 days after the beginning of each financial year, the Board shall provide a certification in the annual report as to the compliance of the Regulated Financial Institution or otherwise with the contents of this Directive. Additionally, the certification should state that,
  - (i) The Board has independently assessed and documented whether the corporate governance process of the Regulated Financial Institution is effective and has successfully achieved its objectives or otherwise.
  - (ii) Directors are aware of the responsibilities to the Regulated Financial Institution as persons charged with governance.
- b) The Board shall report any material deficiencies and weaknesses that have been identified in the course of the year, along with action plans and timetables for corrective action by the Board to the Bank of Ghana.
- c) Directors are required to obtain certification from the National Banking College or any other institution recognised by the Bank of Ghana to the effect that they have participated in a corporate

governance programme and have completed a programme on directors' responsibilities.

### **Business Strategy**

13. a) Pursuant to its overall responsibility, the Board shall approve and monitor the overall business strategy of the Regulated Financial Institution, taking into account long-term financial interest of the Regulated Financial Institution, its exposure to risk, and its ability to manage risk effectively.
- b) The Board shall approve and oversee the formulation and implementation of the following in relation to the *Regulated Financial Institution*;
- (i) overall risk strategy, including its risk tolerance/appetite;
  - (ii) policies for risk, risk management and compliance, including anti-money laundering and combating the financing of terrorism (AML/CFT) risk;
  - (iii) internal controls system;
  - (iv) corporate governance framework, principles and corporate values including a code of conduct or comparable document; and
  - (v) compensation system.

### **Duty of Care and Loyalty**

14. The members of the Board shall exercise a "duty of care" and a "duty of loyalty" to the Regulated Financial Institution at all times.

### **Corporate culture and values**

15. The Board shall establish the corporate culture and values of the Regulated Financial Institution that promote and reinforces norms for responsible and ethical behaviour in terms of the Regulated Financial Institution's risk awareness, risk-taking and risk management.

To promote sound corporate culture in the Regulated Financial Institution, the Board shall take the lead in establishing the “tone at the top” by;

- ① Setting and adhering to corporate values for itself, key management and employees that create expectations that business should be conducted in a legal and ethical manner at all times
- (i) Ensuring that appropriate steps are taken to communicate throughout the Regulated Financial Institution, the corporate values, professional standards it sets together with supporting policies and appropriate sanctions for unacceptable behaviours.

### **Related Party Transactions**

- 16. The Board shall ensure that transactions with related parties (including internal group transactions) are reviewed to assess risk and are subject to appropriate restrictions (e.g., by requiring that such transactions be conducted on non-preferential terms/basis) and applicable legislation and other requirements such as those prescribed under sections 67 to 70 of Act 930 regarding exposure limits for loans to related parties and staff.

### **Plan for Succession**

- 17. The Board shall select, subject to approval by the Bank of Ghana where applicable, and replace, where necessary, Key Management Personnel and put in place an appropriate plan for succession. The succession plan shall focus on developing human resources to enable the Regulated Financial Institution to retain a pool of qualified candidates who are ready to compete for key positions and areas when they become vacant to ensure effective continuity of the deposit-taking business.

### **Key Management Oversight – Board**

- 18. The Board shall provide oversight of Senior Management as part of the Regulated Financial Institution checks and balances and shall;
  - a) monitor and ensure the actions of Senior Management are consistent with the strategy and policies approved by the Board, including the risk tolerance/appetite and risk culture;



- b) meet regularly with Senior Management;
- c) question and review critically explanations and information provided by senior management;
- d) ensure that the knowledge and expertise of senior management remain appropriate given the nature of the business and the Regulated Financial Institution's risk profile.
- e) Oversee the implementation of appropriate governance framework for the Regulated Financial Institution.
- f) Ensure that appropriate succession plans are in place for senior management positions.
- g) Oversee the design and operation of the Regulated Financial Institution, compensation system, monitor and review the system to ensure that it is aligned with the desired risk culture and risk appetite of the Regulated Financial Institution.
- h) Have the responsibility to approve the overall internal control framework of the Regulated Financial Institution and monitor its effectiveness

### **Separation of Powers**

19. There shall be a clear division of responsibilities at the top hierarchy of the Regulated Financial Institution. The positions of the Board Chair and the Managing Director/Chief Executive Officer shall be separate. No one individual shall have unfettered powers of decision in any Regulated Financial Institution and therefore no individual shall combine the two (2) top positions in any Regulated Financial Institution at the same time.

The two (2) top positions of Board Chair and Managing Director/Chief Executive Officer in a Regulated Financial Institution shall not simultaneously be occupied by foreigners. One of these positions shall be occupied by a Ghanaian national.

20. No two (2) Related Persons shall occupy the positions of Board Chair and Managing Director/Chief Executive Officer of a Regulated Financial Institution.

### **Independent Director**

21. An independent director shall be non-executive and shall not;
- a) have more than five percent (5% )equity interest directly or indirectly in the Regulated Financial Institutions or in its related companies;
  - b) be employed in an executive position in the Regulated Financial Institution or its related company at least two (2) years prior to his appointment date;
  - c) have relatives employed by the Regulated Financial Institution or any of its related companies as Key Management Personnel in the last two (2) years;
  - d) have engaged in any transaction within the last two (2) years with the Regulated Financial Institution on terms that are less favourable to the Regulated Financial Institution than those normally offered to other persons; or
  - e) have served as a director in the Regulated Financial Institution continuously for more than two (2) terms unless the director can affirm that his/her independence is not impaired.
  - f) be related to persons with significant shareholding in the Regulated Financial Institution or have any business or employment connections to a significant shareholder.
  - g) hold cross directorship position(s) with another director(s) on the Board of other institutions
  - h) be a director on the Board of an institutional shareholder with significant equity interest in the Regulated Financial Institution.

22. Independent directors in the case of state-owned banks, are directors appointed by government of Ghana in its capacity as a shareholder who in the reasonable opinion of the Bank of Ghana, are able to exercise independent judgement in relation to their role as directors of the Regulated Financial Institution and who are neither employees of the Regulated Financial Institutions, civil or public servants or other government officials, persons with direct links with government, nor persons who are actively engaged in party politics.

### **Board Qualifications and Composition**

23. Board members shall be and remain qualified, including through training, for their positions. They shall have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgement about the affairs of the Regulated Financial Institution. They shall possess, individually and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity.
24. The competencies of Boards shall be diverse to facilitate effective oversight of Management and shall ideally cover a blend of the following fields: Banking, Law, Finance, Accounting, Economics, Information Technology, Business Administration, financial analysis, Entrepreneurship, Risk Management, Strategic planning and Corporate Governance and other areas that the Bank of Ghana deems fit.
25. The Board shall collectively have a reasonable knowledge and understanding of local, regional and where appropriate, global economic market forces as well as legal and regulatory environment in which the Regulated Financial Institution and its subsidiaries operate.
26. Ghanaian nationals, ordinarily resident in Ghana, shall constitute at least thirty percent (30%) of the Board composition of a Regulated Financial Institution.
27. Independent Directors shall constitute at least 30% (thirty percent) of the composition of the Board of a Regulated Financial Institution.

28. No Regulated Financial Institution shall have more than two (2) members serving on its Board that are Related Persons.

### **Board Size and Structure**

29. The Board shall have at least five (5) members including the Chairperson and a maximum of thirteen (13) members, the majority of which must be non-executive and ordinarily resident in Ghana. There shall be an appropriate balance of power and authority on the Board between the executive and non-executive directors such that no one individual or group shall dominate the Board's decision-making process.
30. Where a Regulated Financial Institution is a member of a financial holding company, NOT more than two (2) Related Persons shall be allowed to serve on the Boards of the bank and the financial holding company.

### **Directors' Appointments and Managing Director/Chief Executive Officer Tenure**

31. The procedure for appointment of directors to the Board shall be formal and transparent and shall conform to the Directive issued by the Bank of Ghana on fit and proper persons.
32. The tenure of the Managing Director/Chief Executive Officer of a Regulated Financial Institution shall be in accordance with the terms of engagement with the Regulated Financial Institution which shall be subject to a maximum of twelve (12) years. Such tenure may be split into three (3) terms not exceeding four (4) years per term.

### **Appointment of Key Management Personnel**

33. Every Regulated Financial Institution shall submit to the Bank of Ghana before it appoints a Key Management Personnel, a comprehensive report on the due diligence conducted on proposed nominees as Key Management Personnel. This submission shall be made in conjunction with the requirements under of Section 60 of Act 930.
34. Where a director or Key Management Personnel associated with the management of an institution whose licence has been revoked by the

Bank of Ghana is to be appointed by a Regulated Financial Institution, the Bank of Ghana may exercise its discretion on whether to approve such appointment after hearing representations made by the appointee.

### **Alternate Director**

35. A director may in respect of any period not exceeding six (6) months in which he/she is absent from Ghana or unable for any reason to act as a director, appoint another director or any person approved by a resolution of the Boards, as an alternate director. Such a director shall not be required to hold any share qualification and shall be appointed in accordance with section 188 of the Companies Act, 1963 (Act 179)

### **Board Chairperson**

36. (a) The Chairperson of the Board shall be an independent director and shall be ordinarily resident in Ghana unless it can be demonstrated to the Bank of Ghana that the position can be held effectively by a non-resident who is able to attune the strategic direction of the Regulated Financial Institution with the developments in Ghana. The Chairperson shall provide leadership to the Board and ensure that Board decisions are taken on a sound and well-informed basis. The Chairperson should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.
- b) The Chairperson shall encourage constructive relationship within the Board and between the Board and Management.
- c) To promote checks and balances in the governance structure of Regulated Financial Institutions, the Board chairperson shall not serve as a chair of any of its Board sub-committee.
37. The Board Chair shall be proposed for re-election within the maximum tenure of two (2) terms consisting of three (3) years per term.

## **Role of Board Secretary**

38. The Board Secretary shall serve as an interface between the Board and Management and shall support the Chairperson in ensuring the smooth functioning of the Board. The Board Secretary shall advise the Board on matters relating to statutory duties of the directors under the law, disclosure obligations, and company law regulations as well as on matters of corporate governance requirements and effective Board processes.

The Board Secretary shall ensure that directors are provided with complete, adequate and timely information prior to Board meetings. The Secretary shall be appointed by the directors for such term and remunerations they may think fit, and may be removed by the Board, but without prejudice to any claim for damages for breach of any contract of service with the Regulated Financial Institution.

## **Board Meetings**

39. A Regulated Financial Institution shall hold at least four (4) Board meetings per financial year. For convenience Board meetings can also be arranged and conducted via teleconference.
40. A director has a duty to attend Board meetings regularly and to effectively participate in the conduct of the business of the Board. A Regulated Financial Institution shall have a policy that requires the Board to meet at least once every quarter.
41. A member of the Board shall attend at least 50% (fifty percent) of the Board meetings of the Regulated Financial Institution in any financial year. This is to ensure that every Board member discharges his or her duties and responsibilities effectively and to qualify for re-election. In the event that a member of the Board does not attend the meetings regularly in a financial year, the Board Chairperson shall recommend the removal of such persons from the Board based on non-performance subject to shareholders approval.
42. A Director is deemed to have attended a Board meeting if that Director participates in the meeting via teleconference for the entire duration of the meeting.

43. The Board shall disclose in the corporate governance section of its annual report, the total number of Board meetings held in the financial year and the attendance by each director.
44. The Board shall discuss the business affairs of the Regulated Financial Institution through reports as submitted by management in writing. The reports should include among others:
- a) a summary of financial statements and performance review against the approved budget, business plan, peers and industry;
  - b) the extent to which the bank is exposed to various risks such as credit, liquidity, interest rate, foreign exchange, operational and other risks;
  - c) review of non-performing loans, related party transactions and credit concentration;
  - d) activities of the Regulated Financial Institution in the financial market and in its "nostro" accounts;
  - e) effectiveness of internal control systems and human resource issues;
  - f) outstanding litigations and contingent liabilities;
  - g) Compliance with Anti-Money Laundering/ Counter Financing of Terrorism (AML/CFT) policies, laws and regulations;
  - h) List of related party exposures and their classification.

#### **Other Engagements of Directors**

45. To ensure that directors give greater time commitment to their oversight function in the Regulated Financial Institution, no director shall
- a) hold more than five (5) directorship positions at a time in both financial and non-financial companies (including off-shore engagements) subject to the restriction against concurrent directorships in banks under section 58(1)(e) of Act 930. Directors' other engagements shall be disclosed in the annual accounts of the Regulated Financial Institution.

## Board Performance Evaluation

46. The Board shall carry out regular evaluation or self-assessment of its performance as a whole, including its sub-committees, and of individual Board members in order to review the effectiveness of its own governance practices and procedures including on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) issues, to determine where improvements may be needed and make any necessary changes.
47. The Board shall in addition to the above, undertake a formal and rigorous evaluation of its performance with external facilitation of the process every two (2) years.

## Report on Board Evaluation

48. An in-house performance evaluation of the Board shall be conducted annually and a copy of the results shall be submitted to the Bank of Ghana not later than **30<sup>th</sup> June** of each year.
  - a) A separate in-house performance evaluation of the Board on AML/CFT issues shall be submitted to the Bank of Ghana and the Financial Intelligence Centre for June and December each year before the end of the quarter following the evaluation period.
  - b) A statement on the external evaluation of the Board shall be included as a separate section of the annual report of Regulated Financial Institution and a detailed copy of the report submitted to the Bank of Ghana.

## Board Sub-Committees

49. The Board shall establish certain specialized Board sub-committees, the number and nature of which depends on the size and complexity of the Regulated Financial Institution and its Board and risk profile.



50. At a minimum, a Regulated Financial Institution shall have two (2) Board sub-committees, namely: an **Audit Committee** and a **Risk Committee** both of which shall be chaired by **independent** directors.
51. Other Board sub-committees may be established on optional basis per size, complexity, business lines and risk profile of the Regulated Financial Institution. Such committee(s) shall be chaired by a **non-executive** director(s) with the requisite qualification and experience in the specific functions of the committee.
52. The Board Chairperson shall not head or chair any of the Board sub-committees and is only permitted to serve on one (1) Board sub-committee as a member other than the risk and audit sub-committees.
53. The Board shall issue in writing the terms of reference for each sub-committee which shall be contained in a charter which sets out the committee's mandate, scope and procedures. A copy of the charter shall be submitted to the Bank of Ghana.

#### **Audit Committee**

54. The audit committee of the Board shall consist solely of non-executive directors, the majority of which shall be Independent Directors. Members of the committee must be competent in accounting, auditing and finance and the committee shall have oversight of the Regulated Financial Institution's internal and external audit functions, among others as may be prescribed by the Board. The chairperson of the committee shall be an independent director and shall not be the chair of the Board or any other committee.

#### **Risk Committee**

55. The Risk Committee should be responsible for advising the Board on the Regulated Financial Institution's overall current and future risk tolerance/appetite and strategy of the Regulated Financial Institution for various risks including AML/CFT risk and for overseeing Senior Management's implementation of the risk strategy. The committee shall be chaired by an experienced **independent director** who is knowledgeable in risk management, finance, accounting, economics

and other business skills. The Bank of Ghana's minimum requirement for risk governance structure is set out in Appendix 1.

56. Each of the two (2) sub-committees shall have at least thirty percent (30%) of its members being Ghanaians who are ordinarily resident in Ghana.
57. The Chief Risk Officer and the Chief Internal Auditor shall report directly to the MD/CEO and Audit Sub-Committee of the Board respectively.

### **Other Committees**

58. The Board may establish on an optional basis other committee such as the:
  - a) Remuneration committee to oversee the design and operation of the compensation system, and ensures that compensation is appropriate and consistent with the culture, long-term business interest and risk strategy of the Regulated Financial Institution.
  - b) Nominations/human resources/governance committee to recommend new members of the Board or Senior Management and to undertake assessment of Board and Senior Management.
  - c) Ethics/compliance committee to ensure that the Regulated Financial Institution has the appropriate means for promoting proper decision making and compliance with laws, regulations and internal rules.

### **Conflicts of Interest**

59. The Board should have formal written conflicts of interest policy and an objective compliance process for implementing the policy. The policy should at the minimum include:
  - a) the duty of the director to avoid possible activities that could create conflicts of interest;

- b) a review or approval process for directors to follow before they engage in certain activity so as to ensure that such activity will not create a conflict of interest;
  - c) the duty of the director to disclose in addition to section 59 of the Act, any matter that may result, or has already resulted in a conflict of interest;
  - d) the responsibility of the director to abstain from voting as prescribed under section 59 of the Act and on any matter where the director may have conflict of interest;
  - e) adequate procedures for transactions with related parties to be made on a non-preferential basis; and
  - f) the way in which the Board will deal with any non-compliance with the policy.
60. The Board shall ensure that appropriate public disclosure is made in the annual reports and information relating to the policies of the Regulated Financial Institution on conflict of interest and potential material conflicts of interest as provided to the Bank of Ghana on quarterly basis.
61. The Board shall maintain an up-to-date register for documenting and managing conflict of interest situations in the Regulated Financial Institution.

### **Group Structures**

62. The Board of a financial holding company shall have the ultimate responsibility for the adequate corporate governance across the group. The Board shall ensure that there are governance policies and mechanisms appropriate to the structure, business and risk of the group and its entities.

### **Senior Management Duties**

63. Under the direction of the Board, Senior Management shall:

- a) ensure that the regulated activities of the Regulated Financial Institution is consistent with the business strategy, risk tolerance/appetite and policies approved by the Board;
- b) establish a management structure that promotes accountability and transparency; and
- c) Implement appropriate systems for managing risks – both financial and non-financial - to which the Regulated Financial Institution is exposed.
- d) Engage skilled and competent staff and provide training and development opportunities to sustain the delivery of short and long-term business objectives, the risk management framework and protect the reputation of the Regulated Financial Institution.

### **Risk Management and Internal Controls**

- 64. The Board shall ensure that the Regulated Financial Institution has effective internal controls systems and a risk management function (including Chief Risk Officer or equivalent) with sufficient authority, stature, independence, resources and access to the Board.

### **Risk Management Function**

- 65. The Board shall establish the risk management function as set out in Appendix 1 which shall be responsible for: identifying key risks to the Regulated Financial Institution; assessing those risks and the Regulated Financial Institution's exposure to the identified risks; monitoring the risk exposures and determining the corresponding capital needs on an on-going basis; monitoring and assessing decisions to accept particular risks, risk mitigation measures and whether risk decisions are in line with the Board approved risk tolerance/appetite and risk policy; and submitting risk management reports to Senior Management and the Board.

## **Chief Risk Officer**

66. A bank shall have a Chief Risk Officer (CRO) as set out in Appendix who shall be an independent Key Management Personnel (who has no involvement in the operations of the bank) with distinct responsibility for the risk management function and the comprehensive risk management framework of the bank across the entire organization. The independence of the CRO is paramount and the role shall be distinct from other executive functions and business line responsibilities. The CRO shall report to the Chief Executive Officer with an unfettered reporting access to Board and its risk committee. Interaction between the Board and the CRO shall be regular and comprehensively documented.

## **Internal Controls**

67. Internal controls shall be designed to ensure that each key risk has a policy, process or other measure, as well as a control to ensure that such policy, process or other measure is being applied and works asintended. Internal controls shall help provide comfort that financial and management information is reliable, timely and complete and that the Regulated Financial Institution is in compliance with its various obligations, including applicable laws and regulations.

## **Chief Internal Auditor**

68. Every Regulated Financial Institution shall have a Chief Internal Auditor (CIA) as set out in Appendix 1 who shall be an independent Key Management Personnel who has no involvement in the audited activities and business line responsibilities of the Regulated Financial Institution. The CIA shall be competent to examine all areas in which the Regulated Financial Institution operates and shall;
- a) have the professional competence to collect and analyze financial information as well as evaluate audit evidence and to communicate with the stakeholders of the internal audit function;
  - b) possess sufficient knowledge of auditing techniques and methodologies;

- c) be a member of a relevant recognized professional body;

The CIA shall report directly to the Board sub-committee on audit or the full Board (depending on size and complexity) and shall have direct access to the Board and its audit committee. Interaction between the Board and the CIA must be regular and comprehensively documented.

### **Group-wide and Bank-wide Risk Management**

- 69. Risks shall be identified and monitored on an on-going group-wide and bank-wide basis, and the sophistication of the risk management and internal control infrastructure - including, in particular, a sufficiently robust information technology infrastructure shall keep pace with developments such as balance sheet and revenue growth, increasing complexity of the deposit-taking business or operating structure and introduction of new business lines.

### **Risk management in Subsidiary Banks**

- 70. The Board and Senior Management of parent banks or financial holding companies shall conduct strategic, group-wide risk management and prescribe group risk policies. The Board and Senior Management of subsidiary Regulated Financial Institution shall have appropriate input into the group-wide risk management policies and assessments of local risks. Adequate stress-testing of subsidiary portfolios shall be done based on both the economic and operating environment of the subsidiary and on potential stress of the parent bank or Financial Holding Company. The results of stress tests and other risk management reports shall be communicated to the Board and Senior Management.

### **Internal and External Audit Functions**

- 71. The Board and Senior Management shall effectively utilize the work conducted by the internal audit functions, external auditors and internal control functions. The Board should recognize and acknowledge that independent, competent and qualified internal and external auditors, as well as other internal control functions, are vital to the corporate

governance process and shall engage the auditors to judge the effectiveness of the risk management function and the compliance function.

## **Compensation System**

72. In terms of compensation:

- a) The Board shall actively oversee the design and operation of the compensation system. The Board shall monitor and review the compensation system to ensure that it is effectively aligned with prudent risk taking;
- b) Levels of remuneration shall be sufficient to attract, retain and motivate executive officers of the bank and this shall be balanced against the interest of the bank in not paying excessive remuneration;
- c) Where remuneration is tied to performance, it shall be designed in such a way as to prevent excessive risk taking;
- d) A committee of independent directors shall determine the remuneration of executive directors;
- e) Executive directors shall not be entitled to sitting allowances and directors' fees;
- f) Non-executive directors' remuneration shall be limited to directors' fees, sitting allowances for Board and committee meetings and shall not be performance-related.
- g) Where share options are adopted as part of executive remuneration or compensation, it shall be tied to performance and subject to shareholders' approval at an annual general meeting (AGM).
- h) Banks shall disclose in the annual reports, details of shares held by directors and related parties.

## **“Know Your Structure”**

73. The Board and Senior Management shall understand the structure and the organization of the group including the aims of its different units/entities and the formal and informal links and relationships among the entities and with the parent company. This includes understanding the legal and operational risks and constraints of the various types of intra-group exposures and transactions and how they affect funding, capital and risk profile under normal and adverse circumstances of the group.

## **Disclosure and Transparency**

74. A Regulated Financial Institution shall submit a list of its significant shareholders, directors and Key Management personnel as at 31<sup>st</sup> of December of every year to the Bank of Ghana by 15<sup>th</sup> January of the following year. The governance of the bank shall also be adequately transparent to its shareholders, depositors, other relevant stakeholders and shall be disclosed in its annual report. The disclosure shall include, but not be limited to, material information on the organizational and governance structures and policies, (in particular the content of any corporate governance code or policy and the process by which it is implemented), major share ownership and voting rights and related parties transactions of the Regulated Financial Institution.

## **Ethics and Professionalism**

75. Regulated Financial Institutions shall establish a code of conduct which shall be made available to all persons to whom it applies. The code shall be reviewed regularly when necessary and shall contain among others:
- a) practices necessary to maintain confidence in the integrity of the Regulated Financial Institution;
  - b) commit the Regulated Financial Institution, its employees, management and Board to the highest standards of professional behaviour, business conduct and sustainable business practices; and



- c) establish a policy to govern trading in the shares of the Regulated Financial Institution by directors, Key Management Personnel and employees.
- d) Sign off by directors and employees that they understand the Code and sanctions for breaching the policy;

### **Cooling-off Period**

- 76. Former Bank of Ghana officers, directors or senior executives shall not be eligible for appointment as a director of a Regulated Financial Institution until after a period of two (2) years following the expiration or termination of their contract of employment or service from the Bank of Ghana.
- 77. A practicing audit professional or partner who is rendering services or had rendered auditing services in the banking industry shall not be appointed as a director of a bank until one (1) year has elapsed since last engagement with any Regulated Financial Institution by that person

## PART V – REMEDIAL MEASURES AND SANCTIONS

### Relevant Provisions of the Act 930

78. The following remedial measures and sanctions under Act 930 shall apply in addition to any other corrective measures and specific directives that the Bank of Ghana may require:
- a) Under section 58 of Act 930 where a person is disqualified to be elected or appointed as a director, Chief Executive Officer or employee of a Regulated Financial Institution, that person shall immediately cease to hold office and the Regulated Financial Institution shall immediately terminate the appointment of that person, otherwise the Regulated Financial Institution or that person shall be subject to fine or imprisonment as provided for in Act 930;
  - b) Under section 59 of Act 930, a person who contravenes the required disclosure of interest shall cease to be a director of the bank;
  - c) Any non-compliance by a Regulated Financial Institution with the requirements under section 60 of Act 930 shall make that Regulated Financial Institution liable to a payment of a fine of One Thousand (1,000) penalty units to the Bank of Ghana;
  - d) A Regulated Financial Institution which fails to comply with the Bank of Ghana directives is liable to pay to the Bank of Ghana under section 92(8) of Act 930, an administrative fine of not less than two thousand (2,000) penalty units and not more than ten thousand (10,000) penalty units ; and
  - e) Under section 102(3) of Act 930, the Bank of Ghana may, amongst others, suspend or remove from office the Chief Executive of that Regulated Financial Institution or restrict the powers of the Chief Executive, or recommend the removal from any or all of the directors on the Board of the Regulated Financial Institution or restrict their powers if it is satisfied that Regulated Financial Institution has, failed to comply with a provision of the Act or rules or directives issued under Act 930, or if a Regulated Financial Institution has been conducting its affairs in a manner detrimental to the interests of its depositors and creditors, or if a Regulated Financial Institution no

longer possesses sufficient net own funds or is unlikely to fulfil its obligations towards its depositors and creditors.

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## **PART VI - TRANSITIONAL PROVISIONS**

For the purpose of compliance with this Directive, the following transitional provisions are to be followed:

79. A Regulated Financial Institution in existence before the coming into force of this Directive that does not meet the required standard, shall have a grace period up till 31<sup>st</sup> March, 2019 to ensure full compliance with the provisions of the Directive in relation to the following:
- a) Business strategy;
  - b) Board qualification and composition;
  - c) Board size and structure;
  - d) Directors' independence;
  - e) Board Secretary;
  - f) Separation of powers;
  - g) Other engagement of directors; and
  - h) Board sub-committees.

### **Tenure of Managing Director/Chief Executive Officer**

80. a) The term of office of a Managing Director or Chief Executive Officer (MD/CEO) of a Regulated Financial Institution shall not be more than four (4) years and may be renewed for additional two (2) terms only in that Regulated Financial Institution.
- b) Despite sub paragraph 80(a), the term of office for a MD/CEO of a Regulated Financial Institution indicated in the contract of employment executed with the Regulated Financial Institution before the coming into force of this Directive may run in full and shall not be renewed where that MD/CEO has cumulatively served for more than twelve (12) years in that Regulated Financial Institution.

- c) A renewal or extension of a contract under sub paragraph 80(b) shall be subject to the renewal guidelines under sub paragraph 80(a) and shall not be for any additional term that brings the cumulated years of service of the MD/CEO in that Regulated Financial Institution and in that capacity, to more than twelve(12) years.
- d) Where the existing contract of the MD/CEO of a Regulated Financial Institution as of the date of coming into force of this Directive does not stipulate a fixed term of office for the MD/CEO, and the MD/CEO has served for twelve years, or more in that Regulated Financial Institution, the Regulated Financial Institution shall by 31st January 2019 submit to the Bank of Ghana for consideration, a succession plan for the appointment of a new MD/CEO. The appointment of the new MD/CEO must be made by 31st December, 2019.
- e) Where the existing MD/CEO does not have a fixed term contract as of the time of coming into force of this Directive and the MD/CEO has served a term less than twelve (12) years cumulatively in that Regulated Financial Institution, the Regulated Financial Institution shall by 31<sup>st</sup> January, 2019 furnish the Bank of Ghana with a written contract stipulating a fixed term of office for the MD/CEO.

#### **Tenure of Board Chair**

- 81. a) The term of office of a Board Chairperson of a Regulated Financial Institution shall not be more than three (3) years and may be renewed for one (1) additional term only in that Regulated Financial Institution.
- b) Despite paragraph 81(a) a Board Chairperson of a Regulated Financial Institution who has been in office for more than six (6) years prior to the coming into force of this Directive shall not be eligible for another term upon the expiration of the current term of his/her appointment in that Regulated Financial Institution.
- c) Where the existing appointment of the Board Chairperson of a Regulated Financial Institution as of the date of coming into force of this Directive does not stipulate a fixed term and the Board Chairperson has served for a period of more than six (6) years in that Regulated Financial Institution, the Regulated Financial Institution shall

by 31st January, 2019 submit to the Bank of Ghana for consideration, a succession plan for the appointment of a new Board Chairperson. The appointment of the new MD/CEO must be made by 31<sup>st</sup> December, 2019.

- d) Where the existing Board Chairperson does not have a fixed term contract as of the time of coming into force of this Directive and the Board Chairperson has served a term less than six (6) years cumulatively in that Regulated Financial Institution, the Regulated Financial Institution shall by 31<sup>st</sup> January, 2019 furnish the Bank of Ghana with a written contract stipulating a fixed term of office for the Board Chairperson.
- e) Where the existing Board Chairperson of a Regulated Financial Institution is not an independent Director as of the date of coming into force of this directive, the Board shall take steps to appoint an independent Chairperson by 31<sup>st</sup> December, 2019.

#### **Tenure of Non-Executive Director**

82. a) The tenure of office of a non-executive director of a regulated financial institution shall not be more than three (3) years and may be renewed for not more than two (2) additional terms in that Regulated Financial Institution.
- b) Despite sub paragraphs 82(a) a non-executive director of a Regulated Financial Institution who prior to the coming into force of this Directive had served in that capacity for nine (9) years or more shall not be eligible for another term upon the expiration of the current term in that Regulated Financial Institution.
  - c) Where the existing appointment of the non-executive director of a Regulated Financial Institution as of the date of coming into force of this Directive does not stipulate a fixed term, and the non-executive director has served for a period of more than nine (9) years in that Regulated Financial Institution, the Regulated Financial Institution shall by 31st January, 2019 submit to the Bank of Ghana for consideration, a succession plan for the appointment of a new non-executive

director. The appointment of the new non-executive director must be made by 31st December, 2019.

- d) Where the existing non-executive director does not have a fixed term contract as of the time of coming into force of this Directive and the non-executive director has served a term less than nine (9) years cumulatively in that Regulated Financial Institution, the Regulated Financial Institution shall by 31<sup>st</sup> January, 2019 furnish the Bank of Ghana with a written contract stipulating a fixed term for the non-executive director.
- e) Sections 82(a) to (d) by extension are applicable to Independent Directors of the Regulated Financial Institutions

### **Effective Implementation Date**

83. The effective date for the implementation of all other sections of the Corporate Governance Directive not mentioned in the transitional provisions is effective 31st March, 2019.

## **APPENDIX**

### **Risk Governance Structure**

The risk management governance structure of an institution shall comprise the following:

- a) Board
- b) Board Risk Committee;
- c) Board Audit Committee;
- d) Senior/Executive Management;
- e) Chief Risk Officer;
- f) Chief Internal Auditor;
- g) Compliance Officer; and
- h) Operational Management.
- i) Company Secretary or Head of Legal (Legal & Reputational risk)

#### **A. Boards' Oversight Responsibilities**

1. The Board shall show concern for and set the tone for risk management in the institution. The overall responsibility for risk management including that of AML/CFT risk within the institution shall rest with the Boards.
2. The Board shall approve all significant policies relating to the management of risks including AML/CFT risk throughout the institution, as well as discuss and approve the organizational arrangement for managing and controlling the overall exposure to risks of the institution. The risk management policies shall be consistent with broader business strategies, capital strength, management expertise and the overall willingness to take risk or risk appetite of the institution.
3. The Board shall regularly re-evaluate its approved policies and procedures with special emphasis on those that define the risk tolerance limits of the institution including AML/CFT for significant activities.
4. The Boards shall discuss and grade the risks, and set acceptable limits for exposures in the various activity segments after considering the quality of the existing tools for managing and controlling every type of risk in each significant activity of the institution.



5. The Board shall receive and review reports on risk exposures in respect of:
  - a) the nature and level of the exposure as against the approved limit;
  - b) controls and mitigation actions for the exposure (s);
  - c) deviations, reasons for deviations and action taken;
  - d) results of scenario analysis and stress tests and the responses of management to the results; and
  - e) any other information that the Board may from time to time determine.
6. The Board shall ensure that it approves every new activity of the institution (e.g. new products that are significantly different from existing ones, creation of new types of exposure, new markets, etc.) after it has:
  - a) considered all the risks involved in the new activity;
  - b) checked the mechanisms which the institution will use to measure and control the risks;
  - c) set quantitative limits required as a result of the risks inherent in the activity; and
  - d) ascertain that the institution has the necessary manpower, sources of finance, and the technological infrastructure to ensure the proper absorption and management of the activity and its consistency with the business strategy of the institution.
7. The Board shall also conduct and encourage discussions between its members and Senior Management, as well as between Senior Management and others in the institution, in respect of risk management process and risk exposures of the institution.

## **B. Board Risk Committee**

8. The Board Risk Committee shall be responsible for advising the Board on the overall current and future risk tolerance/appetite of the institution and

strategy including on AML/CFT and for overseeing implementation of that strategy by Senior Management. The objective of the Board Risk Committee shall be to provide an independent review and critique of:

- a) the risk management policies and procedures of the Regulated Financial Institution;
  - b) the composition of the risk portfolios and concentrations;
  - c) the risk-taking decisions of the institution covering all aspects of risk exposures including credit, market, liquidity, operational and country risks; and
  - d) perform any other assignments relating to the management of risk in the institution as may be delegated by the Board.
9. The Board Risk Committee shall be chaired by an experienced independent director who is knowledgeable in risk management, finance, accounting and economics. The members of the Board Risk Committee shall comprise of all categories of directors and shall exclude the Chairman of the Board.
10. Appointment to the Board Risk Committee shall be for a period of up to three (3) years, which may be extended by not more than two (2) additional years.
11. The Chairman of the Board Risk Committee shall be appointed by the Board. In the absence of the Risk Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
12. The Board Risk Committee shall operate under a charter.
13. The Board Risk Committee shall meet at least quarterly and their meeting shall be attended by the head of finance, chief risk officer, chief internal auditor, head of credit or corporate banking and head of business promotion.

14. The chairman of the Board, chief executive officer, and heads of departments or their representatives may also be invited to attend all or part of any meeting as and when appropriate.
15. The Board Risk Committee shall at minimum, on annual basis or more frequently as deemed fit, review, establish and recommend to the Board the risk appetite as well as assess the appropriateness of the corporate plan in the context of the risk appetite of the Regulated Financial Institution.
16. The Board Risk Committee shall annually or more frequently as deemed appropriate, review and make recommendations on the risk management of the Regulated Financial Institution (i.e. policies, processes, models and limits) to manage and mitigate risk within the approved strategy and risk appetite to the Board for approval.
17. The Board Risk Committee shall also:
  - a) challenge the assessment and measurement of key risks of the institution;
  - b) provide advice, oversight and the encouragement necessary to embed and maintain a supportive risk culture throughout the institution;
  - c) provide high level oversight and critique of the day-to-day risk management and oversight arrangements of Senior Management;
  - d) provide high level oversight and critique of the design and execution of the scenario analysis and stress-testing of the institution;
  - e) review the internal capital adequacy assessment and internal liquidity adequacy assessment of the institution;
  - f) review the external risk information disclosures including annual report and accounts and quarterly disclosures of the institution ; and
  - g) provide oversight and critique of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board.

18. The Board Risk Committee shall also monitor the risk exposures of the Regulated Financial Institution through the:
- a) review of the risk profile of the institution(i.e. performance indicators) against the risk appetite, approved limits and risk trends;
  - b) review of management report on the nature and extent of risk exposures of the institution;
  - c) review of key performance indicators on risk, controls and compliance; and
  - d) review of current risk exposures and future risk strategy, considering the macro-economic environment.
  - e) Review the litigation portfolio of the institution.

**C. Board Audit Committee**

19. The Board Audit Committee is responsible for overseeing the financial reporting process including the establishment of accounting policies and practices by the Regulated Financial Institution, providing oversight of the internal and external audit functions, the appointment, compensation and removal of auditors, reviewing and approving the audit scope and frequency, receiving key audit reports and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors as well as any other relevant matter referred to the committee by the Board.

**D. Senior Management**

20. Senior Management shall have the responsibility of transforming the strategic direction set by the Board into policies and procedures and to institute an effective structure to execute those policies. Senior Management is also responsible for oversight of the day-day management of risk.

21. Senior Management must ensure that policies relating to risk management are clear and communicated down the line and that these policies are embedded in the culture of the institution.
22. Risk tolerance levels for quantifiable risks shall be communicated as limits to operational management, while those relating to qualitative risk may be communicated as guidelines.
23. Senior Management shall have appropriate committees which shall review among others, reports on market and liquidity risks, credit risk, operational risk, country risk and legal/regulatory risk.
24. Senior Management shall be responsible for ensuring that there are adequate policies and procedures for carrying out the significant activities of the institution on both long-term and day-to-day basis. This responsibility includes ensuring that there are:
  - a) clear lines of responsibility for managing risk;
  - b) adequate systems for measuring risk;
  - c) appropriately planned limits on risk-taking;
  - d) effective internal controls; and
  - e) comprehensive risk-reporting process.
25. Senior Management shall regularly evaluate the procedures in place to manage risk to ensure that those procedures are appropriate and sound. Senior management shall also foster and participate in active discussions with the Board and with staff of the risk management functions regarding procedures for measuring and managing risk.
26. Senior Management shall also ensure that the significant activities of the institution are allocated sufficient resources and staff to manage and control inherent risks.

#### **E. Management Committees**

27. Senior Management shall have the following committees for the management of the risk exposures of the institution:

- a) Credit Committee - The credit committee shall have clearly defined mandate, membership and delegated authority which shall be reviewed at least annually. The responsibilities of the credit committee shall include:
- i. exercising credit governance oversight;
  - ii. recommending credit risk appetite;
  - iii. establishing credit counterparty and portfolio risk limits;
  - iv. setting concentration limits relating to industry, market, product, customer segment, and maturity;
  - v. approving and overseeing credit risk mitigation; and
  - vi. reviewing and taking action on watch list and non-performing accounts.
- b) Assets-Liability Management Committee (ALCO) - The ALCO shall be responsible for managing and overseeing the asset/liability management procedures of the institution.
- c) Management Risk Committee - The management (or executive) risk committee shall be responsible for:
- i. reviewing amongst others, summaries of market and liquidity, credit, operational, country and regulatory risks; and
  - ii. reviewing the appropriateness and effectiveness of mitigation actions taken.
- d) Business Strategy Committee - The business strategy committee shall have the responsibility to:
- i. control implementation of the strategic plan;
  - ii. initiate timely corrective actions in case of deviation from the plan in order to address the situation;
  - iii. report detailed progress of implementation of the plans and objectives, including comparison of actual performance against the business plan and budget; and

- iv. constantly review internal and external conditions with the view to designing alternative strategies for unusual circumstances and to respond appropriately to unexpected changes in the environment.
- e) Executive Management Committee (EXCO) – The EXCO Committee will support the CEO/MD to guide and steer the direction of the institution and to facilitate the flow of information between the Boards and its Senior Management staff

**F. Independent Risk Management Oversight Function (RMOF)**

- 28. An important aspect of the risk management philosophy is the concept of independent oversight review, i.e., those who take or accept risk shall not be the people to measure, monitor, and evaluate the risks and report to management and Board.
- 29. The RMOF which collectively renders independent oversight reviews comprises risk management oversight, internal audit, compliance and financial analysis.
- 30. For effectiveness, the risk management oversight reviews shall have sufficient authority, expertise and management status so that their functions and reporting of their findings will be accomplished without any hindrance. The findings of their reviews shall be reported to business units, Senior Management and where appropriate, the Board.
- 31. To the extent warranted by the size and scope of activities of the institution, risk management oversight shall be done independently of individuals conducting the activities up to the Senior Management level of the institution and shall include an independent system for reporting exposures to both Senior Management and Boards.
- 32. Where the size of the institution does not support a separate structure to carry out this independent risk management oversight function, Senior Management shall be responsible for the performance of this function.

33. The personnel of the independent risk management oversight functions shall have a thorough understanding of the risks associated with all the significant activities.

**G. Chief Risk Officer**

34. The independent risk management oversight function shall be headed by a Chief Risk Officer (CRO) who is an independent senior executive with distinct responsibility for the risk management function and the comprehensive risk management framework across the entire organization. The independence of the CRO is paramount and his/her role shall be distinct from other executive functions and business line responsibilities, and there generally shall be no "dual hatting", i.e., the chief operating officer, chief internal auditor or other Senior Management should not serve as CRO.
35. The Board shall appoint the CRO and the CRO shall report directly to CEO and be assessed by the Board Risk Committee.
36. The CRO shall advise Board and Senior Management on the control and measurement of risks, develop and implement best practices in the management of risks. He may also advise Board and management on issues relating to risk exposures, prior to decision making.
37. The independent risk management oversight function shall:
  - a) Oversee and direct the enterprise-wide management of risk exposures;
  - b) Formulate policies and measurement models for the various units involved in carrying out the significant activities that create exposures in the various activity segments in the institution;
  - c) Make recommendations to the Boards and Senior Management on the type and level of exposures in each activity segment permitted by policy;
  - d) Advise and recommend to the Boards and Senior Management on all matters relating to risk exposure management;



- e) Regulate, monitor, review control procedures and report on matters relating to exposures management and report deviations from set limits and exception to policy to the Board and Senior Management for their appropriate actions;
- f) Perform monthly stress-tests on risk portfolios and at least on a quarterly basis, review and approve the appropriateness of the stresses applied at the business levels;
- g) Incorporate the results of the stress-tests (which will inform management of the expected risk tendency of the portfolio as against the approved risk appetite of the institution) into the risk governance structure of the institution;
- h) Be empowered where appropriate, to initiate management action to contain the potential risk levels within the approved risk appetite to ensure discipline in the risk management process of the institution; and
- i) In addition to the monthly stress tests, perform semi-annual reverse stress-testing to examine the impact of selected scenarios from a 'bottom up' perspective.

#### **H. Internal Audit**

- 38. A Regulated Financial Institution shall have an internal audit function which shall be headed by a person of the status of a member of the Senior Management of the Regulated Financial Institution appointed and assessed by the Board Audit Committee, and who reports directly to such committee.
- 39. The Internal Audit shall operate under a charter approved by the Board and in compliance with International Standards for the Professional Practice of Internal Audit.
- 40. Internal audit shall incorporate in its annual work program an assessment of the overall procedures that the institution follows in the management of its risk exposures.

41. Internal Audit shall examine and review:

- a) the extent to which policies of the Boards are carried out;
- b) the extent to which Board decisions and instructions regarding the management, estimation and control of risks are implemented;
- c) the extent to which the units comply with the limits imposed;
- d) the adequacy and reliability of management information, financial and operational reports to the Boards and senior management; and
- e) the adequacy of risk management activities at the operational levels and the scope and effectiveness of the independent risk management oversight function in terms of its mandate and their responsibilities.

#### **I. Compliance Function**

- 42. A Regulated Financial Institution shall appoint a Compliance Officer who is competent, experienced, and knowledgeable enough to discharge his/her duties and responsibilities.
- 43. The Compliance Officer must be of the status of a member of the Senior Management of the institution or directly subordinate to such a member, appointed by the CEO subject to the approval of the Boards or Board audit committee.
- 44. The Compliance Officer shall be responsible for monitoring and reporting on the adherence or otherwise to various obligations incumbent upon the institution in its business relations with customers.
- 45. The Compliance Officer shall assist management and the Board in meeting the responsibilities of the institution with regard to:
  - a) the requirements of the law and other regulatory and ethical demands in respect of customer relations and anti-money laundering;

- b) reducing the likelihood of violations of the laws and regulations;
- c) reducing the exposure of the institution and its management to claims, including those pertaining to the obligation to exercise caution; and
- d) preventing any breach of confidence by office-holders to prevent financial losses to the institution.

## **J. Operational Management**

- 46. Regulated Financial Institutions shall have in place the following components of sound operational management processes which are fundamental to all significant activities:
  - a) a comprehensive risk measurement approach;
  - b) a detailed structure of limits;
  - c) a set of Guidelines or operating manuals and other parameters to govern risk-taking relating to each activity; and
  - d) a strong management information system for controlling, monitoring and reporting risks.
- 47. The risk management activities for each significant activity shall be documented in a work manual and integrated into the overall risk management system of the institution, to enable the institution manage its risk exposures more effectively, since the various individual risks involved in an activity are often interconnected and transcend specific activities.
- 48. The management of business units shall by policy have the responsibility of ensuring that the requirements of risk governance standards, policies and procedures are implemented within the business units and independently monitored by the designated risk management teams of the unit.
- 49. Business units shall have in place a system to self-assess their compliance with the risk standards and policies of the institution at least annually.

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# **APPENDIX E**

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## **Corporate Governance Directive 2021 (Bank of Ghana)**

**For Rural and Community Banks**



# **BANK OF GHANA**

**NOTICE NO. BG/GOV/SEC/2021/09**

## **CORPORATE GOVERNANCE DIRECTIVE**

**For Rural and Community Banks**

**May, 2021**

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## PART I - PRELIMINARY

### Title

1. This Directive may be cited as the Corporate Governance Directive for Rural and Community Banks, 2021.

### Application

2. This Directive is issued under the powers conferred on the Bank of Ghana by sections 56 and 92 of the Banks and Specialised Deposit-taking Institutions Act, 2016 (Act 930) and shall apply to Rural and Community Banks (RCBs).

### Interpretation

3. In this Directive, unless the context otherwise requires:
  - a. **“Board”** means the Board of Directors of Rural and Community Banks (RCBs).
  - b. **“Corporate Governance”** means the manner in which the business and affairs of an RCB is governed by its Board and Key Management. This includes how the RCB’s strategy and objectives are set, risk appetite and or tolerance are determined, day-to-day business is operated, interests of depositors are protected and shareholders’ obligations are met. It also includes aligning corporate activities and behaviour with the expectation of operating in a safe and sound manner, with integrity and compliance with applicable laws and regulations.
  - c. **“Controlling Interest”** means a relationship where a person or a group of persons acting in concert, directly or indirectly:
    - i. owns twenty-five percent (25%) or more of the voting rights;
    - ii. has the power to appoint or remove the majority of the members of the Board;
    - iii. has the ability to exert a significant influence on the management or policies; or
    - iv. has the ability to drive the activities in order to affect the financial returns on any investment made.



- d. **“Duty of Care”** includes the duty to act in utmost good faith towards an RCB and to act at all times in the best interest of the RCB so as to preserve its assets, further its business and promote the purposes for which it was formed.
- e. **“Duty of Loyalty”** includes a duty to act not in one’s own interest, or the interests of other person(s), in order not to conflict with the interest of the RCB or the fiduciary duty to the RCB.
- f. **“Independent Third Party”** means a firm and or natural person:
  - i. who has no material interest in that RCB other than as a depositor;
  - ii. in which a Director of the RCB has no interest as a partner or Director;
  - iii. who does not have a partner or Director that is a spouse of a Director of the RCB;
  - iv. who is not indebted to the RCB; or
  - v. who does not perform bookkeeping/accounting or secretarial services for the RCB.
- g. **“Key Management Personnel”** include the chief executive officer, deputy chief executive officer, chief operating officer, chief finance officer, board secretary, treasurer, chief internal auditor, chief risk officer, the head of compliance, the anti-money laundering reporting officer, the head of internal control, the chief legal officer, the manager of a significant business unit of the RCB, or any person with similar responsibilities.
- h. **“Related Persons”** include a spouse, son, daughter, step-son, step-daughter, brother, sister, father, mother, cousin, nephew, niece, aunt, uncle, step-sister and step-brother of a significant Shareholder, Director or Key Management Person.
- i. **“Related Party”** in relation to business transactions means a company or entity in which:
  - i. the RCB or any of its significant Shareholders, Directors or Key Management Personnel have equity interest of at least five percent (5%); and
  - ii. a Director or Key Management Person has influence.
- j. **“Significant Shareholder”** means a shareholder with direct or indirect holdings which represent five percent (5%) or more of the capital or of the voting rights.

## Objectives

4. The objectives of this Directive are to:

- a. require RCBs to adopt sound corporate governance principles and best practices to enable them undertake their licensed business in a sustainable manner;
- b. promote the interest of depositors and other stakeholders by enhancing corporate performance and accountability of RCBs;
- c. promote and maintain public trust and confidence in RCBs by prescribing sound corporate governance standards which are critical to the proper functioning of the RCBs; and
- d. maximise shareholders' value and interest.

## **PART II - RELEVANT LEGAL REQUIREMENTS**

### **Disqualification of Directors and Key Management Personnel**

5. Section 58 of the Banks and Specialised Deposit-taking Institutions Act, 2016 (Act 930) prohibits a person from being appointed, elected or from accepting an appointment or election as a Director or Key Management Person of an RCB if that person:
- a. has been adjudged to be of unsound mind or is detained as a person with a mental disorder under any relevant enactment;
  - b. has been declared insolvent, or has entered into any agreement with another person for payment of that person's debt and has suspended payment of the debt;
  - c. has been convicted of an offence involving fraud, dishonesty or moral turpitude;
  - d. has been a Director, Key Management Person or associated with the management of an institution which is being or has been wound up by a court of competent jurisdiction on account of bankruptcy or an offence committed under an enactment;
  - e. is a Director or Key Management Person of another bank, specialised deposit-taking institution or financial holding company, except otherwise allowed by Act 930;
  - f. is under the age of eighteen (18) years;
  - g. does not have the prior written approval of the Bank of Ghana; or
  - h. has defaulted in the repayment of the financial exposure of that person.

### **Disclosure of Interest by Directors**

6. A person, before assuming office as a Director or Key Management Person of an RCB, shall declare to the Board of that RCB and the Bank of Ghana:
- a. the professional interests of that person or the office that person holds as manager, director, trustee or by any other designation;
  - b. the investment or business interests of that person in a firm, company or RCB as a significant Shareholder, Director, Partner, Proprietor or Guarantor, with a view

to prevent a conflict of interest with the duties or interests of that person as a Director or Key Management Person of the RCB; and

- c. any material change in business interest or holding of an office when a change in (a) and (b) above occurs.

7. Section 59 (3) of Act 930 requires a Director of an RCB, who has an interest in:

- a. a proposed credit facility to be given to a person by the RCB; or
- b. a transaction that is proposed to be entered into with any other person;

to declare the nature and the extent of that interest to the Board, whether directly or indirectly, and not take part in the deliberations and the decision of the Board with respect to that request.

### **Intervention of the Bank of Ghana in Appointments**

8. Section 60 of Act 930 prescribes, among others, the following:

- a. A proposed Director elected at the Annual General Meeting (AGM) or appointed at a Board Meeting of an RCB shall not take up the office of Director on the Board unless that proposed Director has been given a prior written approval by the Bank of Ghana after it has made a determination of the fitness and propriety of the proposed Director; and
- b. An RCB shall notify the Bank of Ghana of the changes in its Directors and Key Management Personnel as soon as the changes occur and obtain prior written approval from the Bank of Ghana before assumption of duty.

## **PART III - SOUND CORPORATE GOVERNANCE STANDARDS**

### **Shareholding and Ownership**

#### **Restrictions on Shareholding of Rural and Community Banks**

9. Shareholding in RCBs shall be restricted to only Ghanaians. The following shareholding limits shall apply:
- a. Shareholding by any natural person shall not exceed thirty percent (30%) of total shares;
  - b. Family or related party ownership shall not exceed forty percent (40%) of total shares;
  - c. Community participation in ownership shall not be less than twenty percent (20%) of total shares; and
  - d. Corporate bodies are restricted to a maximum of fifty percent (50%) of total shares.

The Bank of Ghana may review the shareholding limits from time to time or as and when it deems fit.

#### **Board Charter**

10. The Board shall operate under a Board Charter which outlines the appropriate governance practices for its own work and have in place the means to ensure such practices are followed and periodically reviewed for improvement. The Board Charter shall define the authority of the Board and set out the following minimum standards:
- a. Overall Board responsibility;
  - b. Code of Ethics for Directors;
  - c. The structure of the Board, clearly articulating its composition and functional arrangements;
  - d. Competencies/qualifications to indicate required skill set, diversity, knowledge and experience;
  - e. Composition and reporting lines of Board Committees;

- f. Frequency of meetings of the Board and committees, attendance to meetings and quorum required for decision making. This shall be in accordance with the provisions of the Companies Act, 2019 (Act 992);
- g. Processes for the appointment, re-election, resignation and removal of Directors;
- h. Tenure of office of Directors and clear succession plans;
- i. Remuneration of Directors;
- j. Commitment to corporate governance principles required of Directors;
- k. Appropriate accountability and control systems;
- l. Timeline for declaration of intention to contest the position of Director; and
- m. Any other matter that the Board of Directors may consider appropriate or relevant.

The Charter shall be reviewed at least every three (3) years.

### **Duties of the Board**

- 11. The Board and each Director, in relation to the RCB in which they serve, stand in fiduciary relationship and are required to perform the following duties:
  - a. To act honestly and in good faith (Duty of Care);
  - b. To act in the best interests and for the benefit of the RCB (Duty of Loyalty);
  - c. To act independently, free from undue influence of any person(s);
  - d. To access necessary information to enable the Director to control his/her responsibilities; and
  - e. To immediately report in writing to the Bank of Ghana if there is sufficient reason to believe that the RCB:
    - i. may not have the capacity to properly conduct the business as a going concern;
    - ii. is not likely to meet its obligations in the near future;
    - iii. has suspended or is about to suspend a payment of any kind;

- iv. does not or may not meet the required capital;
- v. is engaged in, exposed to, or involved in an event that is likely to have a material adverse impact on the RCB; or
- vi. has contravened or is likely to contravene an enactment.

## **Board Roles and Responsibilities**

12. The Board shall ensure the success of the RCB by setting the strategic direction, establishing the risk appetite, and continuously monitoring and improving the RCB's performance so as to protect depositors' interest and enhance shareholders' value.

The roles and responsibilities of the Board shall include the following:

- a. Ensuring that a well-structured and rigorous selection process is put in place for the appointment of Key Management Personnel of the RCB. The Board shall ensure that its obligations to all stakeholders, including depositors, creditors, employees, authorities and the communities are upheld;
- b. Approving and monitoring the RCB's overall business strategy;
- c. Considering and approving the RCB's annual budget prior to the ensuing year for implementation, monitoring and control;
- d. Approving the formulation and overseeing the implementation of the following:
  - i. Internal Control System; and
  - ii. Corporate Governance Framework, Principles and Corporate Values, including a code of business conduct or comparable document which shall set out the RCB's requirements and processes for reporting and dealing with non-compliance.
- e. Meeting regularly with Key Management Personnel;
- f. Critically questioning and reviewing explanations and information provided by Key Management Personnel;
- g. Setting formal performance standards for Key Management Personnel consistent with the RCB's long-term objectives, strategy and financial soundness, and monitoring Key Management Personnel's performance against these standards; and

- h. Monitoring and ensuring the actions of Key Management Personnel are consistent with the strategy and policies approved by the Board.

### **Compliance Declaration**

- 13. The Board shall give a declaration in the Annual Report and Audited Financial Statements as to the compliance or otherwise of the RCB to this Directive.

### **Corporate Culture and Values**

- 14. The Board shall establish the corporate culture and values of the RCB that promote and reinforce norms for responsible and ethical behaviour.

### **Succession Plan**

- 15. The RCB shall implement a succession plan to ensure that a framework is in place for an effective and orderly succession of Directors and Key Management Personnel.
- 16. The Board shall select, subject to approval by the Bank of Ghana (where applicable), and identify existing, high-potential and qualified personnel who may be suitable for Key Management positions. The Board shall assess the skills they require to lead and provide opportunities for training.

### **Separation of Powers**

- 17. There shall be clear lines of accountability at the top hierarchy of an RCB and all RCBs shall be guided by the following:
  - a. The positions of the Board Chairperson and the Chief Executive Officer (CEO) shall be distinct and separate from each other;
  - b. The CEO shall attend all Board meetings as an ex-officio member to present management reports, take part in all discussions and shall have no voting rights;
  - c. No two (2) related persons shall occupy the positions of Board Chairperson and CEO of an RCB; and
  - d. Directors are prohibited from performing management functions and interfering with managerial duties.



## **Restrictions on Directors**

18. A Director shall not:

- a. be employed in an executive position in the RCB at least two (2) years prior to appointment to the Board;
- b. have related persons employed by the RCB as Key Management Personnel in the last two (2) years prior to the appointment to the RCB; and
- c. have engaged in any transaction with the RCB within the last two (2) years on terms that are less favourable to the RCB than those normally offered to other persons.

## **Board Qualifications and Composition**

- 19. Directors shall possess, individually and collectively, appropriate experiences, competencies and personal qualities, including professionalism and integrity. The competencies of Directors shall be diverse and shall cover a blend of the following fields: Banking, Audit, Law, Finance, Accounting, Economics, Information Communication Technology, Entrepreneurship, Risk Management, Strategic Planning, Corporate Governance and other areas that the Bank of Ghana deems fit.
- 20. An RCB shall consider gender diversity in its Board composition. There shall be at least one female Director on the Board of every RCB.
- 21. No RCB shall have more than two (2) Directors serving on its Board that are related persons.

## **Board Induction**

- 22. An RCB shall establish a formal induction programme for newly appointed Directors to enable them effectively discharge their duties and responsibilities. Directors approved by the Bank of Ghana shall complete their induction programme within a month.

## **Board Size**

- 23. The Board shall comprise at least five (5) and at most seven (7) Directors who are ordinarily resident in Ghana.

## **Tenure of Office of Directors**

24. A Director of an RCB shall hold office for a term of three (3) years and shall not hold office for more than three (3) terms.

## **Directors' Appointments**

25. The procedure for appointment of Directors to the Board shall be formal and transparent, including elections at AGMs, and shall conform to the "Fit and Proper Persons Directive 2019" issued by the Bank of Ghana. A person shall not assume the position of Director of an RCB without obtaining the prior written approval from the Bank of Ghana.
26. Directors shall receive formal appointment letters from the RCB. The appointment letters for Directors shall at a minimum cover the following areas:
- a. Term of office;
  - b. Roles and responsibilities of the Director;
  - c. Disclosure of interest and conflict of interest; and
  - d. Remuneration.

## **Board Chairperson**

27. The term of office of a Board Chairperson of an RCB shall not be more than three (3) years and may be renewed for one (1) additional term only.
28. The Chairperson of the Board shall not have a controlling interest in an RCB and shall be ordinarily resident in Ghana. The Chairperson shall provide leadership to the Board and ensure that Board decisions are based on sound information. The Chairperson shall encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed as part of the decision making process.
29. The Chairperson shall encourage constructive relationship within the Board and between the Board and Management.

## **Board Secretary**

30. The Board Secretary shall serve as an interface between the Board and Key Management Personnel and shall support the Chairperson in ensuring the smooth functioning of the Board. The Board Secretary shall advise the Board on matters

relating to statutory duties of the Directors under the law, disclosure obligations, company law regulations, Corporate Governance requirements and effective Board processes.

The Board Secretary shall ensure that Directors are provided with complete, adequate and timely information prior to Board meetings.

The Secretary shall be appointed by the Directors for such term as is deemed fit and may be removed by the Board, but without prejudice to any claim for damages for breach of any Contract with the RCB.

The qualification of the Secretary shall be as provided for in the Companies Act, 2019 (Act 992).

### **Board Meetings**

31. The conduct of meetings shall be in accordance with the provisions of the Board Charter of the RCB and satisfy all the requirements, including:
  - a. The recording of minutes of the meeting; and
  - b. The determination of quorum for meetings and the quorum required for the taking of decisions affecting the RCB.
32. An RCB shall hold at least four (4) Board meetings annually. Board meetings may be held in person or arranged and conducted via video/teleconference.
33. A Director is deemed to have attended a Board meeting if that Director participates in the meeting in person or via video/teleconference for the entire duration of the meeting.
34. A Director has a duty to attend Board meetings regularly and to participate in the conduct of the business of the Board.
35. A Director shall attend at least seventy-five percent (75%) of the Board meetings of the RCB in any financial year. In the event that a Director does not attend the meetings regularly in a financial year, the Board shall recommend the removal of such Director from the Board, subject to shareholders' approval. Removal of the said Director shall be done in accordance with section 176 of the Companies Act, 2019 (Act 992).

## **Board Discussions**

36. The Board shall discuss reports of the RCB as submitted by the Key Management Personnel. The reports shall include, inter alia:
- a. Financial statements and performance review against the approved budget, business plan, peers and industry data;
  - b. The extent to which the RCB is exposed to various risks such as credit, liquidity, operational and other risks;
  - c. Compliance with minimum capital requirements;
  - d. A review of capital adequacy ratio, provisions for delinquent loans and credit recovery reports;
  - e. Review of non-performing loans, related party transactions and credit concentrations;
  - f. Effectiveness of operational arrangements and internal control systems;
  - g. Proper management of the RCB's resources;
  - h. Outstanding litigations and contingent liabilities;
  - i. Compliance with Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) policies, laws and regulations; and
  - j. Related party exposures and their classification.

## **Board Committees**

37. The Board shall establish specialised Board Committees, the number and nature of which shall depend on the size, complexity and risk profile of the RCB.
38. At a minimum, an RCB shall have two (2) Board Committees, namely: Audit, Risk and Compliance Committee and Credit Committee.
39. The Board Chairperson shall not be a member of any Board Committee.
40. Other Board Committees may be established taking into consideration size, complexity and risk profile of the RCB.

41. The Board shall issue, in writing, the Terms of Reference (TOR) for each committee. The TOR shall set out the committee's mandate, scope, procedures, frequency of meetings and reporting lines.
42. Membership of Board Committees shall be occasionally rotated and the chairmanship of such committees shall be rotated every three (3) years to avoid undue concentration of power and to promote fresh perspectives.

### **Audit, Risk and Compliance Committee**

43. The Audit, Risk and Compliance Committee of the Board shall consist solely of Directors who are knowledgeable in accounting, auditing, risk management, information and communication technology, finance and banking, and shall have oversight of the RCB's internal and external audit functions among others, as may be prescribed by the Board.

### **Credit Committee**

44. The Credit Committee shall be responsible for advising the Board on the assets quality of the RCB, exposure concentration, credit/deposit ratio and non-performing loans ratio. The Committee shall be chaired by an experienced Director who is knowledgeable in accounting, banking, economics and risk management.

### **Board Evaluation**

45. The Board shall ensure that there is a formal and rigorous internal and external evaluation of the performance of the Board, Committees, the Chairperson and individual Directors.
46. The Board shall ensure that an externally facilitated evaluation of the performance of the Board, Committees, the Chairperson and individual Directors is conducted once every three (3) years by an independent third party.

### **Appointment of Key Management Personnel**

47. Every RCB shall submit to the Bank of Ghana, before it appoints any Key Management Person, a comprehensive report on the due diligence conducted on the proposed nominee. This submission shall be made in conjunction with the requirements under section 60 of Act 930.

## **Tenure of Office of CEO**

48. A CEO of an RCB shall hold office for a term of four (4) years and shall not hold office for more than three (3) terms.

## **Key Management Personnel Responsibilities**

49. Under the direction of the Board, Key Management Personnel shall:
- a. ensure the activities of RCBs are consistent with the business strategy, risk tolerance and or appetite and policies approved by the Board in order to contribute substantially to the sound corporate governance practices of RCBs;
  - b. assign tasks or delegate duties to Staff, provide adequate oversight of those they manage, provide training and development opportunities to sustain the delivery of short and long-term objectives and protect the reputation of the RCB;
  - c. establish a management structure that promotes accountability, transparency, fairness and responsibility;
  - d. implement appropriate systems for managing risks designed to ensure adherence to the RCB's strategy and risk tolerance and or appetite;
  - e. be ultimately responsible to the Board for the performance of the RCB; and
  - f. hold monthly meetings and minutes of such meetings shall be recorded.

## **Internal Auditor**

50. An RCB shall have an Internal Auditor who shall be a Key Management Person. The Internal Auditor shall be independent and not operationally involved in the RCB's day-to-day-activities and business line responsibilities. The Internal Auditor shall have the competence to examine all areas in which the RCB operates and shall:
- a. have the professional competence to collect and analyse financial information, evaluate audit evidence, and communicate to the stakeholders of the internal audit function;
  - b. possess sufficient knowledge of auditing techniques and methodologies;
  - c. report directly to the Board or the Board's Audit, Risk and Compliance Committee and have direct access to the Board and its committees. Interaction between the Board and the Internal Auditor shall be regular and comprehensively documented; and

- d. be guided by an Internal Audit Charter that shall be approved by the Board. The Internal Audit Charter shall set out the purpose, authority and responsibility of the Internal Auditor in accordance with the requirements of the Institute of Internal Auditors.

### **Appointment of External Auditors**

- 51. An RCB shall appoint qualified Auditors to be their External Auditors with approval from the Bank of Ghana.
- 52. An External Auditor of an RCB shall hold office for a term of not more than six (6) years and is eligible for re-appointment after a cooling-off period of not less than five (5) years.
- 53. The Bank of Ghana may, where it deems appropriate, appoint a qualified Auditor to be the External Auditor of an RCB for such period as it deems fit if the RCB fails to appoint one or if it considers it desirable that another External Auditor should act with or in place of an existing Auditor, and on terms as may be determined.
- 54. A person or firm may not be approved by the Bank of Ghana to serve as an External Auditor of an RCB unless he/she/it complies with such conditions in relation to the discharge of his/her/its duties as the Bank of Ghana may determine, is qualified to be an External Auditor of any financial institution and meets the requirements of section 81 of Act 930. The External Auditor shall be independent.
- 55. Where the Bank of Ghana appoints External Auditors for an RCB, the Bank of Ghana may also fix the remuneration of such External Auditors which shall be paid by the RCB.
- 56. No RCB shall, before the expiry of a running term, remove or change its External Auditor except with the approval of the Bank of Ghana.
- 57. An External Auditor of an RCB who resigns or is being asked by the RCB to resign shall notify the Bank of Ghana of the circumstances and reasons behind the call for his/her/its resignation.

### **Internal and External Audit Functions**

- 58. The Board and Key Management Personnel shall effectively utilise the work done by the Internal Auditor and External Auditors. The Board shall recognize and acknowledge that independent, competent and qualified Internal and External Auditors, as well as other internal control functions, are vital to the corporate

governance process. The Board shall engage the Auditors to evaluate the effectiveness of existing controls.

59. The internal audit function shall provide independent assurance to the Board and shall support the Board and Key Management Personnel in promoting an effective governance process and the long-term soundness of the RCB.
60. The internal audit function shall have a clear mandate, be accountable to the Board and be independent of the audited activities. Where the Internal Auditor is to be removed from his or her position, the reasons for the removal shall be disclosed to the Bank of Ghana.

### **Compensation System**

61. The Board shall actively oversee the design and operation of the compensation system of the RCB. The Board shall monitor and review the compensation system to ensure that it is effectively aligned with prudent risk taking.
62. Levels of remuneration shall be sufficient to attract, retain and motivate Staff of the RCB and this shall be balanced against the interest of the RCB in not paying excessive remuneration.
63. Directors shall be entitled to Sitting and Travelling & Transport (T&T) allowances subject to approval by shareholders at Annual General Meetings (AGMs). Any other payments to Directors shall require the prior written approval of the Bank of Ghana. Directors shall not be entitled to performance related remuneration.

### **Disclosure and Transparency**

64. An RCB shall submit a list of its significant Shareholders, Directors and Key Management Personnel as at December 31 of every year to the Bank of Ghana by January 10 of the ensuing year. The governance of the RCB shall also be sufficiently transparent to its shareholders, depositors and other relevant stakeholders and shall be disclosed in its Annual Report and Audited Financial Statements.

The disclosure shall include material information on the governance structures and policies, (in particular the content of any corporate governance code or policy and the process by which it is implemented), major share ownership, voting rights and related party transactions of the RCB.

65. To promote increased share acquisition for increased capital formation for RCBs, voting at the AGMs shall be conducted on a poll-voting basis whereby voting is proportional to the number of shares held by the members.



## **Ethics and Professionalism**

66. RCBs shall establish a Code of Ethics which shall be made available to the Board, Key Management Personnel, Staff and persons to whom it applies. The Code shall be reviewed regularly where necessary and shall:
- a. contain among others, practices necessary to maintain confidence in the integrity of the RCB;
  - b. commit the RCB, its Board, Key Management Personnel and Staff to the highest standards of professional behavior, business conduct and sustainable business practices;
  - c. establish a policy to guide equity participation in the shares of the RCB by Directors, Key Management Personnel and Staff; and
  - d. be signed off by Directors, Key Management Personnel and Staff on an annual basis as an indication that they understand the Code of Ethics and Sanctions for breaching the policy.

## **Corporate Governance Certification**

67. Directors shall undertake Corporate Governance Certification once every three (3) years which may be obtained from the National Banking College or any accredited Corporate Governance Institute in Ghana. The purpose is to assist Directors to continually update their corporate governance knowledge.

## **Cooling-off Period**

68. Former Key Management Personnel of an RCB shall not be eligible for appointment as Directors of that RCB until after a period of two (2) years following the end of employment with that RCB.
69. A practicing Auditor who is rendering services or has rendered auditing services shall not be appointed as a Director of that RCB until two (2) years have elapsed since the last engagement with that RCB.

## **PART IV - REMEDIAL MEASURES AND SANCTIONS**

### **Relevant Provisions of the Act 930**

70. The following remedial measures and sanctions under Act 930 shall apply in addition to any other corrective measures and specific directives that the Bank of Ghana may require:
- a. Under section 58 of Act 930, where a person currently in office is disqualified from being elected or appointed as a Director or Key Management Person of an RCB, that person shall immediately cease to hold office and the RCB shall immediately terminate the appointment of that person, otherwise the RCB and or that person shall be liable to pay an administrative penalty of One Thousand (1,000) penalty units in accordance with section 58 (4) of Act 930;
  - b. A person who contravenes the required disclosure of interest requirements under section 59 of Act 930, shall cease to be a Director of that RCB and any approval granted to that person by the Board of Directors in respect of a matter in which that person is interested, shall become unenforceable in accordance with section 59 (6) of Act 930;
  - c. Non-compliance by RCBs with the requirements under section 60 of Act 930 shall render the RCB liable to the payment of a fine of One Thousand (1,000) penalty units to the Bank of Ghana in accordance with section 60 of Act 930;
  - d. An RCB which fails to comply with the Bank of Ghana's directives is liable to pay to the Bank of Ghana an administrative fine of not less than Two Thousand (2,000) penalty units and not more than Ten Thousand (10,000) penalty units under section 92 (8) of Act 930; and
  - e. Under section 102 (3) of Act 930, the Bank of Ghana may, among others, suspend or remove from office, the CEO and other Key Management Personnel of that RCB, restrict the powers of the CEO, recommend the removal of any or all of the Directors or restrict the powers of its Board, if it is satisfied that the RCB has failed to comply with a provision of the Act or rules or directives issued under Act 930, has been conducting its affairs in a manner detrimental to the interests of its depositors and creditors, or if that RCB no longer possesses sufficient net own funds or is unlikely to fulfill its obligations towards its depositors and creditors.

## **PART V - TRANSITIONAL PROVISIONS**

For the purpose of compliance with this Directive, the following transitional provisions are to be followed:

71. An RCB in existence, before the coming into force of this Directive, that does not meet the required standard, shall have a grace period up to December 31, 2021 to ensure full compliance with the provisions of the Directive in relation to the following:
  - a. Business strategy;
  - b. Board qualification and composition;
  - c. Board size and structure;
  - d. Board Secretary;
  - e. Separation of powers;
  - f. Other engagement of directors; and
  - g. Board Committees.

### **Tenure of Office of Board Chairperson**

72. Despite paragraph 27, a Board Chairperson of an RCB who has been in office for more than six (6) years prior to the coming into force of this Directive shall not be eligible for another term in office as Board Chairperson upon the expiration of the current term of his/her appointment in that RCB.
73. Where the existing appointment of the Board Chairperson of an RCB as of the date of coming into force of this Directive does not stipulate a fixed term and the Board Chairperson has served for a period of more than six (6) years in that RCB, the RCB shall by September 30, 2021 submit to the Bank of Ghana for consideration, a succession plan for the appointment of a new Board Chairperson. The appointment of the new Board Chairperson must be made by March 31, 2022.
74. Where the existing Board Chairperson does not have a fixed term contract as of the time of coming into force of this Directive and the Board Chairperson has served a term less than six (6) years cumulatively in that RCB, the RCB shall by September 30, 2021 furnish the Bank of Ghana with a written contract stipulating a fixed term of office for the Board Chairperson.

### **Tenure of Office of Directors**

75. Despite paragraph 24, a Director of an RCB who prior to the coming into force of this Directive has served in that capacity for nine (9) years or more shall not be eligible for another term upon the expiration of the current term in that RCB.

### **Tenure of Office of CEO**

76. Despite paragraph 48, the term of office for a CEO of an RCB indicated in a fixed term contract executed with the RCB before the coming into force of this Directive may run in full and shall not be renewed where that CEO has cumulatively served for more than twelve (12) years in that RCB.
77. A renewal or extension of a contract under paragraph 76 shall be subject to the renewal guidelines under paragraph 48 and shall not be for any additional term that brings the cumulative years of service of the CEO in that RCB and, in that capacity, to more than twelve (12) years.
78. Despite paragraph 48, an existing CEO who has served more than eight (8) years may serve an additional term of up to four (4) years or the number of years to compulsory retirement, whichever comes first, subject to the Bank of Ghana's approval.

### **Effective Implementation Date**

79. The effective date for the implementation of all sections of the Corporate Governance Directive shall be March 31, 2022.

## **APPENDIX**

### **1. Board Induction**

Induction for Directors is the process of introducing newly appointed directors of RCBs to their role by providing appropriate information, visits to branches and meetings with Key Management Personnel.

The induction programme shall, at a minimum, cover the following critical areas:

- a. Overview of the bank;
  - i. History of the bank;
  - ii. Structure and philosophy;
  - iii. Vision, mission, and strategy;
  - iv. Key customers, markets, contracts, suppliers, etc.;
  - v. Financial performance and analysis; and
  - vi. Internal control and assurance functions.
- b. Regulatory, prudential and legal requirements; and
- c. Board Committees (Duties and Responsibilities).

The following documents shall be presented to newly appointed directors:

- i. Board Charter and Terms of Reference for Board Committees;
- ii. Strategic and operating plans;
- iii. List of regulatory and legal requirements;
- iv. Code of Conduct and Ethics;
- v. Corporate Governance Policy;
- vi. Risk Management Guidelines for RCBs;
- vii. The Banks and Specialised Deposit-taking Institutions Act, 2016 (Act930); and
- viii. Corporate Governance Directive for RCBs.

## **2. Audit, Risk and Compliance Committee**

- a. The objective of the Audit, Risk and Compliance Committee shall be to provide an independent review of the activities of the RCB.
- b. The Audit, Risk and Compliance Committee on an annual basis, or more frequently as deemed fit, shall assess the appropriateness of the strategic plan of the RCB.
- c. The Audit, Risk and Compliance Committee is responsible for overseeing the financial reporting process, including:
  - i. The establishment of Accounting Policies and Practices by the RCB;
  - ii. Providing oversight of the internal and external audit functions;
  - iii. The appointment, compensation and removal of External Auditors;
  - iv. Reviewing and approving the audit scope and frequency;
  - v. Receiving key audit reports and ensuring that Key Management Personnel are taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by Auditors; and
  - vi. Any other relevant matter referred to the committee by the Board.
- d. The Audit, Risk and Compliance Committee is responsible for overseeing cybersecurity risks and management's efforts to monitor and mitigate these risks in the RCB.

## **3. Key Management Personnel**

- a. Key Management Personnel shall have the responsibility of transforming the strategic direction set by the Board into policies and procedures and instituting an effective structure to execute those policies. Key Management Personnel are also responsible for the day-to-day management of the RCB.
- b. Key Management Personnel shall ensure that policies are communicated to employees and that these policies are embedded in the culture of the RCB. Key Management Personnel shall have appropriate committees which shall review among others, reports on liquidity risk, credit risk, operational risk and legal/regulatory risk.

- c. Key Management Personnel shall be responsible for ensuring that there are adequate policies and procedures for carrying out the significant activities of the RCB on both long-term and day-to-day basis. This responsibility includes ensuring that there are:
  - i. Clear lines of responsibility for Key Management Personnel; and
  - ii. Effective Internal Controls.
- d. Key Management Personnel shall also ensure that the significant activities of the RCB are allocated sufficient resources and Staff to manage and control inherent risk.

#### **4. Management Committees**

Key Management Personnel shall have the following committees for the management of the RCB:

- a. Management Committee (MANCOM): MANCOM shall support the CEO to guide and direct the RCB and to facilitate the flow of information between the Board and Key Management Personnel. MANCOM shall be responsible for the following:
  - i. Liquidity Management;
  - ii. Reviewing operations and branch expansion;
  - iii. Prudential Reports submission to the Bank of Ghana;
  - iv. Reviewing Management Accounts; and
  - v. Implementing audit recommendations.
- b. Credit Committee - The Credit Committee shall have a clearly defined mandate, membership and delegated authority which shall be reviewed at least annually. The responsibilities of the Credit Committee shall include:
  - i. Exercising credit governance oversight;
  - ii. Establishing credit counterparty and portfolio risk limits;
  - iii. Setting concentration limits relating to industry, product, customer segment, and maturity;
  - iv. Overseeing credit risk mitigation; and

- v. Reviewing and taking action on overdue and non-performing accounts.

## **5. Internal Audit**

- a. An RCB shall have an internal audit function which shall be headed by a Key Management Person appointed and assessed by the Board Audit, Risk and Compliance Committee, and who reports directly to the Committee.
- b. The internal audit function shall operate under an Audit Charter approved by the Board and in compliance with International Standards for the Professional Practice of Internal Audit.
- c. Internal Audit shall examine and review:
  - i. The extent to which existing policies are adequate and effective;
  - ii. The extent to which Board decisions and instructions regarding the management of the RCB are implemented; and
  - iii. The adequacy and reliability of management information, financial and operational reports to the Board and Key Management.

## **6. Compliance Function**

- a. An RCB shall appoint a Compliance Officer who is competent, experienced, and knowledgeable enough to discharge his/her duties and responsibilities.
- b. Where the size of the RCB does not support a separate structure to carry out this compliance function, the Internal Auditor shall be responsible for the performance of this function.
- c. The Compliance Officer must be a Key Management Person or directly subordinate to such a member, appointed by the CEO, subject to the approval of the Board.
- d. The Compliance Officer shall be responsible for monitoring and reporting on the adherence or otherwise of the RCB to various obligations in its business relations with customers.
- e. The Compliance Officer shall assist management and the Board in meeting the responsibilities of the RCB with regard to:
  - i. The requirements of the law and other regulatory and ethical demands in respect of customer relations and anti-money laundering;



- ii. Reducing the likelihood of violation of the laws and regulations; and
- iii. Preventing any breach of confidence by officeholders to prevent financial losses to the RCB.

**(SGD)**  
**SANDRA THOMPSON (MS)**  
**THE SECRETARY**

**20<sup>TH</sup> MAY 2021**

PUBLIC

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# **APPENDIX F**

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## **Governance and Risk Management Framework (National Insurance Commission)**

**For Licensed Insurers (Non-Life)**

## **NATIONAL INSURANCE COMMISSION**

### **GOVERNANCE AND RISK MANAGEMENT FRAMEWORK**

#### **FOR LICENSED INSURERS (NON-LIFE)**

##### *Governance Framework*

##### **Governance framework**

**1.** (1) The insurer shall take reasonable care to organize and control its affairs effectively taking into account the nature, scale, complexity and diversity of its business and the risks that it faces and shall have adequate risk management procedures and controls in place.

(2) Without limiting subparagraph (1), the insurer shall

- (a) establish and maintain a governance framework that provides for
  - (i) the apportionment of responsibilities between its directors, senior management and key persons in control functions;
  - (ii) separation of the oversight function from management responsibilities; and
  - (iii) adequate monitoring and control of the business and affairs of the insurer by the directors and its senior management.
- (b) establish and maintain such strategies, policies, procedures and controls, including internal controls, as are appropriate for the nature, scale and complexity of its business and its risk profile; and
- (c) ensure that its policies, procedures and controls are regularly reviewed and updated as required.

(3) The procedures and controls established and maintained under subparagraph (2)(b) shall

- (a) provide for
  - (i) the prudent management of the insurer's licensed business, in accordance with sound insurance principles; and
  - (ii) the effective oversight of its senior management and key persons in control functions;
- (b) recognise and protect the interests of policyholders; and
- (c) take into account—
  - (i) the nature, scale and complexity of the business of the insurer; and
  - (ii) the degree of risk associated with each area of its business.

(4) An appropriate and effective corporate governance framework must be established, maintained and implemented in each subsidiary of the insurer through which the insurer carries on business.

## **Directors**

2. (1) The insurer shall

- (a) have an adequate number of directors who
  - (i) are capable of exercising independent judgment;
  - (ii) as a board, have sufficient knowledge, skills, experience and understanding of the business of the insurer, and the risks to which it is exposed, to ensure that the board is able to fulfil its responsibilities; and
  - (iii) have sufficient time and commitment to undertake their duties diligently; and
- (b) ensure that its directors are adequately resourced and that they have sufficient powers to
  - (i) obtain in a timely manner such information as they require to undertake their functions; and
  - (ii) access senior management, key persons in control functions and other relevant persons.

(2) The insurer shall make and retain for a period of six years, a record of how it has complied with this paragraph.

## **Composition of board**

3. (1) Without limiting paragraph 2(1), the insurer shall, at all times, have

- (a) at least seven directors; and
- (b) sufficient non-executive directors to ensure that more than half the members of the audit committee are non-executive directors.

(2) Of the directors

- (a) at least one third in number shall be persons who are citizens of Ghana;
- (b) at least one third in number shall be persons who are resident in Ghana; and
- (c) at least one third in number shall be independent non-executive directors.

(3) A director who is both a citizen of, and resident in, Ghana may be counted for the purposes of subparagraphs (2)(a) and (b).

(4) The Chief Executive Officer of the insurer

- (a) shall be a director of the insurer's board, but
- (b) shall not be appointed, or act, as the Chairman of the board.

(5) Either the Chief Executive Officer or the Chairman of the board, or both the Chief Executive Officer and the Chairman of the board, shall be a citizen of, and resident in, Ghana.

(6) If, at any time, the insurer does not comply with subparagraph (1), (2), (3), (4) or (5), it shall

- (a) immediately give the Commission written notice of its non-compliance; and
- (b) within a period not exceeding twenty-one days from the date that it first failed to comply with subparagraph (2), submit to the Commission an application for approval to appoint sufficient directors to bring it back into compliance with the subparagraph concerned.

#### **Responsibilities of board**

4. (1) The board of the insurer has ultimate responsibility for the business and affairs of the insurer and for ensuring its effective organisation.

(2) Without limiting subparagraph (1), the board has the following responsibilities:

- (a) monitoring the sufficiency and independence of its members;
- (b) establishing—
  - (i) the insurer's business objectives and the strategy for achieving those objectives; and
  - (ii) the insurer's risk management strategy;
- (c) ensuring that it has effective oversight of the management of the insurer, including periodically reviewing and overseeing the insurer's
  - (i) overall business strategy and corporate values; and
  - (ii) risk management strategy;
- (d) setting or approving and periodically reviewing the significant strategies, policies, procedures and controls of the insurer;
- (e) monitoring the management of the insurer by senior management in accordance with the strategies and policies established or approved by the board;
- (f) ensuring that
  - (i) a governance framework complying with these licensing conditions is established and maintained by the insurer;

- (ii) the insurer has adequate and sufficiently qualified and experienced senior managers and other employees and has established the required control functions;
  - (iii) appropriate and effective procedures and controls are established, maintained and implemented for giving effect to the strategies and policies of the insurer, including internal controls and procedures and controls with respect to risk management;
  - (iv) the insurer complies with its regulatory and AML/CFT obligations;
  - (g) monitoring the effectiveness and implementation of the risk management and other strategies, policies, procedures and controls established by the insurer;
  - (h) establishing clear and objective performance goals for the insurer and for senior management and periodically monitoring performance against those goals and assessing their continued relevance and appropriateness;
  - (i) ensuring that the insurer establishes and maintains policies relating to the engagement, dismissal and succession of senior management;
  - (j) establishing standards for business conduct and ethical behaviour for directors, senior management and other employees; and
  - (k) monitoring, and ensuring, the financial soundness of the insurer.
- (3) The board shall
- (a) establish and periodically review criteria for determining whether directors are independent;
  - (b) establish and periodically review governance procedures for the board; and
  - (c) periodically review its own performance.

(4) Any criteria established by the board under subparagraph (3)(a) apply in addition to, and do not replace, the criteria used to determine whether a non-executive director is independent in accordance with paragraph 35.

(5) Where the board is required to review any matter periodically under these licensing conditions, it shall review the matter at least annually.

#### **Board committees**

5. (1) The insurer shall, at all times have
- (a) an audit committee;
  - (b) a risk management committee;
  - (c) an investment committee; and
  - (d) such other committees as the board considers appropriate.

(2) The committees

- (a) are committees of the board; and
- (b) shall be comprised solely of directors.

(3) The majority of the directors of the audit committee shall be non-executive directors who

- (a) have not, at any time in the last five years, been an executive director of the insurer;
- (b) are not connected to the insurer;
- (c) do not have any shares or have any other interest in the insurer, other than director's remuneration, and is not entitled to vote at meetings of shareholders of the insurer, or any class of such shareholders; and
- (d) does not have a material conflict of interest in relation to the insurer.

(4) At least one of the directors of the investment committee shall be an independent non-executive director with appropriate qualifications or experience in investment management.

(5) If the insurer establishes a remuneration committee, the majority of the directors of the committee shall be independent non-executive directors.

(6) The board should consider whether, taking account of the nature, diversity and complexity of the insurer's business, it is appropriate to establish other committees to assist it in the effective discharge of its responsibilities.

(7) The board shall ensure that the primary responsibilities of each committee are provided to each committee member in writing.

### **Investment committee**

**6.** (1) The function of the investment committee is to formulate the insurer's investment policy and to issue guidelines to management.

(2) The principal objective of the investment committee is to secure the safety, yield and marketability of the company's investments, which the committee shall also ensure are diversified and adequately spread in accordance with these licensing conditions.

### **Senior management**

**7.** (1) Subject to the strategies and policies established by the Board, the senior management of the insurer is responsible for

- (a) overseeing the operations of the insurer and providing direction to it on a day-to-day basis in accordance with the strategy and policies established by the board;

- (b) providing the board with recommendations, for its review and approval on the insurer's strategy, business plans and significant policies;
- (c) providing the board with timely and accurate information, including financial information, that is adequate to enable the board to fulfil its responsibilities, including holding senior management to account; and
- (d) ensuring that, insofar as it is necessary for them to perform their duties, all employees of the insurer are
  - (i) made aware of and understand the strategies, policies, procedures and controls established and maintained by the insurer; and
  - (ii) provided with information concerning the insurer and its business; and
- (e) promoting a culture of sound risk management, compliance and the fair treatment of policyholders and potential policyholders.

### **Control functions**

8. (1) The insurer shall establish and maintain the following control functions
- (a) a risk management function;
  - (b) a compliance function;
  - (c) an actuarial function;
  - (d) an internal audit function; and
  - (e) such other functions as it considers appropriate for the nature, scale and complexity of its insurance business.
- (2) Key persons responsible for control functions shall be provided with the authority, independence and resources required to enable them to operate effectively.
- (3) The insurer shall outsource control functions only as permitted by these licensing conditions.

### **Appointment of person responsible for control functions**

9. (1) Subject to subparagraph (2), the insurer shall appoint a senior employee, or senior employee of a member of the same group as the insurer, to
- (a) undertake the duties of each control function; or
  - (b) if the duties of the function are to be undertaken by more than one employee, whether or not in conjunction with an outsourcing service provider, to have overall responsibility for, and oversight of, the control function.
- (2) Subparagraph (1) does not apply if the duties of the control function are to be wholly outsourced to a service provider.



(3) A person responsible for a control function is considered to be a principal officer for the purposes of section 49 of the Insurance Act.

(4) The insurer shall not appoint a person to be responsible for a control function unless

- (a) it is satisfied that the person is fit and proper to be responsible for that control function; and
- (b) the Commission has given its approval for the appointment of that person under section 49(1) of the Insurance Act.

(5) The insurer shall not

- (a) appoint a person to be responsible for a control function, or
- (b) outsource a control function, or material aspects of a control function, to a service provider

without the approval of the board or, where a board committee has responsibility for the function, without the approval of that committee.

(6) Where a control function is to be undertaken in full or in part at the group level

- (a) the insurer shall, on seeking approval for the appointment, provide the Commission with details of all fees, costs and charges to be paid by the insurer in respect of the performance of the control function; and
- (b) shall not agree to any change in the fees, costs and charges payable without giving the Commission at least 28 days notice of the change.

#### **Authority, independence and resources of control functions**

**10.** (1) The board shall ensure that each control function

- (a) possesses sufficient independence to undertake the duties of the control function objectively and, in particular, is not
  - (i) involved in the performance of services or activities that it is responsible for monitoring;
  - (ii) placed in a position where it is expected to undertake duties that conflict with its duties as the control function concerned; or
  - (iii) subjected to any undue influence or pressure with respect to the carrying out of its duties as control function;
- (b) is given sufficient status within the insurer to ensure that senior management and the board react to, and act on, its recommendations;
- (c) has such access as is required to effectively undertake its duties as control function to

- (i) every employee and service provider of the insurer and, where appropriate, to the board, the audit committee and the internal audit function; and
  - (ii) documents and information relating to the business of the insurer and its policyholders;
- (d) has sufficient
  - (i) human resources with adequate professional qualifications, relevant experience and training;
  - (ii) non-human resources, including information technology and management information systems,
 to undertake the duties of the control function effectively.

(2) The authority and responsibilities of each control function, and the head of the control function, shall be set out in writing.

(3) The board shall periodically assess the performance of each control function.

*Strategies, Policies, Procedures and Controls*

**Establishment of strategies, policies, procedures and controls**

**11.** (1) The insurer shall

- (a) establish
  - (i) a risk management strategy, policies, procedures and controls;
  - (ii) a reinsurance strategy, policies, procedures and controls;
  - (iii) an underwriting strategy, policies, procedures and controls;
  - (iv) an investment strategy, policies, procedures and controls;
  - (v) a remuneration policy;
  - (vi) internal controls; and
  - (vi) such other strategy, policies, procedures and controls as are appropriate given the nature, size and complexity of its business and the degree of risk associated with each area of its business; and
- (b) ensure that the strategy, policies, procedures and controls established in accordance with paragraph (a)
  - (i) comply with the detailed requirements of these licensing conditions; and

- (ii) are fully and clearly documented and communicated, as appropriate, to senior managers, persons in control functions and other relevant employees.

(2) The strategies, policies, procedures and controls of the insurer shall specify the duties and responsibilities of the board and senior management.

(3) Where the insurer is part of a group, the strategies, policies, procedures and controls required by these licensing conditions shall include group-wide strategies, policies, procedures and controls.

### *Risk Management*

#### **Establishment of risk management strategies and policies**

**12.** (1) The insurer shall establish and maintain a clearly defined strategy and policies for the effective management of all significant risks to which the insurer is or may be exposed.

(2) The risk management strategy and policies shall

- (a) be appropriate for the nature, scale and complexity of the insurer's business;
- (b) specify how risks are to be identified, monitored, managed and reported on in a timely manner;
- (c) take into account the probability, potential impact and the time duration of risk;
- (d) set the level of risk that the insurer is prepared to accept for each type of risk, taking account of the need to ensure its long term financial soundness, (the insurer's risk appetite) and, where appropriate, authority levels for employees; and
- (e) provide for
  - (i) insurance risk, including product, design and pricing risk and underwriting risk;
  - (ii) credit risk;
  - (iii) market risk, including investment risk and liquidity risk;
  - (iv) operational risk, including legal risk;
  - (v) regulatory risk;
  - (vi) contagion and related party risk;
  - (vii) strategic risk; and
  - (viii) such other risks as the board may identify as material.

(3) For the purposes of subparagraph (2)(e)(viii), the board shall specifically consider whether reinsurance risk is material to the insurer.

### **Risk management procedures and controls**

**13.** (1) The insurer shall establish and maintain procedures and controls that are sufficient to ensure that the risk management strategy and policies are effectively implemented.

(2) The board and senior management are responsible for

- (a) ensuring that they understand all the risks to which the insurer is exposed in its business;
- (b) assessing the resources required for an appropriate risk management procedures and controls, including accurate and reliable management information and reporting procedures, and for ensuring that the required resources are available; and
- (c) overseeing the implementation of the insurer's risk management strategy, policies, procedures and controls.

(3) The risk management procedures and controls of the insurer shall

- (a) enable the insurer to monitor the adequacy and effectiveness of
  - (i) its risk management strategy and policies and their implementation; and
  - (ii) measures taken to address any deficiencies identified in the risk management strategy, policies, procedures and controls; and
- (b) ensure that any exceptions to the insurer's risk management strategy and policies are reviewed and authorised by senior management and, where appropriate, the board.

### **Risk management function**

**14.** (1) The principal duty of the risk management function is to assist the insurer to identify, assess, monitor, manage and report on the key risks of the insurer in a timely manner.

(2) The insurer shall require

- (a) the person responsible for the risk management function, or
- (b) where the duties of the risk management function are wholly outsourced to a service provider, that service provider

to report to the board any matter that may have an adverse material impact on the risk management system of the insurer, as soon as reasonably practicable after identifying the matter.

### *Internal Controls*

#### **Establishment and maintenance of internal controls**

**15.** (1) The insurer shall establish and maintain adequate and effective internal controls procedures appropriate for the nature, size and complexity of its business.

(2) The internal controls shall, as appropriate, operate at all levels of the insurer and shall extend to any outsourced functions.

(3) Where the insurer also operates through branches and subsidiaries, its internal control must extend to those operations and enable effective oversight by the insurer.

#### **Matters to be covered by internal controls**

**16.** (1) The internal controls shall be designed to secure that

- (a) the business of the insurer is planned and conducted properly and in accordance with
  - (i) the strategies and policies established by the board and any policies established by senior management, including the business objectives established by the board; and
  - (ii) the established procedures.
- (b) the business of the insurer is being operated in compliance with its regulatory obligations;
- (c) the assets of the insurer are appropriately safeguarded and the liabilities controlled through measures designed to minimise the risk of loss from irregularities, error, fraud and physical damage, and to identify such occurrences promptly should they occur;
- (d) there are appropriate arrangements in place for the delegation of authority and responsibility and for the segregation of duties;
- (e) the accounting and other records of the insurer are complete, accurate and timely and can be used to compile financial statements as required by the regulatory enactments, management information and returns to the Commission in line with the insurer's obligations;
- (f) the board and senior management is able to assess and monitor the adequacy of the insurer's capital resources, in relation to the business of the insurer, including its risk profile and the quality of its assets;
- (g) the board and senior management is able to identify and regularly assess all relevant risks in the conduct of the insurer's business, so that
  - (i) identified risks can be measured, monitored and controlled appropriately; and
  - (ii) any losses can be monitored and controlled on a regular and timely basis.

- (h) the board and senior management are able to properly guard against involvement in financial crime and ensure that the insurer is complying with the anti-money laundering and terrorist financing legislation;
- (i) adequate business resumption, disaster recovery and other contingency arrangements (complying with paragraph 27) are in place and tested at appropriate intervals; and
- (j) adequate controls are in place in relation to information technology systems, including controls that
  - (i) protect the accuracy and security of the insurer's information technology systems;
  - (ii) that provide the insurer's employees with access only to records where that access is required for their roles and function; and
  - (iii) ensure that changes to systems and records are recorded and that only valid changes are made to them.

(2) The internal control policies shall require any deficiencies identified in the internal control system to be reported in a timely manner to senior management and for material internal control deficiencies identified to be reported to the board, even though they may have been corrected.

#### **Responsibilities of board and senior management in relation to internal controls**

**17.** (1) The board of the insurer has ultimate responsibility for ensuring that adequate and effective internal controls are established and maintained by the insurer.

(2) Without limiting subparagraph (1), the board of the insurer shall

- (a) ensure that senior management
  - (i) implements the internal controls strategies and policies established by the board; and
  - (iii) monitors the effectiveness of the insurer's internal controls and the insurer's market conduct activities; and
- (b) approve
  - (i) an appropriate organisational structure for the insurer; and
  - (ii) new products and major risk management initiatives.

(3) Senior management of the insurer have responsibility for

- (a) implementing the strategy and policies of the board with respect to internal controls;
- (b) ensuring that

- (i) the internal controls required by these licensing conditions are established and maintained;
  - (ii) the required information systems are put in place; and
  - (iii) the internal controls are monitored and deficiencies corrected as soon as reasonably practicable; and
- (c) the internal controls are reviewed at least annually and the results reported to the board.

#### *Internal Audit*

#### **Internal audit function**

**18.** (1) The principal duties of the internal audit function are

- (a) assessing whether the insurer's existing risk management strategy, policies, procedures and controls and its internal controls remain sufficient, effective and appropriate for the insurer's business;
- (b) assessing whether the insurer's risk management strategy, policies, procedures and controls and its internal controls, are being implemented and complied with;
- (c) assessing whether the procedures and controls for monitoring and assessing the on-going capital and solvency requirements of the insurer are effective and are being implemented;
- (d) assessing the reliability, integrity and completeness of the accounting, financial reporting, management information and information technology systems;
- (e) periodically reviewing the risk management function;
- (f) periodically reviewing the compliance function; and
- (g) monitoring the insurer's information systems.

(2) The responsibilities specified in subparagraph (1) shall extend to all the activities of the insurer, including outsourced activities, and where the insurer has established branches or subsidiaries, to those branches and subsidiaries.

(3) The internal audit function shall be subject to independent review by the audit committee and the insurer's external auditor.

(4) The internal audit function shall

- (a) be independent from the management of the insurer and shall not, in any way, be involved in the operation of the insurer's business; and
- (b) report directly to the board, through the head of the function.

(5) The internal audit function shall be given the authority, for the purposes of fulfilling its responsibilities, to

- (a) undertake, on the internal audit function's initiative, a review of any department, unit or function;
- (b) require management to respond to any internal audit report, including on remediation or mitigation plans; and
- (c) refuse to carry out any task requested by the senior management if the internal audit function considers that it is inconsistent with its functions.

#### **Internal audit reports to be submitted to Commission**

**19.** (1) The insurer shall

- (a) within 21 days after the last day of each calendar quarter, provide the Commission with a list of reports that have been prepared by the internal audit function during that calendar quarter, with a summary of the areas covered by each report; and
- (b) on the written request of the Commission, submit to the Commission copies of such internal reports as are specified in the Commission's request, within the time period specified in the request.

#### *Compliance*

#### **Compliance procedures and controls**

**20.** (1) The insurer shall establish and maintain compliance procedures and controls that are

- (a) appropriate for the nature, scale and complexity of the insurer's business;
- (b) designed to ensure compliance
  - (i) by the insurer with its compliance policies and its regulatory and AML/CFT obligations;
  - (ii) by the insurer's board, senior management and employees with its compliance policies; and
  - (iii) with the insurer's internal controls;
- (c) adequate to identify compliance breaches; and
- (d) effectively implemented by the insurer.

(2) The board shall

- (a) approve the compliance policy; and
- (b) on at least an annual basis—



- (i) review the compliance policy; and
  - (ii) assess the effectiveness of the compliance policy and the compliance procedures and controls in managing the insurer's compliance risk.
- (3) The compliance policy, procedures and controls of the insurer shall be—
  - (a) documented in a compliance procedures manual; and
  - (b) communicated, and readily available, to the directors and to those senior managers and employees who have responsibility for implementing them.

### **Compliance function**

- 21.** (1) The principal duties of the compliance function are
- (a) to assist the insurer to meet, and to monitor its compliance with, its legal and regulatory obligations under
    - (i) the Insurance Act, the Market Conduct Rules and these and any other licensing conditions issued by the Commission;
    - (ii) the anti-money laundering and terrorist financing legislation; and
    - (iii) any other relevant legislation; and
  - (b) to promote and sustain a compliance culture within the insurer.
- (2) The person responsible for the compliance function shall report directly to the board.
- (3) For the purposes of subparagraph (1), the compliance function shall prepare a compliance procedures manual for the insurer or, where the preparation of the compliance procedures manual is outsourced, approve the compliance procedures manual.
- (4) The insurer shall require the person responsible for the compliance function to report to the chair of the board, as soon as reasonably practicable
- (a) any material non-compliance by a member of management; and
  - (b) any material non-compliance by the insurer with a regulatory or AML/CFT obligation if the compliance function is of the opinion that
    - (i) senior management is not taking the necessary remedial action; and
    - (ii) a delay would be prejudicial to the insurer or its policyholders.
- (5) The compliance function shall, on behalf of the insurer
- (a) maintain a register of compliance breaches containing information on the date, nature and extent of each compliance breach;

- (b) ensure that the employees of the insurer are aware of the need for and the objectives of compliance and of their responsibilities under the compliance procedures manual;
- (c) establish and maintain procedures for the monitoring and handling of complaints, and keeping the complaints procedures under review.

### **Actuarial function**

**22.** (1) The principal responsibilities of the actuarial function are the evaluation and monitoring of, and the provision of advice to the insurer concerning

- (a) the technical provisions;
- (b) premium and pricing;
- (c) scenario and sensitivity testing;
- (d) compliance with the obligations of the insurer, concerning the matters specified in paragraphs (a), (b) and (c).

(2) The person responsible for the actuarial function shall report to—

- (a) the board on the matters specified in subparagraphs (1)(a) and (d) and in relation to the matters specified in subparagraph (3); and
- (b) to the senior management on the matters specified in subparagraphs (1)(b) and (c).

(3) Without limiting paragraph (2), the person responsible for the actuarial function shall report to the board

- (a) on any matter that may have an adverse material impact on the insurer's solvency or financial condition or its ability to meet its liability to policyholders;
- (b) on any circumstance that may be material to an actuarial review of the insurer, including that the technical provisions and other liabilities are not adequate;
- (c) if the insurer is in contravention of, or the actuarial function considers that the insurer is likely to contravene, any provisions of the Act or any licensing conditions concerning the matters specified in subparagraph (1)(a) or (b) or any requirements concerning stated capital, solvency or financial condition;
- (d) if, in the opinion of the actuarial function
  - (i) the reinsurance cover held by the insurer is not adequate;
  - (ii) the data available to the actuarial function is insufficient, or of insufficient quality, to enable it to carry out its functions and undertake its responsibilities; and

- (e) on any other matter specified by the board.

(4) The actuarial function shall carry out such activities as are necessary to undertake the responsibilities specified in subparagraph (1) and, in particular, shall evaluate, review, and where appropriate calculate, and provide advice on

- (a) the insurer's actuarial and financial risks;
- (b) the insurer's investment policies and the valuation of its assets;
- (c) the insurer's solvency position, including a calculation of minimum capital resources required for regulatory purposes and liability and loss provisions;
- (d) the insurer's prospective solvency position;
- (e) the insurer's risk assessment and management policies and controls relevant to actuarial matters or to the financial condition of the insurer;
- (f) the distribution to policyholders of payments and other benefits on participating policies;
- (g) the insurer's underwriting policies;
- (h) the design of the insurer's reinsurance programme in line with the company's risk strategy as approved by the board, and the subsequent negotiation of reinsurance arrangements;
- (i) product development and design, including the terms and conditions of insurance contracts;
- (j) the sufficiency and quality of data used in the calculation of technical provisions;
- (k) risk modelling, where applicable;
- (l) experience reviews and profit testing;
- (m) the completion of a financial condition report; and
- (n) any distribution or other benefits to be paid to shareholders.

(5) The insurer shall ensure that, at all times, it employs an Affiliate within its actuarial function.

### **Appointed actuary**

**23.** (1) The insurer shall appoint and at all times have an appointed actuary who may be

- (a) an external actuary; or
- (b) an employee of a licensed insurer, provided that the employee is a qualified actuary.

(2) The insurer shall not appoint a person as its appointed actuary unless the Commission has given its prior written approval to the person's appointment as the insurer's appointed actuary.

**Avoiding conflicts where external actuary appointed as appointed actuary**

**24.** (1) The insurer shall not appoint an external actuary as its appointed actuary unless the board has taken reasonable steps to

- (a) determine whether the person to be appointed has any interest or holds any position, whether in or outside the insurer, that may conflict with the person's functions and duties as appointed actuary; and
- (b) following the appointment
  - (i) require the appointed actuary to advise it of any conflicts that may arise during the person's appointment; and
  - (ii) seek periodic confirmation from the appointed actuary as to whether any conflicts of interest have arisen since the actuary's appointment.

(2) If the board determines that a person to be appointed, or a person who has been appointed, as appointed actuary has any conflicts of interest, the board shall either ensure that the conflict is appropriately managed and controlled or, if that is not possible, ensure that the person is not appointed or ceases to be the appointed actuary.

(3) The fact that a person is the appointed actuary of more than one licensed insurer is not, in itself, a conflict of interest.

*Other Strategies, Policies, Procedures and Controls*

**Underwriting and pricing strategy, policies, procedures and controls**

**25.** (1) The insurer shall establish and maintain

- (a) an underwriting and pricing strategy and policies; and
- (b) procedures and controls designed to secure that the underwriting and pricing strategy and policies are effectively implemented.

(2) Without limiting subparagraph (1)(a), the underwriting and pricing policies shall provide for

- (a) the evaluation of risks underwritten or to be underwritten;
- (b) the establishment of adequate premium levels;
- (c) the mitigation and diversification of risks by
  - (i) defining limits on the amount of risk retained; and
  - (ii) providing for the transfer of appropriate levels of risk away from the insurer through adequate and appropriate reinsurance arrangements.

(3) Without limiting subparagraph (1)(b), the procedures and controls shall include controls of expenses related to premiums and claims.

(4) The underwriting and pricing strategy and the significant underwriting and pricing policies shall be approved, and reviewed periodically by the board.

(5) Senior management shall monitor the underwriting and pricing strategy procedures and controls on an ongoing basis.

### **Remuneration policy**

**26.** (1) The board shall

- (a) establish a remuneration policy and ensure that the remuneration policy is periodically reviewed;
- (b) consider whether it would be appropriate to establish a remuneration committee and, if it considers appropriate, establish a remuneration committee.

(2) The remuneration policy

- (a) shall
  - (i) take full account of the insurer's business objectives and its long term financial soundness; and
  - (ii) cover the remuneration of directors, senior managers and any other employees who, in discharging their responsibilities, may have a material impact on the insurer's risk exposure;
- (b) shall not include incentives that are likely to
  - (i) cause imprudent, unnecessary, inappropriate or excessive risk-taking; or
  - (ii) result in the unfair treatment of policyholders or potential policyholders.

### **Business continuity**

**27.** (1) The insurer shall establish a business continuity policy, and put business continuity arrangements in place, aimed at ensuring that, in the event of an unforeseen interruption or disruption

- (a) the insurer is able to continue to carry on its insurance business and to meet its regulatory and AML/CFT obligations;
- (b) losses to its functions, systems and data are limited and any losses may be recovered in a timely manner; and

- (c) where the severity of the interruption or disruption results in the insurer ceasing its insurance business, or any part of it, it is able to resume its business in a timely manner.
- (2) The business continuity policy and arrangements shall be
- (a) appropriate for the nature, size and complexity of the insurer's business and the risks to which it is exposed; and
  - (b) regularly reviewed and tested, and updated as required.
- (3) Without limiting subparagraph (1) or (2), the interruptions and disruptions covered by the business continuity plan and arrangements shall include
- (a) the loss or failure of internal and external resources, including human resources, systems and other assets;
  - (b) the loss or corruption of data and other information; and
  - (c) external events, such as criminal acts, weather events and other natural disasters.

### **Information systems**

**28.** (1) The insurer shall have in place reliable and secure information systems that cover all the significant activities that it carries on and that enable it to measure, assess and report on the size, composition and quality of its exposures.

- (2) Without limiting subparagraph (1)
- (a) the information systems shall be designed to ensure that
    - (i) all transactions are recorded on an accurate, complete and timely basis;
    - (ii) there is accurate and complete accounting information for all on-balance sheet and off-balance sheet activities;
    - (iii) the integrity of the system hardware, software and data is protected through appropriate access and process controls;
    - (iv) an accurate, secure and reliable audit trail is generated for all transactions; and
    - (v) there is reliable back up of data on an appropriate periodic basis; and
  - (b) the insurer shall establish policies, processes and controls for the development and maintenance of its information systems which shall cover
    - (i) planning for future technology requirements consistent with the insurer's business strategies and business plans;
    - (ii) identifying and evaluating technology solutions for business activities;

- (iii) the acquisition and, if appropriate, development of software;
- (iv) the documentation, testing and implementation of software; and
- (v) delivery and support, including the identification and solution of problems.

(3) The insurer's information systems shall be supported by adequate contingency arrangements.

### *Conflicts of interest*

#### **Conflicts of interest**

**29.** (1) The insurer shall establish and maintain procedures and controls to identify conflicts of interest, and potential conflicts or interest and, where conflicts do arise, to ensure that they are effectively managed in a manner that is fair to its policyholders, whether by disclosure, internal rules of confidentiality, declining to act or otherwise.

(2) The insurer shall not unfairly place its interests above those of its policyholders and, where a properly informed policyholder would reasonably expect that the insurer would place the policyholder's interests above its own, the insurer shall act in accordance with that expectation.

(3) Without limiting subparagraph (1), the insurer shall take all reasonable steps to identify conflicts of interest between

- (a) the insurer, including its directors, senior managers, insurance agents and persons responsible for control functions, or any person exercising control over the insurer; and
- (b) its policyholders.

(4) Where the policies of the insurer to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to policyholder interests will be prevented, the insurer shall clearly disclose the general nature and sources of conflicts of interest to the policyholder before undertaking any insurance business with the policyholder.

(5) The insurer shall, in making disclosure under subsection (4), provide the policyholder with sufficient detail, taking into account the nature of the policyholder, to enable the policyholder to take an informed decision with respect to matter in the context of which the conflict of interest arises.

(6) In this paragraph, "policyholder" includes a potential policyholder and an actual or potential beneficiary under an insurance contract.

### *Outsourcing*

#### **Responsibility for outsourced activities**

**30.** (1) Where the insurer outsources an activity, the insurer

- (a) shall oversee the performance of the activity by the service provider; and

- (b) remains responsible for
  - (i) the performance of the activity by the service provider; and
  - (ii) any failure by the service provider in relation to the performance of the activity.
- (2) The insurer shall not outsource
  - (a) any duties of the compliance function or the internal audit function; or
  - (b) any activity if the outsourcing of that activity would
    - (i) impair the Commission's ability to supervise the insurer; or
    - (ii) affect the rights of a policyholder or potential policyholder against the insurer, including the right to obtain legal redress.
- (3) The insurer shall not outsource any of the duties of the risk management function or the actuarial function without the prior written approval of the Commission.
- (4) Subparagraph (2)(a) does not prevent the compliance function being undertaken at a group level, where approved by the Commission.
- (5) Subparagraph (3) does not affect or limit the requirement to have an appointed actuary.

#### **Outsourcing of material activities**

**31.** The insurer shall not enter into an outsourcing arrangement in relation to any material activity unless

- (a) the board of the insurer has
  - (i) undertaken an assessment of the outsourcing risk;
  - (ii) satisfied itself as to the expertise and experience of the service provider;
  - (iii) satisfied itself that the charges, fees and costs payable under the outsourcing agreements are reasonable given the activities to be undertaken by the service provider under the agreement and are affordable given the insurer's current and likely future income and costs;
  - (iv) taking full account of the matters specified in subparagraphs (i), (ii) and (iii), approved the outsourcing arrangement; and
  - (v) satisfied itself that the outsourcing will be subject to appropriate controls;
- (b) the insurer has established an outsourcing policy with respect to the activities to be outsourced ("the relevant activities");



- (c) the insurer has given the Commission not less than two week's notice of its intention to do so.

### **Outsourcing policy**

**32.** (1) The outsourcing policy established under paragraph **31(b)** shall

- (a) consider the potential effects of outsourcing on the compliance function;
- (b) include an evaluation of whether, and the extent to which, the relevant activities are appropriate for outsourcing;
- (c) set out the internal review and approvals required;
- (d) specify criteria for making outsourcing decisions, including how, and to whom, particular types of relevant activities should be outsourced; and
- (e) provide for outsourcing only as permitted by, and in accordance with, these licensing conditions.

(2) The board of the insurer

- (a) shall approve the insurer's outsourcing policy and keep it under review; and
- (b) is responsible for ensuring that any outsourcing arrangements are put in place and operated in accordance with the insurer's outsourcing policy.

### **Managing outsourcing risks**

**33.** (1) If the insurer outsources any activities, it shall establish and maintain appropriate and adequate procedures and controls to manage its outsourcing risk.

(2) Without limiting subparagraph (1), the outsourcing management risk procedures and controls shall

- (a) provide for the monitoring and controlling of the insurer's outsourcing arrangements; and
- (b) take account of the key outsourcing risks specified in the Schedule.

### **Outsourcing arrangements**

**34.** (1) The insurer shall, before entering into any outsourcing arrangement, whether material or otherwise, undertake appropriate due diligence with respect to the service provider to whom the activities will be outsourced to enable it to assess

- (a) the service provider's capacity and ability to undertake the outsourced activity; and
- (b) the risks associated with outsourcing the proposed activity to the service provider.

(2) The outsourcing of any material activity shall be governed by a written contract with the service provider that

- (a) clearly specifies all material aspects of the outsourcing arrangement, including
  - (i) the activities to be outsourced, including agreed service levels;
  - (ii) the rights and responsibilities of the parties;
  - (iii) the protection by the service provider of confidential information relating to the insurer or its customers;
  - (iv) provisions for monitoring the outsourcing; and
  - (v) provisions for the termination of the arrangement by the insurer; and
- (b) gives the insurer and its auditor access to all documents and information relevant to the outsourced activity.

(3) The insurer shall establish and maintain a contingency plan for each outsourcing agreement that it enters into.

### *Definitions and Interpretation*

#### **Definitions**

**35.** (1) The following terms have the following meaning in these licensing conditions:

“Affiliate”, in relation to a person working within the actuarial function, means a person who

- (a) has completed a degree in actuarial science, mathematics or statistics or a degree which combines one or more of these subjects; and
- (b) has passed at least two subjects towards the qualification of Associate of a specified actuarial body;

“AML/CFT obligations” means an obligation of the insurer under the Anti-Money Laundering Act, 2008 or the Anti-Money Laundering Regulations, 2010;

“board” means the board of directors of the insurer;

“control function” means a function specified in paragraph 8;

“executive director” means a director of the insurer who

- (a) is an employee of the insurer; or
- (b) has day-to-day managerial or operational responsibilities in relation to the insurer;

“external actuary” means an actuary who is not an employee of the insurer;

“independent non-executive director” means a non-executive director of the insurer who

- (a) has not, at any time in the previous five years, been an executive director of the insurer;
- (b) is not connected to the insurer;
- (c) does not hold any shares, or have any other interest, in the insurer, other than director's remuneration as a director; and
- (d) does not have a material conflict of interest in relation to the insurer;

"non-executive director" means a director of the insurer who is not an executive director;

"outsourcing arrangement" means an arrangement between the insurer and a service provider under which the service provider, or another person acting for the service provider, undertakes an activity on a continuing basis that would normally be undertaken by the insurer and "outsource" shall be construed accordingly;

"regulatory obligations" means the obligations of the insurer under the Insurance Act, the Market Conduct Rules, these and any other licensing conditions issued by the Commission and any directives of the Commission applicable to the insurer;

"senior management" means

- (a) the senior managers of the insurer acting collectively; or
- (b) those senior managers having responsibility for particular functions;

"senior manager" of the insurer means an employee of the insurer who

- (a) acts as chief executive or occupies a similar position;
- (b) holds a position that requires the employee to be answerable to the board; or
- (c) has responsibilities that include direct involvement in the insurer's management or decision making process at a senior level; and

"specified actuarial body" means

- (a) the Institute and Faculty of Actuaries of the United Kingdom;
- (b) the Society of Actuaries of the USA;
- (c) the Casualty Actuarial Society of the USA;
- (d) the Institute of Actuaries of Australia;
- (e) the Canadian Institute of Actuaries;
- (f) an actuarial body recognised by one of the bodies specified in paragraphs (a) to (e) as having equivalent status to that body; or

- (g) such other actuarial body as may, on application by the insurer, be approved by the Commission.

(2) For the purposes of these licensing conditions, one person (the first person) is connected to another person (the second person) in the following circumstances:

- (a) both persons are companies in the same group of companies;
- (b) the second person is an company, where:
  - (i) the first person is a significant owner of the second person; or
  - (ii) the first person is a director or senior manager of the second person;
- (c) the first person is a close family member of:
  - (i) the second person, where that person is an individual;
  - (ii) an individual who is a significant owner of the second person; or
  - (iii) an individual who is a director or senior manager of the second person.

#### **Effective date**

36. These licensing conditions shall take effect from **1<sup>st</sup> January, 2016**.

## **SCHEDULE**

### **PRINCIPAL OUTSOURCING RISKS**

**(Summarised from the Joint Forum Report**

**“Outsourcing in Financial Services”, February 2005)**

#### **Principal Outsourcing Risks**

- Strategic Risk:** The third party may conduct activities on its own behalf which are inconsistent with the overall strategic goals of the insurer.
- Failure to implement appropriate oversight of the outsource provider.
- Inadequate expertise to oversee the service provider.
- Reputation Risk:** Poor service from third party.
- Customer interaction is not consistent with overall standards of the insurer.
- Third party practices not in line with stated practices (ethical or otherwise) of licensed insurer.
- Compliance Risk:** Licensed insurer’s obligations under the Act, the Regulations or the Code or any relevant anti–money laundering and terrorist financing legislation contravened.

	Service provider has inadequate compliance systems and controls.
<b>Operational Risk:</b>	<p>Technology failure.</p> <p>Inadequate financial capacity to fulfil obligations and/or provide remedies.</p> <p>Fraud or error.</p> <p>Risk that firms find it difficult/costly to monitor outsourcing performance.</p>
<b>Exit Strategy Risk:</b>	<p>The risk that appropriate exit strategies are not in place which could arise from over-reliance on one service provider, the loss of relevant skills in the insurer itself preventing it bringing the activity back in-house, and contracts which make a speedy exit prohibitively expensive.</p> <p>Limited ability to return services to home country due to lack of staff or loss of intellectual history.</p>
<b>Counterparty Risk:</b>	<p>Inappropriate underwriting or credit assessments.</p> <p>Quality of receivables may diminish.</p>
<b>Country Risk:</b>	<p>Political, social and legal climate may create added risk.</p> <p>Business continuity planning is more complex.</p>
<b>Contractual Risk:</b>	Ability to enforce contract.
<b>Access Risk:</b>	<p>Outsourcing arrangement hinders ability of licensed insurer to provide timely data and other information to Commission.</p> <p>Additional layer of difficulty in regulator understanding activities of the service provider.</p>
<b>Concentration and Systemic Risk:</b>	<p>Overall industry has significant exposure to outsource provider.</p> <p>Concentration risk has a number of facets, including:</p> <ul style="list-style-type: none"> <li>(a) Lack of control of individual firms over provider; and</li> <li>(b) Systemic risk to insurance sector, or wider financial sector.</li> </ul>

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# **APPENDIX G**

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## **The Corporate Governance Code for Listed Companies 2020 (Securities and Exchange Commission)**

**SEC/CD/001/10/2020**



*‘Ensuring Investor Protection’*

**SECURITIES AND EXCHANGE COMMISSION**

**THE CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES 2020**  
**SEC/CD/001/10/2020**

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3. The composition of the Board
4. The Board secretary
5. The operation of the Board
6. Management information
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8. Conflicts of interest within the Board
9. Related party transactions

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## **CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES 2020**

### **PREAMBLE**

In the exercise of the powers conferred by Section 209 of the Securities Industry Act 2016 (Act 929), this Code is issued by the Securities and Exchange Commission on this 8<sup>th</sup> day of October 2020.

### **PART ONE: APPLICATION**

#### **1. Application**

- (1) This Code applies to all companies whose securities are admitted to trading on the Ghana Stock Exchange except where sub paragraph (2) applies.
- (2) Where a company meets the conditions at (a) (b) and (c) below, the Commission may waive some or all of the provisions in this Code, if it is satisfied that, notwithstanding the waiver, the company will still be subject to adequate provisions on corporate governance:
  - (a) the company's securities are also admitted to trading on a stock exchange outside Ghana;
  - (b) the company is incorporated outside Ghana; and
  - (c) the company is subject to corporate governance requirements in the country where the securities are traded or where the company is incorporated.
- (3) Where a company has a constitution that makes requirements that are incompatible with this Code:
  - (a) the company shall notify the Commission of the nature of the incompatibility; and
  - (b) the Commission may agree that the company shall be exempt from the relevant provision in this Code:
    - (i) for twelve months from the date that the transitional period described in paragraph (39) expires: or, if sooner,
    - (ii) the date on which the relevant provisions in the constitution are amended.
- (4) If, after twelve months from the date the transitional period expires, the constitution of the company in the circumstances described at sub paragraph (3) has not been amended, the relevant provisions in this Code shall apply. The company and its officers shall, from that time, comply with the provisions of this Code, notwithstanding any contrary provisions in the constitution of the company.
- (5) For the avoidance of doubt, a company may continue to apply provisions in their constitution which are different from this Code and may be stronger in their effect, provided that the minimum requirements in this Code are met.

### **PART TWO: THE BOARD**

#### **2. The role and responsibilities of the Board**

- (1) A listed company shall be headed by an effective Board providing strategic guidance to lead and control the company and which shall be accountable to its shareholders.

- (2) The Board of directors shall assume the primary responsibility for fostering the long-term, sustainable business of the company consistent with:
- (a) The laws;
  - (b) this Code;
  - (c) the Board's fiduciary responsibility to the shareholders;
  - (d) their responsibility to ensure the company operates in an effective, fair, ethical and prudent manner; and
  - (e) their duty to have regard to the interests of employees and others as appropriate.
- (3) The responsibilities of the Board shall include the following:
- (a) With respect to the operation of the company:
    - (i) to define and document the company's mission, strategy, goals, objectives and plans;
    - (ii) to determine and document the company's corporate governance practices, its risk management framework, its risk tolerance and its ethical standards;
    - (iii) to appoint Board Committees with the appropriate balance of skills, experience, independence and knowledge to meet the requirements of this Code
    - (iv) to appoint the chief executive officer and other senior officers and hold them, particularly the chief executive officer, to account, to set and monitor objectives and performance indicators and to provide checks and balances to the chief executive officer's authority;
    - (v) to set documented policies and procedures that implement the business strategy, risk management framework and ethical standards;
    - (vi) to set internal controls that are documented and designed to implement the policies and procedures which apply throughout the company including to employees, agents and others through whom services are delivered;
    - (vii) to adopt the company's annual budget;
    - (viii) to ensure that accounting policies, record keeping, accounting and financial reporting systems are sufficient for the operation of the business and consistent with the requirements of the law and this Code;
    - (ix) to oversee and monitor the corporate management and operations, management accounts, major capital expenditures, acquisitions, divestitures investments and other major transactions and review corporate performance;
    - (x) to implement a management information system that enables the Board to monitor performance;
    - (xi) to develop and document appropriate staffing and remuneration policy;
    - (xii) to ensure that the financial resources available to the business not only meet the statutory or regulatory requirements but also are adequate with respect to

the nature, size, and complexity of its business and will enable the company to meet its liabilities as they fall due;

- (xiii) to ensure that the company has sufficient technological and other resources to carry out its operations; and
  - (xiv) to review on a regular basis the business strategy, risk management, ethical standards, policies and procedures, internal controls, record keeping and accounting policies, management information, level of resources and compliance with laws, regulations, this Code, the code of ethics, rules and guidelines and to take such remedial action as may be required;
- (b) with respect to shareholders and other stakeholders:
- (i) to establish and implement a system that communicates properly with shareholders and provides necessary information to the shareholders;
  - (ii) to protect the rights of all shareholders;
  - (iii) to be accountable to shareholders and submit to their questioning;
  - (iv) to advance shareholders' interests by taking full and appropriate account of the interests of other stakeholders and the community more generally.
- (c) with respect to effective functioning of the Board itself:
- (i) to monitor the effectiveness of the corporate governance practice under which it operates and propose revisions as may be required;
  - (ii) to establish a transparent Board nominating process;
  - (iii) to monitor the performance of the Board itself and its committees by means of a formal, documented evaluation no less frequently than annually; and
  - (iv) to establish its own procedures and manage conflicts of interest.
- (4) The responsibilities of the Board shall be described in a Board Charter.

### **3. The composition of the Board**

- (1) The structure of the Board shall comprise a number of directors, who collectively shall have the integrity, skills and experience necessary to fulfil the Board's responsibilities and protect the interests of all shareholders.
- (2) The Board shall comprise a balance of executive directors, non-executive directors and independent non-executive directors, all of whom shall be natural persons and:
  - (a) a majority of the directors shall be non-executive directors;
  - (b) a majority of non-executive directors shall be independent; and
  - (c) a minimum of two directors shall be independent non-executive directors, one of whom may be the Chairman of the Board.
- (3) The Board shall not be composed solely of nominees or representatives of the majority shareholder or of a substantial shareholder but shall reflect the company's broad shareholding structure.
- (4) In circumstances where there is no majority shareholder but there is a single substantial shareholder the Board shall be composed of a majority of directors nominated by, or

representing, shareholders other than the substantial shareholder, so as to reflect the shareholding structure of the company.

- (5) The Board shall identify one independent non-executive director who shall be responsible for relations with minority shareholders. This non-executive director may request the audit committee to review a transaction to consider if it has an adverse effect on the interests of minority shareholders.
- (6) The size of the Board shall not be too large to undermine an interactive discussion during Board meetings or too small such that the inclusion of a wider expertise and skills to improve the effectiveness of the Board is compromised.
- (7) If the size of the Board is smaller than [5] members or larger than [13], the Board shall explain in the annual report why it regards this number as appropriate.
- (8) The Board shall disclose in its annual report whether it complies with sub paragraphs 2-5 and 7 of this Code. It shall identify the directors it considers as being independent.
- (9) The composition of the Board shall be described in the Board Charter.

#### **4. The Board secretary**

- (1) The Board secretary, appointed in accordance with Section 211 of the Companies Act, 2019 (992) shall be responsible for the administration of Board meetings, for the records of Board meetings, for the conflicts of interest register and other matters as may be determined by the Board. The Commission may prescribe specific duties of a Board secretary
- (2) The Board secretary's duties shall be specified by the Board. The secretary may have other duties in addition to that of secretary to the Board. The Board Secretary's duties shall include:
  - (a) ensuring that meetings take place and papers circulated to those attending, in accordance with the schedule agreed by the Board, and as directed by the Chairman;
  - (b) advising the Board on Board policies and procedures for the operation of the Board as specified in the law, this Code, the company's constitutive documents and the Board Charter;
  - (c) keeping records and Board minutes as appropriate;
  - (d) maintaining the Board Charter, ensuring that it is up to date and advising the Chairman on its enforcement; and
  - (e) ensuring that there is annual review of the Board Charter by the Board.
- (3) The Board secretary shall have the requisite qualification under Section 211, subsection 3 of the Companies Act 2019 (Act 992).
- (4) The Board shall evaluate the performance of the Board Secretary annually based on the roles and responsibilities as documented in the appointment letter and key performance indicators agreed with the Board.
- (5) The Board secretary's responsibilities shall be described in the Board Charter.

#### **5. The operation of the Board**

- (1) The Board shall adopt procedures for arranging its business which shall include:

- (a) an annual schedule of meetings, agreed and documented and consisting of at least four meetings at quarterly intervals;
  - (b) the required notice for the circulation of the agenda and the method for securing the adoption of agenda items;
  - (c) a statement as to the decisions that shall be reserved to the Board or a statement of matters that are delegated to a committee of the Board or to executives;
  - (d) the procedures for taking Board decisions, including the required majority, the use of a casting vote and the minimum quorum; and
  - (e) the method of recording and disseminating Board decisions.
- (2) The Board may engage third parties or agents to carry out some of the functions for which the Board is responsible but, in this event, the Board shall retain responsibility for the performance of those duties as performed by the third party or agent.
  - (3) The Board's procedures for arranging its business, including its statement of delegation and of matters reserved to the Board shall be described in the Board Charter.
  - (4) The Board shall put in place a formal and effective mechanism for an annual evaluation of the Board's own performance, members of the Board and of its Committees. The mechanism should be included in the Board Charter and published on the company's website.

## **6. Management information**

- (1) The Board shall be supplied with relevant, accurate and timely information to enable it to discharge its duties.
- (2) The Board shall identify and document the information it considers necessary to monitor:
  - (a) the operation of the business;
  - (b) the discharge of the Board's obligations;
  - (c) the nature and magnitude of risks;
  - (d) the effectiveness of risk mitigation policies;
  - (e) the financial performance and position of the company;
  - (f) the exposure to significant risks as identified by the Board under paragraph (7)(2); and
  - (g) other matters it considers necessary.
- (3) The Board shall also be informed of all relevant laws, regulations, codes and other mandatory and non-mandatory provisions that have a material impact on the operation of the company.
- (4) The chairman and Board secretary shall be responsible for supplying information to Board members on a timely basis that is sufficient to enable them to discharge their duties.
- (5) It shall be the responsibility of each Board member to make reasonable enquiries to inform himself or herself of the factors affecting the issues before the Board and to seek further information from within or outside the company as they consider appropriate.

- (6) The Board shall adopt a policy that defines the circumstances in which a Board member may retain outside professional experts for advice at the expense of the company.
- (7) The Board shall ensure that the management of the company has responsibility for maintaining the security, availability, reliability and integrity of the management information.
- (8) The Board's responsibilities with respect to management information shall be in the Board Charter.

## **7. Risk management**

- (1) The Board has overall responsibility for the management of the risks facing the company and for the oversight of the actions taken by the executive to assess and mitigate risk.
- (2) The Board shall review the assessment of the risks facing the company. This risk assessment shall include, where relevant, any risks arising from:
  - (a) the products or services provided;
  - (b) the financial management of the company;
  - (c) the technology infrastructure;
  - (d) the information held by the company;
  - (e) the human resources available to the company;
  - (f) the physical premises;
  - (g) the potential for internal fraud; and
  - (h) any other material risks.
- (3) The Board shall review and adopt an internal organisational structure and policies and procedures designed to mitigate the risks it has identified and to maintain risk management, financial and operational control. The risk assessment and the policies and procedures shall be:
  - (a) documented; and
  - (b) communicated to employees.
- (4) The Board shall review and adopt contingency plans for maintaining business continuity in the event of certain specified risks, including:
  - (a) technology failure;
  - (b) the loss of access to the company's offices;
  - (c) the loss of records or access to them;
  - (d) the default or failure of a counterparty; and
  - (e) the loss of key personnel.
- (5) The Board shall ensure that the contingency arrangements are tested from time to time and no less frequently than annually.
- (6) The Board shall ensure that an evaluation is conducted, either by the executive, or independently (for example by the external auditor) of its risk assessment and the effectiveness of its risk management process no less frequently than annually. The Board

shall review the results of that evaluation and take any necessary action. The results of the review, the action taken and the reasons for such action (or, where appropriate, no action) shall be documented.

- (7) The Board's risk management process and contingency planning shall be described in the Board Charter.

## **8. Conflicts of interest within the Board**

- (1) The Board shall ensure that the obligations placed on directors by Sections 192 to 194 of the Companies Act, 2019 (Act 992) are met. In addition, where a Board member has an interest in any matter that is the subject of Board discussion, he or she shall declare the nature and extent of that conflict of interest to the Board and the Board secretary shall keep a register of such interests.
- (2) The Board shall have a policy with respect to conflicts of interest that:
  - (a) requires disclosure by directors when being considered for appointment and thereafter, annually or on the occasion of significant changes, of any outside financial, economic or other interest;
  - (b) provides for the Board to consider disclosures by candidates for Board membership so as to determine if a conflict of interest is such that a reasonable person would conclude that the director was likely to be influenced by that conflict when considering a matter before the Board;
  - (c) ensures that no director holds the position of director of a company that is licensed as a broker/dealer under Section 109 of the Act;
  - (d) defines the procedures for considering whether a director's outside appointments or any other matter amount to a material conflict of interest and if so to consider the action necessary to resolve the conflict including:
    - (i) withdrawing from any discussion on a particular matter; and
    - (ii) receiving no papers or other information on a matter; or
    - (iii) if necessary, resigning from the Board; and
  - (e) defines the procedures for avoiding any misuse of the position of director.
- (3) The policy shall enable the Board to require a director to resign if conflicts of interest appear to be too severe to permit the director to remain a member of the Board.
- (4) The policy shall also include the steps the Board have taken to ensure that the directors comply with Section 153 of the Securities Industry Act and, in particular to:
  - (a) maintain a register, including directors, of those who should be regarded as "insiders"; and
  - (b) require directors to disclose trading in shares of the company.
- (5) The conflicts of interest procedure shall be described in the Board Charter.

## **9. Related Party Transactions**

- (1) The Board shall adopt a related party transactions policy to identify relevant related parties to the company and any transactions with related parties that may take place and which specifies procedures to be adopted that will mitigate the risk that such transactions

may be conducted in a way that constitutes a conflict of interest or which is against the interests of shareholders as a whole.

- (2) The procedures in sub paragraph (1) above shall include but not be limited to the following requirements:
  - (a) any transaction that is identified by any one director as a related party transaction shall be subject to the related party transaction procedures;
  - (b) any related party transaction shall be referred to the audit committee for review;
  - (c) the audit committee may determine that a related party transaction is sufficiently material to be referred to shareholders for approval;
  - (d) any related party transaction not designated as material under sub paragraph (c) above shall be subject to approval by the Board and any vote by the Board shall exclude those with a conflict of interest or any interest in the related party or the transaction;
  - (e) where the Board (excluding those not entitled to vote under sub paragraph (d) above) does not unanimously approve the related party transaction, it shall be referred to the shareholders for approval; and
  - (f) any related party transactions that are approved by the shareholders shall be identified in the annual report.
- (3) The Related Parties Transactions procedure shall be described in the Board Charter.

### **PART THREE: THE DIRECTORS OF THE COMPANY**

#### **10. Appointment of directors**

- (1) There shall be a formal and transparent policy for the appointment of directors to the Board that shall be overseen by the nominating committee.
- (2) The appointment and terms of office of each director shall be so arranged that no more than a third of the directors reach the end of their term of office in each year. This shall be achieved by altering the length of the fixed term contract of each director, on their appointment or re-election, so as to fit this pattern.
- (3) The nominating committee shall recommend to the Board, candidates for directorship to enable the Board to meet its responsibility to nominate candidates for the approval of the shareholders. The Board shall only make such nominations after considering the recommendations of the nominating committee.
- (4) The appointment policy shall include the following steps:
  - (a) the Board shall approve a documented description of the investigations that shall take place with respect to the skills qualification, integrity and other matters relating to candidates and the factors to be taken into account when considering each appointment;
  - (b) the Board shall approve the procedure for evaluating the performance of appointees,



- (c) the Board shall determine and document the terms and conditions of each appointment that is to be made, including whether the vacancy is for an executive, non-executive or independent non-executive director;
- (d) the Board shall adopt a policy on the appropriate gender balance on the Board and the minimum time necessary to achieving that policy and shall take this into account when making each appointment;
- (e) the nominating committee shall determine and document the particular skills, qualifications and expertise required for each appointment that is to be made;
- (f) the nominating committee shall invite the majority shareholder (where one exists), any substantial shareholders and minority shareholders to:
  - (i) nominate candidates for the Board; and
  - (ii) give views on the candidates for directorships that have offered themselves or been offered by others;
- (g) the nominating committee shall consider any other candidates who have been nominated by others and those who have offered themselves for appointment and any others it may consider appropriate;
- (h) when making recommendations to the Board, the nominating committee shall include only those candidates who have agreed in writing that they are willing to be considered;
- (i) the nominating committee shall include candidates that command the support of majority, minority and substantial shareholders in their recommendations to the Board such that, were all candidates recommended by the nominating committee, the Board would:
  - (i) reflect the broad shareholding structure of the company;
  - (ii) meet the requirements for the skills, qualifications and expertise that it has determined are necessary for the particular appointment; and
  - (iii) meet the Board's policy for moving towards an appropriate gender balance;
- (5) All persons offering themselves for appointments as directors, substitute directors or alternate directors (under Sections 180 or 181 of the Companies Act, 2019 (Act 992) or being proposed for such appointments shall state, in writing their willingness to be considered and shall disclose to the Board any potential area of conflict that may undermine their position or service as director. A person offering themselves as directors should be required to confirm that it is their intention to fulfil their duties throughout their term of office and not rely, except in wholly unforeseeable circumstances, on the use of substitute or alternate directors.
- (6) The Board shall consider the recommendations of the nominating committee when choosing which candidates to nominate to the shareholders for approval. The Board shall nominate candidates that include those who command the support of minority shareholders as well as those who have the support of any majority or substantial shareholders.
- (7) The nominating committee shall prepare a report on the nomination process, the number of director posts available, the criteria by which candidates were judged, the qualifications, experience, material interests of, and other relevant information about, the candidates, their acceptability to majority, substantial or minority shareholders as

appropriate, the extent to which the Board's policy on gender balance is being achieved and any other matter the nominating committee considers relevant. This report shall be issued to shareholders in advance of the meeting where the candidates are to be elected.

- (8) The Board should encourage directors to fulfil their responsibilities and when a director is unable to do so, should, as a first preference, adopt the full nomination policy for a replacement director, rather than appointing substitute or alternate directors (even where their constitution allows). Where substitute or alternate directors are appointed, the nominating committee shall consider the suitability of a person nominated as a substitute director or an alternate director and, if the nominating committee considers that person to be unsuitable, the alternate director shall not be appointed.
- (9) Where the constitution of the company gives the Board the power to appoint a person as a director to fill a vacancy, or as an addition to the Board, any director, so appointed shall hold office only until the next general meeting. The nominating committee shall nominate a suitable candidate for the shareholders to consider at that meeting, following the normal policy. The nominating committee may nominate the person appointed temporarily by the Board (if they meet the criteria) but is not obliged to do so.
- (10) The appointments policy shall be in the Board Charter and published on the company's web site.

#### **11. Multiple directorships**

- (1) All directors shall devote sufficient time to the performance of their role to discharge their responsibilities effectively
- (2) No person shall hold more than three directorships in any listed company at any one time.
- (3) Any director that is contemplating appointment to another company shall notify the chairman and Board secretary in advance of the appointment.
- (4) The restrictions on multiple directorships shall be in the Board Charter.

#### **12. Re-election of directors**

- (1) All directors shall be required to submit themselves for re-election at regular intervals that shall be no shorter than three years and no longer than four years. Executive directors shall have a fixed service contract with a provision to renew subject to:
  - (a) regular performance appraisal; and
  - (b) shareholders' approval.
- (2) A director who has served more than nine years may be re-elected but shall no longer be an independent director.
- (3) The provisions for re-election and the term limits for directors shall be in the Board Charter.

#### **13. Induction, training and performance of directors**

- (1) Newly appointed directors shall be provided with
  - (a) Appropriate documentation stating the terms of appointment, responsibilities and duties, requirements for disclosure of interests, policies and procedures relevant to

the operation of the Board the Board Charter and code of ethics, this Code and other induction materials;

- (b) necessary orientation in the area of the company's business in order to enhance their effectiveness in the Board.
- (2) The nominating committee shall recommend an induction programme to the Board and a programme of training. This training should include the requirements of the law and this Code.
- (3) The Board shall determine and document the training it considers appropriate for the Board and shall describe it in the Board Charter.
- (4) The nominating committee shall review annually whether any further training shall be supplied to Board members and make recommendations accordingly.

#### **14. Removal of directors**

- (1) Removal of a director under Section 176 of the Companies Act, 2019 (Act 992), shall be disclosed in the annual report together with the details of the circumstances leading to the removal.

#### **15. Directors remuneration**

- (1) The Board shall adopt a remuneration policy for directors on the recommendation of the remuneration committee and that policy shall be documented and subject to the approval of shareholders.
- (2) The directors' remuneration shall be sufficient to attract and retain directors to run the company effectively.
- (3) The remuneration of the directors shall be approved by shareholders and not increased except with their approval at a general meeting, where notice has been given of a proposal to increase remuneration.
- (4) The non-executive directors' remuneration shall be competitive with remuneration for other directors in competing sectors. It shall be by a fixed sum and not by commission or percentage of profits or turnover.
- (5) The remuneration of the executive directors shall include an element that is linked to corporate performance:
  - (a) The link to performance may be by means of the issue of share options; but
  - (b) The directors' remuneration shall not be based on commission or percentage of profits or turnover: and
  - (c) The link to corporate performance shall be such as to give priority to longer term sustainable performance over short term performance.
- (6) The Board shall ensure that the terms and conditions of appointment of directors enable the Board to require an executive director to repay any element of remuneration that has been paid based on performance, where the Board subsequently determines that the performance on which such remuneration was based was not compatible with the long term sustainable performance of the company.

- (7) The Board shall disclose in its annual report its policies for remuneration as well as the actual remuneration, pensions and emoluments of directors and past directors in accordance with Section 132 of the Companies Act, 2019 (Act 992).
- (8) The remuneration policy shall be described in the Board Charter.

#### **16. Role of chairman and chief executive officer**

- (1) Unless sub paragraph (2) applies, the position of chairman and chief executive officer shall not be held by the same person at the same time.
- (2) Where the Board determines that, for a limited period and for exceptional reasons, the role of chairman and chief executive officer should be combined, the matter shall be put to the Commission for approval. If the Commission grants consent the matter shall then be put to the shareholders for approval. A reasoned explanation shall be provided to the Commission and shareholders. The explanation shall include:

- (a) the date by which the arrangement shall be discontinued;
- (b) the measures that have been implemented to ensure that no one individual has unfettered powers of decision in the company and;
- (c) the reasons justifying the combination of the roles.

If the Commission withholds permission, or if a motion proposing the combination of the chairmanship and chief executive officer posts fails to gain the approval of a simple majority of shareholders, the positions shall remain separate.

- (3) Unless paragraph (2) applies, the chairmanship of a listed company shall be held by an independent non-executive director.
- (4) No person shall be the chairman of more than one listed company at any one time.
- (5) The chairman shall:
  - (a) be responsible for articulating the Board's vision and strategy;
  - (b) ensure that the Board meets regularly in accordance with the agreed schedule and otherwise as required;
  - (c) ensure that committees meet regularly;
  - (d) ensure that meetings are conducted in a proper manner with an agenda that is circulated in advance;
  - (e) ascertain the views and/or the decision of the meeting on the issues being discussed;
  - (f) ensure that directors, are encouraged to contribute within their respective capabilities in order to secure the maximum benefit for the company; and
  - (g) ensure that the Board exercises its responsibility to act as a check and balance to the decisions of the chief executive officer and other management staff;
  - (h) be the principle channel of communication between the Board and the chief executive officer;
  - (i) initiate the evaluation of the Board's performance and lead the evaluation of the chief executive officer's performance.
- (6) In the case of any non-executive director who is not contributing to the deliberations of the Board, the chairman shall refer the matter to the nominating committee with a view

to supplying additional training, or reviewing whether or not it would be appropriate for the director to be submitted for re-election. If necessary and appropriate the chairman shall invite the director to resign or the Board to terminate the appointment.

- (7) The Board shall adopt a clear succession plan for its chairman and chief executive officer and other senior executive officers as appropriate in order to avoid an unplanned and sudden departure, which could undermine the company and shareholders' interest. The Board should seek the advice of the nominating committee on this plan.
- (8) The chief executive officer shall be accountable to, and subject to the control of, the Board and shall be responsible for implementing the Board's decisions as well as exercising any functions that are delegated by the Board.
- (9) The chairman shall oversee the effectiveness of the chief executive officer in meeting his or her responsibilities.
- (10) The Board shall ensure that there are directors or senior staff who are able to take over the functions of the chief executive officer in the event of the chief executive officer being incapacitated, absent or otherwise incapable of fulfilling his or her duties.
- (11) The roles and responsibilities of the Chairman and chief executive officer shall be described in the Board Charter.

#### **PART FOUR: COMMITTEES OF THE BOARD**

##### **17. Establishment of committees**

- (1) The Board shall establish an audit committee, a risk committee, a remuneration committee and a nominating committee as prescribed in this Code.
- (2) The Board may choose to combine the functions of certain of its committees provided that it is satisfied that there will be no conflict of interest or duties and that such combination will not impair their ability to function effectively. If the Commission considers that, in any one company, the combination of the functions of committees creates an unacceptable conflict of interest, it may direct that company to create separate committees for specified functions. The company shall comply with that direction.
- (3) The Board shall establish such other committees as it deems appropriate and shall delegate specific mandates to such committees as may be necessary.
- (4) Where the Board delegates duties and functions to committees, the Board will retain ultimate overall responsibility for such duties and functions.
- (5) The terms of reference of each committee shall be documented, approved by the Board, kept by the Board secretary and published on the company's website. They shall show:
  - (a) the composition, objectives, purposes and functions;
  - (b) the extent of delegated authority;
  - (c) the tenure of appointment of members;
  - (d) the requirements relating to frequency of meetings, quorum, agenda, papers and minutes;
  - (e) the reporting arrangements to the Board.
- (6) The Board shall review the terms of reference of each committee every year.

- (7) The terms of reference of each committee shall state whether or not other persons may attend the committee and under what conditions
- (8) Each committee shall organise its business such that:
  - (a) it gives reasonable notice of the time, date and location of meetings, together with the main issues scheduled for discussion;
  - (b) the deliberations and decisions are recorded; and
  - (c) the committees report to the full Board as appropriate.
- (9) The committees, their membership and a report of their activities shall be disclosed in the annual report.
- (10) The Board shall review the performance of the committees annually.
- (11) There is a general duty on all Board members to be present at annual meetings (paragraph 32). However, it is especially important that the chairman of each Board committee shall be present at general meetings of shareholders, unless exceptional circumstances prevent them, so as to permit shareholders to put questions to them.
- (12) The Committee structure and terms of reference should be described in the Board Charter.

#### **18. The audit committee**

- (1) The audit committee which shall consist of at least three directors. Independent non-executive directors shall constitute a majority on the committee. At least one of the independent non-executive members shall be a Chartered Accountant with recent and relevant financial experience. The Chairman of the committee shall be a Chartered Accountant and an independent non-executive director.
- (2) The audit committee members shall have: –
  - (a) broad business knowledge relevant to the company's business;
  - (b) awareness of the interests of the investing public;
  - (c) reasonable knowledge of the laws relating to the company and its business;
  - (d) familiarity with finance and basic accounting principles; and
  - (e) objectivity in carrying out their mandate and no conflict of interest.
- (3) The audit committee shall have:
  - (a) adequate resources and authority to discharge its responsibilities;
  - (b) authority to investigate any matter within its terms or reference;
  - (c) authority to employ professional advice or assistance if it considers this necessary; and
  - (d) full access to any information it considers relevant.
- (4) The audit committee shall report to the Board and have written terms of reference, which deal clearly with its authority and duties.
- (5) The Board shall disclose in its annual report the composition and terms of reference of the audit committee and its activities during the year.

## **19. The duties of the audit committee**

- (1) The audit committee shall be responsible for overseeing the integrity of the accounting and financial reporting system and reporting to the Board on these matters.
- (2) The audit committee shall review the quarterly and year-end financial statements of the company, focusing particularly on:
  - (a) accounting policies and practices;
  - (b) significant adjustments arising from the audit;
  - (c) the going concern assumption; and
  - (d) compliance with the accounting standards of the Institute of Chartered Accountants (Ghana) and other legal requirements.
- (3) The responsibilities of the audit committee shall include the following with respect to the external audit:
  - (a) to consider the appointment of the external auditor, the audit fee and, if such an event occurs, the resignation or dismissal of the external auditor;
  - (b) to satisfy itself that the external auditor is independent and properly qualified;
  - (c) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
  - (d) to discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
  - (e) to review the management's response to the audit report and the auditor's letter to management; and
  - (f) to be a channel of communication between the external audit function and the Board.
- (4) The audit committee's responsibility in relation to internal audit shall include the following:
  - (a) to advise the Board on the creation of an internal audit function and, if created within the company, on the senior appointments or where internal audit is outsourced, on the appointment of the third-party internal auditor;
  - (b) to be responsible for the internal audit function so that:
    - (i) where the internal audit department is within the company, the Chief Internal Auditor should report to the Chairman of the audit committee;
    - (ii) where internal audit is outsourced, the audit committee should be responsible for the oversight of the third party;
  - (c) to review the adequacy, scope, functions, capacity, effectiveness and resources of the internal audit function, and ensure that it has the necessary authority to carry out its work;
  - (d) to review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;

- (e) to review any appraisal or assessment of the performance of members of the internal audit function;
  - (f) to approve any appointment or termination of senior staff members of the internal audit function;
  - (g) to ensure that the internal audit function is independent of the activities of the company and is performed with impartiality, proficiency and due professional care;
  - (h) to consider the implications of the resignation of internal audit staff members and provide the resigning staff members an opportunity to submit reasons for resigning; and
  - (i) to review the internal auditor's report on internal controls no less frequently than every six months, give its views to the Board on that report and take and document such action as it considers appropriate in the light of that report.
- (5) The audit committee's responsibilities shall also include the following:
- (a) to review the adequacy of internal controls and of the degree of compliance with material policies, laws, the code of ethics and business practices of the company and to include the outcome of its review in a report on its activities in the company's annual report;
  - (b) to make recommendations to the Board with respect to the effectiveness of internal controls;
  - (c) to consider the major findings of internal investigations and management's response;
  - (d) to establish procedures for dealing fairly, promptly and effectively with complaints or other reports (whether anonymous or not and including those submitted through the whistle blowing facility established under paragraph 30) concerning the accounting, internal accounting controls, audit concerns, the code of ethics, violations of the law and other relevant matters referred to it by the Board;
  - (e) to consider and report on any related party transactions that may arise within the company or group, assessing in particular whether the price and other terms are consistent with an arm's length transaction and considering whether or not they are in the long term interests of the company as a whole and whether or not they should be subject to the approval of the shareholders at a general meeting;
  - (f) to commission and review internal audit reports on major transactions and other transactions, where requested by the director with particular responsibility for relations with minority shareholders, and to consider and report on the effect of such transactions on the rights of minority shareholders; and
  - (g) to consider other topics as defined by the Board.
- (6) The members of the audit committee shall:
- (a) meet the external auditors no less frequently than annually without the presence of executive Board members;
  - (b) take reasonable steps to ensure that they are properly informed, so that they can be vigilant and effective overseers of the financial reporting process and the company's internal controls;
  - (c) assist the auditor and the management in protecting the auditor's independence.



- (7) The audit committee shall include, within the Board's annual report, a report on its work. That report shall include its confirmation that the external auditor was independent, appropriately qualified and acted with due care.

## **20. The risk committee**

- (1) The risk committee shall have a minimum of three members, a majority of which (including the chairman) shall be independent, non-executive directors.
- (2) The risk committee shall:
  - (a) review the risks facing the company;
  - (b) assess the importance of each area of risk to the company's strategy and objectives;
  - (c) assess the extent to which risks shall be accepted, be subject to mitigation or removed;
  - (d) consider the effectiveness of risk mitigation measures; and
  - (e) make recommendations to the Board on its risk management strategy, taking account of the provisions of Code paragraph (7).
- (3) The risk committee shall report on its activities in the annual report.

## **21. The nominating committee**

- (1) A nominating committee shall be responsible for the operation of the nominating policy and for developing a succession plan for the CEO and other senior executive officers as determined by the Board.
- (2) The nominating committee shall consist of no less than three members, a majority of the members of which (including its chairman) shall be independent non-executive directors.
- (3) The nominating committee shall adopt a procedure that includes the requirements described in paragraph 10 and shall assess candidates thoroughly and fairly.
- (4) The nominating committee shall consider for appointment only persons of calibre, who have the necessary skills and expertise to exercise independent judgement on issues that are necessary to promote the company's objectives and performance in its area of business.
- (5) The nominating committee shall recommend an induction programme to the Board and a programme of training.
- (6) The nominating committee shall review annually whether any further training shall be supplied to Board members and make recommendations accordingly.
- (7) The nominating committee shall on an annual basis:
  - (a) review the required mix, skills, expertise and gender balance required by the Board;
  - (b) review the extent to which the elected directors meet the required mix, skills, expertise and gender balance;
  - (c) review the need for training for directors and make recommendations;
  - (d) review the extent to which elected directors reflect the broad shareholding structure; and

- (e) report on the nominating process and its findings in respect of (a), (b), (c) and (d) above.
- (8) The nominating committee shall give an account of its activities in the company's annual report and this account shall include its assessment of the compliance of the Board with Code paragraph (3) as regards composition.

## **22. The remuneration committee**

- (1) The remuneration committee shall be responsible for recommending a remuneration policy to the Board for directors as described in Code paragraph (15). The Board may invite the remuneration committee to suggest a policy that applies to other staff.
- (2) The remuneration committee shall have its responsibilities documented in its terms of reference.
- (3) The remuneration committee shall be formed of at least three directors, a majority of whom (including the chairman) shall be independent non-executive directors.
- (4) The remuneration committee shall recommend the remuneration of the directors and such members of the senior management as the Board may determine in its terms of reference.
- (5) The remuneration policy shall:
  - (a) be transparent and documented;
  - (b) encourage high quality sustainable performance;
  - (c) encourage long term commitment to the company while minimising the risk of losses where there is early termination.
- (6) The remuneration committee shall oversee the application of the Board's remuneration policy.
- (7) The remuneration committee shall include in its annual report, the matters described in Code paragraph 15(7) and further comparable information concerning the senior executives.

## **PART FIVE: FINANCIAL STATEMENTS AND CONTROLS**

### **23. Financial statements**

- (1) In addition to meeting the requirements of Sections 128 to 130 of the Companies Act, 2019 (Act 992) and any applicable statute relating to financial reporting, the financial statements prepared by the Board shall be:
  - (a) accurate, presenting a true, balanced, comprehensible and fair picture of the company's financial position;
  - (b) consistent with the Board's accounting policies;
  - (c) consistent with the accounting standards issued by the Institute of Chartered Accountants (Ghana); and
  - (d) comparable, taking one year with another, including both annual and interim statements.
- (2) The annual and interim financial statements shall be submitted to shareholders in accordance with the law and regulation.

- (3) The annual report of the company shall contain the audited financial statements and shall include the auditor's report.

## **24. Annual Report**

- (1) The directors' annual report published in accordance with Section 136 of the Companies Act, 2019 (Act 992), shall include a statement from the Board accepting responsibility for the information contained in the report and the financial statements annexed thereto.
- (2) The annual report shall include a list of directors (showing their qualifications, experience and other directorships and material interests), any appointments, resignations or dismissals that have occurred during the period. The committees on which the directors serve and their attendance record shall also be shown. The shareholdings in the company of each director shall also be disclosed.
- (3) The annual report shall reiterate and describe any material changes to the company's objectives and include a discussion and analysis of the company's performance and financial condition for the period under review and its future prospects, with emphasis on the next financial year.
- (4) The annual report shall include a discussion of trends that may affect the future performance of the company.
- (5) The annual report shall contain a statement from the Board as to the adequacy of the internal control mechanisms and procedures of the company.
- (6) The annual report shall include the financial statements and the auditor's report.
- (7) Material foreseeable risk factors shall also be described and assessed in the annual report together with the measures taken to mitigate the risk.
- (8) The annual report shall contain a statement from the Board as to the degree of compliance of the company with any regulatory and other legal requirements governing its composition and operations in respect of the period under review. This statement shall include the number of meetings of the Board and Committees, the attendance of directors at such meetings and whether or not the Board conducted an evaluation of its performance in accordance with this Code.
- (9) The annual report shall contain a detailed statement from the Board as to the company's degree of compliance with the corporate governance practices specified in this Code. The Commission may issue mandatory requirements or guidance on the form such reports should take.
- (10) The annual report shall include reports from the chairmen of the committees as prescribed in this Code.
- (11) The annual report shall include disclosure of any controlling interest and substantial shareholdings and any transactions which result in changes in controlling interest and substantial shareholdings. Substantial beneficial ownership interests in the company shall also be disclosed.

## **25. Independent external auditors**

- (1) The Board shall establish a formal and transparent arrangement for appointment of independent external auditors by the annual general meeting of shareholders.
- (2) The Board shall ensure that:

- (a) the auditor is independent and meets the standard of independence required by law;
  - (b) on reasonable enquiry, the Board knows of no reason why the auditor shall not serve as auditor
  - (c) any services provided by the auditor to the company in addition to audit, do not violate auditor independence standards as established by law or the appropriate standard setting authority;
  - (d) the auditor is appropriately qualified in accordance with Section 138 of the Companies Act, 2019 (Act 992) and the Securities Industry Act, 2016 (Act 929), has appropriate professional indemnity insurance and is authorised and competent to conduct an audit of the accounts;
  - (e) the auditor is provided by the company with all information that is relevant to the audit;
  - (f) the auditor has the right of access to all accounting and other records of the company and the right to require such information and explanations as the auditor considers necessary to perform its functions; and
  - (g) all information and explanations given to the auditor is accurate and neither false nor misleading.
- (3) The Board shall arrange for the financial statements to be audited by the external auditor in accordance with Sections 128 and 137 of the Companies Act, 2019 (Act 992) and with accounting standards issued by the Institute of Chartered Accountants (Ghana).
  - (4) The external auditor shall be required to specify in his report if the financial statements audited have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants (Ghana) and any additional requirements prescribed by the Commission.
  - (5) The external auditor's report on the financial statements of the company shall specify any departure from the accounting standards and shall contain the auditor's opinion as to whether or not the auditor acquiesces with the departure and the reasons given for such departure.
  - (6) The external auditor's report shall also specify any departure or deviation from the auditing standards on his part and the reasons for the same.
  - (7) An auditor's resignation or refusal to stand for re-election shall be accompanied by an explanation by the auditor, which the company shall circulate to all shareholders. Where the directors propose a resolution for the removal of the auditor, in accordance with Section 141 of the Companies Act, 2019 (Act 992), the Board shall give their reasons to the shareholders.

## **26. Internal controls**

- (1) The Board is responsible for adopting an internal organisational structure and the policies and procedures (referred to as internal controls) of the company that are appropriate for the nature of the business in which the company is engaged and for monitoring the management in ensuring adherence to those controls on a day to day basis.
- (2) The Board shall maintain a sound system of internal control to:
  - (a) safeguard the shareholders' investments and assets;

- (b) implement the Board's policies and risk mitigation measures;
  - (c) comply with the law, this Code and other applicable statutory and regulatory requirements; and
  - (d) ensure the implementation of the Board's business strategy, policies and code of ethics.
- (3) The Board shall ensure that for employees responsible for the administration of the company, except where the Board determines that the nature of the post makes it unnecessary:
- (a) there is a description of the duties of the post;
  - (b) the employee knows the standards of conduct that are expected of them;
  - (c) there is a description of the authority and responsibility of the post holder, of the key areas of discretion of the post, which shall include a description of the limits of that discretion and the criteria to be applied in exercising that discretion;
  - (d) the description of duties for each employee shall define the extent to which that employee may commit the company to expenditure, market positions or other financial commitments; and
  - (e) there is a designated person who has oversight responsibility for the officer occupying the post and for ensuring that discretion is exercised in accordance with the established parameters.
- (4) The Board shall ensure that there are adequate financial controls, including the determination of what shall be regarded as a significant financial commitment and a requirement for dual signatures prior to the company accepting such a commitment.
- (5) The Board shall maintain such records as a necessary for the administration of the business, the monitoring of its financial position, the condition of its assets and the assessment of risks and opportunities.

## **27. Internal audit**

- (1) The Board shall establish an internal audit function and shall, on the advice of the audit committee, appoint an internal auditor who shall have appropriate qualifications and who may be:
  - (a) a member of staff; or
  - (b) an external appointment.
- (2) The internal auditor shall report to the audit committee.
- (3) The internal auditor may carry out other functions, provided that those functions are not subject to internal audit or create conflicts of interest with the internal audit function.
- (4) The purpose, responsibility, resources and authority of the internal auditor shall be documented. They shall be determined by the Board, on the advice of the audit committee, taking account of the guidance and requirements of the Institute of Internal Auditors of Ghana. The responsibilities shall include:
  - (a) advising the audit committee on the evaluation of the effectiveness of internal controls, risk management and management information systems;
  - (b) reporting any weaknesses in internal controls to the audit committee;

- (c) reporting to the audit committee no less frequently than every six months;
  - (d) reviewing major transactions and related party transactions;
  - (e) reviewing other transactions as required by the audit committee, including when requested by the director with particular responsibility for relations with minority shareholders, to consider the effect of such transactions on company as a whole and on the rights of minority shareholders in particular; and
  - (f) performing any other duty that the Board may regard as appropriate, provided that it does not conflict with the duties of an internal auditor.
- (5) The Board shall ensure that the internal auditor:
- (a) has sufficient seniority, authority, resources and skills to carry out the tasks;
  - (b) determines an annual audit programme that is subject to the approval of the audit committee;
  - (c) has the right to issue any report directly to the audit committee whether or not the audit committee has asked for such a report;
  - (d) is able, without seeking any other prior authority:
    - (i) to examine all books, documents and other records, in whatever media they are held; and
    - (ii) to interview any Board member, employee, agent or other relevant person about any aspect of their work.
- (6) The audit committee shall review the report of the internal auditor on internal controls, no less frequently than every six months and shall report to the Board no less frequently than annually.
- (7) The internal auditor shall communicate regularly with the external auditor and shall share reports and audit findings and risk information.

## **28. Record keeping**

- (1) The Board shall maintain all records reasonably required for the orderly management of the business. In addition to the requirements of Section 127 of the Companies Act, 2019 (Act 992), these records shall include all records that will correctly record and explain the transactions and financial position of the business of the company
- (2) The records maintained by a company shall be:
  - (a) kept in English or in a manner that will enable them to be readily converted into English within a reasonable time;
  - (b) be readily accessible;
  - (c) kept up to date; and
  - (d) kept in a manner that will enable the income statement and statement of financial position of the company to be conveniently and properly audited.
- (3) Records shall be kept, whether in electronic or other form and shall be:
  - (a) subject to appropriate procedures which ensure that records are made, amended, or erased, only by authorised persons and only in a manner that complies with the duties of the company to keep proper records;

- (b) stored so as to:
  - (i) minimise any risk of their loss due to theft, fire, flood, corruption or unauthorised amendment;
  - (ii) prevent unauthorised access; and
- (c) backed up or otherwise duplicated so that copies shall be available if the originals are lost, destroyed, corrupted or amended other than in accordance with the company's procedures.
- (4) Records, including duplicates, shall be kept for at least seven years, from the date of the matter being recorded.

## **29. Code of ethics**

- (1) The Board shall adopt a code of ethics and circulate it to staff.
- (2) All staff shall be required to review and abide by the code of ethics. Directors and staff should confirm in writing, annually that they have read and understood the code of ethics.
- (3) The code of ethics shall:
  - (a) commit the company to the highest standards of professional behaviour and business conduct;
  - (b) be developed in association with management and employees;
  - (c) receive total commitment in respect of its implementation from the Board and the managing director/chief executive officer of the company;
  - (d) be sufficiently detailed as to give clear guidance to users, especially with respect to the conduct to be adopted where an employee is faced with circumstances that the Board considers may pose a risk to the standards of conduct it considers appropriate or may create a conflict of interest;
  - (e) give details of the sanctions that should apply when the Code is breached; and
  - (f) be reviewed regularly and updated when necessary.
- (4) The implementation of the code of ethics shall be monitored by the audit committee and reviewed regularly. The committee shall report to the Board no less frequently than annually.
- (5) The code of ethics shall be described in the Board Charter.

## **30. Whistle Blowing**

- (1) The Board shall appoint a person to whom disclosures may be made in good faith by employees and others who have concerns that any behaviour or activities of the company, its management or its employees or agents may be improper.
- (2) The person may be an independent director, or the function may be outsourced to a third-party reporting to the audit committee.
- (3) The arrangements shall include:
  - (a) the ability of the whistle blower to make reports anonymously if he or she so chooses;

- (b) a facility to investigate the concerns and to prepare a report to the Board or one of its committees;
  - (c) protection for the whistle blower against retaliation by the company, management employees or agents;
  - (d) penalties for reports made by whistle blowers for malicious purposes.
- (4) The Board may require its employees or agents to exhaust internal complaints grievance or appeals procedures before making a report under this Code paragraph unless the whistle blower has reason to believe that existing complaints, grievance or appeals procedures would not be effective or may result in action taken against the whistle blower.
- (5) The facility for making such whistle blowing reports shall be described on the company's web site.

## **PART SIX: RELATIONSHIPS WITH SHAREHOLDERS**

### **31. Approval of major decisions by shareholders**

- (1) Major decisions of the company such as the disposal of the company's significant assets, restructuring, capital raising, takeovers, mergers, acquisitions or reorganization shall be subject to the approval of shareholders at a general meeting according to the Companies' Act (for example Section 202). Related party transactions where the conditions in paragraph 9(2)(c) or (e) are met should also be put to shareholders for approval.
- (2) For each major decision, the Board shall ensure that sufficient information is supplied to shareholders in good time to enable them to be able to make a fully considered judgement on the matter to be determined. The information to be provided shall:
  - (a) include the advantages, and disadvantages of the proposal;
  - (b) the monetary costs and potential return;
  - (c) the effect on the rights of shareholders in general including any particular effect on minority shareholders;
  - (d) the risks associated with the proposal; and
  - (e) any other information that might reasonably be regarded as material to the decision, even if it is detrimental to the case the Board is putting forward.

### **32. General meetings**

- (1) When arranging general meetings in accordance with Sections 157 to 166 of the Companies Act, 2019 (Act 992), the Board shall provide to all its shareholders sufficient and timely information concerning the date, location and agenda of the general meeting as well as full and timely information regarding issues to be decided during the general meeting.
- (2) The information to be given to the shareholders shall be sufficient to enable them to make a fully considered judgement on any matter to be determined, including all material information whether supporting or contrary to the proposal being put forward.
- (3) Shareholders shall be given the opportunity to place matters for discussion on the agenda of the general meeting.



- (4) The Board shall make shareholders expenses and convenience the primary criteria when selecting venue and location of annual general meetings.
- (5) The Board shall ensure that all shareholders have equal access to corporate information.
- (6) Issues to be decided by the general meeting shall be presented discretely and disparate matters shall not be combined for a single decision.
- (7) The Board shall ensure that shareholders have the right to put questions to the directors and shall provide sufficient time for shareholders questions on matters pertaining to the company's performances. The directors shall make themselves available to respond to questions put by the shareholders.
- (8) Voting by means other than personal attendance at a specified venue shall be facilitated so far as possible and reasonable.
- (9) All members of the Board should normally be present at annual meetings.

### **33. Rights of shareholders**

- (1) The Board shall promote and protect shareholders' rights and in particular ensure that:
  - (a) all shareholders, including the minority shareholders, receive equitable treatment;
  - (b) all shareholders receive relevant information on the company's performance through timely distribution of regular annual reports and accounts, half-yearly results and quarterly results;
  - (c) all shareholders are encouraged to participate in the general meetings, to ask questions and to exercise their votes;
  - (d) all shareholder shall be treated equitably in accordance with the law. this Code and the company's constitution in respect of the distribution of profits in the form of dividends and other rights for bonus, shares, script, dividend or rights issue, as applicable, in the proportion of its shareholding in the company's share capital and in a timely manner, such that dividends, once declared, shall be paid within 6 months;
  - (e) institutional investors are encouraged to vote during the annual general meetings of the company;
  - (f) institutional investors are also encouraged to make direct contact with the company's senior management and Board members to discuss performance and corporate governance matters;
  - (g) regular investor briefings are arranged when the results are declared or as may be necessary to explain their performance and promote interaction with investors; and
  - (h) the website of the company is used as an effective communication channel with shareholders as well as interaction among shareholders and the company.
- (2) When electing members of the Board, shareholders shall be provided, in a timely manner, with full biographical information about the candidates including:
  - (a) name, age and country of principal residence;
  - (b) whether appointment is executive and if so the specific area of responsibility;
  - (c) for non-executive directors, whether the director is considered to be independent;
  - (d) working experience and occupation during the past ten years;

- (e) other directorships and material interests (present and for the past five years);
  - (f) shareholding in the company and its subsidiaries;
  - (g) family relationship with any director and/or majority or substantial shareholder of the company or its principal subsidiaries; and
  - (h) any conflict of interest.
- (3) The Board shall provide shareholders, in advance of the meeting, the report made by the nominating committee in accordance with paragraph 10(7).

### **34. Relations with Investors**

- (1) The Board shall appoint a person with responsibility for relations with investors. This person shall have the resources necessary to fulfil its function. The investor relations officer may have other duties.
- (2) The investor relations officer shall be the first point of contact between investors and the company. He or she shall be responsible for:
  - (a) providing financial and non-financial information to investors, financial analysts and their representatives in a timely and accurate way;
  - (b) reporting investor concerns to the Board; and
  - (c) ensuring that the statutory provisions and the provisions in this Code, regarding communications with investors and shareholders, are met.
- (3) The responsibilities of the Investor relations Officer shall be described in the Board Charter.

### **35. Conduct of general meetings**

- (1) The Board of a listed company shall ensure that shareholders' rights of full participation at general meetings are protected by giving shareholders –
  - (a) sufficient information on voting rules and procedures;
  - (b) information on rules, policies and procedures on the company website;
  - (c) the opportunity to question the Board and management;
  - (d) the opportunity to place items on the agenda at general meetings in accordance with the constitution of the company; and
  - (e) the opportunity to vote in absentia.

### **36. Disclosure of information**

- (1) The Board shall disclose any price sensitive information in a timely manner in accordance with the law.
- (2) If the Board considers that, in wholly exceptional circumstances, disclosure of price sensitive information would be commercially damaging, it may seek the permission of the Commission to defer disclosure but shall also take action, such as seeking a suspension of trading in the company's securities, to prevent the creation of a false market in the price of the securities.

- (3) The Board shall also disclose changes in shareholdings that result in a person becoming a substantial or majority shareholder.
- (4) The Board shall ensure that the company has an active website that is accessible to the general public. That web site shall:
  - (a) be kept up to date;
  - (b) include all information that is required to be published by law or this Code or any other legislative or regulatory requirements;
  - (c) include any other material information that is necessary for shareholders to monitor the company's performance; and
  - (d) notwithstanding the generality of sub paragraph (b) and (c) above, the website shall include the company's annual reports (including its financial statements), the company's statement of risks and key policies, compliance with this Code, information about forthcoming events affecting shareholders (including meetings) and contact details for whistle blowing and investor relations.

### **37. Relations with stakeholders**

- (1) The Board shall monitor the company's relationship with stakeholders and endeavour to increase shareholder value by maintaining good relations with stakeholders.
- (2) The Board shall adopt a policy with respect to its approach to key stakeholders, including employees, creditors, suppliers and residents who live in the close vicinity of its properties

## **PART SEVEN: MISCELLANEOUS**

### **38. Penalties**

- (1) In the event of a breach of this Code, the Commission may impose a penalty of up to three hundred penalty units or such greater amount where the breach also involves a breach of requirements in the Act for which a higher penalty is imposed.

### **39. Transitional**

- (1) A listed company shall comply with this Code no later than one year after it is published.

### **40. Interpretation**

- (1) In this Code, all definitions have the same meaning as those in the Act or in the Companies Act, 2019 (Act 992), as amended):
  - “Act” means the Securities Industry Act 2016 (Act 929);
  - “Board” means the Board of directors;
  - “Companies Act” means the Companies Act, 2019 (Act 992), as amended;
  - “constitution” means the Regulations as defined in Section 26 of the Companies Act or, for those companies which retained them, memorandum and articles of association;

“corporate governance” means the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while taking into account the interest of other stakeholders;

“executive director” means a director who is involved in the administrative or managerial operations of the company;

“independent director” means a director who –

- (a) is not a substantial or majority shareholder of the company;
- (b) is not associated with any majority or substantial shareholder of the company, whether through business, family or personal relationships, political affiliation or in any other way;
- (c) has not been employed by the company in an executive capacity within the last three years;
- (d) has not been a director of the company for more than [nine] years;
- (e) is not affiliated to an advisor or consultant to the company or a member of the company’s senior management or a significant customer or supplier of the company or with a not-for-profit entity that receives significant contributions from the company;
- (f) has not had any business relationship with the company (other than service as a director) within the past five years;
- (g) is not a significant supplier or customer of the company;
- (h) is not employed by a public company at which an executive officer of the company serves as a director;
- (i) is not a member of the immediate family of any natural person described above; or has not had any of the relationships described above with any affiliate of the company;
- (j) is free from any other relationship with the company which may interfere with his or her capacity to act in an independent manner.

“listed company” means a company any of whose securities are listed or admitted to trading on the securities market of a securities exchange;

“non-executive director” means a director who is not involved in the administrative or managerial operations of the company;

“majority shareholder” means a shareholder entitled to exercise or control the exercise of fifty per cent or more of the voting power at a general meeting of the company;

“minority shareholder” means a shareholder who is not a majority or substantial shareholder.

“substantial shareholder” has the meaning given in the Securities Industry Act.

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# **APPENDIX H**

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**Corporate Governance Manual for Governing Boards /  
Councils of the Ghana Public Services  
(The Public Services Commission – Ghana)**



**CORPORATE GOVERNANCE MANUAL FOR  
GOVERNING BOARDS/COUNCILS OF  
THE GHANA PUBLIC SERVICES**

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## PREFACE

Corporate Governance seeks to create organizations that are governed transparently and with integrity and which are accountable and responsible, and operate efficiently and effectively.

In a lower level middle income economy, such as Ghana, government plays a major role in promoting economic and commercial activities for development through the creation of the enabling environment. Public Service organizations are therefore, expected to put in place appropriate policies, rules, regulations and monitoring and evaluation mechanisms for promoting effective good governance practice.

Weak governance practice in the Public Service organizations may lead to inefficiencies, low productivity, corruption and consequently retard economic growth and development of Ghana.

Major issues of concern to the Public Services include:

- Weak interface between political office holders and public servants in day-to-day administration of the public service;
- Lack of adherence to policy operating guidelines;
- Appointments of Board /Council members are not based qualification, competence, experience and commitment;
- Board /Council are changed any time a new Government is in power, regardless of provisions specified for their tenure in the enabling Acts of Agencies.
- Unhealthy Board/Council – Management relationships;
- Lack of comprehensive and regular capacity building and training for Board/Council members

In order to address the above mentioned concerns, as well as to respond to the numerous requests from public service organizations on matters relating to good corporate governance, the Public Services Commission has developed this Manual to streamline corporate governance practices.

It is expected that the implementation of this manual will accomplish the following:

- Improved strategic direction of public service organizations;
- Enhanced appreciation of the duties and responsibilities of a Board/Council member;
- Strengthened oversight responsibilities of Governing Boards/Councils ;
- Improved relationship between Boards/Councils and Management and staff
- Increased responsibility, transparency, accountability, efficiency and effectiveness.
- Adherence to set guidelines and standards ;
- Effective and efficient management of the organization for the achievement of the stated objectives;
- Improved risk management and reduced leakages within the organisations;
- Enhanced and sustained stakeholder satisfaction; and
- Improved overall operational performance of the public service.

This Manual which is made up of fourteen chapters covers the following the following topics:

- *Introduction*
- *Corporate Governance Architecture*
- *Appointment, Induction and Tenure*
- *Responsibilities and Duties*

- *Meetings*
- *Committees*
- *Remuneration*
- *Corporate Reporting and Compliance*
- *Board/Council – CEO Relationship*
- *Evaluation of the Board/Council*
- *Evaluation of the Chief Executive Officer*
- *Ethical Standards*
- *Risk Management*
- *Social Accountability*

In conclusion, operational challenges within organizations are a clear manifestation that the principles and practices of good corporate governance have not been sufficiently appreciated and adhered to in the Public Services. The promotion of good corporate governance must be shared responsibility among all stakeholders.

It is the hope of PSC that this Manual will be adopted and effectively used by both Boards/Councils members and indeed the staff of public service organizations.

Bridget Katsriku (Mrs)  
Chairman  
Public Services Commission

## **LIST OF ABBREVIATIONS**

CACG-	Commonwealth Association for Corporate Governance
CEO -	Chief Executive Officer
CHRAJ	Commission on Human Rights and Administrative Justice
PSC -	Public Services Commission
SA -	Social Accountability

# **CHAPTER ONE**

## **1.0 INTRODUCTION**

### **1.1 Background**

There is a growing demand on Government to be more transparent and accountable to its citizens. One of the pillars for the promotion of transparency and accountability is good governance. In simple terms, good governance refers the adherence to laid down policies, rules, regulations, structures and practices that lead to the achievement of expected results. In a situation where such rules, regulations, structures and practices are weak, or not adhered to, good governance ceases to exist.

There are certain factors which impede efforts to promote good corporate governance in public service organizations. Key among them is the lack of clearly defined interface between political office holders and the Boards/Councils on one hand and political office holders and Management of Agencies on the other. This results in unhealthy relationship between Boards/Councils and Management, developing into conflicts to the detriment of the organisations.

These challenges, coupled with the numerous complaints received, have necessitated the development of a Governance Manual by the Public Services Commission to guide Boards/Councils, Management and Sector Ministers on their governance functions, roles and responsibilities.

### **1.2 The Public Service**

Article 190 (1) of the 1992 Constitution of the Republic of Ghana specifies the composition of the Public Services of Ghana as follows:

- (a) the Civil Service
- the Judicial Service
- the Audit Service
- the Education Service
- the Prisons Service
- the Parliamentary Service
- the Health Service
- the Statistical Service
- the National Fire Service
- the Customs, Excise and Preventive Service

the Internal Revenue Service

the Police Service

the Immigration Service, and

the Legal Service;

- (b) public corporations other than those set up as commercial ventures;
- (c) public services established by this Constitution; and
- (d) such other public services as Parliament may by law prescribe

### **1.3 Role of the Public Services**

The Public Services play an important role in promoting the economic growth and Development of Ghana. The Public Services perform the following functions, among others:

- i. maintain law and order;
- ii. facilitate economic development and optimal use of resources;
- iii. ensure equitable distribution of such resources so that the citizens can live a quality of life that can be sustained;
- iv. maintain a good image of the country;
- v. assist the Government in the formulation and implementation of national policies;
- vi. facilitate regional and global integration; and
- vii. mobilize revenue for development.

### **1.4 Protection to the Public Officer**

Article 191 of the Constitution gives protection to the public officer to enable him/her perform his/her functions. It states as follows:

“A member of the public services shall not be:

- (a) victimised or discriminated against for having discharged his/her duties faithfully, in accordance with the Constitution, or
- (b) dismissed or removed from office or reduced in rank or otherwise punished without just cause.”



## CHAPTER TWO

### 2.0 CORPORATE GOVERNANCE

Corporate governance may be defined as a set of relationships between an organization's management, governing body, owners and other stakeholders in which power is exercised in the management of economic and social resources for enhanced performance and sustainable development.

#### 2.1 The Importance of Good Corporate Governance

As a result of such diverse and important roles, good corporate governance in Public Service organizations:

- i. encourages global investors to invest in various sectors of the economy;
- ii. facilitates efficient and effective allocation of resources;
- iii. assures stakeholders, including the citizens that their welfare is of primary concern to the Government and that the Public Services will be managed efficiently and effectively;
- iv. creates an enabling environment where the citizens are empowered to voluntarily participate in governance so as to contribute towards national development; and
- v. assures stakeholders that those who mismanage or abuse the trust reposed in them shall be sanctioned in accordance with relevant laws, rules and regulations.

#### 2.2 Public Sector Corporate Governance Framework

The Public Services present a complex and challenging corporate governance architecture made up of the following:

- 2.2.1 **Citizens** – they are regarded as the owners of Public Service organizations. Such Public Services were set up for public good.
- 2.2.2 **Government** – elected by the citizens and hold “shares” in trust for the citizenry.
- 2.2.3 **Sector Ministers** – they have strategic control consistent with their responsibility to Parliament and the public. They have oversight of Public Sector organizations.
- 2.2.4 **Parliament** – elected by the people, and part of the decision-making process in democratically elected countries, like Ghana. Parliament passes legislation which underpins the operating framework, including functions and powers of Public Services. Parliament acts as fiduciaries of the citizens.
- 2.2.5 **Boards** – they are appointed by the President in consultation with the Council of State. They have the responsibility for strategic direction, setting targets and reviewing the performance of management among other functions.
- 2.2.6 **Management and Other Staff** – the Chief Executive Officer is appointed by the President on the advice of the Board given in consultation with the Public Services Commission. Management is responsible for implementing strategy, and measuring performance.

## **2.3 Principles of Good Corporate Governance**

The following principles of good corporate governance shall be adhered to by Boards/Councils to improve upon governance practices in Public Service organizations:

### **2.3.1 Rule of Law**

Boards/ Councils shall follow due process. This means that the rights of employees shall be upheld during the investigation of an offence. The employee shall therefore be given the opportunity to defend himself. Penalty to be imposed shall be commensurate with the offence/misconduct so proven.

Article 23 of the 1992 Constitution states that “Administrative bodies and administrative officials shall act fairly and reasonably and comply with the requirements imposed on them by law and persons aggrieved by the exercise of such acts and decisions shall have the right to seek redress before a court or other tribunal.”

### **2.3.2 Accountability**

Board/Council members must be ready to render account of their stewardship to the appointing authority. They shall be held responsible for all acts of omission or commission on their part. Accountability implies that Board/Council members shall protect the interests of organizations and govern them properly. Personal and parochial interests of Board/Council members should not take precedence over those of the organizations where they serve and the interests of the citizens.

### **2.3.3 Transparency**

Board/Council members in their dealings with others shall handle all transactions with a forthright, frank and open manner. Transparency implies full disclosure. There shall be no secrecy about transactions handled by a Board/Council member on behalf of the rest. If a member is interested in a transaction or contract that the organization is about to enter into, the member shall make his intentions known to his colleagues.

### **2.3.4 Conflicts of Interest**

Article 284 of the 1992 Constitution states that “a public officer shall not put himself in a position where his personal interest conflicts or is likely to conflict with the performance of the functions of his office”. Guidelines on Conflict of Interest issued by CHRAJ provide public officials with adequate information to assist them identify, manage and resolve conflicts of interest.

### **2.3.5 Integrity**

This is a core value that relates to honesty and strong moral values. Integrity also applies to faithfulness and diligence. Board/Council members must avoid exhibiting double standards and misinformation.

Members shall be bold to resist fraudulent practices and shall not be complicit in all forms of corrupt practices.

### **2.3.6 Efficiency and Effectiveness**

These principles refer to leadership that produces results. Efficiency and effectiveness imply that resources shall be used at best to produce maximum results. Board/Council

members shall refrain from misuse of corporate resources. Board/Council members shall participate in all Board/Council meetings to make decisions and retain full and effective control over the organizations. Appropriate internal controls shall be instituted and monitored to prevent or reduce waste in organizations.

### **2.3.7 Social Accountability**

Board/Council members shall adhere to international principles as appropriate on:

- (a) human rights;
- (b) labour;
- (c) environment, health and safety; and
- (d) corruption

Board/Council Members must, therefore,:

- (a) be concerned with more than only economic events;
- (b) not be exclusively interested in financial issues;
- (c) be accountable to a broader group of stakeholders;
- (d) recognize that the success of their entities goes beyond reporting financial success.

### **2.3.8 Code of Conduct**

- (a) Board/Council members shall impose upon themselves a Code of Conduct which shall define:
  - (i) the personal conduct of members;
  - (ii) relationship with the organization and its staff members especially ;
  - (iii) Management;
  - (iv) relationship with stakeholders;
  - (v) attendance and active participation at meetings by members;
  - (vi) adherence to the oath of secrecy, oath of office and unauthorized disclosure of information
- (b) Codes of conduct shall have sanctions to make them effective.
- (c) The code of conduct issued by CHRAJ shall be a source of authority for members.

### **2.3.9 Independence**

Board/Council members must demonstrate independence of mind and thought. Members shall not allow themselves to be pressurised to engage in shady transactions for the benefit of others. Independence starts with self-confidence. Members shall seek a second opinion or legal advice when they are not sure about the consequences of their action, especially when the request to perform that transaction or activity came from a third party. The independence of a member is likely to be assured if he refrains from seeking favours from management or third parties.

### 2.3.10 Evaluation

The Board/Council shall on annual basis assess its performance and effectiveness as a team and that of individual members, including the Chief Executive Officer. This is in line with good corporate governance. Weaknesses noted shall be corrected through appropriate capacity development programmes and other behavioural changes.

Thus, corporate governance principles should involve:

- (a) effective interaction among the board/council, management, the external and internal stakeholders of the organisation;
- (b) the board/council members' understanding that their purpose is to protect the interests of the organisation, while considering the interests of other stakeholders; and,
- (c) the board/council knowing that its major areas of responsibility should be guiding, directing, and assessing the CEO, determining and overseeing the organisation's strategy, monitoring risks and control systems of the organization.

A well-structured organisation and governance system should be such that:

- (a) the assignment of tasks and responsibilities that define the job of individuals and units are cohesive;
- (b) the clustering of individual positions into units and units into departments and eventually into hierarchy of management are fluid;
- (c) the various mechanisms required to facilitate top-down coordination are functional;
- (d) the various mechanisms to foster across units/departments coordination are also effective;
- (e) the monitoring and control mechanisms are effective; and
- (f) there are no "leakages", and funds of the organisation are appropriately invested or managed.

The absence of any or all of the above, calls for organizational review, including the governance system.

The Manual would ensure that:

- (a) there is effective and efficient management so that the objectives of the entity are achieved;
- (b) organizational disasters that have engulfed many organizations globally may be avoided;
- (c) "leakages" in all sectors of the Public Service are avoided; and
- (d) Stakeholder satisfaction is achieved and sustained.

## CHAPTER THREE

### 3.0 APPOINTMENT, INDUCTION AND TENURE OF BOARDS

#### 3.1 Appointment

Article 70(1)(d)(iii) of the 1992 Constitution states that “the President shall, acting in consultation with the Council of State, appoint the Chairmen and other members of the governing bodies of public corporations”.

Article 190(3)(a) states that subject to the provisions of this Constitution, an Act of Parliament enacted by clause (1) of this article shall provide for the governing council for the public service to which it relates.

##### 3.1.1 Personal Attributes

The following attributes shall be taken into consideration in appointing Board/Council members.

- A. **Strategic competence** – a major function of a Board/Council deals with strategy. The Board/Council shall constitute a “think-tank” that provides strategic direction of the organization.
- B. **Financial literacy** – it is the responsibility of Boards/Councils to review and approve financial statements prepared by management. The Members must possess analytical skills and be able to interpret financial statements and comment on them intelligently to ensure that all actions taken by management result in good financial health of the organization.
- C. **Communication and Interaction skills** – A Board/Council member must be able to articulate his opinions and listen with empathy.
- D. **Professional qualifications, knowledge and experience should include:**
  - (a) human resource management
  - (b) law
  - (c) financial management
  - (d) general management
  - (e) information and communication technology
- E. **Balance of skills** – even though it is unlikely to have individuals possessing all the qualifications listed above there should be a balance of individuals whose strengths and weaknesses are complementary.
- F. **Character** – Board/Council members must be individuals who have consistently exhibited high values in the society.
- G. **Commitment** – making oneself available for Board/Council meetings and other activities is essential.
- H. **Gender balance shall be imperative.**

### **3.2 Relevant data on potential Board/Council members**

At the point of nomination, the appointing authority shall obtain all the relevant information about the potential Board/Council member.

No person shall be appointed as a Board/Council member unless he/she shall prior, to the appointment, has consented, in writing, to be appointed.

#### **3.2.1 Formal Appointments**

3.2.1.1 All appointments to Board/Council membership shall be in writing. Board/Council members shall swear the:

- (a) Oath of Office, and
- (b) Oath of Secrecy

3.2.1.2 Organizations shall keep registers of Board/Council members.

### **3.3 Tenure of office**

The tenure of office of a Board/Council member shall be determined by the provision of any law existing at the time. Board/Council members must therefore study and be conversant with the legal instruments establishing their organisations.

Issues such as:

- (a) possible renewal of tenure
- (b) resignation of membership
- (c) replacement of a member, where necessary, and circumstances in which this may occur shall be provided for in the legislative instrument

### **3.4 Induction**

Board/Council members shall go through an induction programme before the first Board/Council meeting.

3.4.1 The induction programme shall consist of:

- (a) induction pack, and
- (b) training programme

3.4.2 An induction pack shall consist of the:

- (a) Audited Annual Report and Accounts of the organization over the previous three years;
- (b) Strategic Plan (or at least the Executive Summary thereof) ;
- (c) Organogram;
- (d) Minutes of previous Board/Council meetings (for the last six months);
- (e) Description of Board/Council procedures;
- (f) Corporate Governance Manual for the Public Services;
- (g) Schedule of dates of Board/Council and Committee meetings;

- (h) Names, addresses and telephone numbers of other Board/Council members and secretary;
- (i) Legal document establishing the organization;
- (j) Matters Reserved for the Board (or Authorisation Limits);
- (k) Any other document that the new Board/Council member(s) must have;

3.4.3 A training programme shall focus on:

- (a) the structure and role of the Public Service;
- (b) sector specific for the Board/council members;
- (c) management briefing specific to the organization;
- (d) corporate governance;
- (e) procurement process;
- (f) performance management;
- (g) policy decision making process;
- (h) budget process;
- (i) government machinery;
- (j) strategic planning;
- (k) financial management;

### **3.5 Familiarisation visit**

As part of the induction programme, Board/council members shall visit branches and facilities of the organization to familiarise themselves with employees, ascertain the conditions under which they operate and the equipment they operate with.

### **3.6 Capacity Development**

- 3.6.1 Apart from the initial induction programme, organizations shall make provision for the capacity development of Board/Council members.
- 3.6.2 Irrespective of a Board/Council member's experience and or academic and professional qualification, the need for continuous capacity development is a necessary requirement.

### **3.7 Termination**

- 3.7.1 **A.** The tenure of Board/Council members shall come to an end when the period for appointment ends.
- B.** When members resign their appointments upon submission of written notice of resignation to the appointing authority. A member may resign for various reasons including:
  - i) personal
  - ii) major conflict of interest
  - iii) health
  - iv) concern over the position of the organization
  - v) serious dissent with other Board/Council members.
- C.** A member who wishes to resign may discuss the subject with other members before submitting the resignation letter.

**D.** Death, naturally ends membership of a Board/Council.

**E.** Removal by the appointing authority.

3.7.2 The President acting in consultation with the Council of State may remove a Board/Council member. In line with best practice, the member shall be notified of the grounds for his removal.

3.7.3 Dissolution of the Board/Council

A member of a Board/Council shall be deemed to have ceased to be a member, if the Board/Council is dissolved by the appointing authority, and re-constituted, without his inclusion in the membership.

3.7.4 Resolution

The membership of a Board/Council shall be deemed to have been revoked; if the appointing Authority approves the passed resolution of the Board/Council, to the effect that his/her continued membership would be inimical to the operations of the Board/Council or to be in the public interest.



## **CHAPTER FOUR**

### **4.0 RESPONSIBILITIES, DUTIES AND LIABILITIES**

#### **4.1 Governing Board/Council**

##### **A. Responsibilities**

The main areas of responsibilities of a Board/Council are:

##### **4.1.1 Strategic direction**

- i. Provide leadership for the attainment of the organization's vision, mission, values and structure.
- ii. approving the strategic plan, annual budgets and other relevant documents.
- iii. submitting statutory and other periodic reports to the appropriate officer

##### **4.1.2 Policies**

Formulating organizational policies and monitoring their implementation

##### **4.1.3 Risk Management**

Understanding the risks that the organization faces and setting acceptable threshold for these risks.

##### **4.1.4 Management oversight**

The oversight responsibilities of the Board/Council include the following:

- (a) ensuring that the shareholder's (Government of Ghana) long-term interests are served;
- (b) working with the management to determine the organization's mission and long-term strategy;
- (c) promoting sustainable and cost-efficient activities of the organization;
- (d) establishing and promoting the objectives, business and integrity of the organisation;
- (e) ensuring the timely appointments and confirmation of the CEO and other top management position holders of the organization;
- (f) establishing internal control over financial reporting, and assessing the organisation's risks and strategies for risk mitigation;
- (g) monitoring the performance of management in achieving set objectives of the organization;
- (h) requesting appropriate reports from Management;

#### **4.1.5 Compliance**

Boards/Councils shall ensure compliance with all applicable laws and regulations of the land.

#### **4.1.6 Appointments**

Board/Councils shall ensure the appointment of the Chief Executive Officer and other management staff in accordance with Article 195 of the Constitution.

#### **4.1.7 Auditing**

Board/Councils shall ensure

- regular internal/external auditing of the business transactions and financial statements of the organization.
- that audit recommendations are implemented promptly.

#### **4.1.8 Human Resource Management**

Board/Councils shall ensure the development of appropriate Human Resource Management systems, policies, procedures and practices to promote high productivity.

#### **4.1.9 Procurement & Other Business Transactions**

Board/Councils shall ensure that the organization discharges all contractual obligations in line with the Public Procurement Act 2003(Act 663).

**Boards/Councils and management of organisations must exercise all the powers under their mandate subject to the limitations contained in the Constitution, Acts of Parliament and to any other lawful directives.**

### **B. Duties of Boards/Councils**

The major duties of Board/Council members are to:

- (a) keep themselves abreast with the organization's business.
- (b) ensure good corporate governance.
- (c) exercise fiduciary duty of care not to put themselves in a position where there is a potential conflict between their own personal interest and their duty to the organization.
- (d) ensure critical review of all proposals and other issues placed before the Board/Council.
- (e) Prepare for Board/Council meetings, study working papers and be prepared to ask pertinent questions at meetings.
- (f) Uphold the values of accountability, efficiency, probity and transparency.
- (g) periodically update themselves on corporate governance
- (h) Have the general knowledge, skills and experience that may reasonably be expected of a Board/Council member carrying out the specific duties in relation to the organization.
- (i) Undertake to act for the organization in a relationship of trust and confidence.
- (j) ensure that,

- i. decisions are made methodically and promptly
- ii. reasons for such decisions are recorded and when necessary, seek expert advice

### **C. Liabilities**

- 4.1.11 Board/Council members are jointly and severally liable whenever a liability arises. In other words, they are liable both together as a group and individually.
- 4.1.12 Where there is a breach of duty by any member of the Board/Council, the Board/Council Members may recommend any of the following actions:
- i. request for restoration of its property, where applicable;
  - ii. demand return or refund of profit, where applicable;
  - iii. abrogate the contract, where applicable;
  - iv. claim damages to indemnify the organization as a result of loss suffered;
  - v. injunction to prevent the Board/Council member from carrying out, or continuing with the specific breach of duty;
  - vi. sue the Board/Council member for negligent performance;
  - vii. recommend dismissal of the Board/Council member;

### **D. Disclosure of Interest**

- 4.1.13 Board/Council Members shall declare their interest and abstain from an issue under deliberation by the Board.
- Failure to disclose ones interest shall lead to a member losing membership of the Board
  - All Boards/Council Members shall declare their assets and liabilities in accordance with Article 286 of the 1992 Constitution.

## **4.2 The Chairperson**

- 4.2.1 The responsibilities of a Board/Council chairperson include:
- (a) determination of agenda, venue and date of Board/Council meetings in consultation with the Chief Executive and the Secretary;
  - (b) convening Board/Council meetings;
  - (c) presiding over the meetings of the Board/Council and ensuring smooth functioning of the Board/Council in line with good corporate governance;
  - (d) providing overall leadership to the Board/Council without limiting the principle of collective responsibility;
  - (e) acting as the main link between the Board/Council and Sector Minister or NDPC, and also between the Board/Council and the Chief Executive Officer;
  - (f) leading the Board/Council in the determination of the organisation's strategy and in monitoring the achievement of its goals;

- (g) ensuring that Board/Council committees are properly established and composed with clearly defined terms of reference;
- (h) projecting a positive image for the organisation;
- (i) leading in evaluating and monitoring the compliance with organisational policies and governance processes.

### **4.3 The Chief Executive Officer**

#### **4.3.1 Executive Head**

The Chief Executive Officer is the executive head of the organization. Other alternative titles used within the Public Service include:

- (a) Director-General
- (b) Executive Director
- (c) Executive Secretary
- (d) Administrator
- (e) Registrar
- (f) Any other in the Chief Executive Officer category

For the purposes of uniformity and consistency, the title “Chief Executive Officer” has been adopted.

#### **4.3.2 Core functions**

The core functions of the Chief Executive Officer include the following:

- (a) day to day administration of the corporate entity
- (b) providing strategic leadership for the management of the organization;
- (c) providing leadership in achieving goals and objectives;
- (d) developing operational plans and budgets for Board’s/Council’s approval;
- (e) monitoring activities of the organization to ensure that targets are met;
- (f) safeguarding assets of the organization;
- (g) maintaining a positive and ethical work climate;
- (h) providing the Board/Council with timely, relevant and accurate information for purpose of decision making;
- (i) implementing Board/Council decisions promptly.
- (j) acting as the chief disciplinary officer of the organization
- (k) ensuring that management staff are informed of Board/Council decisions affecting their departments;

#### **4.3.3 The Board/Council Secretary**

#### **4.3.4 Public Service organizations shall have Secretariats headed by a Secretary to ensure the smooth execution of Board/Council functions.**

#### **4.3.5 The position of the Secretary may be encumbered as follows:**

- (a) by appointment in accordance with the provision in the Act of the organization;
- (b) by the CEO where the Enabling Act so provides;
- (c) by the appointment of a lawyer who is designated also as the Board Secretary;
- (d) the designation by the Board/Council and the CEO of a member of staff of the management to act as secretary to the Board.

**4.3.6** The core responsibilities of the Secretary include the following:

- (a) organising Board/Council and committee meetings in consultation with the Chief Executive Officer and the Board Chairman;
- (b) taking minutes of proceedings at meetings;
- (c) guiding the Board/Council collectively and individually as to their duties and responsibilities;
- (d) making Board/Council members aware of all relevant regulations and legislations relevant to their functions;
- (e) preparing meeting agenda in consultation with the chairman and other members;
- (f) maintaining statutory registers;
- (g) providing inputs for the preparation of Board/Council work plan (calendar of activities);
- (h) coordinating management reports for consideration by the Board/Council
- (i) organizing induction programmes for Board/Council members.

**4.3.7** A good, working relationship between the secretary and the Board/Council Chairman is critical to the effective running of the Board/Council.

## **CHAPTER FIVE**

### **5.0 MEETINGS OF THE BOARD/COUNCIL**

#### **5.1 Meeting**

5.1.1 The term meeting includes, except where inconsistent with any legal enactment:

- (a) physical presence of members;
- (b) video conference or similar electronic channel allowing simultaneous visual and audio participation;
- (c) telephone conferencing; and
- (d) written resolution signed by all Board/Council members

#### **5.2 Procedure for convening meetings**

Meetings shall be convened in accordance with the provisions in the enabling Act. Generally, requisitioning of a Board/Council meeting shall be the responsibility of the Board/Council chair in consultation with the CEO. Various laws of organizations shall give further directives on the subject. Notice of a Board/Council meeting shall indicate proposed date, time, venue and agenda.

#### **5.3 Frequency of meetings**

The frequency of Board/Council meetings shall be indicated in the laws establishing organizations. In the absence of such provision, the Board/Council shall meet quarterly. The Board/Council shall establish a schedule for holding its meetings.

#### **5.4 Effective meetings**

Effective meeting is characterised by:

- (a) appropriate agenda for the meeting
- (b) high attendance by members beyond quorum;
- (c) punctuality at meetings;
- (d) receipt of Board/Council papers in good time by members;
- (e) thorough preparation by members;
- (f) effective control and conduct of meeting by the chairperson;
- (g) open and frank discussions by members;
- (h) decisions made and not postponed;
- (i) proceedings/minutes duly recorded and signed;
- (j) follow-up on action taken on decisions to ensure that all decisions are implemented.

#### **5.5 Duration**

The duration of Board/Council meetings shall be determined by the agenda to be discussed and the frequency of meetings held by the Board/Council.

Duration shall also be influenced by Board/Council culture, effective use of time, effective committee work and dispatch of documents to members in good time.

## **5.6 Agenda of meetings**

The Chairperson and the Secretary shall draw up the agenda of the meeting in consultation with the Chief Executive Officer and other Board/Council members.

The agenda shall contain the list of items of business to be discussed at any particular meeting, including:

- (a) confirmation of previous minutes;
- (b) matters arising from decisions taken at the previous meeting;
- (c) formal approval of matters requiring limited discussions;
- (d) reports from management staff: CEO, finance director, etc.;
- (e) reports from standing committees;
- (f) operational policy issues;
- (g) strategic issues; and
- (h) any other business.

## **5.7 Working Papers for Board/Council Meetings**

The Board/Council shall determine the form, structure and time of receipt of all papers for discussion. To make good decisions, a Board/Council must receive the right information from the Chief Executive Officer at the right time as per Board/Council policy and in the right form.

## **5.8 Quorum**

The number of members constituting a quorum may be found in the legal document establishing the organization. In the absence of such provision, the Board/Council shall decide on the quorum for its meetings, which shall not be less than one half (1/2) of the membership.

The governing document may state whether the quorum is needed to start a meeting or must be maintained throughout the meeting.

In the absence of any specific provision the Board/Council must establish a position by making a suitable rule.

Where a quorum is not obtained, the meeting can be automatically adjourned for some days and members reconvene at a later time when a quorum will be attained.

It is a practice when quorum is not obtained for members present to meet and arrive at decisions which are ratified at the next meeting when a quorum is formed. This should be an exception. Those who agree to serve on Boards/Councils must be committed to the service of the organization and attend meetings.

## **5.9 The Role of the Chairperson**

The chairman shall perform the following functions in relation to Board meetings:

- (a) ensure that the Secretary has sent out the notice, agenda and supporting documents in good time in accordance with Board/Council policy;
- (b) ensures that items on the agenda can be covered within the time set for the meeting;

- (c) signs minutes of previous meeting after approval;
- (d) acts as a facilitator ensuring that no member dominates discussion, that appropriate discussion takes place and that relevant decisions are made;
- (e) offers members the opportunity to speak on each item and encourages them to participate fully in the meeting;
- (f) ensures that Board decisions are implemented

### **5.10 The Role of the Secretary to the Board/Council**

The Board/Council Secretary shall perform the following functions:

- (i) notifies members of the time, date and place of meeting; prepares the agenda and circulates it with associated papers; responsible for the following housekeeping arrangements:
  - (i) ensures that the meeting venue is arranged;
  - (ii) appropriate logistics have been secured for the meeting;
  - (iii) reminds management staff who are to make presentations appropriately;
  - (iv) ensures that there are spare copies of all documents needed for the meeting;
  - (v) ensures that the meeting is properly convened (i.e. there is a quorum);
  - (vi) resists the temptation to speak on anything other than procedural matters or when requested to give an opinion;
  - (vii) advises, without request or invitation from the chairman,, if any action proposed to be taken by the Board/Council is unlawful or contrary to the governing document or any other legal enactments;
  - (viii) records proceedings at the meeting;
  - (ix) conveys and monitors decisions of the Board/Council; and
  - (x) keeps custody of official documents of the Board/Council

### **5.11 Conduct of Meeting**

The meeting shall be conducted as follows:

- a) chairman calls the meeting to order
- b) agenda is approved
- c) apologies received, if any
- d) read and confirm minutes of previous meeting
- e) consider matters arising from the minutes
- f) receive and consider the report of the CEO
- g) receive and consider specific management reports
- h) receive and consider reports from standing committees
- i) consider new business and any other business

### **5.12 Emergency Meeting**

Emergency meeting may be convened in accordance with the provisions in the enabling Act, where applicable to discuss matters that are urgent and cannot wait for the regular meeting. An emergency meeting shall discuss matters giving rise to its calling.



### **5.13 Minutes/Records of proceedings**

It is a legal requirement that minute of all meetings of the Board/Council and any Committees of the Board/Council are kept. Minutes are public documents that become part of the historical record of an organisation and therefore must be accurately captured.

The minutes shall record:

- (a) the precise wording of any resolution;
- (b) summary of discussion on each item of business;
- (c) information upon which the decision was based;
- (g) details of the decision;
- (h) action required; and
- (i) date, time and venue for next meeting

The minutes shall be signed by the chairman. The chairman shall initial all pages and sign the last page.

The minutes shall be prima facie evidence of the proceedings of the Board/Council members.

The Minutes shall be confirmed and approved by members who were present at the earlier meeting.

### **5.14 Board Decisions**

Board decisions may be arrived at in one or a combination of the following:

- (a) consensus;
- (b) compromise;
- (c) majority vote; and
- (d) casting vote.

### **5.15 Collective Responsibility**

Board/Council members are jointly and severally responsible for the decisions of the Board/Council and the actions taken thereon by management of the organisation. Board/Council members are therefore expected to accept collective responsibility for the decisions of the Board/Council as loyal members of the Board/Council.

However, where a member is unable to agree with his/her colleagues on the decisions made, then he/she should consider taking any or all of the following options:

- (a) express in unequivocal terms, his dissent and the reasons thereof;
- (b) request for a second professional opinion on the subject;
- (c) request that the decision be postponed for further research, reflection and consultation;
- (d) document his/her dissent and request that his decisions be put in the minutes;  
and
- (e) request for a special Board/Council meeting to consider the subject;

- 5.16** Where a member is still dissatisfied after exploring the options above, he/she may pursue the following options:
- (a) inform the appointing authority about the developments; or
  - (b) resign as a member of the Board/Council

## **CHAPTER SIX**

### **6.0 COMMITTEES OF BOARDS/COUNCILS**

#### **6.1 Standing Committees**

6.1.1 Standing committees may be formed to facilitate the decision making process of the Board/Council. Standing Committees must have Terms of Reference.

6.1.2 While the Acts establishing some public service organizations may prescribe the types of committees that should be formed, the Board/Council is at liberty to form any committee that it considers necessary for the efficient discharge of its mandate.

#### **6.1.3 Benefits**

The benefits inherent in the use of the committee system include the fact that they:

- (a) are smaller in size and are able to devote more time to the assignments on hand;
- (b) can delve into complex issues;
- (c) can act as a liaison between the Board/Council and Management and thus take off a lot of pressure from Management; and
- (d) facilitate decision making process of the full Board/Council.

#### **6.2 Types of Standing Committees**

The following are some of the key standing committees a Board/Council may form based on the provisions made in the enabling Act or other applicable statutory provisions:

- (a) Human Resource, Administration and Legal Committee
- (b) Audit Report Implementation Committee
- (c) Finance Committee

##### **6.2.1 Details of Standing Committees**

###### **6.2.1.1 Human Resource Management, Administration and Legal Committee**

The role of this committee is to assist the Board/Council to oversee activities and programmes related to human resource management, administration and legal issues.

The Committee shall be responsible for the following:

- (a) Human Resource Management

The committee shall:

- i. ensure the organization has appropriate human resource policies for recruitment, capacity development, career and succession planning, compensation and reward systems;
- ii. monitor implementation of such policies;

- iii. review conditions of service of management and employees and make appropriate recommendations to the Board/Council;

(b) Governance

- i. oversee all arrangements for the induction of new Board/Council members;
- ii. coordinate Board/Council evaluation and provide feedback to the Board/Council;
- iii. ensure the organization adopts best practice in every aspect of the operations of the Board/Council;
- iv. report to the Board/Council on developments in corporate governance
- v. recommend strategic direction of the organization;
- vi. formulate policies that will improve upon Board/Council-Management relations;
- vii. ensure that there is a succession plan in place for all management positions;

(c) Legal

- i. recommend to the Board/Council amendments to the legislative document;
- ii. ensure that the organization complies with all legal issues pertaining to their area of operation;
- iii. advise on legal issues.

(d) Ethics

- i. review and recommend to the Board/Council all matters pertaining to professional standards and practice.
- ii. ensure that there is a code of conduct in place for Board/Council members, management and employees and monitor its implementation.

(e) Remuneration

Specific responsibilities include:

- i. review and recommend to the Board/Council for approval, of staff and management , compensation plans;
- ii. review board remuneration and make recommendations to the Board/Council for approval and onward transmission to Ministry of Finance through the Sector Minister;
- iii. monitor compliance by management with regard to their terms and conditions of contract; and
- iv. recommend appropriate guidelines for staff performance approval, rewards and sanctions.

### **6.2.1.2 Audit Report Implementation Committee (ARIC)**

The purpose of ARIC is found in the Audit Service Act 2000 (Act 584)

(a) Objectives:

The Committee is:

- to assist the Board/Council in carrying out its duties in relation to audit reports and regulatory conformance.
- serves as a forum for interaction between the Board/Council and internal and external auditors.

(b) Responsibilities

The responsibilities of the Committee are as follows:

External Audit

- i. Negotiate and agree on the level of audit fees;
- ii. Review the annual audit plan with the external auditors;
- iii. Clarify matters arising in the management letter and satisfy itself that they are being followed up;
- iv. Obtain assurance from the external auditor that adequate accounting records are being maintained.

(c) Internal Audit

The Committee shall meet with the internal auditor to review:

- i. the objectives, plans and policy of the internal audit department;
- ii. the quality of internal audit staff and the training needed to update their skills; and activities or operations of Internal Auditors

(d) Internal Control

The Committee shall:

- i. review the adequacy of the internal control of the organisation;
- ii. request for reports from management on specific issues of internal control;
- iii. request for annual report from the Chief Executive Officer on the subject;
- iv. discuss with internal and external auditors about the scope and nature of the operations;
- v. review the whole system of internal control, including financial control and risk management.

### **6.2.1.3 Finance Committee**

The financial administration of each agency needs to be supervised by the Board/Council. Therefore the Finance Committee's role is to assist the Board/Council to ensure sound and effective financial management

#### **6.2.1.4 Audit, Risk and Internal Control Committee**

- (i) Will comprise Board Members only.
- (ii) At least one member of the Audit Sub Committee should have significant and relevant financial/audit experience.
- (iii) Other responsibilities include:
  - Recommend audit fees in accordance with the Procurement Law
  - Review of the financial statements and any interim audit reports produced
  - Hold discussions with Auditors on any significant matters that arise on the audit
  - Review of internal audit program and significant findings of internal auditors
  - Review of the audit report and any management letters of External Auditors
  - Review of system of Internal Controls

#### **6.2.2 Financial Management Reporting**

- (a) The Committee is responsible for reviewing the financial statements and the budget of the organization. In the review, the committee shall take note of:
  - i. any changes in accounting policies and practices;
  - ii. any unusual transactions;
  - iii. any proposed adjustment not implemented and the reason for non-implementation;
  - iv. alternative methods of disclosure;
  - v. implementation of any new accounting system;
  - vi. compliance with accounting standards; and
  - vii. variances in revenue and expenditure and the reasons thereof .
- (b) The Committee is responsible for oversight of compliance with statutory responsibilities relating to financial reporting in accordance Financial Administration Regulation, 2004 (LI 1802).
- (c) Investment
  - i. shall review all investment proposals and make recommendations to the Board/Council;
  - ii. shall formulate appropriate policies on investment and recommend to the Board/Council;

- iii. monitor and evaluate all investments to ensure that the organization is receiving value for money; and
- iv. advise on placement of surplus funds or sourcing funds to meet operational needs

### **6.3 Appointment of Standing Committee members**

#### **6.3.1 Composition**

- (a) The Board/Council shall constitute the membership of the standing committees.
- (b) The chairperson of a Committee shall be appointed by the Board/Council. However, the Board/Council may also delegate that responsibility to the members themselves.
- (c) Non-Board/Council members may be co-opted as members.
- (d) General standing Committees not to be chaired by Chairman

#### **6.3.2 Secretary**

The Secretary to the Board/Council shall serve as secretary to all standing committees, unless otherwise prescribed by the enabling Act.

#### **6.3.3 Terms of Reference (TOR) for Standing Committees**

The Board/Council shall determine the TOR of the Standing Committee unless it is explicitly provided in the enabling Act.

#### **6.3.4 Conduct and Procedures of Committee Meetings**

Committees shall observe the same rules of conduct and procedure as the Board/Council.

Meetings shall be called by the use of notice and agenda. Papers shall be dispatched to members at least two weeks before each meeting to allow for thorough preparation.

#### **6.3.5 Participation of Management in Committee meeting**

Senior Management staff may be invited to the meetings of the Committee to provide technical/professional advice as and when necessary. They shall not be eligible to vote on issues requiring decision-making. They may also be excluded from participating in some aspects of the meeting by the Committees.

#### **6.3.6 Recommendations of Committees**

Committees shall submit written recommendations to the Board/Council for consideration and approval. Committees shall not make decisions, except where they have been specifically authorised by the Board/Council to do so.

#### **6.3.7 Authority**

For purposes of carrying out their assignments, standing committees may be authorised to:

- (a) consider all issues within their terms of reference;
- (b) obtain professional advice and opinion; and
- (c) consult and seek information from employees of the organisation, where necessary

#### 6.3.8 Quorum

The quorum for standing committees meetings shall be spelt out in the TOR.

#### 6.3.9 Evaluation of the performance of Standing Committees

Committees shall undertake self-review of their operations annually. Report on the review shall be submitted to the Board/Council, for consideration and guidance.



## CHAPTER SEVEN

### 7.0 REMUNERATION OF THE BOARD/COUNCIL

The enabling Acts establishing Public Service organizations make provision for the payment of allowances to Board/Council members.

Does not include tertiary institutions

#### 7.1 Allowances

Board /Council members shall be paid allowances determined by the Board/Council in accordance with prevailing guidelines issued by the Minister of Finance.

Need to review laws to give effect to guideline and to be in conformity with directives by Ministry of Finance

##### 7.1.1 Factors for determining the payment of Allowances

The following factors must be considered in determining allowances;

- (a) the responsibilities of a Board/Council members;
- (b) the risk factors involved;
- (c) ability to pay; and
- (d) fairness to the organization

Basis of categorization must be added as appendix or posted on website

##### 7.1.2 Sitting allowance is paid when the Board/Council meets. Those who do not attend Board/Council meetings are not eligible to receive this allowance. There shall be retainer fee payable monthly to all board members in line with the Ministry of Finance guidelines on allowances.

##### 7.1.3 Accommodation and other related logistics shall be arranged when members travel to attend meetings outside their domicile.

##### 7.1.4 Unless included as part of the allowances, Board/Council members should be **reimbursed** for all **direct and reasonable** approved expenses in relation with agency activities.

#### 7.2 Review of Board /Council Allowances

The Board/Council allowances shall be budgeted for and reviewed periodically in accordance with Ministry of Finance guidelines.

#### 7.3 Board Committee Allowances

The Board/Council shall determine appropriate sitting allowances to be paid to committee members.

#### 7.4 Chairman's Allowance

The Board/Council Chairperson shall receive a higher amount than members. This principle is in line with the extra work and responsibility that the chairperson shall be called upon to perform.

**7.5 Forms of Payment**

Payment to Board/Council members may be by cash, cheque or electronically.

**7.6 Tax on Allowances**

The amount paid shall be net of tax.

## **CHAPTER EIGHT**

### **8.0 CORPORATE REPORTING AND COMPLIANCE**

#### **8.1 Oversight Responsibility**

The oversight responsibility of the Board/Council requires demanding appropriate reports from Management.

#### **8.2 Financial Reporting (Edit numbering)**

8.2.1 The responsibilities of Board/Council members with regard to financial reporting, are to:

- (a) ensure that competent and qualified accounting staff are employed;
- (b) ensure that organizations prepare financial statements in accordance with approved existing accounting standards;
- (c) maintain adequate systems of internal control within the organization; and
- (d) ensure the integrity and adequacy of the financial statements
- (e) ensure preparation of annual budget

#### **8.2.2 Financial Statements (unaudited)**

The report shall be submitted periodically in accordance with the Financial Administration Act, 2003, (Act 654) and the Financial Administration Regulations 2004 LI, 1802.

#### **8.2.3 Internal Audit Reports**

The Board/Council shall demand periodic audit report in accordance with the Internal Audit Agency Act, 2003 (Act 658).

The reports shall indicate any weaknesses that were detected during the audit. It must contain Management responses on action taken or intended to be taken.

#### **8.2.4 Annual Budget**

The Board/Council shall approve the annual budget of the organization before submission to the sector Minister or relevant body and monitors its implementation.

#### **8.2.5 Audited Financial Statements**

- (a) Within the Public Service, the Auditor-General is the statutory auditor. The Auditor General may delegate this function to an auditing firm.
- (b) Board/Council members shall receive, review and approve the audited financial statements.
- (c) Board/Council members must call for the Management Letter, which will indicate any weaknesses the statutory auditor came across in the performance of his/her duties.
- (d) Management must respond to all the issues raised in the Management Letter.
- (e) The Audit Review Implementation Committee is the appropriate Board/Council organ to:

- i. review all the reports and make recommendations to the Board/Council for approval, and
  - ii. liaise with Management to ensure that recommendations are implemented.
- (f) The Board/Council shall sanction management for non-implementation of ARIC recommendations

#### 8.2.6 Strategic Planning

- (a) The Board/Council shall ensure the development and the implementation of the Medium Term Development Plan (MTDP) of the Organization;
- (b) Monitor and evaluate the performance of the MTDP.

### 8.3 Operational Reports

- (a) The Board/Council shall ensure the preparation of quarterly and annual operational reports.
- (b) Operational reports shall cover the core business of the Public Service organization.
- (c) The report shall indicate the resources needed to help achieve maximum results and how these resources shall be acquired in view of financial constraints.

### 8.4 Human Resource Management Report

The Board/Council shall ensure that approved training programmes for staff are implemented and other approved HR programs submitted to it annually.

### 8.5 Compliance

The work of Public Service organizations and the Board/Council shall be carried out in accordance with their enabling Acts as well as the Public Procurement Act, 2003 (Act 663) and other relevant statutes including the following :

- (a) Internal Audit Agency Act, 2003 (Act 658)

The Internal Audit Agency has been established as a central agency to coordinate, facilitate monitor and supervise internal audit activities within Ministries, Departments and Agencies and Metropolitan, Municipal and District Assemblies in order to secure quality assurance of internal audit within these institutions of state.

It is necessary for Board/Council members to understand the working arrangements between the Internal Audit Agency and the internal audit unit of MDAs and MMDAs.

(b) Financial Administration Act, 2003 (Act 654)

The Act was promulgated to:

- i. regulate the financial management of the public sector;
- ii. prescribe responsibilities of persons entrusted with financial management within the public sector; and
- iii. ensure the effective and efficient management of state revenue, expenditure, assets, liabilities and resources of the Government, the Consolidated Fund and other public funds.

(c) Labour Act, 2003 (Act 651)

The Labour Act regulates the relationship amongst labour, employers, trade unions and industrial relations, it applies to all workers and employers except the Armed Forces, the Police Service, the Prison Service and the security and intelligence agencies specified under the Security and Intelligence Agencies Act, 1996 (Act 526). Board/Council members must be conversant with the law because of its dealing with the human resource in the organization.

## **CHAPTER NINE**

### **9.0 THE RELATIONSHIPS AMONG BOARD/COUNCIL, THE CHIEF EXECUTIVE OFFICER AND SECTOR MINISTER**

#### **9.1 Appointment of Chief Executive Officer (CEO)**

The CEO shall be appointed by the President in accordance with the advice of the governing Board/Council given in consultation with the PSC, (Article 195 of 1992 Constitution).

#### **9.2 Terms of Appointment**

Terms of appointment shall be as specified in the appointment letter issued by the PSC and other appointing authorities. They shall indicate tenure of office in all appointment letters. There is a need to harmonise all laws on appointments.

#### **9.3 Accountability**

The CEO is accountable to the Board/Council for the effective and efficient administration of the organization. The CEO must ensure that the Board/Council is presented with all the information relevant to any matter on which it is expected to make a decision.

#### **9.4 Authority**

The CEO derives his/her authority from both the Board/Council and the enabling Act.

#### **9.5 Matters Reserved for Approval by Boards/Councils**

The Board/Council shall approve the following, subject to existing regulation of the Public Service:

- (a) Appointment/Promotion of senior staff
- (b) Conditions and Schemes of Service
- (c) Accounting Policies
- (d) Determine authorization limits
- (e) Financial Statements (both audited and unaudited)
- (f) Annual Budget
- (g) Strategic Plan
- (h) Opening and Closure of Bank Accounts
- (i) Investments
- (j) Overseas business travels and training of the CEO
- (k) Annual report

## **9.6 Matters Reserved for the CEO**

- (a) Day-to-day administration of the organisation
- (b) Operation of bank accounts as laid down in the Financial Administration Regulations, 2004
- (c) Appointment/promotion of junior staff

9.6.1 It should be noted, however, CEOs are not responsible for policy-making and therefore must act in good faith to allow the Boards/Councils exercise their policy-making functions.

## **9.7 Cooperation between the Board/Council and the CEO**

***The working relationship between the Board/Council and the CEO must be cordial and mutually respectful to enhance growth and success for the organization.*** Board/Council and CEO must cooperate in order to fulfill their mutual functions in the following areas:

- (a) policy formulation and implementation
- (b) appointment/promotion of senior management
- (c) determination and advising on compensation
- (d) reviewing organizational structure
- (e) instituting internal control
- (f) strategy formulation and implementation
- (g) risk management
- (h) corporate oversight and internal control

9.7.1 It should be noted however, Boards/Councils do not have administrative or executive functions unless otherwise specified in the enabling Act and must act in good faith to allow the CEO to exercise his/her administrative functions fully.

## **9.8 The following are some of the possible causes of conflict between the Board/Council and the CEO:**

- (a) lack of authorisation limits;
- (b) lack of clear understanding of the different roles between the Board/Council (governance) and the CEO (management);
- (c) where the Board/Council attempts to “micro manage” either due to lack of understanding of role or abuse of power;
- (d) where CEOs erroneously think that Board/Council and CEO have the same appointing authority and therefore CEOs are not accountable to the Board/Council;
- (e) where Boards/Councils attempt to allocate to themselves corporate facilities such as vehicles, office space etc.;
- (f) power struggle between some Board/Council members and the CEO;
- (g) personality clash between CEO and chairperson or among members; and
- (h) lack of mutual respect between CEO and Board/Council members.

9.8.1 ***Board members are not entitled to the allocation of permanent office space and vehicles for their personal use.***

## **9.9 Resolution of Conflicts**

Conflicts between the Board/Council and the CEO must be resolved as quickly as possible in order that organizations do not suffer from the negative impact. Where necessary, assistance of the PSC may be sought.

Conflicts to be resolved normally within a month

## **9.10 Sector Minister – Board/Council Relationship**

Upon appointment as Board/Council members by the President, a working relationship begins between the Sector Minister and the Board/Council. A good working relationship between the Sector Minister and the Board/Council will facilitate the achievement of corporate objectives.

The relationships may be classified as:

- (a) Ministerial Support;
- (b) Business Planning; and
- (c) Policy Advice

9.10.1 Sector Ministers shall hold the Boards/Councils accountable for their performance subject to provisions of the enabling Act.

This process shall involve:

- (a) Regular Ministerial and portfolio briefings as may be agreed between the Minister and the Board/Council;
- (b) Advising Minister as and when required;
- (c) Submission of quarterly performance report to the Minister or appropriate authority

9.10.2 Copies of approved strategic plans of Public Service organizations must be given to the sector Ministers to enable them understand the dynamics of the organizations.

### **9.10.3 Sector Minister - CEO Relationship**

A good working relationship between the Sector Minister and the CEO will facilitate the achievement of corporate objectives.

The relationships may be classified as:

- (a) Providing Technical Advice as and when needed by the Minister

### **9.10.4 Ministry and Agency relationship**



## **CHAPTER TEN**

### **10.0 EVALUATION OF THE BOARD/COUNCIL**

#### **10.1 Accountability**

Performance Management is a means where Boards/Councils measure how far they have been able to discharge their responsibilities. The Board/Council shall undertake periodic review of its performance, with the aim of improving upon the performance of the individual member and the Board/Council as a whole.

#### **10.2 Benefits**

The benefits of Performance Evaluation or Appraisal are many and include the following:

- (a) serves to clarify the individual and collective roles of members;
- (b) helps the Board/Council to focus on its mandate so as to improve upon its effectiveness;
- (c) identifies weaknesses of members and assists the Board/Council to overcome weaknesses with appropriate remedial measures; and
- (d) motivates management because of the Board's/Council's leadership by example approach.

#### **10.3 Principles**

The following principles shall be observed in the Performance Evaluation:

- (a) prior knowledge of criteria by members
- (b) fairness, transparency and objectivity;
- (c) confidentiality;
- (d) exercise of tact, understanding and maturity; and
- (e) constructive use of evaluation;

#### **10.4 Evaluation Criteria of the Board/Council**

Evaluation of the Board/Council shall either be through a peer review mechanism or the use of consultant(s). A combination of the two options may also be adopted.

##### **(a) Peer Review**

Peer review of the Board/Councils shall be conducted annually at three (3) levels as follows:

##### **1. *Evaluation of Performance by Members***

- *Members will individually evaluate the collective performance of the Board/Council*
- *Chairperson will collate the results and discuss with Members*

## **2. *Evaluation of the Chairperson***

- *The Chairperson shall be evaluated by all Members*
- *The result shall be collated by the Chairpersons of the Finance, Administration, Appointments and Promotions, Legal or any appropriate Committee to be decided by the Board/Council*
- *The three Chairpersons shall discuss the report with the Chairperson*
- *The three(3) Chairpersons shall report the outcome to Members*

## **3. *Evaluation of Members***

- *All Board Members shall be evaluated by at least three of their peers to be selected by the Board.*
- *A Select Committee shall discuss the evaluation on one-on-one basis with the Member*
- *The results of the assessment shall be discussed by all Members and appropriate action taken.*

### ***Review by Consultant(s)***

The Board/Council may also appoint a consultant to carry-out the evaluation because of the inherent likelihood of using the appraisal as a self-serving exercise by members.

## **10.5 Process**

The process of Performance Evaluation may be structured as follows:

- (a) the Board/Council to state its functions, duties and responsibilities;
- (b) the Board/Council or the appointing authority determines its major goals objectives, key performance indicators and targets;
- (c) the Board/Council determines its capabilities and resources e.g. use of committees; quality of meetings, quality of decisions made, skills and knowledge of members to perform tasks;
- (d) the Board/Council designs comprehensive criteria against which appraisal can be made;
- (e) the Board/Council determines weights for key performance indicators and targets;
- (f) the Board/Council determines what is acceptable performance;
- (g) Members shall appraise the performance of the Board/Council against the criteria accepted by all;
- (h) alternatively, an external assessor can be used;
- (i) results shall be collated by a committee e.g. legal and administration committee;
- (j) report shall be issued to the Board/Council for consideration; and
- (k) the assessment report shall be presented to the Minister or the appointing authority.

#### **10.6 Outcome of Review**

Review of Board/Council evaluation may reveal the following outcomes weaknesses:

- (a) inadequate capacity;
- (b) lack of commitment and negative attitude to Board/Council business; and
- (c) weak governance structures, systems proceedings and processes;

#### **10.7 Recommendations**

The report shall make appropriate recommendations to address the identified weaknesses.

#### **10.8 Implementation**

The Board/Council shall conduct a follow up action to ensure timely implementation of recommendations.

#### **10.9 Review of Criteria**

Criteria used for evaluation must be reviewed at least biennially to make them challenging and useful.

## **CHAPTER ELEVEN**

### **11.0 EVALUATION OF THE CHIEF EXECUTIVE OFFICER**

#### **11.1 Performance Contract**

The Board/Council shall sign Annual Performance Contract with the CEO. The contents of the Performance Contract shall include:

- (a) key performance indicators and targets agreed upon
- (b) scoring or measurement system
- (c) rewards and sanctions

(See Template Performance Contract is attached as Appendix).

#### **11.2 Benefits**

The benefits of CEO evaluation may be summarised as follows:

- (a) helps the Board/Council to determine the rewards and sanctions of the CEO
- (b) assists the Board/Council to determine whether the CEO should be recommended for renewal of contract on annual basis.
- (c) strengthens Board/Council – CEO relationship
- (d) gives an early signal as to whether or not the performance of organisation is on track
- (e) reveals strengths and weaknesses of the CEO so that the Board/Council can take appropriate steps to assist the CEO overcome weaknesses

#### **11.3 Process**

- 113.1
- (a) The Board/Council and CEO shall agree on key objectives, performance indicators and targets for the evaluation;
  - (b) The Board/Council shall assign weights to the Key Performance Indicators and targets;
  - (c) The Board/Council shall inform the CEO of what shall be considered as acceptable performance;
  - (d) The Board/Council and CEO shall negotiate and agree on outcome of results, in particular:
    - i. any increase in salary and quantum;
    - ii. if performance incentive, such as bonus should be paid and the quantum;
    - iii. sanctions;
  - (e) Every Board/Council member shall evaluate the CEO based on the acceptable criteria;
  - (f) A committee of the Board/Council shall consolidate the evaluation, noting areas of strengths, weaknesses and recommendation;
  - (g) The Committee shall discuss the draft report with the CEO and obtain his comments;
  - (h) A final evaluation report shall be forwarded to the Board/Council for discussions and approval;

- (i) The CEO shall be notified by the Board/Council of any decisions taken on his performance;
- (j) The Board/Council shall draw a Performance Improvement Plan for the purpose of correcting weaknesses identified;
- (k) The Board/Council shall continuously monitor implementation to ensure that success is achieved;

11.3.2 Alternatively, a consultant may be used for the evaluation process.

- (a) a) The consultant shall interview the Board/Council members and record their comments in response to the criteria;
- (b) The consultant shall then write a formal report to the Board/Council;
- (c) (c) Board/Council members must then refer the report to a Committee to discuss the contents with the CEO;
- (d) (d) The inputs of the CEO shall be obtained, and a final report submitted to the Board/Council for consideration.

11.3.3 Boards/Council may also request the CEO to do a self-evaluation. His evaluation shall be used to compare with the Board's/Council's own evaluation or that of the report of the Consultant appointed by the Board/Council.

#### **11.4 Outcome of Review**

The review may result in the following outcomes:

- (a) CEO accepting the decision of the Board/Council
- (b) Improved governance processes
- (c) Improvement in Board/Council – CEO relationship.
- (d) Board/Council members begin to understand the challenging role of the CEO.
- (e) General improvement in the performance of the CEO because his/her efforts are recognised and rewarded/sanctioned.

#### **11.5 Appeal against result of assessment**

Where the CEO disagrees with the results of the assessment, he/she may take the following actions:

- appeal to the Public Services Commission for redress;
- appeal to the President if dissatisfied with the PSC's decision.

#### **11.6 Review of Criteria**

The evaluation criteria shall be reviewed every two years, where necessary.

## **CHAPTER TWELVE**

### **12.0 ETHICAL STANDARDS**

#### **12.1 Ethical Codes**

They are powerful instruments that guide the behaviour of organizations. Codes must define the moral standards or guidelines that need to be respected by all members of the organization in their dealings with internal and external stakeholders.

#### **12.2 The Role of the Board/Council**

The Board/Council shall:

- (a) establish values to support organizational vision and mission;
- (b) establish principles and standards of ethical business practice within the organization;
- (c) ensure communication of ethical standards to all employees;
- (d) ensure appropriate training on ethical standards;
- (e) monitor ethical behaviour of employees through appropriate reporting procedures;
- (f) eschew unethical behaviour and lead by example; and
- (g) ensure that all unethical practices by employees are sanctioned.

#### **12.3 Ethical Behaviour of Board/Council**

The ethical behaviour of Board/Council can be assessed with regard to their relationship with the following:

- (a) organization
- (b) employees
- (c) government
- (d) clients/service providers
- (e) civil society

##### **12.3.1 The organization**

Board/Council members must:

- (a) exhibit character of personal integrity;
- (b) show loyalty to the organization;
- (c) handle information with confidentiality;
- (d) avoid abuse of corporate resources(e.g. vehicles, accommodation);
- (e) avoid abuse of power;
- (f) refrain from allocating to themselves offices;
- (g) limit their demands to terms and conditions of appointment

##### **12.3.2 Employees**

Board/Council members must:

- (a) deal courteously with employees;
- (b) give fair and adequate compensation;
- (c) provide employees with safe working conditions;

- (d) respect rights of employees irrespective of ethnicity, sex, religion, disability, experience and education.

#### 12.3.3 Government

Board/Council members must:

- (a) report accurately to the President, the Sector Minister, or other appropriate authority as defined by Law;
- (b) carry out their duties with due diligence;
- (c) adhere to confidentiality rules.

#### 12.3.4 Clients

Board/Council members must:

- (a) ensure clients are provided with avenues of lodging complaints about the behaviour of employees;
- (b) ensure that clients are provided with all the information they need to enable them transact business with the organization; and  
ensure any acts of bribery or corruption are discouraged.

#### 12.3.5 Service providers

Board/Council members must:

- (a) ensure the termination of dealings with service providers who engage in acts of bribery and corruption;
- (b) ensure effective structures for quality assurance; and
- (c) avoid any relationship that will tarnish the image of the organization.
- (d) Ensure effective structures in place to prevent bribery and corruption

#### 12.3.6 Civil Society

Board/Council members must:

- (a) ensure that due attention is given to safety and environmental issues and;
- (b) ensure that the organization engages in corporate social responsibility

### 12.4 Abusive Conduct

Abusive conduct (physical, verbal and psychological) by a Board/Council member towards anyone: employee, fellow Board/Council member, service provider, etc. shall not be tolerated.

### 12.5 Sexual Harassment

Sexual harassment shall not be tolerated. Board/Council members must not be complicit in any form of sexual harassment.

### 12.6 Gifts

Board/Council members must not solicit and/or accept gifts, tangible or intangible, directly or indirectly from persons with whom they come into contact in relation to

official duties. Board/Council members must take note of checklist on acceptable gifts issued by CHRAJ. (insert checklist)

## **12.7 Disgraceful, Dishonourable and Unprofessional Conduct**

Any conduct that demonstrates lack of integrity, dishonesty, abuse of power and authority, and lack of concern for the welfare of others, should be avoided.

## **12.8 Conflict of Interest**

12.8.1 Conflict of interest may arise in several forms including:

- (a) using for his/her own advantage any money or property of the organization;
- (b) using for his/her personal advantage, confidential information or special knowledge obtained by him/her in his/her capacity as a Board/Council member;
- (c) being interested directly or indirectly in any business which competes with that of the organization; and
- (d) being interested directly or indirectly in any contract or other transactions entered into by the organization.

12.8.2 Addressing Conflict of Interest

Measures to address conflicts of interest shall include the following:

- (a) disclosure of interest – a member who has an interest in a matter being dealt with by the Board/Council shall disclose in writing to the Board the nature of that interest;
- (b) the Board/Council member shall not participate in any discussion concerning the matter in which he has shown interest;
- (c) where conflict of interest issues are delegated to a committee, the member-in-conflict shall refrain from influencing members of the committee, either through covert or overt means;
- (d) conflict of interest issues shall be resolved by members who are not in conflict;
- (e) members with persistent conflict of interest must resign from the Board/Council.

## **12.9 Guidelines on Conflict of Interest by CHRAJ**

Members shall be guided by the Guidelines on conflict of interest developed by CHRAJ.

## **12.10 Corporate Guidelines**

Where organizations have their own Guidelines on conflict of interest, such guidelines must be in conformity with the CHRAJ Guidelines.



### **12.11 Penalty**

Where a member violates the Code of Ethics, the Board/Council shall determine appropriate disciplinary procedures to address violations of code of conduct and unethical behavior in accordance with prevailing guidelines of CHRAJ.

## **CHAPTER THIRTEEN**

### **13.0 RISK MANAGEMENT**

#### **13.1 Risk Assessment**

Public Service organizations exist for a purpose and to achieve determined objectives. Achieving these objectives is surrounded by much uncertainty which poses threats to success and at the same time offers opportunities for increasing success provided the risks are properly managed.

The Board/Council shall ensure that risks of the organization are identified and measures taken to manage them.

#### **13.2 Consequences of Poor Risk Management Include the Following:**

- (a) unclear operational procedures/guidelines
- (b) poor/lack of management control
- (c) adverse publicity;
- (d) mounting stakeholder pressure;
- (e) loss of reputation;
- (f) litigation;
- (g) loss in brand value;
- (h) failure/closure of organization;
- (i) health, safety and environmental challenges; and
- (j) removal of the Board/Council before the end of their tenure.

#### **13.3 Well Managed Risk**

Where risk is well managed, it results in:

- (a) increased stakeholder confidence in achieving desired outcomes;
- (b) threats are managed to a minimum level;
- (c) opportunities are taken advantage of;
- (d) increased stakeholder confidence in Board/Council and Management;
- (e) enhanced trust; and
- (f) enhanced reputation.

#### **13.4 The Responsibilities of Board/Council and Management**

##### **13.4.1 The Board/Council shall:**

- (a) Approve risk management policy;
- (b) Set the risk appetite;
- (c) Be clear on mandate;
- (d) Ask the right questions;

- (e) Get the right information;
- (f) Assess and evaluate risk management process;
- (g) Take remedial action.

#### 13.4.2 Management

- (a) Implement Board/Council risk management policies ;
- (b) Identify and evaluate principal risks;
- (c) Ensure capability and commitment exist to deliver;
- (d) Design, operate and monitor the system of internal control;
- (e) Provide regular reports to the Board/Council on internal control/ risk management activities.

### 13.5 Risk Management Process

The process of risk management comprises the following three phases:

- (a) Risk Analysis;
- (b) Risk Control;
- (c) Risk Financing.

135.1 The purpose of **risk analysis** is to provide as much information as possible about the organization in respect of the following:

- (a) the possible extent of losses and opportunities;
- (b) the corresponding probabilities of occurrences and impact.

1352 Risk analysis involves:

- (a) risk identification; and
- (b) risk evaluation

1353 Risk control comprises all activities aimed at:

- (a) avoiding risk;
- (b) eliminating risk; or
- (c) reducing the likelihood of the occurrence of a loss or limiting the severity of the loss when and where they occur.

1354 Risk financing is about financing the residual risk after applying all the relevant risk control measures.

It may be considered in terms of:

- (a) Non-insurance risk financing; and
- (b) Insurance as a risk financing tool.

## **13.6 Exposures**

13.6.1 Risk assessment should address the organization's exposure to the following:

- (a) Physical and operational risk;
- (b) Human Resource risk;
- (c) Financial risk;
- (d) Compliance and non-compliance risks;
- (e) Liquidity risks;
- (f) Business Continuity and Disaster risk; and
- (g) Environmental risk

It must always be noted that the Board/Council is responsible for the total process of risk management policy. Management is accountable to the Board/Council for implementation of risk policies.

## **CHAPTER FOURTEEN**

### **14.0 SOCIAL ACCOUNTABILITY (SA)**

**14.1** It is the measure of an organization's state of being mindful of the emerging social concerns and priorities of internal and external stakeholders (community, employees, governmental and non-governmental organizations, management and owners).

**14.1.1** It is reflected in the organization's verifiable commitment to certain factors (which may or may not be tied directly to its processes) such as:

- (a) willing compliance with government, health, hygiene, safety and environmental laws;
- (b) respect for basic civil and human rights;
- (c) betterment of community and surroundings.

### **14.2 Key Drivers**

The key drivers pushing the agenda for SA are:

- (a) A change in the attitude of society – society is now very much concerned about
  - (i) the pollution of water bodies (sources of drinking water for many communities)
  - (ii) destruction of the environment and many of the negative impacts of business activities and are therefore demanding greater social accountability from corporate leaders.
- (b) A change in the attitude of executives towards Social Accountability.
- (c) Pressure groups – activities of pressure groups, consumer associations, not-for-profit organizations have hurt businesses and corporate leaders are now compelled to listen to these groups.

### **14.3 Practical Terms**

Good social accountability in practical terms means that Board/Council members and managers must:

- (a) be sensitive to the issues that affect the lives of the people they live and work with;
- (b) consider the societal impact that their financial and business decisions have upon a wide range of constituencies, stakeholders and the environment;
- (c) possess an understanding of the conditions in the society that they could have a positive influence upon;
- (d) be conscientious about not only what services are delivered, but also when and how they are delivered.

#### **14.4 Performance Criteria for Measuring SA**

Evaluation of organizations' SA is based on the following:

- (a) the degree of compliance with child labour laws;
- (b) degree of compliance with and support for forced or compulsory labour,
- (c) adherence to Occupational Health and Safety at the workplace;
- (d) freedom of association and right to collective bargaining ;
- (e) adherence to non-discrimination laws, rules and regulations relating to social origin, birth, religion, disability and gender amongst others;
- (f) compliance with disciplinary rules and regulations procedures;
- (g) compliance with rules and regulations relating to working hours and other conditions of service.

#### **14.5 Benefits**

Organizational commitment to SA yields positive results in both quantitative and qualitative terms. The benefits of SA can be determined in a number of ways including the following:

- (a) increased client satisfaction;
- (b) reduced operating expenses;
- (c) increased productivity;
- (d) improved quality of service;
- (e) significant increase in revenue;
- (f) improved customer participation;
- (g) enhanced brand image;
- (h) increased ability to attract and retain talent;
- (i) more motivated and committed labour;
- (j) improved environmental processes or reduced environmental impact.

#### **14.6 Policy**

- (a) Public Service organizations shall formulate policies on Social Accountability and be guided by these policies.
- (b) Social Accountability shall target competitive advantage in the long run and not merely as a public relations gimmick.

#### **14.7 Measurement**

Organizations must find ways of measuring the impact of SA policies on the communities in which they operate.

**APPENDIX: Template for Performance Contract**

**PERFORMANCE AGREEMENT**  
**BETWEEN THE GOVERNING BOARD/COUNCIL**  
**AND**  
**THE CHIEF EXECUTIVE OFFICER OF**  
**.....**  
**JANUARY..... – DECEMBER.....**

## **1.0 PREAMBLE**

This AGREEMENT dated ..... in the year Two Thousand and .....(year) effective 1st January – 31st December.....(year) between “The Employer” acting by its Lawful Attorney on the one part, and the Chief Executive Officer, hereinafter called “the Employee” on the other part.

## **2.0 CONDITIONS OF AGREEMENT**

The performance of the Chief Executive Officer shall be assessed on the basis of the achievement of specified key outputs/deliverables set out under Schedule 1- 3 over the agreed Performance Appraisal period of 1st January, ..... – 31st December ..... This agreement is entered into by both parties in good faith and it is therefore not intended to create legal relations.

### **2.1 Corporate Direction, Statement and Objectives**

Vision:

Mission:

Core Values:

Corporate Objectives for..... (year)

### **2.2 Top Corporate Priorities for the Period Of The Agreement**

The Top Priorities of the Agency i.e. for the period of the Agreement (Jan. .... – Dec..... ) are to be taken from the Strategic/Corporate Plan, the Medium Term Plan and the approved Annual Budget Estimates.

- 
- 
- 

### **2.3 Environmental Scan / Major Assumptions**

The Social, Economic and Environmental issues likely to impact on the performance of the specific responsibilities and Key Result Areas are outlined below:

External

- 
- 
- 
- 
-



Internal

- 
- 
- 

These are obstacles (External & Internal) to the organization/business environment for which the Chief Executive has no control over. The Chief Executive will however, be expected to devise and implement strategies which will minimize the constraints within the context of goal attainment.

The major assumption is that the Ministry of Finance and Economic Planning (MOFEP) will not cut-back on the approved budget and will release funds in a timely fashion. In the event of this occurring the agreed deliverables will be revised accordingly with the Governing Body.

### **3.0 KEY RESULTS AREA**

The Chief Executive Officer shall be expected to deliver the outputs and deliverables listed in Schedules 1 to 3 of this Agreement.

### **4.0 UNDERTAKINGS OF THE CHIEF EXECUTIVE OFFICER TO THE GOVERNING BOARD/COUNCIL**

The Chief Executive Officer accepts responsibility for the overall performance of the Agency as a whole and undertakes:

- a. To ensure that Public Sector Core values such as client sensitivity, cost effectiveness in service delivery, gender sensitivity, discipline and performance orientation, are instilled in the staff of the Sector Agency.
- b. To adopt and apply the most up-to-date and appropriate management techniques in conducting the affairs of the Agency and in supervising its Division/subordinate Departments. It is incumbent on the Chief Executive Officer to ensure that the Agency achieves the level of performance indicated in this Agreement.
- c. To ensure that the tangible assets within the Agency are maintained in the most efficient manner and safeguarded against loss or abuse.
- d. To notify the Governing Body promptly of any conditions, which interfere with or threaten the achievement of the performance targets, listed herein.

## **5.0 UNDERTAKINGS OF THE GOVERNING BODY TO THE CHIEF EXECUTIVE OFFICER**

The Governing Body accepts that its oversight responsibility over the Agency is to be effected through the Chief Executive Officer with the aid of this Performance Agreement. As far as practicable, the Governing Body shall not issue directives that will limit the Agency's ability to achieve the agreed performance targets.

## **6.0 PERFORMANCE INCENTIVES AND SANCTIONS**

Merit Awards will be considered for those Chief Executive Officers who achieve over 90% of their deliverables. The Chief Executive Officer is expected to produce at least 70% of the deliverables to avoid prescribed sanctions.

## **7.0 PERFORMANCE EVALUATION UNDER THE AGREEMENT**

Evaluation and assessment of the performance of the Chief Executive Officer shall be conducted by the Governing Board/Council. The evaluation shall be based on this Performance Contract and shall assess performance against measurable objectives for the (Agency) .....and the Chief Executive Officer, taking into account the financial and human resources available.

The performance assessment shall be completed no later than the 3rd month after the end of the contract term. In the event that the Chief Executive Officer's performance is found to be unsatisfactory, the Board/Council Chairman shall describe in writing, in reasonable detail specific instances for such unsatisfactory performance. Upon the conclusion of the annual evaluation, the Board/Council shall determine the reward or sanctions as prescribed.

## **8.0 ARBITRATION AND SETTLEMENT OF DISPUTES**

In the event of disagreement between the parties to this Agreement, either party may apply to the Public Services Commission for settlement. The Public Service Commission shall constitute an arbitration panel which shall consult with both parties and make a ruling within one month of the application. The Public Services Commission's ruling shall be binding on both parties.

.....  
**CHAIRMAN, GOVERNING BOARD/  
COUNCIL**

.....  
**SIGNATURE:**

.....  
**DATE**

.....  
**CHIEF EXECUTIVE OFFICER**

.....  
**SIGNATURE:**

.....  
**DATE**

.....  
**CHAIRMAN, PSC/REPRESENTATIVE**  
**WITNESS5**

.....  
**SIGNATURE**

.....  
**DATE**

## **SCHEDULE 1**

### **KEY OUTPUTS AND DELIVERABLES**

The Chief Executive Officer shall deliver the following key outputs:

#### **Key Results Area: Human Resource Management:**

1. A record showing that staff appraisal forms for .....(year) have been completed for staff in the Agency and its Divisions/Department, and analysed by the end of March, ..... (year)
2. Comprehensive staff list compiled by March..... (year)
3. Records of Scheme of Service training programmes delivered.
4. A record of actions showing evaluation of Performance of Heads of Divisions/Departments completed by end of March 2012.
5. Records of new recruitments, promotions, retirements, transfers, secondments, resignation, deaths and etc.

#### **Key Results Area: Performance Reporting:**

6. Annual report of the Agency for year under review and produced by the end of March of the ensuing year.
7. Record of Mid-Year Performance Monitoring/Evaluation meetings and follow up actions submitted to the Governing Body by August (year) etc.

#### **Key Results Area: Financial Management:**

8. A record of Audit Review Implementation Committee (ARIC) meetings and actions taken to redress audit queries raised in the previous year.
9. Agency's Annual Procurement Plan developed in the year under review.
10. Agency's approved Annual Budgets and releases for the year under review.

#### **Key Results Area: Customer Service Initiatives**

12. Client Services Improvement Initiatives<sup>6</sup>
  - Reports of Client Service Units (complaints, petitions, actions taken etc.)
  - Updated Service Delivery Charters of the Agency
  - Service Delivery Brochures
  - Functional Interactive website

### **Key Results Area: Work Environment Improvements Initiatives**

13. Work Environment Improvement initiatives of the Agency

- Functional Environmental Improvement Plan.
- Half-yearly Reports on Implementation of the Plan
- Occupational Security and Health Initiatives

### **Key Results Area: Organizational Efficiency:**

14. Efficiency gains in organizational operations, e.g.:

- Reduction in proportion of staff days lost due to sickness/absenteeism.
- Reduction in utility cost in real terms (water, electricity, telephone etc)
- Meeting Reporting Deadlines (Submission of Timely Reports, Arrangements of Meetings, etc.)

## **SCHEDULE 2**

### **AGENCY – SPECIFIC OUTPUTS AND DELIVERABLES**

These are to be detailed by the Agency under the headings as follows:

1. The specific targets/outputs relating to the Ghana Development Agenda.
2. Targets/outputs specified in the Agency's Annual Budget Estimates for the Agency.  
Note: All these must be limited to the top priorities stated in para. 2.2 of the Agreement.
3. The Agency-specific reform initiatives being undertaken.

## **SCHEDULE 3**

### **INDIVIDUAL CAPACITY DEVELOPMENT PLAN**

1. Competencies:
  - What competencies would you require to improve your performance?
2. Learning Opportunities:
  - How do you plan to attain these learning competencies?

## **REFERENCES**

- Institute of Directors – Ghana, Best Practice Guide, Year
- 1992 Constitution of the Republic of Ghana,
- CACG Corporate Governance Guidelines for SOEs – Year
- Code of Conduct and Ethics for Public Officers of Ghana and Guidelines on Conflict of Interest (CHRAJ)
- Human Resource Policy Framework and Manual, PSC, 2013

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# **APPENDIX I**

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**Draft Code of Corporate Governance for Specified  
Entities & Public Service Organisations in Ghana 2022**  
(State Interest and Governance Authority & Public Services Commission)



**STATE INTERESTS AND GOVERNANCE AUTHORITY  
&  
PUBLIC SERVICES COMMISSION**



**DRAFT  
CODE OF CORPORATE GOVERNANCE  
FOR  
SPECIFIED ENTITIES & PUBLIC SERVICE  
ORGANISATIONS  
IN GHANA**

**MARCH 2022**



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## LIST OF ABBREVIATIONS

CACG	Commonwealth Association for Corporate Governance
CEO	Chief Executive Officer
CHRAJ	Commission on Human Rights and Administrative Justice
GoG	Government of Ghana
JVCs	Joint Venture Companies
OSEs	Other State Entities
MoF	Ministry of Finance
MPE	Ministry of Public Enterprises
PSC	Public Services Commission
PSO	Public Service Organisations
SA	Social Accountability
SIGA	State Interests and Governance Authority
SE(s)	Specified Entity(ies)
SOEs	State-Owned Enterprises
ToR	Terms of Reference

## DEFINITIONS

BOARD/COUNCIL	The governing body or council of an Organisation.
CHIEF EXECUTIVE OFFICERS (CEO)	Refers to Chief Executive Officers, Managing Directors, Director-Generals, Executive Secretaries, Executive Directors, Commissioners, Administrator, Any other position in the Chief Executive Officer category.
CODE OF CORPORATE GOVERNANCE	The standards of good practice for corporate governance, issued by the Oversight bodies (SIGA and PSC) for compliance by the organisations under their purview.
GOVERNING BODY	The apex decision-making body of an Organisation
MANAGEMENT	Refers to Management Committee of an Organisation including the CEO as defined above, Deputies or General Managers, Heads of Divisions/Departments and other members co-opted to the Committee.
ORGANISATION	Refers to the Specified Entities (SEs) under SIGA, which comprises, State Owned Enterprises, Joint Venture Companies and Other State Entities. It also refers to all Organisations under the Public Service Commission.
OTHER STATE ENTITIES	means an entity: (a) other than a State-owned enterprise or joint venture company in which the State has an interest; and (b) declared as a specified entity by the Minister in accordance with section 32 of Act 990.
OVERSIGHT BODY	Refers to the State Interests & Governance Authority (SIGA) and the Public Service Commission (PSC).
SECTOR MINISTER	Refers to the Minister responsible for the respective specified entities.

# CHAPTER ONE

## 1.0 INTRODUCTION

### 1.1 BACKGROUND

The Government of Ghana (GoG) seeks to ensure efficient and effective running, and where applicable, profitable operations of public organisations referred to as 'Organisations' in this Code. They include State-Owned Enterprises (SOEs), Joint Venture Companies (JVCs) and Other State Entities (OSEs), - collectively referred to as Specified Entities), which include Organisations under the Public Services Commission. Government's efforts to enhance operations have been necessitated by continuous poor performance of many of these Organisations because of poor corporate governance practices, political interference and mismanagement, amongst others. Many of them have thus become a drain on the national coffers rather than the assets they are intended to be.

These Organisations operate under a governance structure that involves a complex web of relationships between Parliament, Ministries, Regulatory bodies, Governing Bodies and Chief Executives Officers (CEOs) with multiple reporting lines. This has clouded the allocation of responsibility and accountability for results, particularly between some Boards and Management.

Clarity of roles of Governing Bodies and Management, especially the CEO, are critical in the corporate governance architecture and operations of Organisations. However, the appointments of Governing Bodies and CEOs, in some circumstances, are not based on merit or competence but are often political, contributing to ineffectiveness of several Governing Bodies. This is corroborated by issues of Corporate Governance in the Public Services identified by the Public Services Commission (PSC). They include:

- Weak interface between political office holders and public servants in day-to-day administration of the public service;
- Lack of adherence to policy operating guidelines;
- Appointments of Governing Body members are not based on qualification, competence, experience and commitment;
- Governing Bodies are changed any time a new Government assumes authority, regardless of provisions specified for their tenure in the enabling Acts of Organisations.
- Unhealthy Governing Body – Management relationships; and
- Lack of comprehensive and regular capacity building and training for Governing Body members.<sup>1</sup>

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<sup>1</sup> PSC Corporate Governance Manual

The above are worth addressing to improve the corporate governance practices, management, general performance and profitability of all Organisations, where applicable.

The development of this Code is therefore to fulfil a critical obligation of Oversight Bodies (SIGA and PSC) towards supporting the Organisations to achieve their mandates and objectives, and thus implement the State Ownership Policy and related guidelines efficiently and effectively. It draws heavily on relevant literature and is built essentially on the PSC's Corporate Governance Manual.

## **1.2 THE OVERSIGHT BODIES - STATE INTERESTS AND GOVERNANCE AUTHORITY (SIGA) AND THE PUBLIC SERVICES COMMISSION (PSC)**

SIGA was established by the State Interests and Governance Authority Act 2019 (ACT 990) to oversee and administer State interests in Specified Entities (SEs), and to provide for related matters. Other objects of SIGA are to:

- promote within the framework of Government policy, the efficient or where applicable profitable operations of SEs;
- ensure that Organisations adhere to good corporate governance practices;
- acquire, receive, hold and administer or dispose of shares of the State in State-Owned Enterprises (SOEs) and Joint Venture Companies (JVCs);
- ensure that OSEs introduce effective measures/efficient regulations and higher standard of excellence that promote the socio-economic growth of the country in line with their core mandates.

Furthermore, SIGA is enjoined to “develop a Code of Corporate Governance to guide and promote sound corporate governance practices of SEs”; and to ‘prepare and submit to the Minister, an annual assessment report on the governance and institutional performance of SEs’.

Similarly, PSC is mandated by the Public Services Commission Act, 1994 (ACT 482), ‘to advise government on the criteria for appointment to public offices as well as persons to hold or act in public offices’ and ‘to promote efficiency, accountability and integrity in the Public Services’, among others.

The above constitutes the legal basis for the issuance of this Code, through collaboration between SIGA and PSC, with the support of the Ministries of Finance and Public Enterprises. The collaboration has been deemed appropriate considering the similarity of their respective mandates and overlapping oversight roles over some public entities. It will thus foster synergy-building, avoid duplication, simplify reporting for the Organisations and ensure effective monitoring for compliance.



### **1.3 INTENT AND APPLICATION OF THIS CODE**

This Code of Corporate Governance applies to organisations as defined above under 'Background'. They include State-Owned Enterprises (SOEs), Joint Venture Companies (JVCs) and Other State Entities (OSEs) - collectively referred to as Specified Entities, as well as organisations under the Public Services Commission. The OSEs includes Regulatory bodies (Regulators) in the SIGA and PSC Registers.

This Code has been prepared taking cognisance of the importance of the independence of the Regulators, which should be protected as enshrined in their respective enabling Acts. Correspondingly, good corporate governance should be promoted and practiced in these Regulatory bodies as in other organisations to enhance their effectiveness, without compromising on their regulatory mandates. The Code is therefore to be observed in conjunction with other existing sector codes, all of which are aimed at enhancing corporate governance and productivity in the various entities.

It is worth noting that this Code on its own will not necessarily yield the desired results without the commitment and courage of each stakeholder to fulfil their responsibilities and functions with integrity and professionalism. Thus, each stakeholder must adhere to and/or enforce laid-down requirements stipulated by this Code and related laws/regulations, and draw attention to any breach of the Code, even by superiors through appropriate channels.

## CHAPTER TWO

### 2.0 CORPORATE GOVERNANCE

Corporate Governance may be defined as the ethical exercise of a system of structures, policies and processes, etc., put in place to guide and direct an entity's stakeholders, especially the Board and Management, in working to achieve the mandate and goals of the entity.

### 2.1 THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE

Given the diverse and important roles of Organisations, good corporate governance, among others:

- facilitates efficient and effective allocation of resources;
- assures stakeholders, including the citizens that their welfare is of primary concern to the government and that the Organisation is being managed efficiently and effectively for their welfare;
- Builds trust among all stakeholders and fosters mutual commitment
- assures stakeholders that Governing Bodies and Management that abuse the trust reposed in them and/or mismanage resources shall be sanctioned in accordance with relevant laws, rules and regulations;
- creates an enabling environment where the citizens are empowered to voluntarily participate in governance and contribute towards national development; and
- attracts investors into various sectors of the economy.

### 2.2 CORPORATE GOVERNANCE FRAMEWORK

The Corporate governance architecture of Public Organisations as defined in this Code includes the following, where applicable:

- **Citizens** – they are regarded as the owners of Organisations, which were set up for the public good.
- **Government (Shareholder)** – elected by the citizens and hold “shares” in trust for the citizenry.
- **Sector Ministries** – they have strategic control consistent with their responsibility to Parliament and the public. They have oversight of their respective Organisations.
- **Parliament** – elected representatives of the citizens, passes legislation which underpins the operating framework, including functions and powers of Organisations. Parliament acts as fiduciaries of the citizens.
- **Governing Bodies** – they are appointed by the President in consultation with the Council of State. They have the responsibility for strategic direction, setting targets and reviewing the performance of management among other functions.
- **Management and Other Staff** – they are appointed in accordance with applicable laws and regulations. Management is responsible for implementing corporate strategy and measuring performance of staff.

## **2.3 TENETS OF GOOD CORPORATE GOVERNANCE**

The following principles of good Corporate Governance shall be promoted and adhered to by Governing Bodies to improve upon governance practices in the Organisations.

### **2.3.1 Integrity**

This is a core value that relates to honesty and strong ethical values. Integrity also applies to faithfulness and diligence. Governing Bodies must avoid exhibiting double standards and misinformation. Members shall be bold to resist fraudulent practices and shall not be complicit in any form of corrupt practices.

### **2.3.2 Transparency**

Governing Bodies in their dealings with others shall handle all transactions in an open, forthright and frank manner. Transparency implies willingness to provide clear information to stakeholders at the right time and in the right form. There shall be no secrecy about transactions handled by a member of the Governing Body on behalf of the rest. If a member is interested in a transaction or contract that the Organisation is about to enter into, the member shall make his/her intentions known to the rest of the members.

### **2.3.3 Accountability**

Governing Bodies must be ready to render account of their stewardship to the Appointing Authority and Oversight Bodies. They shall be held responsible for all acts of omission or commission on their part. Accountability implies that Governing Bodies shall protect the interests of their respective Organisations and govern them properly. Personal and parochial interests of Governing Bodies should not take precedence over those of their Organisations the interests of the citizens.

### **2.3.4 Efficiency and Effectiveness**

These principles refer to leadership that produces results. Efficiency and effectiveness imply that resources shall be optimised to produce maximum results. Members of Governing Bodies shall refrain from misuse of corporate resources. Appropriate internal controls shall be instituted and monitored to prevent or reduce waste in the Organisations. Members shall participate in all Governing Bodies meetings to make decisions and retain full and effective control over the Organisations.

### **2.3.5 Social Accountability**

Members of Governing Bodies shall adhere to international principles as appropriate on:

- a) Corruption;
- b) Environment, health and safety;
- c) Labour; and
- d) Human rights.

Members of Governing Bodies must therefore recognize that the success and sustainability of their entities goes beyond reporting financial success but also into

other areas such as responsible social interventions and environmental management.

#### **2.3.6 Fairness and Equality**

Members of Governing Bodies shall ensure all stakeholders are treated fairly and are given equal opportunity in all deliberations and interventions, to ensure inclusiveness and equity.

## **CHAPTER THREE**

### **3.0 APPOINTMENT, INDUCTION & TENURE OF THE GOVERNING BODY**

#### **3.1 APPOINTMENT**

Article 70(1)(d)(iii) of the 1992 Constitution states that “the President shall, acting in consultation with the Council of State, appoint the Chairpersons and other members of the governing bodies of Public Corporations”.

At the point of nomination, the appointing authority shall obtain all the relevant information about the potential members of the Governing Body.

Members of the Governing Body shall be appointed by name and shall sit on the Board in their individual capacity or as representatives of their institutions. They shall have no power to appoint alternates except as stated in Section 181(1) of the Companies Act, 2019 (Act 992) or their Enabling Acts.

Each member of the Governing Body shall signify their acceptance of the appointment in writing.

#### **3.2 SIZE AND COMPOSITION**

The size and the composition of the Governing Bodies shall be guided as follows:

1. The size of the Governing Body of the Organisations shall be between five (5) and thirteen (13) members, unless otherwise provided for by the Enabling Act.
2. The CEO shall be a member of the Governing Body with voting rights, unless otherwise prescribed by the Enabling Act.
3. Gender balance among the members of the Governing Body shall be considered in its composition, ensuring skills and competencies required are not compromised.
4. All members of the Governing Body shall be independent upon appointment and maintain their independence during their term of service.
5. The Governing Body shall disclose on the Organisation’s website and in the Annual Report, profiles of all the members.
6. At least one member of the Governing Body shall have financial management expertise.
7. At least one member of the Governing Body shall have legal expertise.
8. The Governing Body may recommend to the Appointing Authority, through the Oversight Body, the removal of a member based on non-performance, non-attendance of meetings, unethical conduct and/or other reasons as set out in any applicable laws.

### 3.3 PERSONAL ATTRIBUTES

The Oversight Body shall take the following into consideration in advising Government on the appointment of members of the Governing Body, as per Section 4(j) of the SIGA Act (ACT 990) and Section 4(a) of the Public Services Commission Act (ACT 482):

- A. **Financial literacy** – It is the responsibility of Governing Body to review and approve financial statements prepared by management. At least a member should possess basic analytical skills and be able to interpret financial statements and comment on them intelligently to ensure that all actions taken by management result in good financial health of the Organisation.
- B. **Communication and Inter-personal Skills** – A member of the Governing Body should be able to articulate his/her opinions and listen with empathy. He/she should also be able to interact appropriately with other colleagues and stakeholders.
- C. **Professional qualifications, knowledge and experience:**  
A member of the Governing Body should have one or a combination of knowledge, experience and/or qualification in the following areas:
  - (a) general management;
  - (b) financial management;
  - (c) law;
  - (d) human resource management;
  - (e) information and communication technology; and
  - (f) any other relevant areas.
- D. **Balance of Skills** – There should be a balance of individuals whose strengths and weaknesses are complementary in respect of qualification, experience and skills needed by the Governing Body.
- E. **Character** – A member of the Governing Body must be an individual who has consistently exhibited high ethical values in their places of work and the society.
- F. **Commitment** – A member of the Governing Body must attend Board meetings and other activities unless incapacitated or for reasons beyond his/her control.

### 3.4 TENURE OF OFFICE

The tenure of office of a member of the Governing Body shall be determined by the provision of the Enabling Act and any other relevant laws. Members must therefore study and be conversant with the legal instruments establishing their Organisations.

The following issues shall be provided for in the principal enactment of Organisations:

- (a) possible renewal of tenure
- (b) resignation of a member, and
- (c) replacement of a member as well as the circumstances in which this may occur.

Unless the Enabling Act otherwise provides, the following shall also apply:

1. The tenure of a member of a Governing Body shall be four (4) years. This may be renewed once, provided that upon the implementation of this Code, the appointing

Authority may extend the term of not more than a third of the members of the Governing Body to achieve continuity.

2. The renewal of a member's tenure for a subsequent term shall be subject to a favourable evaluation and the stipulations of relevant laws.

### **3.5 INDUCTION**

Members of the Governing Body shall go through an induction programme before their first meeting. The programme should provide them with an overview of the Organisation, their roles and responsibilities and that of other key stakeholders.

An induction pack should be provided, comprising key documents such as:

- a) Audited Financial Statements and Annual Reports of the Organisation over the previous three years;
- b) Strategic Plan (or at least the Executive Summary thereof);
- c) Organogram;
- d) Minutes of previous meetings of the Governing Body (for the last six months);
- e) Description of Board procedures;
- f) Code of Corporate Governance for Specified Entities and Public Service Organisations;
- g) Schedule of dates of Board and Committee meetings;
- h) Names, addresses and telephone numbers of members of the Governing Body and the Secretary;
- i) Legal documents establishing the Organisation;
- j) Matters Reserved for the Governing Body (or Authorisation Limits); and
- k) Any other document that members of the new Governing Body must have.

### **3.6 FAMILIARISATION VISIT**

Members of the Governing Body shall visit branches and facilities of the Organisation to familiarise themselves with employees, ascertain the conditions under which they operate and the equipment they use.

### **3.7 CAPACITY DEVELOPMENT**

Apart from the initial induction programme, the Organisation shall make provision for the capacity development of the members of the Governing Body. Irrespective of a member's experience and professional qualification, continuous capacity development is a necessary requirement.

### **3.8 TERMINATION**

The tenure of members of the Governing Body shall come to an end when:

- a. the period of appointment ends as per the enabling Act;
- b. a member resigns his/her appointment upon submission of a written notice of resignation to the appointing authority; or
- c. removed by the appointing authority; or
- d. the appointment of a member is terminated in accordance with any relevant law

## **CHAPTER FOUR**

### **4.0 DUTIES, REMUNERATION AND LIABILITIES OF THE GOVERNING BODY**

The main areas of responsibilities of a Governing Body are:

#### **A. Strategic Direction**

- i. Provide leadership for the attainment of the Organisation's mandate through its vision, mission, values and structure.
- ii. approving the strategic plan, annual budgets, and other relevant documents.
- iii. submitting statutory and other periodic reports to the appropriate authorities.

#### **B. Policies**

Establishing and maintaining good corporate governance and management practices by formulating relevant Organisational policies and procedures and ensuring their implementation.

#### **C. Risk Management**

Understanding the risks that the Organisation faces and putting in place appropriate risk management policies and strategies, including internal control systems.

#### **D. Management Oversight**

The oversight responsibilities of the Governing Body include the following:

- a. ensuring that the organisation's long-term interests are served;
- b. ensuring that the shareholder's long-term interests are served;
- c. working with the management to determine the Organisations mission and long-term strategy;
- d. promoting sustainable and cost-efficient activities of the Organisation;
- e. establishing and promoting the objectives, core mandate(s) and integrity of the Organisation;
- f. ensuring the timely appointments and confirmation of the CEO and other top management positions of the Organisation;
- g. establishing internal controls over financial and operational reporting, and assessing the Organisation's risks and management strategies;
- h. monitoring the performance of Management in achieving the set objectives of the Organisation;
- i. Ensure compliance with the key performance indicators and targets set in the annual performance contract
- j. Ensuring Management prepare and submit relevant reports timeously.

#### **E. Compliance**

Governing Body shall ensure compliance of the Organisation and members with their duties and liabilities as prescribed in the Enabling Act, that of the Oversight Bodies and all applicable laws and regulations of Ghana.



## **F. Auditing**

Governing Bodies shall ensure:

- a. regular internal/external auditing of the business and financial statements of the Organisations are in accordance with the following:
  - i. Audit Service Act, 2000 (Act 584);
  - ii. Companies Act, 2019 (Act 992);
  - iii. Public Financial Management Act, 2016 (Act 921);
  - iv. Public Financial Management Regulations (PFMR);
  - v. Internal Audit Agency Act, 2003 (Act 658);
  - vi. Public Procurement Act, 2003 (Act 663); and
  - vii. Any other relevant laws
- b. that audit recommendations are implemented promptly.

## **G. Human Resource Management**

Governing Bodies shall ensure:

- a. the recruitment, retention and development of appropriate Human Resources and policies; and
- b. the implementation of management systems, policies, procedures and practices to promote good corporate governance and high productivity.

## **H. Procurement**

Governing Bodies shall ensure that the Organisation conducts all procurement activities in accordance with the Public Procurement Act 2003 (Act 663).

### **4.1 DUTIES OF GOVERNING BODIES**

The Governing Body shall perform the following duties:

- a. Have overall responsibility for the Organisation, including approving and overseeing the implementation of the strategic objectives, risk strategy, Corporate Governance and corporate values.
- b. Ensure that the appointment of the CEO, Senior Management and other staff, is in accordance with applicable laws, regulations and guidelines.
- c. Approve the following among others, in accordance with all relevant laws and policies:
  - i. Management, Accounting, Dividend and other policies, as applicable
  - ii. Appointment of staff;
  - iii. Promotion of staff;
  - iv. Conditions and Schemes of Service for staff;
  - v. Authorization limits;
  - vi. Financial Statements (both audited and unaudited);
  - vii. Annual Budget, Strategic Plan, HR Plans and Reports and other relevant documents;
  - viii. Opening and closure of Bank Accounts, subject to relevant provisions in the PFMR;
  - ix. Investments; and
  - x. Annual report.
- d. Ensure the development of an Annual Board Work Plan.

- e. Develop and adopt a Board Charter, which shall define the roles, responsibilities and functions of the Governing Body in the organisation. The Charter shall be reviewed periodically.
- f. Exercise independent judgment in its deliberations and decision making;
- g. Seek expert advice to assist it in its deliberations and decision making;
- h. May delegate some of its functions to a Committee of the Governing Body or the CEO. The Governing Body shall have ultimate responsibility for delegated functions.
- i. Act at all times in the best interest of the Organisation.
- j. Prepare adequately for meetings to ensure prudent decisions are made promptly;
- k. Ensure good corporate governance practices in the Organisation by upholding the values of accountability, efficiency, probity and transparency.
- l. Enhance their capacity in relevant areas, including corporate governance and keeping themselves abreast with the Organisation's business.
- m. Where applicable ensure that annual general meetings are held in a timely manner.

#### **4.1.1 MATTERS RESERVED FOR THE BOARD**

The Board shall not delegate its functions in respect of the following:

- i. Decisions on the strategy and policies of the Organisation
- ii. Capital Expenditure
- iii. Matters involving financial amounts above the limits set for the CEO
- iv. Approval of contracts and obligations above the limits set for the CEO
- v. Succession planning
- vi. Approval or changes to Annual Budgets
- vii. Opening and closing of Accounts
- viii. All matters with the potential to have material impact on the reputation of the Organisation.

## **4.2 DISCLOSURE OF INTERESTS**

A member of a Governing Body shall promptly disclose their interest in an issue under consideration and take all appropriate steps to abstain from deliberations in relation to that issue.

- a. Failure to disclose that interest shall lead to sanctions as specified in the SIGA Act, 2019 (Act 990), the Companies Act, 2019 (Act 992) and any other relevant laws.
- b. All members of Governing Bodies shall declare their assets and liabilities in accordance with the 1992 Constitution, the Companies Act 2019, (Act 992) and other applicable laws and regulations.

## **4.3 REMUNERATION/ALLOWANCES OF GOVERNING BODIES & COMMITTEES**

Members of Governing Bodies and their Committees shall be paid approved allowances and fees within the framework set by SIGA in Consultation with the Minister of Finance

or appropriate Authority. The allowances payable to members of a Governing Body shall be reviewed periodically

#### **4.4 LIABILITIES**

Members of Governing Bodies are jointly and severally liable whenever a liability arises. Where there is a breach of duty by any member of the Governing Body, the appropriate Oversight Body shall immediately be informed of the said breach.

#### **4.5 DUTIES OF THE CHAIRPERSON**

The duties of the Chairperson of the Governing Body include:

- a. convening meetings of the Governing Body and determining the agenda, venue and date of meetings in consultation with the CEO and the Governing Body Secretary;
- b. presiding over meetings of the Governing Body, in accordance with good corporate governance practices;
- c. providing overall leadership to the Governing Body without limiting the principle of collective responsibility;
- d. acting as the main link between the Governing Body, the Sector Ministry, Oversight Bodies and other relevant bodies;
- e. representing the Organisation with the CEO at the Annual Performance Contract Negotiation and Signing process with the Oversight Body and respective Sector Ministry
- f. representing the Governing Body at relevant corporate functions;
- g. leading the Governing Body in the determination of the Organisation's corporate strategy and monitoring its implementation;
- h. ensuring that committees of the Governing Body are properly constituted with clearly defined terms of reference;
- i. ensuring the Organisation's name is not brought into disrepute;
- j. ensuring compliance with the Organisation's policies and governance processes.
- k. Ensure that Board decisions are executed in a timely manner.

#### **4.6 DUTIES OF THE CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer shall:

- a. Be responsible for the day-to-day administration of the Organisation;
- b. Chair the Management/Executive Committee meetings;
- c. Oversee the preparation of the annual budget and establish proper internal controls for the approval of the Governing Body;
- d. Establish a risk management system and present it to the Governing Body for approval;
- e. Be responsible for the execution and communication of the strategies, decisions and guidelines of the Governing Body;
- f. Develop and recommend to the Governing Body the relevant plans for the Organisation for approval;
- g. Ensure the preparation of Monthly, Quarterly and Annual Management and Financial accounts for approval by the Governing Body;
- h. Ensure that the Organisation has an effective management structure including succession plans for approval;
- i. Ensure that all Board papers are well prepared and available to the members of the Governing Body at least ten (10) days before the meeting day;

- j. Act as the principal formal channel of communication between the Organisation, the Oversight Bodies, Ministries responsible for Finance and Public Enterprises and other stakeholders, as appropriate; and
- k. ensuring the Organisation's name is not brought into disrepute;
- l. ensuring compliance with the Organisation's policies, rules, regulations, guidelines and processes.

CEOs are not responsible for policy making and therefore must act in good faith to allow the Governing Body to exercise their policy-making functions.

#### **4.7 THE DUTIES OF THE SECRETARY TO THE GOVERNING BODY**

Organisations shall have Secretariats headed by a Secretary to ensure the smooth execution of functions of the Governing Body.

The Secretary may be appointed in accordance with the applicable laws and regulations.

The duties of the Secretary include the following:

- a. organising induction programmes for members of the Governing Body;
- b. organising meetings in consultation with the CEO and the Chairperson of the Governing Body;
- c. taking minutes of proceedings at meetings;
- d. providing technical and administrative support to the Governing Body collectively and individually as to their duties and responsibilities
- e. making members of the Governing Body aware of all regulations and legislations relevant to their functions;
- f. preparing meeting agenda in consultation with the Chairperson and other members;
- g. maintaining legal registers;
- h. providing inputs for the preparation of the Governing Body's work plan (calendar of activities);
- i. coordinating management reports for consideration by the Governing Body; and
- j. carrying out any other duties as specified by the Companies Act or other enabling Act.

A good, working relationship between the Secretary and the Chairperson of the Governing Body and the CEO is critical for effective running of the Governing Body.

## **CHAPTER FIVE**

### **5.0 MEETINGS OF THE GOVERNING BODY**

Members of the Governing Body shall be committed and dedicate adequate time to meetings.

The Chairperson shall chair all meetings. In his/her absence, a member selected by the other members present shall preside over the meeting or in accordance with relevant laws.

The term '**meeting**' includes, except where inconsistent with any legal enactment:

- a. physical presence of members;
- b. video conference or similar electronic channel allowing simultaneous visual and audio participation;
- c. telephone conferencing; and
- d. written resolution signed by all Governing Body members

#### **5.1 Procedure For Convening Meetings**

Meetings of the Governing Body shall be convened in accordance with all applicable laws. Requisitioning of a meeting shall be the responsibility of the Chairperson in consultation with the Chief Executive Officer. Notice of a meeting of the Governing Body shall indicate the proposed date, time, venue and agenda.

#### **5.2 Frequency of Meetings**

The frequency of meetings of the Governing Body shall be in accordance with the enabling Act. In the absence of such provision, the Governing Body shall meet as regularly as required and at least quarterly. The Governing Body shall establish a schedule for holding its meetings.

#### **5.3 Effective Meetings**

The Governing body shall ensure that its meetings are conducted effectively. For the purposes of this Code, an effective meeting shall be characterized by:

- a. The setting of an appropriate Agenda for the meeting;
- b. High attendance by members beyond quorum;
- c. Punctuality of members at meetings;
- d. Timeous receipt of notice of meetings and related documents by members;
- e. Thorough preparation by members;
- f. Effective control and conduct of meeting by the Chairperson;
- g. Open and frank discussions by members;
- h. Accurate preparation of minutes and documentation of all resolutions;
- a. Follow-up on actions taken in respect of decisions taken at a meeting to ensure their effective implementation

#### **5.4 Agenda of Meetings**

The Secretary shall draw up the agenda of the meeting in consultation with the Chairperson and Chief Executive Officer.

## **5.5 Working Papers for the Governing Body**

The Governing Body shall determine the form, structure and time of receipt of all documents for discussion. For effective decision-making, a Governing Body must receive all relevant information from the Chief Executive Officer/Board Secretary in accordance with the internal laid down guidelines of the Governing Body, applicable laws or not less than ten (10) days before the date of the meeting.

## **5.6 Quorum**

The number of members constituting a quorum shall be determined in accordance with the applicable law. In the absence of such provision, the Governing Body shall decide on the quorum for its meetings, which shall be more than one half (1/2) of the membership.

Where a quorum is not obtained, the meeting shall be adjourned and reconvened.

The Governing Body shall discourage the practice of taking decisions without the required quorum and subsequently ratifying same at a subsequent meeting of the Governing Body with the required quorum.

## **5.7 The Role of the Chairperson**

The Chairperson shall perform the following functions in relation to meetings:

- a. Ensure that notice of meetings, agenda, and supporting documents are sent out by the Secretary to members in accordance with laid down guidelines.
- b. Sign Minutes of previous meeting after adoption by the members;
- c. Ensure that all members are treated fairly during meetings;
- d. Offer all members an equal opportunity to speak and be heard on each item and ensure the full participation of all members;
- e. Ensure that decisions are implemented.

## **5.8 The Role of the Secretary**

The Secretary of the Governing Body shall:

- a. Notify members of the time, date and place of a meeting of the Governing Body,
- b. Prepare notice of meetings and ensure that same is timeously received by members prior to a meeting of the Governing Body;
- c. Be responsible for the following housekeeping arrangements
  - i. Ensure that the meeting venue is identified and prepared for the meeting;
  - ii. Appropriate logistics have been secured for the meeting;
  - iii. Remind management or staff of the SE who are expected to make presentations during the meeting of the Governing Body; and
  - iv. Ensure that there are spare copies of all documents needed for the meeting.
- d. Ensure that the meeting is properly convened (i.e., there is a quorum)
- e. Advise the Governing Body on procedural matters or such other matters determined by the Governing Body
- f. Advise the Governing Body, if any action proposed to be taken by the Governing Body is unlawful or contrary to the governing document or any other applicable law;

- g. Record proceedings at the meeting
- h. Convey and monitor decisions of the Governing Body; and
- i. Keep custody of official documents of the Governing Body

## **5.9 Emergency Meeting**

An emergency meeting may be convened where necessary, in accordance with the provisions in the enabling Act, to discuss urgent matters. Discussions at an emergency meeting of a Governing Body shall be limited to the issues set out in the agenda

## **5.10 Minutes/Records of Proceedings**

The Secretary shall ensure that Minutes of all meetings of the Governing Body and any of its Committees are adequately recorded and stored.

The Minutes of a meeting of a Governing Body shall be signed by the Chairperson. The Chairperson shall initial all pages of the Minutes.

The Minutes shall be prima facie evidence of the proceedings and decisions taken by the Governing Body during the meeting. The Minutes shall be confirmed and approved by members who were present at the meeting in question.

## **5.11 Decisions of the Governing Body**

Decisions of the Governing Body shall be made by

- a. Consensus
- b. Compromise
- c. Majority vote; and
- d. Casting vote

All members of the Governing Body present at a meeting shall participate in voting to decide on a matter and where there is a tie during voting, the Chairperson shall exercise a casting vote, where applicable.

## **5.12 Collective Responsibility**

Members of the Governing Body are jointly and severally liable for its decisions and the actions taken by Management of the Organisation in respect of same.

Where a member dissents with the other members of the Governing Body, he/she may:

- a. Express the dissenting opinion and the reasons for same, and
- b. Request for a second or professional opinion on the subject.

The dissenting opinion and the reasons for same shall be recorded and form part of the minutes of the meeting.

Where a member believes that the decision of the majority of the Governing Board is not in the best interest of the organisation or constitutes a potential crime under the laws of Ghana, the member:

- a. Shall inform the appointing authority about the developments; or
- b. May resign as a member of the Governing Body in writing addressed to the Appointing Authority through the Sector Minister.

## **CHAPTER SIX**

### **6.0 COMMITTEES OF GOVERNING BODIES**

#### **6.1 STANDING COMMITTEES**

Standing committees may be formed to facilitate the decision-making processes of the Governing Body. Standing Committees shall have specific Terms of Reference (TOR). Subject to the provisions of any applicable law, the Governing Body shall determine the ToRs of the Standing Committees.

A Governing Body may form any committee that it considers necessary for the efficient discharge of its mandate in line with relevant laws.

#### **6.2 TYPES OF STANDING COMMITTEES**

The Governing Body shall establish separate Committees for Audit and Risk, and other relevant committees. They may include:

- a. Legal, Compliance and Governance;
- b. Finance and Corporate Strategy;
- c. Human Resources and Administration;
- d. Technical, Technology and Innovation, Research and Development (R&D).

#### **6.3 COMPOSITION OF STANDING COMMITTEES**

- a. The Governing Body shall constitute the membership of the Standing Committees.
- b. The Chairperson of a Committee shall be appointed by the Governing Body. However, the Committee may also be given the authority to appoint a chairperson.
- c. Persons other than members of the Governing Body may be co-opted as members.
- d. Standing Committees shall not to be chaired by the Chairperson of the Governing Body.

#### **6.4 SECRETARY TO STANDING COMMITTEES**

The Secretary to the Governing Body may serve as Secretary to other Committees, unless otherwise prescribed by the enabling Act.

#### **6.5 CONDUCT AND PROCEDURES OF COMMITTEE MEETINGS**

Committees shall observe the same rules of conduct and procedure as the Governing Body.

#### **6.6 SENIOR MANAGEMENT PARTICIPATION IN COMMITTEE MEETINGS**

Senior Management staff may be invited to the meetings of the Committee to provide technical/professional advice as and when necessary. Senior Management staff invited to meetings of the Committee shall not be eligible to vote on issues under consideration by the Committee. Any management staff invited to meetings shall sign a confidentiality agreement.



## **6.7 RECOMMENDATIONS OF STANDING COMMITTEES**

Committees shall submit written recommendations to the Governing Body for consideration and approval.

## **6.8 AUTHORITY**

For purposes of carrying out their assignments, standing committees shall:

- a. consider all issues within their terms of reference
- b. obtain external professional advice and opinion where necessary; and
- c. consult and seek information from employees of the Organisations where necessary

## **6.9 QUORUM**

The quorum for Standing Committee meetings shall be spelt out in the TORs.

## **6.10 EVALUATION OF THE PERFORMANCE OF STANDING COMMITTEES**

Committees shall undertake self-review of their operations annually. A report on the review shall be submitted to the Governing Body, for consideration and guidance.

## **CHAPTER SEVEN**

### **7.0 REPORTING AND COMPLIANCE**

The Governing Body shall exercise oversight authority over the Organisation in respect of reporting and compliance and shall, among other things, ensure that the Organisation conducts its business in accordance with all applicable laws, rules, regulations, standards, conventions and policies.

### **7.1 FINANCIAL REPORTING**

The responsibilities of members of the Governing Body with regards to financial reporting shall be in accordance with the Public Financial Management Act, 2016 (Act 921) and the Public Financial Management Regulations, Companies Act and any other relevant laws and policies

In furtherance of the above, the Governing Body shall:

- a. ensure that competent and qualified accounting staff are employed by the SE;
- b. management of the SE maintain adequate systems of internal control within the SE;
- c. ensure that SEs prepare financial statements on timely basis and in accordance with approved accounting standards;
- d. ensure that the external audit of the financial statements of SEs is completed and submitted within stipulated timelines.
- e. ensure the accuracy and adequacy of the financial statements; and
- f. ensure the preparation of annual budget of the SE

The Governing Body shall ensure that Management prepares and submits the following reports, in accordance with relevant laws, regulations and policies:

- a. Financial Statements;
- b. Internal Audit Reports;
- c. Annual Budget;
- d. Audited Financial Statements; and
- e. Any other relevant reports

The Governing Body shall sanction Management for non-compliance, in accordance with relevant procedures and policies.

### **7.2 STRATEGIC PLANNING**

- a. The Governing Body shall ensure the development and implementation of Strategic and other plans of the Organisation
- b. Monitor and evaluate the implementation of the plans

### **7.3 OPERATIONAL REPORTS**

- a. The Governing Body shall ensure the preparation of quarterly and Annual Operational Reports.
- b. Operational Reports shall cover the core business of the Organisation

- c. The Report shall indicate the resources needed to help achieve optimal results and how these resources shall be acquired in view of financial or other constraints.

#### **7.4 HUMAN RESOURCES**

The Governing Body shall ensure that Management of the Organisation implements approved HR plans and submits relevant reports.

#### **7.5 COMPLIANCE**

The Governing Body shall ensure that applicable laws, rules, regulations, codes and standards are identified, documented and complied with.

## **CHAPTER EIGHT**

### **8.0 THE RELATIONSHIPS BETWEEN GOVERNING BODY, THE CHIEF EXECUTIVE OFFICER AND SECTOR MINISTRY**

#### **8.1 APPOINTMENT OF THE CHIEF EXECUTIVE OFFICER(CEO)**

The CEO shall be appointed by the appropriate Appointing Authority in accordance with applicable Laws and regulations.

#### **8.2 TERMS OF APPOINTMENT**

Terms of appointment of the CEO shall be as specified in the appointment letter issued by the appropriate appointing authority.

#### **8.3 ACCOUNTABILITY OF THE CEO**

The CEO is accountable to the Governing Body for the effective and efficient administration of the Organisation. The CEO shall ensure that the Governing Body is presented with all the information relevant to any matter on which it is expected to take a decision.

#### **8.4 WORKING RELATIONSHIP BETWEEN THE GOVERNING BODY AND THE CEO**

The working relationship between the Governing Body and the CEO must be cordial and mutually respectful, to achieve the mandate of the Organisation.

Governing Bodies shall not have administrative or executive functions unless otherwise specified in any applicable law. The Governing Body shall act in good faith to allow the CEO to exercise his/her administrative functions fully.

#### **8.5 RESOLUTION OF DISPUTES**

Disputes between the Governing Body and the CEO shall be resolved amicably using internal laid-down dispute resolution mechanisms. Where the parties are unable to resolve the dispute, the Governing Body or the CEO shall formally inform the appropriate Oversight Body of the said dispute.

##### **8.5.1 RELATIONSHIP BETWEEN SECTOR MINISTER- GOVERNING BODY**

The Governing Body shall, at all times, ensure that there is a good working relationship with the Sector Minister.

## **CHAPTER NINE**

### **9.0 TRANSPARENCY AND DISCLOSURE**

The Governing Body shall ensure the effective, accurate, timely and transparent disclosure of pertinent information on the Organisation's operations and financial performance.

In furtherance of the above, the Governing Body shall ensure that the relevant reports are published on the website of the Organisation and other approved media platforms.

### **9.1 GUIDELINES ON DISCLOSURE STANDARDS**

The Governing Body shall develop a guideline on disclosure standards, explicitly stating what will be disclosed in line with the Data Protection Act, 2012 (Act 843) and Right to Information Act, 2019 (Act 989).

The Governing Body shall disclose in their Annual Report:

- a. The shareholders and the extent of their holding;
- b. The key stakeholders who may have an influence on organisational performance and sustainability; and
- c. The nature of its engagement with key stakeholders and the outcome of those engagements.
- d. Governance Structures
- e. Code of Ethics/Conduct and Whistleblowing Policy
- f. Key Organisational Risks
- g. Financial Reporting
- h. Timeliness of Performance Reporting
- i. Corporate Citizenship
- j. Procurement
- k. Compliance with Laws, Regulations and Standards
- l. Sustainability Reporting

## **CHAPTER TEN**

### **10.0 EVALUATION OF THE GOVERNING BODY**

The Governing Body shall undertake periodic evaluations of its performance, with the aim of improving upon the performance of the individual members and the Governing Body as a whole.

The following principles shall underpin the Performance Evaluation:

- a. prior knowledge of criteria by members
- b. fairness, transparency and objectivity;
- c. confidentiality;
- d. exercise of tact, understanding and maturity; and
- e. constructive use of evaluation.

### **10.1 EVALUATION CRITERIA OF THE GOVERNING BODY**

Evaluation of the Governing Body shall either be through a peer review mechanism or the use of consultant(s). A combination of the two options may also be adopted.

#### **10.1.1 Peer Review**

Peer review of the Governing Body shall be conducted annually in the following manner:

1. Evaluation of Performance by Members
  - Members will individually evaluate the collective performance of the Governing Body.
  - The Chairperson will collate the results and discuss with Members.
2. Evaluation of the Chairperson
  - The Chairperson shall be evaluated by all Members.
  - The results shall be collated by three (3) selected members of the Governing Body.
  - The three (3) selected members shall discuss the report with the Chairperson and report the outcome to the other members.
3. Evaluation of Members
  - All Members of the Governing Body shall be evaluated by at least three (3) of their peers to be selected by ballot.
  - A Select Committee of three (3) members shall discuss the evaluation on one-on-one basis with the member.
  - The results of the assessment shall be discussed by all members and appropriate action(s) taken.

#### **10.1.2 Review by Consultant(s)**

The Governing Body shall also engage a consultant to carry out an external evaluation of the Governing Body every two (2) years.

### **10.2 PERFORMANCE EVALUATION PROCESS OF THE GOVERNING BODY**

The process of Performance Evaluation shall be structured as follows:

- a. the Governing Body shall periodically assess its mandates, capabilities and resources;

- b. the Governing Body in consultation with the Oversight Bodies shall determine key performance indicators and targets and their respective weights;
- c. the Governing Body shall agree with the Oversight Bodies on the criteria for the appraisal;
- d. the Governing Body shall evaluate its performance against its KPIs/targets and other agreed-upon criteria;
- e. alternatively, an external assessor shall be used; and
- f. results shall be collated by the assessor who shall issue a report to the Governing Body and the Oversight Body.

### **10.3 IMPLEMENTATION OF RECOMMENDATIONS**

The report shall make appropriate recommendations, based on the outcome of the evaluation, to address the identified weaknesses and build upon the positives in line with best practices.

The Governing Body and Oversight Body shall ensure timely implementation of recommendations.

### **10.4 REVIEW OF EVALUATION CRITERIA**

The Criteria for evaluation shall be reviewed at least biennially to ensure that they remain current and relevant.

## **CHAPTER ELEVEN**

### **11.0 SHAREHOLDER RIGHTS AND OBLIGATIONS**

The Organisation shall, where applicable, recognize the rights of all shareholders, in accordance with good governance practices and relevant laws.

#### **11.1 OWNERSHIP RIGHTS AND INTERESTS**

The Governing Body shall, where applicable:

- a. Safeguard the rights of all shareholders, including minority shareholders;
- b. Ensure that there is an effective shareholder dispute resolution mechanism;
- c. Ensure that the shareholders receive adequate and timely information to enable them make informed decisions;
- d. Ensure that the financial statements are presented to shareholders in a timely manner;
- e. Ensure that shareholders are paid approved dividends;
- f. Facilitate consultations amongst shareholders on key issues; and
- g. Facilitate shareholders' education on their rights and obligations.

#### **11.2 OBLIGATIONS OF THE OVERSIGHT BODIES**

The Oversight Bodies shall fulfil the following obligations, as applicable and in line with relevant Acts and regulations:

- a. Monitor the performance of Governing Bodies of Organisations;
- b. Advise on the remuneration of members of Governing Bodies;
- c. Attend and participate in Annual General Meetings;
- d. Review and advise on the Financial Statements of Organisations;
- e. Assist the Minister of Finance on dividend policy;
- f. Ensure the payment of dividends by Organisations
- g. Advise on the payment of bonuses;
- h. Advise on all major transactions;
- i. Develop guidelines and standards for the effective implementation of this Code, in collaboration with other relevant stakeholders;
- j. Determine and enforce appropriate sanctions for breach of this Code and relevant requirements;
- k. Ensure the organization of Board inductions;
- l. Ensure Board evaluations;
- m. Ensure Governance audits are conducted;
- n. Institute Performance Management Systems;
- o. Any incentives and rewards for members of the Governing Body;
- p. Organisational development and systems review; and
- q. Recruitment and appointment of CEO



## **CHAPTER TWELVE**

### **12. STAKEHOLDER RELATIONSHIPS**

The Governing Body shall ensure that Stakeholder relationships are managed in a proactive manner to ensure the realization of the legitimate interests and expectations of stakeholders and the achievement of mandates.

In furtherance of the above, the Governing Body shall:

- a. Carry out a stakeholder mapping; and
- b. Ensure that guidelines on the management of stakeholder relationships and stakeholder communications are developed, implemented and periodically reviewed.

#### **12.1 STAKEHOLDER RIGHTS**

The Governing Body shall:

- a. Identify the rights of key stakeholders and ensure that their rights are respected; and
- b. Take account of the legitimate interests and expectations of all stakeholders in its decision-making.

#### **12.2 DISPUTE RESOLUTION**

The Governing Body shall:

- a. Ensure that disputes with and among stakeholders are resolved effectively and expeditiously; and
- b. Take reasonable steps to encourage stakeholders to solve their disputes through Alternative Dispute Resolution mechanisms.

#### **12.3 RELATIONSHIP WITH OVERSIGHT BODIES**

The Governing Body shall:

- a. Take proactive steps to manage its relationship with SIGA and PSC and other Oversight Bodies;
- b. Disclose in its annual report the nature of the organisation's engagements with SIGA and PSC and other Oversight Bodies; and
- c. Ensure that guidelines, plans and processes of the organisation are aligned with Government policies and directives, as well as National Development Goals.

## **CHAPTER THIRTEEN**

### **13. EVALUATION OF THE CHIEF EXECUTIVE OFFICER**

#### **13.1 PERFORMANCE AGREEMENTS**

The Governing Body shall sign a Performance Agreement with the CEO in every financial year. The contents of the Performance Agreement shall include:

- a. key performance indicators and targets agreed upon;
- b. resources required to achieve the agreed targets;
- c. evaluation process and scoring criteria, including mid-year review; and
- d. rewards and sanctions, as applicable by relevant laws.

#### **13.2 EVALUATION PROCESS**

- a. The Governing Body and CEO shall agree on key objectives, criteria, performance indicators/targets and weights for the evaluation;
- b. Members of the Governing Body shall conduct mid-year review of the CEO's performance;
- c. Each member of the Governing Body shall evaluate the CEO based on the agreed criteria;
- d. A committee of the Governing Body shall consolidate the evaluation, noting areas of strength and weakness;
- e. The Committee shall discuss the draft report with the CEO and obtain his comments;
- f. A final evaluation report shall be forwarded to the Governing Body for approval.

The CEO shall be notified by the Governing Body of any decisions taken on his performance;

- a. The Governing Body may take appropriate remedial action, which may include a Performance Improvement Programme for the purpose of correcting identified weaknesses;
- b. The Governing Body shall continuously monitor implementation to ensure the attainment of the set objectives.

Alternatively, the Governing Body may set up a sub-committee to evaluate the CEO based on agreed criteria or engage a consultant for the purpose.

#### **13.3 APPEALS PROCESS**

Where the CEO disagrees with the results of the assessment, he/she may seek redress by appealing to the appropriate Oversight Body where applicable:

#### **13.4 REVIEW OF EVALUATION CRITERIA**

The evaluation criteria shall be reviewed every two (2) years, where necessary.

## **CHAPTER FOURTEEN**

### **14. ETHICAL STANDARDS**

The Governing Body shall ensure that the organisation exhibits high ethical standards in all its dealings.

In furtherance of the above, the Governing Body shall:

- a. establish principles and standards of ethical business practices within the organisation;
- b. ensure communication of ethical standards to all employees and other stakeholders;
- c. ensure appropriate training on ethical standards;
- d. monitor ethical behaviour of employees through appropriate reporting procedures;
- e. eschew unethical behaviour and lead by example; and
- f. ensure that all unethical practices by employees are duly sanctioned.

#### **14.1 ETHICAL BEHAVIOUR OF THE GOVERNING BODY AND MANAGEMENT**

The Governing Body shall:

- a. exhibit integrity;
- b. be loyal to the organisation;
- c. treat information with confidentiality where necessary;
- d. avoid abuse of corporate resources (e.g., vehicles, accommodation);
- e. avoid abuse of power;
- f. refrain from allocating to themselves permanent offices;
- g. limit demands to their terms and conditions of appointment; and
- h. not do anything that will bring the name of the entity in disrepute.

#### **14.2 CODES OF CONDUCT**

Governing Bodies shall prepare and adopt for themselves a Code of Conduct which shall define the:

- a) personal conduct of members;
- b) relationship with the Organisation and its staff especially management;
- c) relationship with other stakeholders;
- d) attendance and active participation at meetings by members; and
- e) adherence to the Oath of Secrecy, Oath of Office and unauthorized disclosure of information.

The Codes of conduct developed shall have sanctions to make them effective. The Code issued by CHRAJ shall be a source of authority for members.

#### **14.3 EMPLOYEES**

The Governing Body shall:

- a. deal courteously with employees;
- b. give fair and adequate compensation;

- c. provide employees with safe working conditions; and
- d. respect rights of employees irrespective of ethnicity, sex, religion, disability, experience and education, etc.

#### **14.4 CLIENTS**

The Governing Body shall ensure that:

- a. clients are provided with avenues for lodging complaints concerning the organisation;
- b. clients are provided with all the information they need to transact business ethically with the organisation; and
- c. all allegations of acts of bribery or corruption are duly investigated and adequately sanctioned.

#### **14.5 SERVICE PROVIDERS**

The Governing Body shall:

- a. ensure that effective structures are put in place to promote high ethical conduct;
- b. cause transactions with service providers who engage in acts of bribery and corruption to be terminated; and
- c. avoid any act of omission and commission that will bring the image of the organisation into disrepute.

#### **14.6 SOCIETY**

The Governing Body shall ensure that:

- a. due attention is given to health and safety as well as environmental issues; and
- b. the organisation engages in reasonable Corporate Social Responsibility.

#### **14.7 CONFLICT OF INTEREST**

The Constitutional duty imposed on public officers including members of Governing Body to avoid conflict of interest situations is provided under Article 284 of the 1992 Constitution.

In this respect, members of the Governing body, management, staff and all relevant public officers shall not put themselves in positions where their personal interests conflict or are likely to conflict with the performance of their functions.

Conflict of Interest includes:

- a. any interest or benefit, financial or otherwise, direct or indirect;
- b. participation in any business transaction, or professional activity;
- c. incurring any obligation of any nature; or
- d. any act or omission,

which is or appears or has the potential to be in conflict with the proper discharge of the duties of a public official.

#### **14.7.1 FORMS OF CONFLICT-OF-INTEREST SITUATIONS**

These include:

- a. using confidential information or inside knowledge obtained in an official capacity for personal purposes;
- b. having interest directly or indirectly in any business which competes with that of the organisation; and
- c. having interest directly or indirectly in any contract or other transactions entered by the organisation or for and on behalf of the organisation.

#### **14.7.2 PROHIBITION AGAINST ENGAGING IN CONFLICT-OF-INTEREST SITUATIONS**

A member of the Governing Body, management and staff shall not:

- a. participate in an official capacity in matters where he/she has financial interest or any interest of a financial character imputed to him/her, directly or indirectly in any way including links to family businesses, professional practices, property, investments, shareholdings and other assets;
- b. take action in an official capacity which involves dealing with oneself in a private capacity and which confers a benefit on that person;
- c. participate in a matter involving specific parties, which he/she knows is likely to affect the interest of a member of his/her family, friend or partner if a reasonable person with knowledge of the facts would question his/her impartiality in the matter;
- d. engage in, solicit or negotiate for private employment or render services for private interests when such employment, service or business creates a conflict with or impairs the proper discharge of the member's duties;
- e. disclose to others, or use to further his/her personal interest, any non-public or confidential information obtained or acquired in the course of his/her official duties;
- f. use his/her office to influence a decision to be made by another person to further private interest of that member;
- g. conduct him/herself after leaving office, in such a manner as to take improper advantage of his/her previous position. Therefore, at no time should a member of the Governing Body who has left office make use of official information gained whilst in office to further his/her private interests; and
- h. use his/her public office for his/her own private benefit, for the endorsement of any product, service or enterprise, or for the private benefit of friends, relatives or persons with whom the member is affiliated in a private capacity, including political parties, non-profit organisations of which he/she is an officer or member, and persons with whom that member has to seek employment or business relations.

#### **14.7.3 GIFTS AND OTHER BENEFITS**

##### **I. GIFTS FROM PROHIBITED SOURCES**

A member of the Governing Body, management and staff shall not:

- a. solicit gifts, tangible or intangible, directly or indirectly from persons with whom he/she comes into contact with in relation to his/her official duties;
- b. accept gifts tangible or intangible, that may appear or have the potential to influence the exercise of his/her official functions, proper discharge of his or her duties or judgement, directly or indirectly from a person with whom the member comes in contact with in relation to his/her official duties; and
- c. accept cash of any amount from any person relating to the discharge of his or her duties, directly or indirectly.

## **II. GIFTS FROM NON-PROHIBITED SOURCES**

A member of the Governing Board, management and staff may accept the following gifts where it will not appear to influence or result in influencing the performance of his/her official duties:

- a. unsolicited gifts or souvenirs;
- b. gifts from family members on the basis only of that relationship;
- c. Reduced membership or other fees/dues for being members of professional bodies/activities offered generally to members of the organisation known to the public;
- d. social invitations from persons other than prohibited sources;
- e. Awards, Honorary Degrees and Honoraria if such gifts are bona fide awards or incident to the bona fide awards or honoraria given for meritorious public service or professional achievement by a member of the Governing Body, management or staff provided that the award, degree or honoraria is made part of an established program of recognition and is funded wholly or in part to ensure its continuation on a regular basis and the selection of recipients is made pursuant to a transparent criteria; and
- f. gifts/benefits from the business or employment of a spouse if such gifts/benefits are being extended to families and which has not been offered on the basis of the member's position.

## **III. DISPOSAL OF PROHIBITED GIFTS**

Where gifts are offered or accepted in violation of this Code, a member of the Governing Board, management or staff shall disclose the gift and surrender same for appropriate action, including

- a. immediate return to the sender if delivered without prior notice; or
- b. donating the items to an appropriate charity.

All gifts surrendered and disposed of to appropriate charity shall be recorded in a Gift Register maintained by the organisation.

### **14.7.4 DEALING WITH CONFLICT-OF-INTEREST SITUATIONS**

Where a conflict-of-interest situation is foreseeable, a member of the Governing Body must take all necessary steps to extricate himself/herself from the situation. Such steps may include:

- a. reporting the conflict-of-interest situation and its circumstance to the Governing Body using the appropriate/mandatory reporting procedures; and/or
- b. removing himself/herself from the conflict-of-interest situation.

#### **14.7.5 RESOLUTION AND MANAGEMENT OF CONFLICT OF INTEREST**

The Governing Body may manage or resolve conflict of interest situations by:

- a. ensuring that all members of the Governing body make complete disclosure of all relevant private interests that could potentially conflict with their official duties during their tenure of office;
- b. divesting or liquidating interests by affected members;
- c. recusing of a member of the Governing Body from involvement in an affected decision-making process;
- d. restricting access by the affected member of the Governing Body to particular information;
- e. ensuring the resignation of the affected member from the Governing Body or from the conflicting private-capacity function;
- f. ensuring that all members of the Governing Body, employees, service providers, clients and other stakeholders are duly trained and reminded on the organisation's policy on gifts, conflict of interest, transparency and accountability mechanisms, its application in the organisation and what personal responsibilities they bear in the execution of the rules;
- g. creating an organisational culture that encourages employees to take part in the review of existing conflict of interest policies and practices, where real-world examples are considered, to improve their skills in identifying and resolving present and future issues of conflict of interest; and
- h. establishing an ethics committee or officers, to among other duties, promote observance and compliance with all organisation policies and guidelines, and ensure that breaches are dealt with in accordance with laid down rules and regulations, to foster public confidence in the integrity of the Governing Body and its decision making.

#### **14.7.6 INVESTIGATIONS BY CHRAJ**

Members of the Governing Board, management and staff who violate the Code of Conduct or breach the Conflict-of-interest provisions are amenable to investigations by CHRAJ pursuant to a complaint under Article 287 of the Constitution which provide as follows:

##### ***Complaints of Contravention***

*287.(1) An allegation that a public officer has contravened or has not complied with a provision of this Chapter shall be made to the Commissioner for Human Rights and Administrative Justice who shall unless the person concerned makes a written admission of the contravention or non-compliance cause the matter to be investigated.*

*(2) The Commissioner for Human Rights and Administrative Justice or the Chief Justice as the case may be, may take such action as he considers appropriate in respect of the results of the investigation or admission.*

#### **14.7.7 ADHERENCE TO GUIDELINES ON CONFLICT OF INTEREST DEVELOPED BY CHRAJ**

Notwithstanding the provisions stipulated herein, members of the Governing Body shall adhere to the Guidelines on Conflict of Interest developed by CHRAJ and the provisions on the duties and liabilities, and disclosure of interest in the SIGA Act, 2019 (Act 990) and any other relevant law and regulation.

#### **14.7.8 PENALTIES/SANCTIONS**

A breach of the provisions on Conflict of Interest may attract the following sanctions/penalties:

- a. removal from office/revocation of appointment of member
- b. suspension for a period
- c. barring of Member from public office
- d. withholding of entitlements, and
- e. any other sanction provided by law.

#### **14.8 ABUSIVE CONDUCT**

Proven abusive conduct (physical, verbal and psychological) by a member of the Governing Body towards employees, fellow members of the Governing Body, service providers, clients and other stakeholders will not be tolerated and shall be duly sanctioned by the Governing Body or reported to appropriate state agencies in accordance with laid-down procedures.

#### **14.9 SEXUAL HARASSMENT**

Sexual harassment in any form is unacceptable and shall be duly investigated and sanctioned in accordance with the prevailing guidelines of CHRAJ.

The Governing Body shall therefore:

- a. ensure that management puts in place policy and mechanisms to prevent and sanction all forms of sexual harassment at all levels in the organisation.
- b. ensure that all members of the Governing body and employees are trained on the sexual harassment policy; and
- c. enforce compliance of the policy within the organisation.

#### **14.10 UNPROFESSIONAL CONDUCT**

The Governing body shall ensure that allegations of misconduct by a member of the Governing Body, management and other employees are investigated and appropriate actions taken in accordance with prevailing guidelines of CHRAJ.



## **CHAPTER FIFTEEN**

### **15. RISK MANAGEMENT**

The Governing Body shall ensure that risks of the organisation are identified, measured and managed.

The Governing Body shall:

- a. Approve a Risk Management Framework which outlines processes for;
  - Identifying risks and/or determining the appropriate risk appetite;
  - Assessing and evaluating the likely of occurring, tolerance levels and potential impact;
  - Taking the necessary mitigation actions; and
  - Ensuring capacity and commitment to implement Risk Management Strategies.
- b. Management shall:
  - Implement the Governing Body's Risk Management guidelines;
  - Identify and evaluate principal risks and put mitigation measures in place;
  - Operate and monitor the system of internal controls; and
  - Provide regular reports to the Governing Body on Internal Control/ Risk Management activities.

#### **15.1 RISK MATRIX**

The Governing Body shall ensure the development of a Risk Matrix to manage the potential risks of the Organisations. It must cover the assessment, control and financing of the potential risks of the Organisation, such as the following:

- a. Operational risk;
- b. Fiscal risk;
- c. Political risk;
- d. Reputational Risk;
- e. Environmental risk;
- f. Market risk;
- g. Credit risk;
- h. Geographical risk;
- i. Cyber-security risk; and
- j. Liquidity risk.

## **CHAPTER SIXTEEN**

### **16. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

The Governing Body shall, in all its dealing, ensure that ESG factors and sustainability of the business are given due consideration. Adequate assessment and intervention strategies should be put in place to identify, manage and measure potential impact of the organisation's activities and investments on the environment and society.

In furtherance of the above, the Governing Body shall among others, ensure that:

- a. due consideration is given to concerns of all stakeholders;
- b. all laws relating to fundamental human rights health, hygiene, safety and environmental issues are observed;
- c. the organization demonstrates corporate social responsibility.

#### **16.1 ESG POLICY**

- a. Organisations shall formulate internal policies and guidelines on ESG and be guided by same.
- b. ESG policies shall seek to enhance the sustainable operation of the organisation and its constituents and environment.

#### **16.2 PERFORMANCE CRITERIA FOR MEASURING ESG**

Evaluation of organisation's ESG may, among others, be based on the following where applicable

##### **16.2.1 Environment**

- a. Issue out carbon emission or sustainability reports
- b. Limits harmful pollutants and chemicals
- c. lowers greenhouse gas emissions
- d. Uses renewable energy sources
- e. compliance with environmental laws including Strategic Environmental Assessment (SEA)/Environmental Impact Assessment (EIA) and climate change management interventions such as greenhouse gas emissions, waste management and energy efficiency measures.

##### **16.2.2 Social**

- a. Companies that operate an ethical supply chain
- b. Issues policies and provides support to protect against sexual misconduct
- c. Pays fair wages
- d. adherence to non-discrimination laws, rules and regulations relating to social origin, birth, religion, disability and gender amongst others;
- e. Supports community development.

##### **16.2.3 Governance**

- a. embraces diversity on their board
- b. Embraces corporate transparency and accountability

- c. Degree of compliance with child labour laws;
- d. adherence to Occupational Health and Safety at the workplace;
- e. freedom of association and right to collective bargaining;
- f. compliance with code of conduct and regulatory procedures;
- g. compliance with rules and regulations relating to conditions of service.

### **16.3 MEASUREMENT OF ESG**

Organisations must agree on and measure the impact of ESG policies and interventions on the communities in which they operate, in collaboration with relevant authorities such as the Environmental Protection Agency (EPA), where applicable.

### **16.4 SUSTAINABILITY**

Organisations shall embrace policies that meet the needs of the present, without compromising their ability to sustain their future development needs and objectives. The goals and objectives of the organisation shall focus on the long-term sustainability of the Organisation.

#### **16.4.1 Sustainability Goals and Strategy**

The Governing Body shall:

- a. Integrate sustainability plans into the Organisation's strategy and management practices;
- b. Focus on the future sustainability of the Organisation;
- c. Adopt a holistic approach to economic, social, and environmental issues in their core business strategy;
- d. Take into account in their decision-making, the impact of the Organisation's operations on the community and the environment;
- e. Work closely with the management to ensure long-term goals are well formulated and subsequently met;
- f. Focus on long-term leadership capacity development and succession plan; and
- g. Ensure continuous innovation of its processes, products and services through various means including Research and Development.

## CHAPTER SEVENTEEN

### 17. PERFORMANCE MANAGEMENT

The Governing Body shall manage the performance of the Organisations in line with the State Ownership Policy and the requirements of the Performance Management Framework (PMF).

The Performance Management shall include the underlisted four-components established under the PMF:

- a. **The State's performance expectation**, will be communicated to the Governing Body through the Owner's Letter of Expectation (OLE)
- b. **Performance Contract Framework**, which outlines the structures and processes of the Performance Contract Negotiation, signing, monitoring, evaluation and reporting
- c. **Performance monitoring**- conducting desk reviews and field visits to ascertain the progress of implementation of the performance contract
- d. **Performance evaluation**- evaluating the overall performance of the Organisation at the end of the operational year.

#### 17.1 PERFORMANCE CONTRACTING

The Governing Body shall sign Performance Contracts with the relevant Oversight Body of the Organisations to ensure effectiveness and profitability, where applicable.

The targets set in the performance contracts shall be based on the Owner's expectations and linked to the mandate of the organisation.

The Governing Body shall:

- a. Sign performance contracts with the CEO drawing on the contract signed with the Oversight Body;
- b. Ensure that the performance targets are cascaded to the management and staff of the organisation through a performance management system; and
- c. Ensure the obligations of the parties of the Performance Contract Agreement are fully documented to ensure compliance;
- d. Continually monitor organisational performance and identify areas for improvement;
- e. Provide requisite information as indicated in the information pack to the Oversight Body

## **APPENDICES**

### **APPENDIX 1: TEMPLATE FOR PERFORMANCE CONTRACT**

**PERFORMANCE AGREEMENT BETWEEN**

**THE GOVERNING BODY**

**AND**

**THE CHIEF EXECUTIVE OFFICER**

**OF**

.....

**JANUARY.....–DECEMBER.....**

## **1.0 PREAMBLE**

This AGREEMENT dated ..... in the year Two Thousand and .....(year) effective 1st January – 31st December.....(year) between “The Employer” acting by its Lawful Attorney on the one part, and the Chief Executive Officer, hereinafter called “the Employee” on the other part.

## **2.0 CONDITIONS OF AGREEMENT**

The performance of the Chief Executive Officer shall be assessed on the basis of the achievement of specified key outputs/deliverables set out under Schedule 1- 3 over the agreed Performance Appraisal period of 1st January, .... – 31st December..... This Agreement is entered into by both parties in good faith and it is therefore not intended to create legal relations.

### **2.1 Corporate Direction, Statement and Objectives**

Vision:

Mission:

Core

Values:

Corporate Objectives for ..... (year)

### **2.2 Top Corporate Priorities for the Period of the Agreement**

The Top Priorities of the Agency i.e., for the period of the Agreement (Jan. .... – Dec.....) are to be taken from the Strategic/Corporate Plan, the Medium-Term Plan and the approved Annual Budget Estimates.

- 
- 
-

## **2.3 Environmental Scan/Major Assumptions**

The Social, Economic and Environmental issues likely to impact on the performance of the specific responsibilities and Key Result Areas are outlined below:

External

- 
- 
- 
- 

Internal

- 
- 
- 

These are obstacles (External & Internal) to the Organisation/business environment for which the Chief Executive has no control over. The Chief Executive will however, be expected to devise and implement strategies which will minimize the constraints within the context of goal attainment.

The major assumption is that the Ministry of Finance and Economic Planning (MOFEP) will not cut-back on the approved budget and will release funds in a timely manner. In the event of this occurring the agreed deliverables will be revised accordingly with the Governing Body.

## **3.0 KEY RESULTS AREA**

The Chief Executive Officer shall be expected to deliver the outputs and deliverables listed in Schedules 1 to 3 of this Agreement.

## **4.0 UNDERTAKINGS OF THE CHIEF EXECUTIVE OFFICER TO THE GOVERNING BODY**

The Chief Executive Officer accepts responsibility for the overall performance of the

Agency as a whole and undertakes:

- To ensure that Public Sector core values such as client sensitivity, cost effectiveness in service delivery, gender sensitivity, discipline and performance orientation, are instilled in the staff of the Sector Agency.

- b. To adopt and apply the most up-to-date and appropriate management techniques in conducting the affairs of the Agency and in supervising its Divisions/subordinate Departments. It is incumbent on the Chief Executive Officer to ensure that the Agency achieves the level of performance indicated in this Agreement.
- c. To ensure that the tangible assets within the Organisation are maintained in the most efficient manner and safeguarded against loss or abuse.
- d. To notify the Governing Body promptly of any conditions, which interfere with or threaten the achievement of the performance targets, listed herein.



## **5.0 UNDERTAKINGS OF THE GOVERNING BODY TO THE CHIEF EXECUTIVE OFFICER**

The Governing Body accepts that its oversight responsibility over the Organisation is to be affected through the Chief Executive Officer with the aid of this Performance Agreement. As far as practicable, the Governing Body shall not issue directives that will limit the Organisation's ability to achieve the agreed performance targets.

## **6.0 PERFORMANCE INCENTIVES AND SANCTIONS**

Merit Awards will be considered for those Chief Executive Officers who achieve over 90% of their deliverables. The Chief Executive Officer is expected to produce at least 70% of the deliverables to avoid prescribed sanctions.

## **7.0 PERFORMANCE EVALUATION UNDER THE AGREEMENT**

Evaluation and assessment of the performance of the Chief Executive Officer shall be conducted by the Governing Body. The evaluation shall be based on this Performance Contract and shall assess performance against measurable objectives for the Organisation( ) ..... and the Chief Executive Officer, taking into account the financial and human resources available.

The performance assessment shall be completed no later than the 3rd month after the end of the contract term. In the event that the Chief Executive Officer's performance is found to be unsatisfactory, the Governing Body Chairman shall describe in writing, in reasonable detail specific instances for such unsatisfactory performance. Upon the conclusion of the annual evaluation, the Governing Body shall determine the reward or sanctions as prescribed.

## **8.0 ARBITRATION AND SETTLEMENT OF DISPUTES**

In the event of disagreement between the parties to this Agreement, either party may apply to the Public Services Commission for settlement. The Public Service Commission shall constitute an arbitration panel which shall consult with both parties and make a ruling within one month of the application. The Public Services Commission's ruling shall be binding on both parties.

.....  
**CHAIRMAN, GOVERNING BOARD/  
COUNCIL**

.....  
**SIGNATURE:**

.....  
**DATE**

.....  
**CHIEF EXECUTIVE OFFICER**

.....  
**SIGNATURE:**

.....  
**DATE**

.....  
**CHAIRMAN, PSC/REPRESENTATIVE**  
**WITNESS5**

.....  
**SIGNATURE**

.....  
**DATE**

## **APPENDIX 2: SCHEDULE 1**

### **KEY OUTPUTS AND DELIVERABLES**

The Chief Executive Officer shall deliver the following key outputs:

#### **Key Results Area: Human Resource Management:**

1. A record showing that staff appraisal forms for.....(year) have been completed for staff in the Organisation and its Divisions/Department, and analysed by the end of March, .....(year)
2. Comprehensive staff list compiled by March .....(year)
3. Records of Scheme of Service training programmes delivered.
4. A record of actions showing evaluation of Performance of Heads of Divisions/Departments completed by end of March 2012.
5. Records of new recruitments, promotions, retirements, transfers, secondments, resignation, deaths and etc.

#### **Key Results Area: Performance Reporting:**

6. Annual Report of the Organisation for year under review and produced by the end of March of the ensuing year.
7. Record of Mid-Year Performance Monitoring/Evaluation meetings and follow up actions submitted to the Governing Body by August .....(year) etc.

#### **Key Results Area: Financial Management:**

9. A record of Audit Review Implementation Committee (ARIC) meetings and actions taken to redress audit queries raised in the previous year.
10. Agency's Annual Procurement Plan developed in the year under review.
11. Agency's approved Annual Budgets and releases for the year under review.

#### **Key Results Area: Customer Service Initiatives**

12. Client Services Improvement Initiatives
  - Reports of Client Service Units (complaints, petitions, actions taken etc.)
  - Updated Service Delivery Charters of the Agency

- Service Delivery Brochures
- Functional Interactive website

### **Key Results Area: Work Environment Improvements Initiatives**

#### 13. Work Environment Improvement initiatives of the Organisation

- Functional Environmental Improvement Plan.
- Half-yearly Reports on Implementation of the Plan
- Occupational Security and Health Initiatives

### **Key Results Area: Organisational Efficiency:**

#### 14. Efficiency gains in Organisational operations, e.g.:

- Reduction in proportion of staff days lost due to sickness/absenteeism.
- Reduction in utility cost in real terms (water, electricity, telephone etc)
- Meeting Reporting Deadlines (Submission of Timely Reports, Arrangements of Meetings, etc.)

## **SCHEDULE 2**

### **AGENCY – SPECIFIC OUTPUTS AND DELIVERABLES**

These are to be detailed by the Organisation under the headings as follows:

1. The specific targets/outputs relating to the Ghana Development Agenda.
2. Targets/Outputs specified in the Organisation's Annual Budget Estimates for the Agency.

Note: All these must be limited to the top priorities stated in para. 2.2 of the Agreement.

3. The Agency-specific reform initiatives being undertaken.

## **SCHEDULE 3**

### **INDIVIDUAL CAPACITY DEVELOPMENT PLAN**

1. **Competencies:**
  - What competencies would you require to improve your performance?
2. **Learning Opportunities:**
  - How do you plan to attain these learning competencies?

## **APPENDIX 3: INDUCTION AND TRAINING CONTENT INDUCTION**

### **PACK:**

An induction pack shall consist of the:

- (a) Audited Annual Report and Accounts of the Organisation over the previous three years;
- (b) Act 990, Act 921, Act 992, L.I. 2378, State Ownership Policy, etc.
- (c) Strategic Plan (or at least the Executive Summary thereof)
- (d) Organogram
- (e) Minutes of previous Governing Body meetings (for the last six months);
- (f) Description of Governing Body procedures;
- (g) Code of Corporate Governance issued by SIGA;
- (h) Schedule of dates of Governing Body and Committees meetings
- (i) Board and Committees' Charters;
- (j) Names, addresses and telephone numbers of other Governing Body members and Board Secretary;
- (k) Principal enactment establishing the Organisation;
- (l) Matters Reserved for the Board (or Authorisation Limits);
- (m) Directors' Code of Conduct and Ethics, Conflict of Interest policy and declaration and Board evaluation process;
- (n) Any other document that the new Governing Body member(s) must have;

### **TRAINING PACK:**

A training programme shall focus on:

- a) the structure and role of the Organisation;
- b) sector specific issues for the Governing Body members;
- c) management briefing specific to the Organisation;
- d) corporate governance;
- e) procurement process;
- f) performance management;
- g) policy decision making process;
- h) budget process;
- i) government machinery;
- j) strategic planning;
- k) financial management;

## **SOME REFERENCE DOCUMENTS**

- 1992 Constitution of the Republic of Ghana;
- Institute of Directors – Ghana, Best Practice Guide;
- CACG Corporate Governance Guidelines for SOEs;
- Code of Conduct and Ethics for Public Officers of Ghana and Guidelines on Conflict of Interest (CHRAJ); and
- Human Resource Policy Framework and Manual, PSC, 2013.

## **APPENDIX 4: APPLICABLE LAWS**

- State Interests and Governance Authority Act 2019 (Act 990)
- Internal Audit Agency Act, 2003 (Act 658)
- Public Procurement Act, 2003 (Act 663) as amended by the Public Procurement (Amendment) Act, 2016 (Act 914)
- Public Financial Management Act, 2016 (Act 921)
- Public Financial Managements Regulations (L.I. 2378)
- Companies Act 2019 (Act 992)
- Labour Act, 2003 (Act 651)
- Presidential (Transition) Act, 2012 (Act 845)
- Data Protection Act, 2012 (Act 843)
- Right to Information Act, 2019 (Act 989)
- Public Financial Management (Public Investment Management) Regulations 2020 (L.I. 2411), and
- Public Private Partnership Act, 2020 (Act 1039).
- Ghana's Environmental Policy
- Ghana Investment Promotion Centre Act, 1994, Act 478;
- Environmental Protection Agency Act, 1994, Act 490;
- Environmental Assessment Regulations, 1999, LI 1652;
- Environmental Assessment Regulations (Amendment), 2002, LI 1703;
- National Effluent Quality Discharge Guidelines;
- National Ambient Air Quality Guidelines;
- National Ambient Noise Level Guidelines;
- Local Government Act 1993, Act 462;
- Persons with Disability Act, 2006 (Act 715);
- Factories, Offices and Shop Act, 1970, Act 328;
- Fire Precautions (Premises) Regulations 2003, LI 1724; and
- Workmen's Compensation Law, 1987.

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## **OTHER APPENDICES**

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## Appendix I

### Terms of Reference

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#### INTRODUCTION

This Terms of Reference written and approved for the National Corporate Governance Code project breaks down the strategy (of the project) and classifies the tasks and duties required of all relevant project committees established on account of this project. Project background and objectives at a high level as well as expectations/responsibilities of committee members are also outlined in this document.

#### Background

The National Corporate Governance Code project, launched on 4<sup>th</sup> November 2021 is being undertaken to provide the first all-encompassing strategic code that will unite the strategic options of the public and private sectors in Ghana. This is ultimately aimed at promoting corporate excellence and positioning Ghana towards national development. Additionally, this code when fully developed will serve as a framework for subsequent development of other codes that require attention in Ghana.

#### Purpose

The committees mentioned herein this *Terms of Reference* will be created and formally inaugurated to handle pertinent activities throughout the lifecycle of this project. Members' specific functional and technical expertise will be employed in varying capacity to facilitate the development, ratification and implementation of National Code of Corporate Governance for Ghana. The terms of reference therefore defines the activities to be completed by project stakeholders and sets out the guidelines for doing so.



## **Overall Objectives**

The overarching mandate of all committees is to in one way, or many provide functional or technical expertise that facilitate the delivery of the following project objectives:

1. To develop a Ghana national corporate governance code for the public and private sector actors, contextualized on Ghanaian values, recognizing all the existing sectorial codes, and leveraging collaboratively on all on-going efforts and work by all stakeholders within one year;
2. To open the Code to wide national consultation and review across relevant stakeholder groups;
3. To ensure the ratification and adoption of the Code through effective implementation mechanisms, adequate publicity, advocacy and sensitization; and
4. To set up a framework for subsequent reviews and amendments of the Code.

*The operations of all committees must reflect this mandate.*

## **Committee Creation & Structure**

The Project Directorate which will maintain executive oversight of the project is responsible for the search and nomination of members that will constitute the committees related to this project. The Directorate will play a vital role in the selection process by providing valuable input in generating a strong pool of candidates who are best qualified to carry out the project tasks required.

## **Invitation to Participate in Committees**

The Project Coordinator at the request of the Directorate will formally issue written invitations/ expressions of interest to identified candidates requesting their written acceptance to participate on the relevant committee. This acceptance will be followed by an invitation to the inauguration ceremony from the Project Coordinating Committee.

## **Inauguration**

The inauguration ceremony is symbolic to commencement of the execution stage of this project, i.e., the official start of work of the various committees. The ceremony will be substantial to informing members of all established committees to discharge their duties with aplomb, confidentiality and excellence.

## **Membership**

Members will be invited to join the Committee based on their individual capacity, outstanding skills and contribution that they will bring to the mission of the project. Although the main drivers of committees' member selection will be competencies, motivation, and availability to do the required work, representation and inclusivity are essential for the project and subsequently the Code's legitimacy, with broad multi-stakeholder engagement in the activities and decision-making processes. If required sub-committees may be formed to facilitate the work of that committee.

The membership of each committee related to this project group will commit to:

1. Attending all scheduled project and committee meetings/events that pertain to them;
2. Wholeheartedly championing the work of developing, ratifying and implementing the Ghana national code of corporate governance;
3. Communicating with and sharing all relevant information with the essential stakeholders;
4. Participating/facilitating the making of timely decisions and taking action so as to not hold up the project; and
5. Notifying project leadership and other stakeholders, as soon as practical, if any matter arises.

All changes to the membership of a Committee, including resignations, shall be notified to the Steering Committee and recorded in the stakeholder register.

## **Chairpersonship**

Each Committee shall select a Chairperson among its members. The role of the chair is to:

- Lead meetings so that agendas are followed, and meetings adjourned on-time;
- Allow all members to be heard during discussions;
- Moderate discussions between members with differing points of view; and
- Be a sounding board for stakeholders in the preparation of agendas and how to best involve the full committee in planned tasks.

Each committee shall also select a Vice Chair whose principal role is to assume the duties of the chair when the chair is not able to execute his/her roles at one point or the other.

## **Tenure**

All members of each committee shall continue in office until the project is over, the task for which the committee members' service was required or otherwise determined by the Project Steering Committee, or until the member resigns, whichever comes first.

## **Meetings**

All meetings will be chaired by the designated Chairperson. A meeting quorum will be six (6) members of each committee. Decisions will be made by consensus (i.e. members are satisfied with the decision even though it may not be their first choice). If not possible, chairperson of the committee makes final decision.

Meeting minutes will be provided by a designated secretary. His/her duties will include:

1. Preparing supporting papers for agenda;
2. Preparing meeting notes and information; and.
3. Disseminating minutes within a reasonable period after every committee meeting.

As soon as possible following the meeting, and no later than within a week, a copy of the minutes of the meeting should be circulated to all members. At a minimum, the decisions and action points should be circulated as soon as possible after the meeting. This is important both for ensuring that the minutes accurately reflect the decisions and discussions of the meeting, and to get members moving on the actions they have agreed to implement.

Meeting frequency, location and time shall be decided by the chairperson of each committee or unless otherwise stated in this Terms of reference.

The Committee may establish subcommittees, as appropriate, and designate members to those subcommittees.

### **Reporting**

Each committee's members will report directly to the committee's chair who will provide monthly (or otherwise directed) updates to the Project Directorate and the Steering Committee.

### **Confidentiality of Information/Proceedings**

All committee members shall maintain the confidentiality of all committee proceedings, identity of the members and all communications with project stakeholders unless such information is meant for public consumption.

### **Review of Committee**

The Project Directorate together with the Steering Committee may request a review of a committees work as they see fit.

## **TECHNICAL/ DRAFTING COMMITTEE**

### **Objective**

The committee which will be extremely significant to this project will prepare the text whose outcome the National Code of Corporate Governance for Ghana. The document created from the work of drafting committee will be subject to extensive review and amendments to reflect excellent corporate governance for both private and public sector actors.

To lead the Research and Drafting of the National Corporate Governance Code for Ghana.

### **Responsibilities**

The drafting committee is responsible for:

1. Review all the current Corporate Governance framework being operated in Ghana by public and private sector actors and Regulators;
2. Consider the African corporate governance guidelines developed by APRM under the auspices of AU and in collaboration with ACGN as the framework;
3. Draft the code with inputs from all the stakeholders;
4. Review and incorporate insights from other international CG codes of best practice;
5. Review and incorporate insights from international research on best practices relating to CG;
6. Review, reflect and incorporate Ghanaian business principles, values, and practices;
7. Submit the draft code for extensive consultation, review and validation by Stakeholders;
8. Submit the Final Draft;
9. Promote the use of the code after its development; and
10. Assess the extent of use or compliance with the code by Ghanaian businesses and organizations, and make further appropriate revisions to the code, where appropriate in consultation with IoD-Gh and Stakeholders.

### **Membership**

Membership of the Technical/Drafting Committee shall be comprised of the following:

1. Researchers/Drafters;
2. Practitioners; and
3. Sector Representatives.

### **Meetings & Reporting**

The Technical / Drafting Committee will meet on a Monthly basis to fulfil its mandate. All guidelines stipulated in section 2.4 are applicable unless otherwise required thereupon in planning and execution stages which an ad-hoc meeting can be convened by the committee's chair.

### **OTHER CONSIDERATIONS**

General terms of reference stipulated in section 1 will apply to other groups formed on account of this project.

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## Appendix II

### List of contributors

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**Table 1: List of Financial Sponsorship**

<b>Name</b>	<b>Nature of sponsorship</b>
Bank of Ghana (BoG)	Platinum category
GOIL Company Limited	Gold category
KPMG	Gold category
Volta River Authority (VRA)	Gold category
National Banking College	Silver category
Ghana Investment Promotion Centre (GIPC)	Bronze category
National Insurance Commission (NIC)	Bronze category
Economic and Social Research Council, UK (ESRC)	Financial grant
University of Southampton Business School, UK	Financial grant

**Table 2: List of Steering Committee Members (in alphabetical order)**

<b>Name</b>	<b>Affiliation</b>
Abena Amoah (Ms)	Ghana Stock Exchange
Dorothy Boadu (Ms)	Ghana Union of Traders Associations
Edward Ashong-Lartey (Mr)	Ghana Investment Promotion Centre
Edward Boateng (Ambassador)	State Interests and Governance Authority, Ghana
Ernest Addison (Dr)	Bank of Ghana
Humphrey Kwesi Ayim-Darke (Dr)	Association of Ghana Industries
Janet Fofie (Mrs)	Public Sector Commission
Jemima Oware (Mrs)	Registrar-General's Department
John Awuah (Mr)	National Banking Association
Justice Bawole (Prof)	University of Ghana Business School
Kosi Yankey-Ayeh (Mrs)	Ghana Enterprises Agency
Lawrence Ayitey (Mr)	National Banking College
Mansah Netey (Mrs)	Ghana Association of Bankers
Mark Boardu (Mr)	Ghana National Chamber of Commerce & Industry
Misheck Mutize (Dr)	African Union - APRM
Olivia Oanku-Tsede (Prof)	University of Ghana
Patricia Dovi Sampson (Mrs)	Ministry of Information
Richard Ruttmern (Mr)	Securities Exchange Commission, Ghana
Rockson K. Dogbegah (Mr)	Institute of Directors, Ghana
Stella Agyenim Boateng (Dr)	Volta River Authority
Yaw Boafo (Mr)	Ghana Bar Association



**Table 3: List of Institutional Contributors (in alphabetical order)**

<b>Name of institution/organisation</b>	<b>Nature of contribution</b>
Association of Ghana Industries	In-kind contribution (staff time)
Association of Vice Chancellors	In-kind contribution (staff time)
Bank of Ghana	In-kind contribution (staff time)
Economic and Social Research Council, UK	Financial contribution
Ghana Association of Bankers	In-kind contribution (staff time)
Ghana Bar Association	In-kind contribution (staff time)
Ghana Enterprises Agency	In-kind contribution (staff time)
Ghana Investment Promotion Centre	In-kind contribution (staff time)
Ghana National Chamber of Commerce & Industry	In-kind contribution (staff time)
Ghana Securities Industry Association	In-kind contribution (staff time)
Ghana Stock Exchange	In-kind contribution (staff time)
Ghana Union of Traders Association	In-kind contribution (staff time)
Institute of Chartered Accountants, Ghana	In-kind contribution (staff time)
Institute of Directors, Ghana	In-kind contribution (staff time)
Loughborough University, UK	In-kind contribution (staff time)
Ministry of Finance (Public Entities and Asset Unit), Ghana	In-kind contribution (staff time)
National Banking College, Ghana	In-kind contribution (staff time)
National Insurance Commission, Ghana	In-kind contribution (staff time)
Public Sector Commission, Ghana	In-kind contribution (staff time)
Registrar-General's Department, Ghana	In-kind contribution (staff time)
Securities and Exchange Commission, Ghana	In-kind contribution (staff time)
State Interests and Governance Authority (SIGA), Ghana	In-kind contribution (staff time)
Teesside University, UK	In-kind contribution (staff time)
University of Auckland, New Zealand	In-kind contribution (staff time)
University of Environment and Sustainable Development, Ghana	In-kind contribution (staff time)
University of Essex, UK	In-kind contribution (staff time)
University of Ghana	In-kind contribution (staff time)
University of Mauritius	In-kind contribution (staff time)
University of Mines and Technology, Tarkwa, Ghana	In-kind contribution (staff time)
University of Nottingham, UK	In-kind contribution (staff time)
University of Southampton Business School, UK	Financial and in-kind contribution
University of Southampton, UK	Financial and in-kind contribution

**Table 4: List of Individual Contributors (in alphabetical order)**

<b>Name</b>	<b>Affiliation</b>	<b>Form of contribution</b>
Abena Amoah (Ms)	Ghana Stock Exchange	Member, Drafting Committee
Albert Puni (Prof)	University of Professional Studies, Ghana	Chair, Technical Committee
Amon Chizema (Prof)	Loughborough University, UK	Member, Drafting Committee
Benjamin Yeboah (Mr)	Ghana Union of Traders Associations	Member, Drafting Committee
Brinda Mahadeo (Dr)	University of Auckland, New Zealand	Member, Drafting Committee
Carl Mensah Ahadzi (Rev)	Institute of Chartered Accountants, Ghana	Member, Drafting Committee
Collins Ntim (Prof)	University of Southampton, UK	Chair, Drafting Committee
Danson Kimani (Dr)	University of Essex, UK	Member, Drafting Committee
Douglas Adu (Dr)	Teesside University, UK	Member, Drafting Committee
Dunatus Kwesi Freitas (Mr)	Bank of Ghana	Member, Drafting Committee
Edward A. Borteye (Mr)	Public Entities and Asset Unit, Ministry of Finance, Ghana	Member, Drafting Committee
Edward Ashong-Lartey (Mr)	Ghana Investment Promotion Centre	Member, Drafting Committee
Emmanuel Adegbite (Prof)	University of Nottingham, UK	Member, Drafting Committee
Enoch L. Aboagye (Lawyer)	Institute of Directors, Ghana	Member, Drafting Committee
Eric Opoku (Mr)	State Interests and Governance Authority, Ghana	Member, Drafting Committee
Ernest Asamoah Ofori (Mr)	Ghana National Chamber of Commerce & Industry	Member, Drafting Committee
Esther Armah (Mrs)	National Insurance Commission	Member, Drafting Committee
Florence Hope-Wudu (Mrs)	Governance Consultant, Ghana	Member, Drafting Committee
Frank Boateng (Dr)	University of Mines and Technology, Tarkwa / IoD-Ghana	Member, Drafting Committee
Fred Aryeetey (Mr)	Institute of Directors, Ghana	Member, Drafting Committee
Henry Agyei-Boapeah (Dr)	University of Nottingham, UK	Member, Drafting Committee
John Aheto (Prof)	Institute of Directors, Ghana	Member, Review Committee
John Malagila (Dr)	University of Southampton, UK	Member, Drafting Committee
Julius Bradford Lamptey (Mr)	Ghana National Chamber of Commerce & Industry	Member, Drafting Committee
Lawrence Ayitey (Mr)	National Banking College	Member, Drafting Committee
Marian M. Dsane (Mrs)	Ghana Securities Industry Association	Member, Drafting Committee
Matthew Lamport (Mr)	University of Mauritius, Mauritius	Member, Drafting Committee
Musa Mangena (Prof)	University of Nottingham, UK	Member, Drafting Committee

Olivia Oanku-Tsede (Prof)	University of Ghana	Member, Drafting Committee
Patience Ella Diaba (Lawyer Mrs)	Ghana Bar Association	Member, Drafting Committee
Patricia Sampson (Mrs)	Ministry of Information	Member, Drafting Committee
Pingli Li (Dr)	University of Southampton, UK	Member, Drafting Committee
Rejoice W. Foli (Dr)	Absa Bank Ghana Limited, and G-Wealth Consults International	Project Manager
Renata Konadu (Dr)	University of Southampton, UK	Member, Drafting Committee
Rockson K. Dogbegah (Mr)	Institute of Directors, Ghana	President (IoD-Ghana)
Teerooven Soobaroyen (Prof)	University of Essex, UK	Member, Drafting Committee

**Table 5: Special recognition to members who provided critical feedback and comments**

<b>Name</b>	<b>Role in the Ghana Code development project</b>
Prof Collins Ntim	<ul style="list-style-type: none"> <li>• Chair of the Ghana Code Drafting Committee</li> <li>• Group Lead: Leadership, performance &amp; evaluation, independence thematic group</li> </ul>
Prof Amon Chizema	Group Lead: Shared purpose & organisational strategy, governance, shared values, Africanness thematic group
Prof Emmanuel Adegbite	Group Lead: Stakeholder engagement & corporate citizenship, social accountability, social responsibility thematic group
Prof Musa Mangena	Group Lead: Accountability & information integrity, transparency, openness thematic group
Prof Teerooven Soobaroyen	Group Lead: Monitoring, control & effectiveness thematic group
Mr Rockson K. Dogbegah	President of IoD Ghana
Dr Rejoice W. Foli	Project Manager for the Ghana code project directorate
Dr Henry Agyei-Boapeah	<ul style="list-style-type: none"> <li>• Academic Coordinator at the Project Directorate</li> <li>• Member: Leadership, performance &amp; evaluation, independence thematic group</li> </ul>
Dr Danson Kimani	<ul style="list-style-type: none"> <li>• Academic Coordinator at the Project Directorate</li> <li>• Member: Stakeholder engagement &amp; corporate citizenship, social accountability, social responsibility thematic group</li> </ul>
Ms Abena Amoah	Member: Leadership, performance & evaluation, independence thematic group
Mrs Esther Armah	Member: Monitoring, control & effectiveness thematic group
Mr Matthew Lamport	Member: Leadership, performance & evaluation, independence thematic group
Mrs Marian M. Dsane	Member: Accountability & information integrity, transparency, openness thematic group
Mr Lawrence Ayitey	Member: Accountability & information integrity, transparency, openness thematic group
Dr Pingli Li	Member: Monitoring, control & effectiveness thematic group
Dr Douglas Adu	Member: Stakeholder engagement & corporate citizenship, social accountability, social responsibility thematic group
Dr Renata Konadu	Member: Member, Stakeholder engagement & corporate citizenship, social accountability, social responsibility thematic group
Mrs Florence Hope-Wudu	Member: Leadership, performance & evaluation, independence thematic group

Dr Brinda Mahadeo	Member: Shared purpose & organisational strategy, governance, shared values, Africanness thematic group
Rev Carl Mensah Ahadzi	Member: Accountability & information integrity, transparency, openness thematic group
Dr Mrs Daniella Delali Sedegah	Member: Stakeholder engagement & corporate citizenship, social accountability, social responsibility thematic group
Dr Frank Boateng	Member: Monitoring, control & effectiveness thematic group
Dr John Malagila	Member: Accountability & information integrity, transparency, openness thematic group
Prof Albert Puni	Member: Steering Committee
Prof John Aheto	Member: Steering Committee

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## Appendix III

### Other Useful Links and Further Reading

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1. The [Ghana Stock Exchange \(GSE\)](#) Listing Rules contain further detailed set of governance principles and guidance that organisations should consider, especially those that wish to list on the Exchange.
2. The [Global Reporting Initiative \(GRI\)](#) is an international organisation that promotes transparency, accountability, and sustainability across the globe by guiding global best practice for impact reporting.
3. The [United Nations Global Compact](#) (2000) is a non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The pact has been adopted by UN member states.
4. The [Integrated Reporting Framework \(IRC\)](#) (from the Value Reporting Foundation) (2021) aims to:
  - a. improve the information available to providers of financial capital;
  - b. ensure corporate reporting includes the full range of factors that materially affect the ability of an organisation to create value over time; and
  - c. enhance accountability and stewardship for the creation of value over the short, medium and long term.
5. The [United Nation's Sustainable Development Goals \(UN SDG\)](#) are the United Nation's blueprint to achieve a better and more sustainable future for all. They address the 17 global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice. The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by 2030.

6. [Agenda 2063: “The Africa We Want”](#) is Africa’s blueprint and master plan for transforming Africa into the global powerhouse of the future. It is the continent’s strategic framework that aims to deliver on its goal for inclusive and sustainable development and is a concrete manifestation of the pan-African drive for unity, self-determination, freedom, progress, and collective prosperity pursued under Pan-Africanism and African Renaissance.
7. The [Nolan Principles](#) are internationally recognised principles<sup>1</sup> that serve as the basis of the ethical standards expected of public office holders. The Nolan Principles are expected to apply to anyone who works as a public office holder, whether elected or appointed to a public office. The principles are also expected to apply to all people appointed to work in the civil service, local government, the police, the courts, and in the health and education services. The Nolan Principles hinge on the idea that all public office holders are both servants of the public and stewards of public resources. The Seven Nolan Principles of Public Life are selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.
8. [International Sustainability Standards Board](#). International investors with global investment portfolios are increasingly calling for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance (ESG) matters. On 3 November 2021, the IFRS Foundation Trustees announced the creation of a new standard-setting board—the International Sustainability Standards Board (ISSB)—to help meet this demand. The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities to help them make informed decisions.
9. [The Concept of Double/Dual Materiality](#) describes how corporate information can be important both for its implications about a firm’s financial value, and about a firm’s impact on the world at large, particularly with regard to climate change and other environmental impacts.

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<sup>1</sup>For example, the UK subscribes to the Nolan Principles of Public Life.

10. [Triple Bottom Line Reporting](#) is an accounting framework with three parts: (i) social; (ii) environmental; and (iii) economic. Some organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value.
11. [Integrated thinking](#) leads to integrated decision making and actions that consider the creation, preservation or erosion of value over the short, medium and long term.
12. [Value Reporting Foundation](#) is a global non-profit organisation that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved or eroded over time.
13. [The Taskforce on Climate-Related Financial Disclosures](#) (TCFD) is an industry-led group, which helps investors understand their financial exposure to climate risk and works with companies to disclose this information in a clear and consistent way.
14. [The Taskforce on Nature-related Financial Disclosures](#) (TNFD) is a new global initiative, which aims to give financial institutions and companies a complete picture of their environmental risks.



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## Appendix IV

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