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THE PULA CODE OF CORPORATE GOVERNANCE

1. INTRODUCTION

CORPORATE GOVERNANCE

Corporate Governance is a comprehensive system of principle rules and practices to lead, control and direct a company. These protocols serve to balance the interests and expectation of the entity's shareholders and other stakeholders including customers, suppliers, financiers, government, management, the community, and future generations through integrated and sustainability reporting.

In 2006, a joint initiative of the World Bank and the International Monetary Fund (IMF) carried out an assessment of accounting and auditing practices in Botswana to prepare Reports on the Observance of Standards and Codes (ROSC). The assessment focused on the strengths and weaknesses of the accounting and auditing practices that influence the quality of corporate financial reporting. International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) were used as benchmarks for this assessment. Some of the renowned recommendations of the ROSC, which were accepted by Government and used to drive policy change across the country, included amongst others:

a) the establishment of an independent oversight of the accounting and auditing profession, which brought into existence the Botswana Accountancy Oversight Authority (BAOA).

b) Strengthening the Botswana Institute of Accountants and establish Botswana's own professional qualification and this resulted in the establishment of the Botswana Institute of Chartered Accountants (BICA).

The Botswana Accountancy Oversight Authority (BAOA) was as a result of the ROSC, established through an act of Parliament, the Financial Reporting Act, 2010, which was later amended as the Financial Reporting (Amendment) Act, 2020, (the Act), and became effective on 1st April 2022. BAOA is an independent oversight body whose principal objective is to provide oversight to the accounting and auditing profession and promote the standard, quality, and credibility of the financial statements of Public Interest Entities (PIEs) and the corporate sector. BAOA adopted a comprehensive regulatory model that covers not just the regulation of auditors, like those conducted by the majority of other independent audit regulators across the globe, but also regulates and carries out:

- financial reporting monitoring of Public Interest Entities (PIEs);

- corporate governance reviews of public interest entities;

- setting of standards on auditing for both private and public sectors, financial reporting for both private and public sectors, codes of ethics for professional accountants, accountancy education, and internal auditing amongst others;

- monitoring of professional accountancy organisations; and

- carrying out money laundering reviews.

The Pula Code of Corporate Governance therefore gets its legitimacy from the following Sections of the Act:

Section 6 (1) f and g of the Act states that the Authority may issue accounting and auditing rules, codes, and guidelines in accordance with the relevant laws and international standards.

The Authority may also conduct investigations and where necessary, impose relevant sanctions on certified auditors and officers of public interest entities as well as public interest entities.

Regulation 19 of the Financial Reporting Regulations, 2021 (the Regulations) further mandates that the Authority shall:

a) establish a code of corporate governance to be used by a PIE in accordance with Section 6(1)(f) and 9 of the Act; and

b) monitor and enforce compliance with the code of corporate governance.

This Act makes the Pula Code of Corporate Governance a legal requirement for all eligible PIEs.

2. SCOPE

This Pula Code of Corporate Governance applies to all eligible PIEs. Firstly, we have to define what a PIE is in the context of Botswana, and then bring in the concept of eligibility.

In accordance with Section 22 of the Financial Reporting (Amendment Act) 2020, a PIE means:

a) any entity that has issued equity or debt securities for public subscription and which is listed in a stock exchange;

b) any bank or deposit taking institution, or other institution that is subject to supervision by the Bank of Botswana;

c) any insurance company, pension and provident fund, collective investment undertaking and any other institution that is subject to supervision by the Non-Bank Financial Institutions Regulatory Authority;

d) any entity to which any two of the following conditions are applicable in excess of an amount or number the Minister may from time to time prescribe in the Regulations:

i)	annual revenue	P200 million
ii)	number of employees	150 employees
iii)	total assets	P150 million
iv)	total liability not including shareholders' equity,	P50 million

applicable at the end of the preceding accounting year; or

e) a partly or wholly funded public body.

Eligibility criteria specifically applies to some entities supervised by the Bank of Botswana and NBFIRA such as bureaux de change, and micro lenders, brokers and other entities that don't satisfy the above significance test thresholds (we call these insignificant PIEs that nevertheless fall within the legal definition of PIE).

Therefore, all PIEs except insignificant ones are required to comply with this Code.

That notwithstanding, all entities even those that are not legally required to comply with the Code may adopt this Code as they could also benefit from the use of best practices in corporate governance.

3. BASIS OF APPLICATION

The Code has adopted a principles-based approach which looks at the broader guidelines that are pragmatic, flexible and are suitable for a variety of possible circumstances. The approach contrasts with the rule-based approach that tries to list the precise requirements to be followed for an entity to comply with. While there is clarity as to what is expected or not expected to comply with, rules are easy to manipulate to satisfy what is required. The spirit of the guideline is often lost in all this process as the legal form often takes precedence.

During the conduct of corporate governance reviews, based on some of the codes prepared in accordance with some of the principles-based approach, listing recommendations, practices and provisions become rules by default as users forget the principles and just try to comply with the recommendations. For this reason, it is advisable to expand on the principles and objectives and leave it to the users to decide how to embrace the principle or objective. This is particularly so for principles relating to, for example, culture, technology, and risk. This Code therefore departs from the norm and tries to give more information about the relevance of a principle to corporate governance and leaves it to those charged with governance to carry out more research and develop their own entity specific practices to achieve a given principle or objective.

The Code is on an "apply and explain" basis because the fundamental principles/objectives identified have to be applied, but what is discretionary is the manner in which they can be applied. For example, the entity must indicate how the board, its committees, individual directors, the chairman and the CEO deal with the issue of performance evaluation against pre-set targets and how best it can be done based on the entity's specific circumstances. There is flexibility as to the modus operandi of the evaluation but no room for deciding not to do the evaluation at all.

Notwithstanding that the Code is primarily targeting eligible PIES, the Code can be applied to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors, or non-profit sectors. Every entity can apply the Code and achieve good governance. Just like King IV, all entities should by way of explanation make a positive statement about how the principles have been applied. This level of disclosure will allow stakeholders to comment on and challenge the board on the quality of its governance. The manner of application will differ for each entity and is likely to change as the aspirational nature of the Code should drive entities to continually improve governance practices. It is important to understand that the 'apply and 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.

4. OTHER CODES RECOGNISED BY THE PULA CODE OF CORPORATE GOVERNANCE

This Code recognises the King IV Code of Corporate Governance because it meets the minimum requirements of the Pula Code. Firstly, King IV is applied on the basis of "Apply and Explain" just like the Pula Code. This means that the Codes are fundamentally aligned. Secondly, the 25 elements covered by the Pula Code are also covered in King IV except for minor differences of application and/or emphasis.

For example, the Pula Code is a legal requirement for all eligible PIEs, but King IV tends to concentrate on listed companies, although it clarifies that the Code can benefit all kinds of organisations if used appropriately. The Pula Code has adopted Mandatory Audit Firm Rotation (MAFR) a legal requirement but in South Africa although MAFR is also in existence and applied by auditors of listed companies, it is not a legal requirement. Botswana will therefore allow King IV to be used in this jurisdiction but whenever there is a conflict between the Pula Code and King IV, the Botswana Code shall naturally take precedence as it is law in Botswana.

The Other Code that is recognised by the Pula Code, is the Code of Corporate Governance for State Owned Enterprises recently passed by the Government. The Code is aligned to the Pula Code and therefore only SOE may use it. Again, in cases of conflict, the Pula Code shall take precedence for the same reason that the Pula Code is law here in Botswana.

1. ETHICAL LEADERSHIP AND CODE OF ETHICS

1.1 PRINCIPLES

1.1.1 The Board or the governing body should provide ethical leadership to the entity, which results in the creation of value for the shareholder through providing strategic direction, safeguarding the assets, enhancing organisational performance, identifying, and managing risk, embracing technology, and enabling a conducive internal control environment within the organisation, amongst others.

1.1.2 The board should therefore lead ethically, competently, and effectively

For an entity to lead ethically, competently, and effectively, it should, amongst other things, prepare a strategic plan that should inform the entity's strategic direction in the short, medium, and long term. It should also have a clearly articulated vision and mission supported by defined core values aligned to the vision and mission. These should also be aligned to or constitute the entity's culture. Strategic objectives and priorities should be determined and documented as they play a critical role later in performance evaluation of the entity, the board, directors, and key management.

1.1.3 The board should, through its code of ethics, develop and institutionalise a culture of always acting ethically, lawfully and responsibly.

1.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

1.2.1 Ethical leadership is premised upon a set of principles and values conducive to good corporate governance and recognises the interconnectedness of stakeholders within and outside an organisation playing in an inclusive environment that covers all stakeholders and embracing environmental and sustainability considerations. Ethical leadership should therefore lead ethically, competently, and effectively. At all times in pursuance of his role as a director, an ethical leader should be mindful and conscious of his ethical standing.

1.2.2 Ethical leadership encompasses, amongst others:

a) Honesty

Ethical leaders should ensure that they can be trusted and represent facts fairly to all stakeholders both internal and external.

b) Justice

Ethical leaders should treat everyone equally without favouring any one class/ and condemn bad behaviour and eschew actions that can harm others.

c) Responsibility

Ethical leaders should be in charge and embrace the power and duties that come with it, and meeting challenges head-on.

d) Transparency

Ethical leaders should be open in their communication with all stakeholders, accepting feedback and disclosing information needed to deliver work.

e) Accountability

Ethical leaders should take responsibility for their actions and for the actions of those they lead.

f) Integrity

Ethical leaders should walk the talk to demonstrate integrity with the alignment of their values, words, and actions. Ethical leaders act in good faith at all times, and avoid conflicts of interest, and prioritise ethical behaviour beyond legal compliance.

All these elements of ethical leadership should be institutionalised and interwoven into a strong organisational culture and consolidated in a Code of Ethics approved and monitored by the Board.

CODE OF ETHICS

1.2.3 A Code of Ethics explains the standards and behaviours that an entity expects of everyone working for or having a relationship with it in their daily activities and dealings with others. A Code cannot foresee every situation that might arise. It rather, identifies guiding principles to help one make decisions consistent with the entity's values. In addition, all professional accountants should be subjected to the International Code of Ethics for Professional Accountants to govern their behaviours.

1.2.4 When an organisation practices and promotes ethical behaviour, everyone benefits. Being honest, forthright, and consistent in its dealings with others fosters a positive work environment. An organisation that prides itself on integrity inspires confidence in employees, customers, suppliers, other stakeholders, and the community in general.

1.2.5 The board should ensure that the Code is applied across all stakeholders and that all employees and stakeholders dealing with the entity are committed to it by making that undertaking. It is important that all involved understand and comply with the Code

1.2.6 The board should ensure that employees and management understand their roles as clearly articulated in the Code.

1.2.7 The board should ensure that core values of the entity inform all policies of the entity and that the entity's Code of Ethics addresses ethical conduct in relation to the work environment, business practices and relationships with external stakeholders.

1.2.8 The board should ensure that, the Code covers issues of discrimination by whatever criteria based on, for example, age, gender, sexual orientation, disability, race, religion, marital status, family situation, country of origin or other factors, in accordance with the laws and regulations of Botswana.

1.2.9 The board should ensure that the Code gives adequate guidance on Harassment and Personal Security, and Health and Safety.

1.2.10 The board should ensure that the Code adequately gives guidance on employment practices such as use of Entity's Time/Funds/Property, protection of Intellectual Property, Financial Disclosures, Documents and Records, truthful communication by employees, guidance on computer usage, Data Privacy and Confidentiality of Information.

1.2.11 The board should ensure that the Code gives adequate guidance on policies relating to Gifts and Entertainment, Charitable Solicitations, Conflict of Interest, Copyright Infringement, Fair Dealing, and Illegal and Improper Payments

1.2.12 The board should ensure that the Code gives guidance on Individual Activity in Civic Affairs, and Relationships with External Stakeholders Customers.

1.2.13 The board should ensure that Suppliers, Partners, and Third Parties must know and agree in writing to comply with the Code.

1.2.14 The board should ensure that the entity implements a structure of governance to ensure that the principles of the Code are promoted throughout the organisation and that the Code is managed effectively.

1.2.15 The board should ensure that a Compliance Officer or equivalent is in place to oversee the entity's efforts to promote an ethical work environment and business practices.

1.2.16 The board should ensure that structures are in place for Reporting Violations, maintaining confidentiality and anonymity to any persons who report violations and contact details should be easily accessible to facilitate enquiries and reporting violations.

1.2.17 The board should ensure that Penalties for Violations including jail sentences and civil sanctions are visible to act as a deterrent.

1.2.18 Although the board delegates implementation of the Code to managements, the Code of Ethics should be approved by the board of directors and Signed on its behalf by the board chairperson.

1.2.19 The board should ensure that appropriate disclosure is made in the Integrated Report with respect to its efforts and initiatives in the area of the Code, including successes and areas of concern.

2. PROTECTING THE RIGHTS OF SHAREHOLDERS

2.1 Protecting the Rights of Shareholders

2.1.1 **The Board should ensure that a framework exists where:**

2.1.1.1 **shareholders' rights are protected;**

2.1.1.2 **shareholders are equitably treated;**

2.1.1.3 **shareholders have prompt access to company information including notices to meetings, and the AGM;**

2.1.1.4 **shareholders participate in important company resolutions;**

2.1.1.5 **shareholders obtain effective and fair compensation for violation of their rights; and**

2.1.1.6 **minority shareholders are protected through appropriately designed shareholder agreements**

2.2 COMMENTARY

2.2.1 Shareholders are critical to the operation of entities as they invest their resources in the company with the expectation of getting an appropriate return on their investment, with limited liability to a maximum of their investment. Consequently, the shareholders have a right to information to enable them to influence the company through participation in annual/general meetings through the exercise of their votes. The shareholders don't run the company on a day-to-day basis, but they delegate that responsibility to the board and the board in turn delegates to management.

2.2.2 The influence of shareholders over companies is therefore fundamentally based on how they constitute the board and the way it should operate through their elections and passing of resolution both ordinary and extraordinary. Most of these rights in many countries including Botswana are entrenched in the Companies Act and other related statutes. It is critical that shareholders can have confidence in the laws of the land that they are protected from, for example, abuse by managers, controlling shareholders and board members and this augurs very well for the establishment of efficient and effective capital markets.

2.3 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

2.3.1 The Board should ensure that information about the entity and its governance to investors is readily available through appropriate company literature and website. Such information should include names, photographs and brief biographical data of directors and senior management, the Constitution, Board Charter and Charters of the other Committees and core values, vision and mission.

2.3.2 The board should ensure that appropriate links to items in the integrated report are included, such as directors' reports and financial statements, any announcements made, copies of notices to the BSE, and any other information, reports, and documents to security holders.

2.3.3 The board should ensure that detailed information for security holders is available such as a calendar for the forthcoming year on the AGM, dividends information, historical information about market prices of securities, media releases and all other information and forms security holders may require.

2.3.4 The board should ensure that an effective communication platform with investors is in place for varying degrees of sizes of entities. The aim of this program is for all investors and other market participant to know the business of the entity.

2.3.5 The fundamental rights of shareholders include share ownership registration, transfer of shares, timely and regular receipt of information, voting in general meetings, election or removal of directors, and profit sharing.

2.3.6 Shareholders should be sufficiently informed of their right to approve or participate in decision making relating to fundamental corporate changes. These include changes to statutory documents like articles of incorporation, issue of new shares, and extraordinary transactions.

2.3.7 Shareholders should have the opportunity to participate in voting at general meeting and be sufficiently informed of the procedures to be followed for equitable treatment of shareholders, asking questions to the board, facilitation of appointment and removal of directors without undue limitations, voting by proxy and voting across borders.

2.3.8 Shareholders including institutional investors should be allowed to consult with each other subject to provision against abuse.

2.3.9 Shareholders of the same class should be treated equally i.e., carry the same rights. There should be disclosures of any arrangements for disproportionate ownership.

2.3.10 There should be proper approval and disclosure of related party transactions to guard against potential conflict of interest inherent in such instances. Board members and senior executives should be required to disclose their interests.

2.3.11 The interests of minority shareholders should be protected from abusive actions by other controlling shareholders.

3. COMPOSITION OF THE BOARD

3.1 PRINCIPLES

3.1.1 The board shall ensure that it has the right balance of executive and non-executive directors;

3.1.2 The board shall ensure that it has the right balance of non-executive and independent non-executive directors;

3.1.3 The board should ensure that it has the right balance of skills, expertise, experience, and knowledge;

3.1.4 The board should ensure that it has the appropriate diversity in terms of gender and age amongst others; and

3.1.5 board members should be rotated regularly to guard against the consequences of familiarity.

3.1.6 The board should ensure that there is a formal, fair and rigorous process in place for the appointment of non-executive directors. The process may include a thorough scrutiny by the nominations committee, open advertising and use of external consultants.

These principles should enable the board to operate efficiently and effectively to accomplish the entity's mandate and strategic objectives. It is important that the directors are appointed by the shareholder **but** at the recommendation of the board. The board should also have the power to remove or at the very least recommend removal of a director for various reasons, including ethical violations, breach of law, rules, and procedures, and also dismissal for persistent poor performance. This may require appropriate crafting of engagement agreements and/or articles of association.

3.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

3.2.1 The Board should have at least two executive directors. These members are normally the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) or Chief Operations Officer (COO). These directors provide internal perspectives for other board members. The addition of part of management in the board brings in people who are quite knowledgeable in various aspects of the organisation.

a) The CEO providing overall day to day direction of the organisation.

b) The COO overseeing operations in the areas of marketing, sales production, and personnel etc.

c) The CFO providing financial information about the financial position, performance, and cash flows in addition to preparing and monitoring budgets.

The inclusion of executive directors is invaluable as long as there is a majority of non-executive and independent non-executive directors to keep executive directors in check.

3.2.2 The majority of the directors in the board should be non-executive directors of which the independent non-executive directors are in the majority. This arrangement is meant to bring in the vital independence component into the board and in the process remove unnecessary prejudices in the board decision making.

3.2.3 The Board requires the right balance of skills, knowledge, and expertise in various aspects of the organisation. Most critical is the inclusion of the directors skilled and knowledgeable in the core function of the business. The other skills which are now often necessary within a board are in the areas of finance and auditing, information and technology, risk, legal and human resources.

3.2.4 In Botswana, diversity is not as critical as in our neighbouring countries, where there is need for racial harmony between, black empowerment and the need for affirmative action. In Botswana diversity could be limited to gender and age balance.

3.2.5 **Box 1 below**, using the analogy of a football team puts all these composition issues into proper perspective.

3.2.6 Rotation guidance of board members

a) There should be periodic rotation of directors such that a given percentage rotates every year.

b) Rotation of directors should be appropriately staggered to maintain the required balance in the board.

c) Rotation should be appropriately planned to maintain continuity.

3.2.7 In order for a director to carry out his fiduciary role efficiently and effectively, she should have access to all the information necessary to enable her to make informed decisions. She should therefore have access to management, albeit appropriately controlled and even external legal advice where necessary.

3.2.8 A director should satisfy himself before accepting the appointment to the post of director that he has sufficient time to devote to the business of the entity through a written undertaking to that effect. In any event the nominations committee should carry out due diligence to ensure that this is the case.

Box 1

Excellent football teams often have the best overall balance within a team and an excellent Manager too. From a team of eleven players, the Manager ensures that his team is solid upfront with exceptional attackers, and wingers, both left and right-sided players to cross the balls into the penalty area for the strikers to score. The middle field is solid, more like the backbone of the team, collecting the ball from the defenders and expertly directing it to the front players. The defenders are strong and fast to thwart any attacks from the opposing team. The goalkeeper is the last line of defence when the opponent has penetrated the entire team and come face to face with him. He comes up with miraculous saves. Any weakness in any part of the team will either result in failure to score or will leak goals at the back and the team won't win. The balance of the team is therefore absolutely critical.

By the same token, a board which is not appropriately constituted, without the right balance of skills, knowledge and expertise will not achieve the desired objective. The board needs the core function directors to manoeuvre the organisations to out-compete its competitors, a legal expert to defend the organisation against any reputational exposure, information Technology officers to provide digital solutions to the organisation's strategic initiatives, and finance expertise to analyse data and produce vital information for decision making. The right balance of skills, knowledge and expertise operating in an environment where there is the right balance in executive, non-executive and independent non-executive directors is also absolutely critical.

An illustration of balanced board in terms of skills, knowledge, expertise, age, gender, executive, non-executive and independent non-executive.

No.	Sex		Specialisation	Age
1	Male	Executive	Core function	58
2	Female	Executive	Strategy and marketing	45
3	Male	Non-executive	Core function	52
4	Female	Non-executive	Finance	37
5	Male	Non-executive	Legal	40
6	Female	Non-executive	Human Resource	45
7	Male	Independent non-executive	Core function	46
8	Female	Independent non-executive	Finance	39
9	Female	Independent non-executive	IT	35
10	Female	Independent non-executive	Core function	41
11	Male	Independent non-executive	Strategy	60

Summary

Executive directors	2	**Gender**	
Non-executive directors	4	Male	5
Independent non-executive directors	5	Female	6
	11		**11**

Age

Less than 40	=	3
40 – 50	=	5
More than 50	=	3

4. INDEPENDENT NON-EXECUTIVE DIRECTOR – INDICATORS OF POTENTIAL IMPAIRMENT OF INDEPENDENCE.

4.1 PRINCIPLE

4.1.1 **As stated in Principle 3, The Board of Directors of an entity should comprise an appropriate balance of:**

a) Executive Directors
b) Non-Executive Directors
c) Independent Non-Executive Directors

4.1.2 **The Board shall have a majority of independent non-executive directors amongst the non-executive directors.**

4.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

4.2.1 Executive directors are involved in the day-to-day management of the entity and usually these comprise the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and sometimes the Chief Operations Officer (COO). Non-executive Directors are all other directors that are not involved in the day to day running of the entity. The independent non-executive director should not be employed by the company or any of the subsidiaries or holding company in a group.

4.2.2 An independent non-executive director is a director who does not have any links or ties with the entity's current business activities. They are outsiders who bring in new perspectives and insights and, in the process, improve performance, transparency and accountability, and enhance independence. They have no personal interest and have no fear of being dismissed by the entity from any capacity they hold.

4.2.3 The foregoing notwithstanding, all directors are to act honestly, in good faith, in the best interest of the company, exercise the degree of care, diligence, and skill which a reasonably prudent and competent executive in that position would exercise, and should not personally gain or take advantage through the powers exercised by reason of their position as directors of the company.

4.2.4 Due to the importance of the issue of independence, it is necessary to give guidance of circumstances that can be viewed as likely to impair independence. Before doing so, a look at the definition of independence provided in Section 2 of the Financial Reporting (Amendment) Act, 2020 would shed light in providing guidance on independence of directors.

4.2.5 Based on this statutory guideline.

a) the overarching principle of independence in accordance with the Financial Reporting (Amendment) Act, 2020 is that it should be "of appearance" and "of Mind";

- "Independence of appearance" means the avoidance of facts and circumstances that are so significant that a reasonable and informed third party having knowledge of all relevant information including any safeguards applied, will reasonably conclude that the integrity, objectivity or professional scepticism of a firm or a member of the audit team had been compromised.

- "Independence of mind" means the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgement, allowing an individual to act with integrity, and exercise objectivity and professional scepticism".

b) Although in this context, the definition of independence relates primarily to certified auditors, the definition is equally applicable to the independence of directors. Like most other renowned codes of corporate governance, the perception of independence from a third-party perspective takes precedence.

4.3 Indicators that a director's independence may be impaired

4.3.1 the director has been an employee of the company or its group within the last 3 years;

4.3.2 the director has received or continues to receive additional payments from the company or group either directly or indirectly from an entity that has a relationship with the company or group; and participates in the company' share option scheme, pension scheme or similar dispensations;

4.3.3 the director represents a significant shareholder;

4.3.4 the director has or had within the last 3 years, a material business relationship with the company or group either directly or indirectly through another similar relationship;

4.3.5 the director has been a Board member in the company for more than nine years;

4.3.6 the director has been the statutory auditor of the company during the past three years;

4.3.7 the director is a consultant or advisor to the company;

5. BOARD CHARTER

5.1 PRINCIPLES

5.1.1 The board shall develop a Board Charter that sets out the functions, duties and responsibilities of the Board and Management to achieve good corporate governance. The Charter also provides, amongst others, for the composition of the Board, its committees, and the conduct of meetings.

5.1.2 The board should ensure that it develops a board charter that espouses the elements identified in the Commentary below.

5.1.3 The board should ensure that the charter includes information on the conduct of board meetings, specifically, the frequency of meetings. Board meetings should be held regularly as the business exigencies of the board may dictate but at the very least, board meetings should be held once every quarter (four times per year). The charter should also include guidance on declaration of interest and confidentiality undertaking as these may impact the sensitive matter of conflict of interest.

5.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

5.2.1 Good corporate governance entails the adoption of best corporate governance principles and practices that achieve effective leadership, good performance accountability, transparency, and sustainability. A Board Charter therefore sets out the functions, duties and responsibilities of the Board and Management to achieve good corporate governance. The Charter also provides for composition of the Board and the conduct of meetings. It is important to note that the development and documentation of a Board Charter is a unique phenomenon which will vary from organisation to organisation depending on the specific nuances of the business. That notwithstanding, the following elements or parts should be included in a Charter:

5.2.2 The composition of the board, its committees, tenure of office of directors and the need for induction programmes, ongoing training, and education of directors.

5.2.3 The role of the board to ensure the proper and efficient performance of the entity and determine the policies and procedures to be adopted to achieve its strategic objectives taking into account, collective responsibility, leadership and direction of Management, strategic planning, appointment of executive management, audit and compliance, responsibility for corporate governance, risk, performance indicators, sustainability, corporate citizenry, management of ethics, integrity of corporate reporting, compliance with laws, stakeholder management, directors' responsibility, code of conduct, conflict of interest, confidentiality, and performance evaluation.

5.2.4 Delegation but not abdication of responsibilities to committees utilising an authorisation matrix approved by the Board as shown in **Box 2.** Properly constituting committees, approving committee charters or terms of reference, and establishing specific committees as the Board considers appropriate and following guidelines provided in Authorisation Matrix in **Box 2.**

5.2.5 Appointment of an appropriately qualified Board Secretary and outlining his responsibilities.

5.2.6 Role of Chairperson in accordance with guidelines on the role of chairperson.

5.2.7 Delegation of functions in accordance with guidelines on Authorisation Matrix.

5.2.8 Highlighting matters reserved for the Board in accordance with the Authorisation Matrix.

5.2.9 preparation of the Strategic Plan and any shareholder agreements like shareholder compact for state owned enterprises.

5.2.10 Conduct of Board and Committee meetings.

5.2.11 Full and timely disclosure of material matters concerning the organisation.

5.2.12 Communication protocol for the entity both internal and external.

5.2.13 Performance evaluation of the Board, its committees, and the Chairperson.

5.2.14 Dispute resolution.

5.2.15 Process for the review of the Charter.

6. BOARD COMMITTEES

6.1 PRINCIPLES

6.1.1 The Board may, for the purpose of performing its functions, establish such Committees as it considers appropriate, and may delegate, to any of its committees, any of its functions as it considers necessary. It is important that in doing so, the Board does not abdicate its responsibilities and accountabilities.

6.1.2 Board and all board committees shall have Terms of Reference (ToR) prepared and approved by the board.

6.1.3 All committee chairpersons should attend the annual general meeting to answer questions that may be posed by the stakeholders and to brief them on the work they performed during the course of the financial year.

6.1.4 Except on exceptional circumstances, the committees should ideally be chaired by independent non-executive directors

6.2 COMMENTARY

6.2.1 The board may delegate responsibility to committees, but it may not abdicate responsibility. It is for this reason that it is good practice for Committees to only recommend approval to the Board and not themselves approve decisions. This is even more important where some of the members of the committees are not part of the board but are external members who bring in the additional required skills, knowledge, and expertise. If this is not properly managed, some decisions could be taken and approved without the knowledge of the board.

6.2.2 That notwithstanding, there may be certain routine and recuring activities which need not wait until the Board is convened before they are approved as this could result in undue delay and unnecessary bureaucracy despite that the issue could be a straightforward and low risk activity. Examples are approvals of membership for membership entities. In this case the attention of the board should only be drawn to exceptional circumstances like maybe refusal to register a member. In such circumstances the board should clearly give such a committee power of approval albeit in a controlled manner and such delegation of power should be clearly stated in the Committee's Terms of Reference. Examples of Committees that can be established in a board, although not exhausted are included in **Box 3**.

6.3 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

6.3.1 Membership of the board and its committees should be chosen with great care. The qualifications, skills, knowledge, and expertise of each member should be disclosed in the Integrated Report to enable stakeholders to appreciate the abilities and capabilities of those charged with governance.

6.3.2 The appointment details of each board and committee member should be disclosed in the Integrated Report showing the name, position in the board or committee, date of appointment and the terms of the appointment. The terms should show the period of the appointment and when due for rotation and eligibility status for re-appointment.

6.3.3 Disclosure of details of the meetings held by the Committees during the reporting period. This should show the name of the member, date of appointment and most importantly, the attendance record at each meeting. This information will show the members who have the required time to devote to the committee, and consequently inform the decision of whether to renew/re-appoint the member at the end of their term. There should be no flexibility here with respect to persistent non-attendance for whatever reason, including apologies. Discretion will take its course for what could be termed normal absence.

6.3.4 The remuneration of both executive and non-executive directors should be disclosed individually and in total. This is a sensitive area across the globe which has been on boarded by our Companies Act. Accountability and transparency mean that as much disclosure as possible should be done.

6.3.5 Board members may attend any committee meeting as observers in committees where they are not substantive members but may not participate except on exceptional circumstances and may not be entitled to sitting allowances.

6.3.6 Committee should have minimum of three members.

6.3.7 Executive Management should be invited to attend to provide insights in their areas of responsibility.

6.3.8 The structure of the ToR should capture the following:

a) *Introduction*: This should stipulate the source from where the mandate to create such a committee came such as the statute, articles, or any other authority.

b) *Purpose*: reason for the committee

c) *Composition*: This should cover the actual names of the members and most importantly the specialised skills, knowledge, and expertise they are bringing.

d) *Structure and operations*. This relates to committee chairmanship, minutes, quorum, voting and treatment of conflicts of interest.

    i. How the Chairperson and her Vice and the Secretary are appointed. This could be by the board, or the board could direct the Committee to regulate its own procedure.

    ii. Frequency of meetings.

    iii. Keeping of official minutes signed by the Chairperson together with clearly articulated resolutions.

    iv. Constitution of a quorum. This is usually a simple majority of members but the board or the committee may determine the quorum which suits a particular circumstance.

    v. Potential and actual conflicts of interest must be disclosed with the clear provision of recusal for affected members and such declaration captured in the Minutes.

    vi. Clear disclosure of voting rights.

    vii. Resources permitting sufficient revenues should be provided to enable the Committee to undertake its duties.

viii. Responsibilities and Authority. This detail the responsibilities emanating from the purpose stated in clause "A5 b" above.

ix. Term of Office for members and eligibility for renewal.

x. Termination of membership can only be by the Board based on performance, illness or any other reason that impacts continuation of membership.

xi. Basis of remuneration for meetings and the fee level.

xii. Confidentiality undertaking.

xiii. Committee Reports: This entails reporting to the Board on how the Committee has discharged its responsibilities.

xiv. There should be regular reviews of the ToR. This should take place wherever there is an event that necessitates a change and, in any event, reviews should be carried out no later than every two years.

xv. The ToR shall be signed and dated by the Chairperson of the board.

Box 2 AUTHORISATION MATRIX

	AUTHORISATION LEVELS				
	Parliament	Minister/ Shareholder	Board	Committee	CEO
LEGISLATION					
Passing of Statutes	√				
Regulations		√			
Rules			√		
GOVERNANCE - APPOINTMENTS					
Appointment of Board Members		√			
Appointment of Board Chairperson		√	√		
Appointment Vice Board Chairperson			√		
Appointment of Committee Members			√		
Appointment of Chief Executive Officer			√		
Appointment of Board Secretary			√		
Appointment of Senior Staff			√		√
Appointment of External and Internal Auditors			√		
Appointment of All Other Staff					√
Approval of the Business Strategy and Business Plans			√		
Approval of the Board Charter			√		
Approval of the Committee Terms of Reference			√		
Approval of the overall corporate governance framework			√		
Defending any legal action brought against the Entity					√
Approval of Memoranda of Understanding with other Regulators			√		
Approval of Shareholder Compact/Agreements		√	√		
Approval of Financial Statements and Annual Report			√		
Approval of Risk Management Policy			√		
Approval of all other related Strategies			√		
Approval of the Conditions of Service			√		
Approval of the Organisational Structure			√		
Approval of conducting an inquiry or investigation or collection of information, documents, or evidence for purposes of the company carrying out its functions					√
Approval of Policies and Manuals			√		
Affixing and authentication of the seal of the company					√
Approval of Procedures and guidelines			√		
PROCUREMENT AND BUDGETING					
Approval of accounts opening of Bank			√		
Approval of new signature					√
Approval of Budget			√		
Approval of procurement and tender limits			√	√	√

Box 3 EXAMPLES OF POSSIBLE COMMITTEE

At the risk of appearing exhaustive, the number and types of Committees will vary from organisation to organisation. However, in today's era, some of the more common Committees are:

a) Finance and Audit Committee

b) Risk Committee – in certain organisations where risk is not that pronounced, this may be combined with the Finance and Audit Committee.

c) Human Resource Committee

d) Remunerations Committee

e) Nominations Committee

f) Investment Committee

g) Tender Committee

h) Social and Ethics Committee

7. AUDIT COMMITTEE

7.1 PRINCIPLES AND REQUIREMENTS

7.1.1 The board should ensure that it has an appropriately constituted independent audit committee.

7.1.2 The board should ensure that the members of the audit committee, as a whole, have the necessary financial literacy, skills, and experience to execute their duties effectively.

7.1.3 The board should ensure that all members of the audit committee are independent non-executive directors.

7.1.4 The board should appoint an independent non-executive director to chair the audit committee.

7.1.5 The audit committee should meet annually with the internal and external auditors respectively, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

7.1.6 the board may delegate the risk compliance and monitoring function to the audit committee.

7.1.7 the audit committee should utilise the combined assurance model which makes use of information from management, internal audit, and external audit to identify and manage the risks within the company.

7.1.8 The audit committee should recommend the appointment of the statutory auditor by the board.

7.1.9 The audit committee should recommend approval of the Integrated Report to the board.

7.1.10 the audit committee should annually review the finance function to ensure that it has the resources, expertise, and qualifications to meet the demands of the entity's finance function.

7.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

7.2.1 The establishment of an audit committee is a statutory requirement for some organisations. As a matter of leading practice, the board of any organisation that issues audited financial statements should consider establishing an audit committee, the role of which should be to provide independent oversight of, among others:

a) the effectiveness of the organisation's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function; and

b) the integrity of the annual financial statements and, to the extent delegated by the governing body, other external reports issued by the organisation.

7.2.2 A statutory audit committee has the power to make decisions regarding its statutory duties and is accountable for its performance in this regard. In addition to its statutory duties, the board may delegate other responsibilities to the audit committee, such as the approval of the annual financial statements, but the governing body remains ultimately accountable for such delegated responsibilities.

7.2.3 If the governing body delegates risk governance to the audit committee, the audit committee should satisfy itself that it dedicates sufficient time to this responsibility.

7.2.4 Whether or not the governance of risk is delegated to the audit committee, the audit committee should oversee the management of financial and other risks that affect he integrity of external reports issued by the organisation.

7.2.5 Audit Committees may request for the performance of audit firms annually or during the tendering processes. The performance of audit is reviewed by the Regulator during audit practice reviews. These reports can be a useful audit quality indicator for the audit firm itself and the Board of the PIE. The PIE may either request the auditor to provide the results of the last review by the Regulator or request for permission to contact the Regulator for such a report. If the auditor refuses to provide such a report or denies the permission to get the report from the Regulator, the PIE should respond accordingly. To clarify the issue before hand, the PIE may include a relevant clause in the engagement letter.

7.2.6 The Audit Committee should ensure that the Internal Audit Department is appropriately constituted in terms of skills, resources, and the reporting line.

7.2.7 The Audit Committee should comprise at least three independent non-executive members. Executive directors may not be members of the Committee but may attend by invitation. External members outside the Board maybe co-opted but they may not chair the Committee for reasons of continuity during reporting back to the Board. The Chairperson of the Committee should report back to the board as the Committee is one of the most critical as it deals with financial reporting, external audit, internal audit and risk, where there is no dedicated risk committee.

7.2.8 Due to the technical nature of the mandate of the Audit Committee, it should be chaired by an accountant, ideally, a professional accountant. With the proliferation of new and complex standards, financial reporting and auditing matters are too complex to be undertaken by a non-accountant.

7.2.9 The Audit Committee should evaluate the performance of the Internal Auditor annually and report to the Board. The review should also be included in summary in the Integrated Report.

7.2.10 The terms of reference (ToR) for the Audit Committee should be prepared and approved by the Board. Subsequently, the ToR should be reviewed regularly, ideally, once every two years.

7.3 Other Statutory Disclosures for the Audit Committees

7.3.1 In addition to required statutory disclosure and the disclosures recommended above, the following should also be disclosed in relation to the audit committee:

a) A statement as to whether the audit committee is satisfied that the external auditor is independent of the organisation. The statement should specifically address:

i. the policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year.

ii. the tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;

iii. the Board should ensure compliance with mandatory Audit Firm Rotation (MAFR) requirements; and

iv. significant changes in the management of the organisation during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.

7.3.2 Significant matters that the audit committee has considered in relation to the annual financial statements, and how these were addressed by the committee.

7.3.3 The audit committee's views on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by the external audit regulators.

7.3.4 The audit committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit.

7.3.5 The audit committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.

7.3.6 The audit committee's views on the effectiveness of the CFO and the finance function.

7.3.7 The arrangements in place for combined assurance and the committee's views on its effectiveness.

8. ROLE OF THE CHAIRPERSON

8.1 PRINCIPLES

8.1.1 **The board should appoint a chairperson who is an independent non-executive director, and the chairperson should not also hold the position of chief executive officer or managing director of the entity.**

8.1.2 **The Board should ensure that the appropriate cooling off period of three years should be allowed to elapse before a former CEO could be eligible to be considered for the chairmanship of the entity and vice versa.**

8.1.3 **The chairperson of the board should ensure that there is a clear line of responsibility between the chair, the lead director and management. These roles and responsibilities should be clearly documented, preferably, in the Board Charter.**

8.1.4 **To ensure that the chairperson of the board is not overloaded with work. The Board should ensure that a thorough prior enquiry and research is made of other responsibilities outside the entity including other directorships and full-time positions. In any event, the chairperson should not serve in more than three active directorships.**

8.1.5 **The Board should elect an independent non-executive director as a lead director. The lead director should deputise whenever the chairman is absent and also chair the board when the chair is conflicted for one reason or another. The lead director also represents the non-executive directors on matters affecting them and their relationship with the rest of the board, the chair or even management. The role of the lead director becomes even more critical where the Chairperson is not an independent non-executive director.**

8.2 COMMENTARY

8.2.1 The Chairperson of the Board is like the pilot of a Boeing 747 Plane, whose role is to ensure that the plane takes off safely, follows the right course to its place of destination, making sure that the Plane does not stray-off into enemy territory, and landing safely at its final destination. The Pilot has to make sure that the required personnel, including his assistant, is in place, ensure that the equipment in use is in good working order and that the radar equipment shows no indications of malfunction. Not only that, but the Pilot also has to monitor weather conditions through internationally acceptable aviation protocols and ensure that there are conducive to safe flying, otherwise the Pilot should suspend take-off until he gets the thumbs up from all the critical departments including the air traffic controller. If the Pilot defies or ignores all these warning signs, sooner rather than letter, he will crash the Plane.

8.2.2 By the same token, a board chairperson who defies the warning signs of good corporate governance will sooner rather than later lead the company into bankruptcy.

8.3 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

8.3.1 **Other roles of the chairman include:**

Providing leadership and promoting cohesiveness and effectiveness of the board. The Chairperson's key roles shall include ensuring that good relations are maintained with the shareholders and its strategic stakeholders and presiding over meetings of the board. This includes assisting the board to develop good relationships with the shareholders and other stakeholders.

8.3.2 Building and maintaining stakeholders' trust and confidence in the entity through a robust stakeholder management program.

8.3.3 Ensuring that all directors are made aware of their responsibilities through a tailored induction programme and ensuring that a formal programme of continuing professional education is adopted at board level. This entails working with the board Secretary in ensuring that the individual directors, and the board as a whole, understand their role, responsibilities, and accountabilities as well as the risks and liabilities.

8.3.4 Ensuring that the performance of the Chief Executive Officer is appraised at agreed intervals by either the Chairperson himself or a sub-committee appointed by the Board such as the HR Committee or any other committee designated by the board for that purpose.

8.3.5 Ensuring that the performance of the board and each individual directors is assessed for effectiveness at regular intervals, ideally, at least once every two years.

8.3.6 Monitoring how the board works together and how individual directors perform and interact at meetings. The Chairperson should meet with individual directors on a regular basis to evaluate their performance. The Chairperson should be aware of each board member's strengths and weaknesses.

8.3.7 Setting the ethical tone for the board and the entity.

8.3.8 Providing overall leadership to the board without limiting the principle of collective responsibility for board decisions, while at the same time being aware of the individual duties of board members.

8.3.9 Identifying and participating in selecting board members through the Nominations Committee, and overseeing a formal succession plan for the board, Chief Executive Officer, and certain Senior Management appointments such as the executive directors.

8.3.10 Formulating (with the Chief Executive Officer and the board Secretary) the yearly work plan for the board against agreed objectives and playing an active role in setting the agenda for board meetings and ensuring that a comprehensive agenda is presented at each meeting of the board. Other directors should be given the opportunity to contribute Agenda items.

8.3.11 Presiding over the meetings of the board and ensuring that time in meetings is used productively. The Chairperson should encourage a collegial atmosphere among board members without inhibiting candid debate and creative tension among board members.

8.3.12 Managing conflicts of interest. It is not sufficient merely to table a register of interests. All internal and external legal requirements must be met. The Chairperson must ask affected board members to recuse themselves from discussions and decisions in which they have a conflict and leave the meeting while the matters in which they have an interest are discussed, unless they are requested to provide specific input, in which event they should not be party to the decision.

8.3.13 Acting as the link between the board and management, and particularly between the board and the Chief Executive Officer.

8.3.14 Being collegial with board members and management while at the same time maintaining an arm's length relationship.

8.3.15 Ensuring that directors play a full and constructive role in the affairs of the entity.

8.3.16 Ensuring that complete, timely, relevant, accurate, honest, and accessible information is placed before the board to enable directors to reach an informed decision.

8.3.17 Mentoring to develop skill and enhance directors' confidence (especially those new to the role) and encouraging them to speak up and make an active contribution at meetings. The mentoring role is encouraged to maximise the potential of the board.

8.3.18 Rigorous standards of preparation for meetings by, for example, meeting with the Chief Executive Officer before meetings and studying of the meeting information packs distributed.

8.3.19 Ensures that the strategies and policies agreed by the board are effectively implemented by the Chief Executive and the management.

8.3.20 Establishes good corporate governance practices and procedures and promotes the highest standards of integrity, and corporate governance throughout the entity and particularly at board level.

8.3.21 When determining which of its committees the chairman of the governing body should serve on, either as member or chairman, the governing body should consider how this affects the overall concentration and balance of power on the governing body. Generally, the following should apply:

a) The chairman should not be a member of the audit committee.

b) The chairman may be a member of the committee responsible for remuneration but should not be its chairman.

c) The chairman should be a member of the committee responsible for nominations of the members of the governing body and may also be its chairman.

d) The chairman may be a member of the committee responsible for risk governance and may also be its chairman.

e) The chairman may be a member of the social and ethics committee but should not be its chairman.

9. THE ROLE OF THE CEO/MD

9.1 PRINCIPLES

9.1.1 The board should ensure that the role of the CEO should not be combined with that of the Chairperson except under exceptional circumstances. Even then a strong motivation should be provided including reasons why there are no other suitable alternatives.

9.1.2 The CEO should be appointed by the Board on a fixed contract period not exceeding five years with a possibility for renewal for another period of five years. Based on exceptional performance, the CEO's contract maybe extended as the Board deems necessary.

9.1.3 Due to the importance and sensitivity of the role of the CEO and his Executive Management to the Board and achievement of the organisation's strategies, the board should ensure that Executive Management is appointed by the Board or its designated Committee such as the Human Resource Committee, at the recommendation of the CEO.

9.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

9.2.1 The CEO manages the day-to-day affairs of the organisation with the assistance of his Executive Management who may include the Chief Financial Officer (CFO), the Chief Operations Officer (COO), the Chief Strategy Officer (CSO) or any other designations that the organisation may deem appropriate.

9.2.2 The CEO should ensure the effective and efficient running of the organisation in accordance with the strategic direction established by the Board and within approved policies, procedures, business plans, and budgets.

9.2.3 The CEO and his Executive Management should ensure that they prepare a Strategic Plan for the organisation based on its objectives, mandate, constitution, or any other document of purpose. The Strategy should be presented to the Board and formally approved by the Board before being disseminated to the rest of the organisation.

9.2.4 The CEO should cause Board decisions and resolutions to be implemented within agreed timelines. The CEO should perform other administrative roles like ensuring that the board receives, promptly, advice, and information required for decision making. He should also ensure that the records and relevant documents are properly kept.

9.2.5 The CEO should be an executive member of the Board and attend and vote at every meeting of the board except when exceptionally excused by the board.

9.2.6 The CEO should be responsible for establishing the organisation's culture and ensure that it is appropriately institutionalised and disseminated throughout the organisation and even externally to stakeholders.

9.2.7 The CEO should ensure proper risk monitoring structures are in place and aligned to the organisation's risk appetite and tolerance levels. The CEO should also ensure that the organisation embraces appropriate technology to provide digital solutions to business objectives and problems.

9.2.8 The CEO should provide information and explanations that the system of internal control provides reasonable assurance that the financial records as reflected in the Integrated Report can be relied upon by stakeholders including Directors and Auditors. This means that the CEO and his Executive Management should give assurance that the Statement of Responsibility and approval of the financial statements is, in all material respects, accurate and should sign off the statement before the Directors do so.

9.2.9 The CEO's role which is often overlooked is that of advocacy. The CEO should be the mouthpiece of the organisation not only in the area of defending it against outside attack like litigation but also in the area of disseminating the organisation's vision, mission, values and culture.

10. BOARD SECRETARY

10.1 PRINCIPLES

10.1.1 The board should appoint a suitably qualified board secretary to assist it in carrying out its functions and the secretary can only be removed by a resolution of the Board.

10.1.2 The Board should ensure that the secretary has an arms-length relationship with the board and ideally, the secretary should not be a director of the issuer and this fact shall be disclosed in the Integrated Report.

10.1.3 The Board should ensure that the Company Secretary is familiar with this law and guide organisations to comply with legal and regulatory requirements in the country.

10.1.4 The board should ensure that the secretary understands that in addition to fulfilling mundane secretary roles such as taking minutes and filing returns, he understands local, regional, and global regulatory and economic trends and how this could leverage to develop and implement effective corporate strategies.

10.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

10.2.1 Traditionally, the role of a Board Secretary has been recording proceedings of meetings of the Board and its Committees, keeping records of legal transactions, and filing company returns. The role of a Contemporary Secretary has however evolved into a more strategic one supporting the Board through the Chairperson and working with other Directors to ensure they are fit for purpose and are capacitated well enough to understand their fiduciary duties and the business of the organisation. Perusal of a number of articles and codes of corporate governance pointed to a simple requirement that the Secretary should be "competent, suitably qualified and experienced".

10.2.2 While the role of Contemporary Secretary still includes some of the traditional roles alluded to earlier, he is really an important agent of corporate governance who should use the requirement of the Companies Act 42:01, as the starting point and then work with the organisation to meet the requirements of the applicable Code of Corporate Governance. Botswana is going to have its own Code of Corporate Governance before the end of this year which is a legal requirement in accordance with the Financial Reporting (Amendment) Act, 2020 and the Financial Reporting Regulations 2021. This makes it critical for the Company Secretary to be familiar with this law and guide organisations to comply with legal and regulatory requirements in the country.

10.2.3 Secretaries are therefore expected to be quite knowledgeable in corporate governance to guide their organisations. Combining the requirements of the Companies Act 42:01 and the new legislation puts Secretaries in a unique position to be important agents of change in corporate governance in this country.

10.2.4 Guidance as to who can be Company Secretaries, qualifications and duties are provided in Sections 161, 162 and 163 of the Companies Act, 42:01.

10.2.5 Secretaries should be familiar with the principles espoused in the Code of Corporate Governance and facilitate training of Directors in this area. The areas may include amongst others, board evaluation to enhance Board effectiveness in meeting organisational objectives; induction and training of directors, facilitating the preparation and board approval of board and committee charters, and nomination and selection of new board members.

10.2.6 While Codes of Corporate Governance across the world target mostly listed companies, coverage in Botswana is much broader and covers Public Interest Entities (PIEs), therefore corporate professionals are required across the board. The other area of significance that need to be addressed through the Secretary would be Integrated Reporting and sustainability accounting as these are assuming global significance and attention.

11. PERFORMANCE EVALUATION

11.1 PRINCIPLES

11.1.1 The Board shall regularly monitor its performance and that of its committees and senior management in order to gauge whether it has accomplished its mandate as encapsulated in strategic plans, statutes and any other performance yard sticks set or expected by the shareholders and other stakeholders.

11.1.2 The performance evaluation of the board as a whole, its committees, and individual directors should be done, ideally, annually, but for the sake of practicability, the evaluation should be done at least once every two years.

11.1.3 The performance of the chief executive officer and executive and/or senior management shall be done every year.

11.2 COMMENTARY

11.2.1 A PIE should ensure that it has in place a process where the key players that contribute to the overall success of the entity are evaluated to ensure their optimal contribution in the value creation process of the organisation. These key players are as follows:

a) the Board as a whole;
b) the Committees;
c) the individual Board members; and
d) the senior executives of the organisation, namely

i. the Chief Executive Officer
ii. the Chief Financial Officer or equivalent
iii. the Chief Operating Officer or equivalent
iv. the Board Secretary.

11.2.2 With respect to evaluating the performance of the Chairperson, a suitable senior independent non-executive officer should be engaged. The issues emerging from the evaluation should be followed up and where possible corrected and where the skills set of directors falls short or evidence shows that commitment to the role in the board is lacking, training should be provided, re-appointment considerations may dictate that some directors' tenures should not be renewed.

11.3 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

11.3.1 The board should ensure that the board is regularly evaluated as a whole, once every two years. This evaluation should cover a wide range area covering shareholder value, strategy formulation and implementation, governance of risk and risk monitoring, integrated thinking and sustainability considerations, ethical leadership, compliance with legal and regulatory requirements, and development of a sound system of internal control, governance of information and technology and the overall efficacy of the combined assurance model.

11.3.2 With respect to evaluating the Chairperson, the Deputy Chair who is a non-executive director or a senior independent non-executive director should be responsible for evaluating him. He should first consult with the other directors before he finalises the performance evaluation.

11.3.3 The board should ensure that the Committees have in place a process for evaluating their performance in line with their Terms of Reference. A balanced score card approach could be used in this regard.

11.3.4 The board should ensure that its senior executives are evaluated annually. This maybe done through the Human Resource Committee who then makes a recommendation to the board or by a committee designated to do so by the board.

11.3.5 The entity should disclose and provide the shareholders with all material information to enable them to make an informed decision on whether to appoint or re-appoint a director.

11.3.6 The results of the performance evaluation of the Board, its committees and individual directors should be availed to the nominations committee or equivalent to assist in achieving the required balance in skills, knowledge, and expertise by deciding on new skills required, gaps for training purposes and recommendations for re-appointment.

11.3.7 The board should make provision for the use of independent board performance evaluators to improve the credibility of the evaluation process.

12. SUCCESSION PLANING

12.1 PRINCIPLES

12.1.1 The Board should ensure that the depth of competences exist in key management, leadership, and technical positions particularly in positions where skills and expertise are both critical and scarce. Consequently, all critical positions should be identified, and individual succession plans prepared, clearly documented, and approved by the board.

12.1.2 The Board should also ensure similar succession initiatives relating to those charged with governance, namely, the board particularly, the Chairperson and lead or senior non-executive independent director.

12.1.3 The Board should ensure that it regularly reviews succession plans and progress in the preparedness for such an eventuality. While some transitions could be planned to coincide with end of contracts of incumbents, some could be sudden like death or resignation. In any event, the board should be prepared for such a contingency.

12.1.4 The board should be aware that succession planning is an important strategic initiative that aligns its future personnel needs with the availability of appropriate human resources within and outside the organisation.

12.1.5 The board should hold management accountable for successful implementation and performance of succession plans.

12.1.6 The board should ensure that succession planning develops strategic leadership and technical job competencies for current and future requirement and that it is supported by leadership development and enhancement programmes, mentorship, and coaching.

12.1.7 As with the strategic plan, the board should ensure that a risk matrix for succession planning is in place identifying the risks, probability of occurrence, possible impact, mitigation, responsible individual, and status (high, medium or low). The entity should pay particular attention to mitigating circumstances.

12.2COMMENTARY

12.2.1 Succession planning is all about continuity when one regime ends and another one begins. Succession covers the entire process starting with the Board, the Chairperson of the Board, individual directors and at the level of executive management including the CEO, CFO, COO, and other critical levels within an entity, particularly at highly technical positions. It is not uncommon for positions to go unfilled for several years. In our own environment in Botswana, there are many organisations that have been operating for years with acting CEOs. The main reasons for such occurrences are, amongst others, the unpreparedness of entities to address changes to be able to continue smooth operations in cases of changes in leadership. When designed and properly planned, documented succession plans can be precluding such adverse occurrences, by creating ongoing supply of well trained, broadly experienced, and motivated employees who are ready to step into key positions as and when the need arises.

12.2.2 Succession planning therefore refers to the structured career development of an individual who is identified for a specific position aimed at future appointment to that specific position.

12.3PRACTICES, EXPLANATORY NOTES AND GUIDELINES

12.3.1 The entity should ensure that all critical positions are identified, and succession plans prepared, clearly documented, and approved by the board.

12.3.2 The entity should ensure that the board regularly reviews such plans and progress in the preparedness for such an eventuality.

12.3.3 Candidates should be identified, advised, and trained, and the hierarchy of succession should be established. Other staff members not affected or included in the plan should not be made aware of such a plan as doing so could negatively impact staff motivation.

12.3.4 The entity should be aware that appropriately designed succession plans improve and positively impact upon retention, performance, and motivation through recognised and proven programmes.

12.3.5 The entity should ensure that while succession planning is one of the major responsibilities of management, it is owned and should be approved by the board.

12.3.6 The entity should appreciate that properly designed and appropriately implemented succession planning obviates premature promotions of employees who may not be ready and capable of assuming higher responsibilities and fulfilling the required tasks.

12.3.7 The entity should ensure that candidates on the succession plan are aware that being placed on the programme does not automatically guarantee appointment to the position but certainly improves the likelihood of such an appointment.

12.3.8 The entity should be aware that succession is just but one of the many instruments used in the talent and competence development strategy.

12.3.9 The entity should hold management accountable for successful implementation and performance of succession plans.

12.3.10 The entire succession planning process should entail identification of scarce, critical, and specialist positions, planning and shaping progression of employees to future key position, developing personnel, and building a potential development pool for the future, using existing human resource policies to enable selection discussions based on fair and objective criteria, and availing resources for the implementation of succession planning in the annual budgets.

Illustration 1

POOR SUCCESSION PLANNING

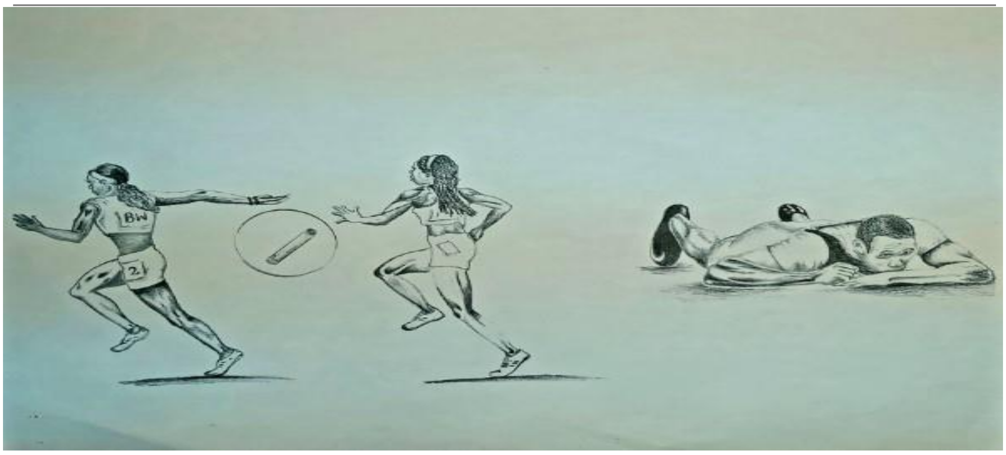

Illustration 2

GOOD SUCCESSION PLANNING

13. CORPORATE REPORTING

13.1 PRINCIPLES AND REQUIREMENTS

13.1.1 The board should establish a corporate reporting framework that ensures the integrity of financial and non-financial information prepared with an integrated thinking mindset.

13.1.2 Financial statements shall be prepared in accordance with the applicable financial reporting framework as provided in Box 4.

13.1.3 The Integrated Report should be prepared in accordance with the International Integrated Reporting (IIR) Framework.

13.1.4 The board should specifically report on the going concern status of a PIE every year and should disclose the assumptions and supporting evidence for concluding that an entity is a going concern.

13.1.5 The board should ensure that the Integrated Report has a well-articulated disclosure on the entity's position on sustainability and environmental reporting.

13.1.6 The board should require the CEO and the CFO to provide a signed declaration that the financial statements of the year have been prepared in accordance with the applicable financial reporting framework, statutes, and other legal and regulatory requirements and give a true and fair view of the financial position and performance of the entity. The declaration must be given before the directors approve the financial statements for the applicable financial period.

13.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

13.2.1 This Section looks at the broader issue of financial reporting of which financial statements are a central part and consequently receives more attention than the other sources of essential corporate reporting. Such information is often found in the Integrated Report.

13.2.2 Although with the supersonic speed of the advances of technology, it is possible that soon, general-purpose financial reporting could become obsolete as technology provides a database of information that will suit the various users of such information, for now though, the objective of general-purpose financial statements as stated above will remain applicable to our jurisdiction.

13.2.3 For Botswana, as stated in the introduction, the scope of the application of this Code is quite broad. In addition to the emphasis on listed companies, the statute requires several other PIEs to be brought into the picture. These include the broad categories of bank financial institutions, non-bank financial institutions, significant entities in accordance with Section 22 of the Financial Reporting (Amendment) Act, 2020 and public bodies including state owned entities (SOEs).

13.2.4 Naturally therefore, these broad categories will have different financial reporting needs that boards will have to interrogate to come up with entity, industry, and sector-based requirements. For example, listed companies will concentrate on value creation, shareholder interest protection, and other issues relating to other non-investor stakeholders such as sustainability reporting. The Stock Exchange listing requirements will therefore play a critical role in meeting the financial reporting requirements of this Section. On the other hand, a non-for-profit state-owned entity targeting meeting the objective of the provision of a public good or service may have a different financial reporting requirement.

13.2.5 The Integrated Report also provides critical information that backs the financial statements and is required to be consistent with the quantitative and qualitative information that is found in the body of the financial statement. The disclosures required by the Code which form part of the Integrated Report enhance accountability and transparency. It is important to note that disclosure is not necessarily transparency but there could not be transparency without proper, appropriate, and effective disclosure.

13.2.6 The Financial Reporting framework for all significant PIEs is full International Financial Reporting Standards (IFRS), and insignificant but legal PIEs will use IFRS for SMEs **(Box 4)**. Auditors are expected to enforce these requirements.

13.2.7 General-purpose financial statements should ensure a Faithful representation of all aspects of an entity. Faithful representation is the concept that financial statements be produced that accurately reflect the condition of a business. The faithful representation concept should extend to all parts of the financial statements, including the results of operations, financial position, and cash flows of the reporting entity. Financial statements that faithfully represent these aspects of a business should have the following three attributes:

a) Complete Presentation: All of the information that a user needs in order to form a clear picture of the results, financial position, and cash flows of a business are included in the financial statements. This also means that no information is omitted that might lead a user to have a different opinion of the business

b) Error Free Presentation: The financial statements should contain no errors, so that the information contained within them presents a fair view of the organization. If there is a continuing series of "errors" that tend to bias the results of the financial statements in a certain direction, this may be considered a case of financial reporting fraud.

c) Unbiased Presentation: The financial statements represent the actual state of an organization, without trying to amplify its results unnecessarily or make them look worse than they really are.

13.2.8 The qualitative information required in the Integrated Report includes issues relating to prospects, risks, technology awareness, internal audit and board committee activity.

13.2.9 In this era of integrated thinking and sustainability reporting, significant PIEs are expected to embrace these new initiatives. Entities are expected to prepare Integrated Reports prepared in accordance with the International Integrated Reporting (IIR) Framework. The Regulator will ensure that the requirements are complied with. The new law has significant penalties for non-compliance with the requirements of this Code.

13.2.10 Entities are expected to meet expected reporting deadlines as required by the relevant statutes, articles of association, and the requirements of other regulators like BSE, NBFIRA, CIPA, the Central Bank to mention but a few. Penalties for non-compliance with reporting deadlines are also hefty.

13.2.11 Insignificant PIEs may be exempt from the preparation of the Integrated Report for the reason that the cost of such preparation may not be proportional to the benefit derived from such a Report.

13.2.12 Entities are expected to provide sufficient and appropriate disclosure to enable a holistic appreciation of the issues being communicated.

13.2.13 Entities should gravitate towards addressing broader information requirements based on addressing principles rather than rules, which cannot be all included in this Code.

Box 4

FINANCIAL REPORTING FRAMEWORKS REVIEW AND AUDIT GUIDELINE

For practical purposes, the following frameworks should be used by certain PIEs:

➢ Section 22 (a), listed companies	Full IFRS
➢ Section 22 (b) Financial Institutions	Full IFRS
➢ Section 22 (b) Bureau de Change	IFRS for SMEs
➢ Section 22 (c) Non-Bank Financial Institutions	Full IFRS
➢ Section 22 (c) Insignificant PIEs)	IFRS for SMEs
➢ Section 22 (c) Fund Managers and Investment undertakings	Full IFRS
➢ Section 22 (d) Significant entities - Owner managed and family-owned significant entities	IFRS for SMEs
➢ Section 22 (e) Public bodies	Full IFRS
➢ ***Audit thresholds should be increased to broaden the scope of operation for GAAP in Botswana for entities not required to comply with IFRS.***	
1. Total Assets up to P5 million and Turnover up to P10 million	Use GAAP No Review or Audit
2. Total Assets of at least P5 million or Turnover of at least P10 million	Use Full IFRS/IFRS for SMEs Audited by a Certified Auditor

Financial Statements should be prepared by a BICA member in all cases.

Option to use IFRS is open to all entities who may choose to do so.

All entities that are required to use full IFRS in Box4 should be audited by a certified auditor of PIE and should also have an Engagement Quality Control Reviewer (EQCR).

14. DISCLOSURE, TRANSPARENCY AND ACCOUNTABILITY

14.1 PRINCIPLES

14.1.1 The Board should ensure that appropriate disclosure is made of matters affecting the entity to allow stakeholders access to more information to enable them to make better and informed decisions.

14.1.2 On materiality, the board should ensure that the entity provides information about matters that it believes could substantively affect the entity's ability to create value over the short, medium, and long term. The process of identifying material matters should include the review of Stakeholders emerging requirements focusing on matters that affect value creation, the entity's Business Mode and how the six capitals namely: financial, human, manufactured, intellectual natural and social are invested or utilised; the strategic priorities; the risk and opportunities; and general assessment of its operating environment.

14.1.3 The Board should ensure that the entity is transparent enough to promote openness, communication and accountability.

14.1.4 As ethical leaders the Board should take responsibility for its actions and for the actions of those that it has oversight over.

14.2 COMMENTRY

14.2.1 Disclosure, Transparency and Accountability are very important terms in corporate governance which are different but often used synonymously or interchangeably. Relevant and appropriate disclosure can result in enhanced transparency, but disclosure is not necessarily transparency. Disclosure is the provision of more information relating to any subject matter to allow the user to have access to more information that could enable her to make a better and informed decision. The issue of disclosure in financial statement has become so critical that standards now mandate certain information to be provided in the financial statements. A good example is the disclosure of remuneration of directors and senior executives although without this disclosure the financial statements themselves would not be necessarily materially misstated. In audit, the auditor of a listed company provides Key Audit Matters (KAMS) or Critical Audit Matters (CAMS). These are matters that in the Auditor's judgement were of most significance in the audit of the financial statements. KAMS focus auditors on areas about which investors and other users have expressed interest, in particular, areas of financial statement that involved the most significant or complex judgements by management and areas of audit focus in accordance with the risk-based approach in the ISAs. By disclosing this information, the auditor is providing the user with valuable information.

14.2.2 Transparency on the other hand, literally refers to seeing through an object and from an organisational perspective means providing information that would enable the users to understand and appreciate how a PIE operates in an honest manner. Such information should provide performance, risks, prospects, internal control environment and even management and board's abilities. Transparency therefore entails openness, communication and accountability.

14.2.3 Accountability is aligning or narrowing the gap between expectations by one stakeholder and obligation by another. Users of corporate information often have varying and wide expectation from those charged with governance (TCWG). While TCWG have obligation to provide such expectations, a wide gap would exist where TCWG are not aware of stakeholder expectation or do not agree with such expectations and consequently do not deliver on their obligations or meet those expectations. If an alignment is not achieved in this regard TCWG may face non-renewal of their contracts or the shareholders may vote with their legs with the former being the most likely to occur. The latter would normally be a last resort measure when everything else has failed.

14.3EXPLANATORY NOTES AND GUIDELINES

14.3.1 The financial reporting framework (IFRS), statutes (Companies Act and other statutes) often dictate what is to be disclosed.

14.3.2 The entity should provide information and justifications as to how it is going to align with the expectations of the stakeholders.

14.3.3 The Entity should have an open line of communication with the stakeholders to determine and document their legitimate needs, interests, expectations.

14.3.4 The Entity should have clearly identified and documented consequences for failure to achieve its obligations and meet defined expectations.

14.3.5 The Entity should provide information about its activities and governance to stakeholders, accurately and timeously and it should be as complete as possible.

14.3.6 While there is need for transparency and disclosure, the duty of confidentiality still remains as not being circumspect about what to disclose could expose the entity to needless lawsuits and other consequences such as reputational damage.

14.3.7 Items that may require disclosure and transparency may include remuneration, and activities with related parties, amongst others.

14.3.8 All company documents that may aid stakeholders to make informed decisions such as relevant policies and the constitution and applicable laws should be made available, preferably through the website. Regular management reports, stakeholders briefing sessions should be made available and conducted.

15 ASSURANCE SERVICES (EXTERNAL & INTERNAL AUDIT)

EXTERNAL AUDIT

15.1 PRINCIPLES AND REQUIREMENTS

15.1.1 **The board should establish an audit and assurance framework that provides and enhances the degree of confidence of the intended users both internal and external. The function should result in an effective internal control environment that can support the integrity of its reports including financial statements.**

15.1.2 **The board through the audit committee shall appoint the statutory auditors of the entity in accordance with the applicable statutes, laws and regulations.**

15.1.3 **All non-exempt companies shall be audited by certified auditors registered as such by the Botswana Accountancy Oversight Authority in accordance with the Financial Reporting (Amendment) Act, 2020.**

15.1.4 **Certified auditors should comply with International Standards on Auditing (ISAs), codes, other legal, regulatory, and statutory requirements such as the Companies Act and Financial Reporting Amendment Act, 2020.**

15.1.5 **all PIEs both significant and non-significant shall be audited by PIE certified auditors according to the current legislation. It is therefore illegal for non-PIE auditors to audit PIEs regardless of the size of the PIE.**

15.1.6 **In order to address the familiarity threat resulting from long associations between the auditor and the client, Botswana has legally introduced Mandatory Audit Firm Rotation (MAFR) requiring the rotation of audit firm and certified auditor at predetermined intervals. See Guidelines on MAFR for more details (Section 16).**

15.1.7 **Modification of audit opinions by certified auditors are reportable irregularities and should therefore be reported timely to the Authority. Guidelines on what constitutes a reportable irregularity, although not exhaustive, is provided in the Rules. If in doubt, the certified auditor should seek legal advice.**

15.1.8 **The board shall ensure that all certified auditors make a declaration of their independence annually in the Integrated Report.**

15.1.9 **All certified auditors shall satisfy the BAOA audit practice review requirements conducted on a cyclical basis once every three years. Persistent failure to meet these audit practice requirements may result in the suspension and even exclusion of a certified auditor.**

15.1.10 **All audit engagements of eligible PIEs should also have both Engagement partners and Engagement Quality Control Reviewers (EQCR). Ideally, EQCRs should be certified auditors registered with BAOA. However, audit firms may nominate members in their audit firms who they believe possess the qualification, skills, and expertise that is expected of this position whether local or external, with the requirement that the firm and the EQCR would be held accountable to BAOA for the quality of their work. An undertaking shall be signed with BAOA to that effect.**

15.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

15.2.1 The population of audit firms and certified auditors in Botswana comprises auditors of PIEs and auditors of non-PIEs. There are currently 13 PIE audit firms with 44 certified auditors. The remaining 18 audit firms comprise 28 certified auditors of non-PIEs making a total of 72 certified auditors. There are also 3 certified auditors under the BAOA route making a total of 75 certified auditors in Botswana.

15.2.2 As the nomenclature indicates PIEs can only be audited by PIE auditors. Unfortunately, all PIEs both significant and non-significant are to be audited by PIE auditors according to the current legislation. It is therefore illegal for non-PIE auditors to audit PIEs regardless of the size of the PIE. Non- compliance with this requirement may attract penalties for both the PIE and the Auditor.

15.2.3 Both sets of auditors do their work in accordance with International Standards on Auditing (ISAs). Compliance with these standards is applied uniformly across the Board. However, the standards setters are currently working on a new standard for auditing of less complex enterprises.

INTERNAL AUDIT

15.3 PRINCIPLES AND REQUIREMENTS

15.3.1 **The board should ensure that all eligible PIEs except insignificant PIEs establish internal audit functions whether inhouse or outsourced. The internal audit function shall be effective, and risk based.**

15.3.2 **The board through the audit committee should ensure that an appropriately qualified chief audit executive (CAE) is engaged and dismissed by the Audit Committee.**

15.3.3 **The CAE should report functionally to the Audit Committee and administratively to the Chief Executive Officer.**

15.3.4 **The CAE of a PIE shall be a member of the Botswana Institute of Internal Auditors. Otherwise, an internal auditor not registered with the internal audit institute may not be employed by a PIE.**

15.3.5 **The Audit Committee should evaluate the performance of the CAE annually and report to the Board. This review should also be included in summary in the Integrated Report.**

15.3.6 **The performance assessment of the Internal Audit function should be carried out regularly. In particular, the internal assessment by the CAE should be done annually and the external assessment based on the quality assurance and improvement program (QAIP) should be carried out once every five years.**

15.3.7 **Where the internal audit function has not met the requirement of QAIP, the internal audit function may not claim that it has carried out its audit work in accordance with International Standards for the practice of internal auditing. In addition, external auditors may find it difficult to justify reliance on the work of the internal auditor in accumulating sufficient and appropriate audit evidence to form the basis of their audit opinion under the circumstances.**

15.3.8 **The internal audit reports should indicate recuring findings and where possible provide a key showing priority levels. Recurring findings may indicate that audit findings are neither being addressed nor taken seriously. These should be specifically drawn to the attention of the Board.**

15.3.9 **Internal Auditors should be aware of the kind of work that they could do in an organisation without negatively impacting their**

independence and open themselves up to a self-review threat. This should be clearly included in the internal audit charter. See example below in the area of Risk Management.

WHAT AN INTERNAL AUDITOR CAN DO ON RISK MANAGEMENT

CORE FUNCTION	LEGITIMATE ROLES WITH SAFEGUARDS	ROLES NOT TO BE UNDERTAKEN
Reviewing the management of material risks	Developing RM Strategy for Board approval	Setting the risk appetite
Evaluating reporting of material risks	Operating the ERM Framework	Imposing risk management processes
Evaluating Risk Management processes	Holistic reporting on risks	Assurance by management on controls and risks
Giving assurance that risks are correctly evaluated	Monitoring risks across the business	Taking decisions on risk responses
Giving assurance on the Risk Management Process	Control coordinating point for ERM	Managing risks on Management's behalf
Giving assurance that the control systems are effective	Facilitating Management response to risks	Accountability for risks and controls
	Championing establishment of ERM	
	Giving advice on identifying & evaluating risks	

Adopted from IIA

16. MANDATORY AUDIT FIRM ROTATION (MAFR)

16.1 The Authority wishes to provide guidance to its Stakeholders on MAFR in reference to Section 9 of the Financial Reporting Regulations, 2021. The tenets of the MAFR guideline are as follows:

16.1.1 The audit term of office for an audit firm shall be five years (5) with an option to renew for one further term. The maximum consecutive audit terms for an audit firm shall be two terms of five years each.

16.1.2 The lead partner or engagement partner shall rotate every five (5) years.

16.1.3 The Engagement Quality Control Reviewer (EQCR) shall rotate every five (5) years.

16.1.4 Only certified auditors and people designated as such can serve as the Engagement Quality Control Reviewer (EQCR). The firm would be held responsible if the EQCR is not a certified auditor. However, if the EQCR is a certified auditor, she would be directly responsible to BAOA.

16.1.5 The cooling off period for an audit firm shall be five (5) years.

16.1.6 The cooling off period for the engagement partner shall be five (5) years and the cooling off period of the EQCR is in accordance with the requirements of the Code of Ethics for Professional Accountants (IESBA Code). The cooling off period of five years for the engagement partner also applies to certified auditors of non-PIEs.

16.1.7 Audit firms and their personnel are required to maintain independence at all times as required by the relevant ethical requirements.

16.1.8 Where the appointment of an auditor comes to an end either before or after the five-year period, a re-tendering process shall take place.

16.1.9 These guidelines are a continuation of the previously issued MAFR Guideline which became effective in Botswana on 1 January 2019 and are further expanded in light of the Financial

Reporting Regulations, 2021. The previously issued MAFR are therefore hereby repealed.

16.2 TRANSITION EXAMPLE

16.2.1 If on the 1st of January 2019, the date on which the original Guidelines became effective, the audit firm was the auditor of an entity for more than 10 continuous years, the term as at that date shall be the last term. The audit firm shall, therefore, not be appointed after expiry of the term and shall only be eligible for appointment after the expiration of the cooling off period of five years.

16.2.2 If on the 1st of January 2019, the audit firm was the auditor of an entity for less than 10 continuous years, the audit firm may renew its term such that the continuous period will not exceed 10 years, where the 10 years are taken to include the years before 1st January 2019. After the 10 years, the Auditor shall not be appointed until after the expiration of the cooling off period of five years.

17. INTERNAL AUDIT CHARTER

17.1 PRINCIPLES

17.1.1 The Board should ensure, through the Audit Committee, that a PIE prepares an internal audit charter in accordance with guidelines from the internal audit standards.

17.1.2 The Board should ensure that such a Charter provides a blueprint for how internal audit will operate so that the Board could clearly signal the value it places on internal audit's independence and internal controls.

17.2 COMMENTARY

17.2.1 This is a guideline which is intended to illustrate common practices typically set out in an internal audit charter. Detailed guidelines are provided in the Supplementary Guidance given by International Professional Practices Framework (IPPF). Internal auditors of Public Interest Entities (PIEs) should familiarise themselves with this framework. It should be noted at this juncture that all PIEs except insignificant PIEs are required to establish internal audit functions whether inhouse or outsourced. Consequently, all internal audit functions/ department should have an Internal Audit Charter approved by the Audit Committee. The IPPF Supplementary Guidance is generic in nature and would require appropriate customisation based on the respective requirements of each entity.

17.2.2 In summary the Charter should have the following elements:

a) Purpose and Mission of the Department.

b) Statement of Adherence to the Institute of Internal Auditors' International Practices Framework, including the core principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

c) Authority – Reporting functionally to the Audit Committee and administratively to the Chief Executive Officer. Approval powers of the Charter, audit plan, budget and resource plan, appointment, and removal of the Chief Audit Executive (CAE), remuneration should lie with the Audit Committee.

d) Independence and objectivity.

e) Scope of Internal Audit activities.

f) Responsibility.

g) Quality Assurance and Improvement Program (QAIP). This should cover both the internal assessment and external assessment conducted at least once every five years by a qualified independent assessor or assessment team from outside the entity.

h) Approval/signatures. The signing of the Charter should be by:

- The Chief Audit Executive;
- The Audit Committee Chairperson; and
- The Chief Executive Officer.

18. MANAGEMENT OF RISK

18.1 PRINCIPLES

18.1.1 The board should pay particular focus to the governance of Risk and ensure that Risk is systematically identified and appropriately managed. This is often done by assigning risk to the Audit committee or in some cases, where risk is significant and critical, to a dedicated risk committee with the required skills and expertise in the area.

18.1.2 Although management is responsible for managing Risk, the board is ultimately responsible to ensure that management delivers in that regard through appropriate measures like highlighting key risk areas in the form of a risk matrix and monitoring the process.

18.1.3 The board should determine the risk tolerance levels and risk appetite of shareholders together with existing mitigating factors so that it can take informed decisions to take advantage of opportunities that come with certain risks and provide appropriate interventions to weaknesses identified.

18.1.4 The Entity should introduce a compliance framework to manage on a regular basis, identified financial, operational and compliance with regulations, laws, cyber security, reputational, environmental, privacy and other standards and risks.

18.1.5 The board should ensure that there are clear and elaborate disclosures, preferably in the Integrated Report to inform users about management's ability to identify and manage all the risks to which the entity is exposed.

18.1.6 The board should look at risk holistically by considering all its element in order to convert risk into a value creation initiative for the shareholders.

18.1.7 Traditionally, Risk has often been viewed in a negative context as a bad thing but the truth about risk is that it is a function of many elements which require a systematic approach to arrive at an optimal equilibrium.

18.2 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

18.2.1 Following from the above Principles of a holistic approach to dealing with Risk and recognising that if appropriately managed, it can be an invaluable source of shareholder value creation, it is important to consider elements such as:

a) Risk/Return trade-off
b) Risk appetite of the entity
c) Risk tolerance levels
d) Establishing a systematic approach of putting these elements together through, for example, an entity wide Enterprise Risk Management Framework.
e) Identifying risk, its probability of occurrence, its impact and the mitigating factors and assigning clear responsibility for each risk.
f) Management's ability to assess, manage and appropriately disclose the impact of risk to organisational performance.
g) If the foregoing considerations are processed correctly and an optimal balance is established, Risk can be converted into a value creation initiative for the shareholders.

18.2.2 The Entity should create risk registers identifying about a dozen or so principal risks based on their overall impact to the entity and the accompanying risk responses and persons responsible.

18.2.3 The responsible committee for risk should be identified. This could be the Finance and Audit Committee or a dedicated Risk Committee depending on the materiality of risk, and nature of the entity. It would, for example, be necessary to create a dedicated Risk Committee for an Investment entity managing material funds and working under a strict regulatory environment such as bank financial institutions and non-bank financial institutions.

18.2.4 The Entity should ensure that monitoring of these risks is done regularly on a quarterly basis.

18.2.5 The Entity should ensure that all the risks are covered including technology-based risks like cyber security and privacy requirements.

18.2.6 The Entity should also cover reputational risk arising from the environment and other green requirements.

19. REMUNERATION

19.1 PRINCIPLES

19.1.1 The Board should facilitate and ensure that the entity remunerates fairly, responsibly, and transparently. This can be done by developing a Remuneration strategy which clearly breaks down the components of the pay into the major categories of basic pay, bonus payment, share options details, pensions and retirement schemes and incentive schemes etc.

19.1.2 The board should set remuneration levels that are aligned to the entity's strategy, and performance that results in the creation of shareholder value or the quality of product or service for non-profit organisations.

19.1.3 The board should establish an appropriately constituted remuneration committee to recommend a remuneration policy to the board after carrying out the necessary processes of researching and benchmarking with relevant institutions both locally and internationally. Directors should not set their own remuneration for obvious reasons of conflict of interest and independence.

19.1.4 The remuneration strategy should be approved by the shareholders through a non-binding vote. It is critical that where at least 25 percent of the shareholders vote against the remuneration recommendation, a strategy is put in place to follow up and correct the reasons why there was that level of shareholder dissatisfaction with the recommendation and where possible corrective action taken.

19.1.5 A non-binding vote on remuneration should be held once every two years and where at least 25 percent of the shareholder's vote against the Policy, the policy should be suspended until the concerns of the dissenting shareholders have been addressed and, in the meantime, the existing policy should continue until the next AGM.

19.1.6 The board should ensure that the remuneration process and the actual remuneration are appropriately disclosed in the Integrated Report. The disclosure should comply with other statutory requirements in the Companies Act and International Financial Reporting Standards. The remuneration of all directors should be disclosed individually and in total. The remuneration of the executive management and / or the top three senior staff should also be individually disclosed. Disclosure should also

break down the remuneration into basic and all other payments including bonuses, share options and other benefits.

19.2 COMMENTRY

19.2.1 Public Interest Entities should pay remuneration that would attract and retain the different classes of stakeholders, including employees, executive and non-executive directors. The process should motivate for the creation of shareholder value or provide a quality public good or service and should be aligned with the entity's strategic plan, taking cognisance of its vision, mission, values and within the appropriate risk appetite, and agreed risk tolerance levels.

19.2.2 Remuneration is perhaps the most sensitive area in corporate governance in Botswana. We see conflict between shareholders and Management in even simpler and clearer provisions for disclosure of remuneration in the Integrated Report. Management is often reluctant to disclose the remuneration for each director in addition to the lump sum disclosure of the total remuneration despite that Section 15 of the Companies Act is very clear about this disclosure requirement. The trend of corporate governance across the globe is an emergence of a new concept of remunerating fairly, responsibly, and transparently. The above-mentioned example of remuneration disclosure reluctance by Management already breaches transparency.

19.2.3 Before we look at "fairly", lets quickly look at the 2018 Income Distribution in Botswana. The top 50% of the population earned 90% of the total income, and the remaining (bottom 50% of the population) earned only 10% of the total income. This is gross income inequality which will require more than just juggling remuneration balls. A remuneration Policy which addresses these inequalities requires a thoughtful approach involving both the public and private sector; politicians and economists; and empathy and goodwill.

19.2.4 Otherwise, the general principle is that remuneration levels must be approved by shareholders and implemented and disclosed by Management.

19.3 PRACTICIES, EXPLANATORY NOTES AND GUIDELINES

19.3.1 Directors should not set their own remuneration for obvious reasons of conflict of interest and independence.

19.3.2 Remuneration policies should be based on the nature of the PIE. Some PIEs are listed on the BSE, some are owned or controlled by Government, while others are significant entities owned or controlled by families or one owner shareholder. While the concepts of fair, responsible, and transparent remuneration can be applied across the board, the application and extents of application of this approach will vary significantly from entity to entity. For example, parastatals controlled by Government would be subject to Incomes and Wages Policy limitation of Government and hence the Board has little influence in the entire remuneration process. We are therefore faced with a situational or contingency leadership environment in this area where the decision taken by those charged with governance depends on several factors, particularly the nature or form of the PIE. Accountability is however highest in widely owned entities like listed companies.

19.3.3 The organisation should ensure that it has a systematic approach to remuneration which aligns the strategy to performance outcomes, motivates greater productivity and in the process narrows the expectation gap between various stakeholders. This would take the form of a remuneration Policy outlining objectives that can be adopted to meet the Remuneration Strategy. The process should be monitored and measured against expected performance outcomes and action taken to correct the deviations. The whole process should be disclosed in the Integrated Report for stakeholder appreciation. A Remuneration Committee would be useful to oversee this process.

19.3.4 The Remuneration Policy should clearly break down the components of the pay into the major categories of basic pay, bonus payment, share options details, pensions and retirement schemes and incentive schemes. The motivation for this approach is that a basic pay should be set which attracts potential candidates, but any other additional benefits should be linked to real value adding measurable performance. The approach should ensure that the value adding content is in the long term, that is, four to five years. For example, the exercise of any options should not be in the short term but after at least four years. More caution should be given to the calculation of exercise prices for share options to directors.

19.3.5 Organisations should ensure that they benchmark globally, regionally, and locally to ensure that they embrace recent thinking in the subject matter and take insightful decision informed by international best practice but also constrained by existing statutory requirements.

19.3.6 Organisation should ensure that remuneration issues are properly disclosed either in the Integrated Report or clearly referenced in the entity's website.

20. TECHNOLOGY

20.1 PRINCIPLES

20.1.1 The board should embrace technology as it is integral to achieving strategic objectives and can contribute towards significant value creation for the shareholder. However, the board should also be wary of the disruptive nature of technology and the risks it brings and therefore should have close oversight over technology and information.

20.1.2 The board should integrate strategic planning with Technology and Information systems in order to provide, amongst others, digital solutions to business problems. Due to the significance of Technology, the board should develop a Technology charter/Technology strategy to be used to monitor compliance by management.

20.1.3 The board should identify Technology opportunities, risks, direction, and accordingly manage the inevitable disruptions that are a consequence of these changes and also monitor any new technologies.

20.1.4 The board should insist on getting periodic independent assurance from experts in this area that technology systems are working properly, and that the entity is not exposed to any significant consequential risk of using the technology.

20.1.5 The board should monitor its investment in Technology and Information systems and satisfy itself that there is a proportionate return on investment.

20.1.6 Entities should be wary of security considerations, particularly, cyber security, physical security and privacy and confidentiality. Technology risk should therefore feature quite heavily in the overall management of risk in the entity.

20.2 COMMENTARY

20.2.1 We can't speak technology without referring to its four revolutions, starting with the first industrial revolution dominated by the development of the Steam Engine that mechanised production, the second revolution which was centred around the advent of electric power to create mass production, the third revolution that used electronics and information to automate production and now the fourth industrial revolution which brought about, amongst other things, digitalisation.

20.2.2 An entity that does not embrace the changing impact of technology cannot surely survive in this dynamic operational environment that thrives on innovation and ethical behaviour. Entities that don't respond promptly may not see the light of the day. An entity should, therefore, have a properly constituted structure that governs Technology and information systems. The constituted structure may take the form of a dedicated committee to deal with Technology and related matters and the documented procedures and processes may take the form of strategic plans and policies.

20.3 PRACTICES. EXPLANATORY NOTES AND GUIDELINES

20.3.1 The transformation that is brought about by the fourth industrial revolution is evolving at an exponential pace compared to previous ones and therefore entities should have comprehensive strategies to deal with these changes.

20.3.2 Although this transformation can revolutionise production processes and ways of getting inputs into those processes and also ways of channelling the outputs to the end users, such changes can also be disruptive and hence require appropriate management and governance.

20.3.3 This unprecedented processing power, storage capacity has to date resulted in emerging technologies in our own lifetime, such as Block Chain Technology, Data Analytics, Artificial Intelligence, Robotics, 3D printing, to mention but a few. The board should take advantage of these technologies.

20.3.4 In our own environment, digitalisation has become a buzz word and entities have developed digital strategies to provide digital solutions to strategic objectives. So, entities have to respond accordingly.

20.3.5 Entities should properly delegate to Management responsibility and accountability for the management of technology and information systems.

20.3.6 Entities should ensure integration of Technology with business objectives, people, and the overall Enterprise Risk Management Framework.

20.3.7 Entities should ensure compliance with ethical, legal and regulatory requirements as non-compliance could have significant reputational consequences.

20.3.8 The disruptive impact of the emerging technology could have far-reaching consequences, particularly in the labour market as human labour is replaced by machines.

20.3.9 In summary, emerging technologies can only be ignored at one's own peril, as new products and services can be derived therefrom, efficiencies and productivity can be significantly enhanced, and end user costs could be significantly reduced.

20.3.10 A Technology Strategy is therefore a must if disruptions are to be minimised. Therefore, those charged with governance should consider the issue of technology very carefully.

21. CULTURE

21.1 PRINCIPLES

21.1.1 The board should facilitate the development of a positive culture that can be a source of value creation for shareholders through positive traits like a high-performance culture where talented employees motivate each other to high levels of excellence, teamwork, integrity, honesty, trust, and innovation.

21.1.2 The board should hold management responsible for developing a culture that is aligned to the core values of the organisation through strong leadership advocacy. The core values of an organisation represent the attitudes, behaviours and characteristics that will create an enabling environment for the successful implementation of its strategy.

21.1.3 The board should be aware that an ethical culture is the focal point of positive traits that embrace all other practices and hence an organisation that adopts an ethical culture is more likely to achieve most of the behaviours that affect all aspects of the business.

21.1.4 The board should recognise that adopting and building a high-performance organisation through the use of traits shown in Box 6 below will result in business success, improvement of the bottom line, growth in share price, a strong brand, and overall high corporate performance.

21.2 COMMENTARY

21.2.1 Pioneered by a Dutch researcher Geert Hofstede, from a natural human perspective, culture encompasses the way a people live and do things in their defined geographical location. Culture encompasses the way they behave, their beliefs, values, and symbols that they accept and are passed from generation to generation. Cultural differences manifest themselves in different ways through symbols (words, gestures, pictures, or objects), heroes (persons past and present, real, or fictitious), rituals (collective activities like initiation ceremonies of "Bogwera and Bojale"), and values (core or central points or broad tendencies identifying with "good versus evil", right versus wrong, natural versus unnatural. Values are entrenched in the very essence of a people or group and remain in their subconscious and can only be inferred from the way people act under different circumstances.

21.2.2 Corporates like their human counterparts also have cultures but the difference is that corporates are not created or established with those cultures. The culture may come with an inspired founder or later through people who emerge from their latter-day leaders, such as Jack Welch of General Electric, Chairman and CEO (1981 2001). Corporate cultures are therefore created. A corporate culture can therefore make or break an organisation but if you get it right, it can be a significant source of value creation for shareholders through reputational protection, sustenance under turbulent times, resilience, good practices, and a solid brand creation.

21.2.3 Similar to its human counterpart, corporate culture is the manner in which the organisation does things such as handling routine issues like punctuality and engagement of new employees, to dealing with crisis situations like Covid-19 and the financial crisis. Corporate culture therefore refers to a collection of values, expectations, and practices, that differentiate one organisation from another, and which guides and informs the interventions and actions of employees. Like a collection of traits that make an organisation what it is. The results of such traits could be business success, improvement of the bottom line, growth in share price and overall corporate performance. A dysfunctional culture does not only result in the absence of the foregoing but can bring out qualities which can themselves hinder even the most successful organisation like Enron and World Com. Positive culture often manifests in high performance, fairness, ethical behaviour, good remuneration policies, transparency, customer centricity, and team/group mentality.

21.3 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

21.3.1 Corporate culture cannot hang in space without a foundation on which it is supported. There has to be a strategic plan with a mission, vision, values and objectives.

21.3.2 Culture is not the same as vision and mission but alignment of the two would cross fertilise.

21.3.3 The core values of an organisation represent the attitudes, behaviours and characters that will create an enabling environment for the successful implementation of a strategy. Values guide decision in what is right or wrong, natural, and unnatural, or good or evil. Every organisation should therefore have core values.

21.3.4 Corporate culture is a collection of business practices, processes and interactions that make up the work environment. Culture helps the organisation to deal with problems of ethical dilemmas, for example as it guides decision makers in what to do or what not to do based on the existing business circumstances or environment.

21.3.5 Values will therefore not change that often as they are more like a foundation. In the long-term values may change as the vision, mission, and objectives change. Culture needs to be established and maintained to meet changing circumstances. Leadership should therefore continually advocate for a certain culture, engage in continuous learning to match the ever-changing dynamics of business life.

21.3.6 Every organisation is different, and it is important to retain the culture that makes the organisation successful. Consequently, there is no Code of Corporate Governance that can provide the culture that should be adopted by each organisation. However, statistics of cultures of high performing organisations consistently reflect certain qualities that entities should seek to cultivate. Some of these qualities are:

a) Motivation of employees should be aligned to the achievement of the company's vision, purpose and goals.

b) A culture of appreciation for a good piece of work by team members. This could range from a pat on the shoulder, a note for employees file or monetary reward like a promotion.

c) In a culture of trust, team members come up with ideas and rely on their team members for support.

d) A high-performance culture where talented employees motivate each other to high levels of excellence.

e) A culture of resilience in a highly dynamic environment. Leaders are taught to watch for and respond to change with speed and ease.

f) A culture of teamwork where everyone on the team supports each other.

g) The culture of integrity where team members can rely on each other to make decisions, interpret results, and form partnerships honestly and transparently.

h) The culture of innovation involves optimising on available technologies, resources, and markets.

i) Creating an environment for controlled risk taking and honest feedback while Managers create an environment where everyone feels comfortable contributing.

Box 5

BUILDING A HIGH PERFORMING ORGANISATION 1. Culture of recognition. 2. culture of feedback and employee voice. 3. Culture of advocating by leadership. 4. Culture of living by company values. 5. Culture of collaboration and strong connections between team members. 6. Culture of lifelong learning and development. 7. Culture of keeping culture in mind from day to day. 8. Culture of personalising employee experience.

22. SUSTAINABILITY REPORTING AND INTEGRATED REPORTING

22.1 PRINCIPLES

22.1.1 Based on the definition of sustainability, the Board should ensure that, in fulfilling the needs of the current generation it should ensure that the entity does not compromise the needs of future generations.

22.1.2 The Board should ensure consideration and disclosure of its action and impact on social equity, environmental protection, and economic viability.

22.1.3 The Board should recognise the close interconnectedness of its business with the community in which it operates and the constraints on the planet.

22.2 COMMENTARY

22.2.1 Sustainability accounting and integrated reporting are concepts that emerged from the developments in accounting over the years. These concepts were addressing the various stakeholder requirements of non-financial information in addition to the financial information. The traditional financial accounting focused on disclosing only financial information. The increased understanding that financial information does not sufficiently discharge organisational accountability to members of society resulted in the call for sustainability accounting and integrated reporting.

22.2.2 SUSTAINABILITY ACCOUNTING (SA)

Sustainability accounting is a subcategory of financial accounting that focuses on the preparation and disclosure of non-financial information about the organisation's performance. Sustainability accounting and reporting is more focused on activities that have a direct impact on the society, environment and economic performance of an organisation. Therefore, this is a tool used by organisations and its stakeholders to assess and measure the level of disclosures on social and environmental information. (*corporate social responsibility reporting and social and environmental reporting*). Stakeholders need information on how the organisation's activities impact the society (social) and the environment in which they operate in.

22.2.3 INTEGRATED REPORTING (IR)

The International Integrated Reporting Council defines IR as a process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time and related communications regarding aspects of value creation. Integrated reporting is about how an organisation's strategy, governance, performance and prospects, in the context of its external environment (social and economic), lead to the creation of value over time.

22.2.4 SUSTAINABILITY ACCOUNTING - ELEMENT OF INTEGRATED REPORTING

The primary objective of integrated reporting is to report how organizations' operations impact the society and the environment they operate in and vice versa. It is also meant to explain to providers of capital how an organisation creates value over time. It is explained that organisations that adopted integrated reporting are generally aware of the impact of their operations in the society and environment and are therefore more likely to allocate their resources (capitals) strategically to create value in that environment for the long-term, hence achieving sustainable development. Sustainability accounting is an element of integrated reporting because a comprehensive integrated report connects how the financial resource (capital) and others including social, are managed and utilised to create value for both the organisation and the environment it operates in. it is expected that the value created translates to sustainable development. In the recent history, providers of financial capital started viewing the organisations that produce integrated reports as sustainable and are more likely to invest in such organisations. ***Sustainability accounting and integrated reporting enhance transparency, accountability, and credibility of organisations.***

22.3 PRACTICES, EXPLANATORY NOTES AND GUIDELINES

22.3.1 The Authority has adopted international standards in financial reporting, auditing, ethics, and education, amongst others. It is therefore expected that when the sustainability standard is finally issued by the ISSB, it would also be adopted. Therefore, what currently appears in this Code is just an interim position pending the finalisation of the standard.

22.3.2 The Board should consider and disclose the impact of climate change and all other elements that impact the environment.

22.3.3 The Board should recognise that the concept of sustainability and integrated reporting are closely linked i.e. The creation, preservation, and erosion of value and the interaction of the six capitals of Financial, Human, Manufactured Intellectual, Social and Natural.

22.3.4 The Board should recognise that the demand for relevant information has become critical as companies get exposed to climate and other sustainability related problems.

22.3.5 The Board should recognise during their decision-making processes that strategy, risk performance and sustainability are closely linked.

23. MANAGING STAKEHOLDER RELATIONSHIPS

23.1 PRINCIPLES

23.1.1 The board should ensure that management proactively identifies stakeholders' groups, their legitimate and reasonable needs, interests and expectations, and should take their interests appropriately into account in decision-making and operations.

23.1.2 The board should ensure that management listens and openly communicates with stakeholders on issues that concern them and their contributions. Management should in addition understand the risks that stakeholders are prepared to assume.

23.1.3 The board should ensure that management adopts processes and modes of behaviour that are sensitive to the concerns and capabilities of each stakeholder constituency.

23.1.4 The board should ensure that management recognises the interdependence of efforts and rewards amongst stakeholders and fairly distribute benefits and burdens of corporate activity amongst them taking into account their respective levels of risks and vulnerabilities.

23.1.5 The board should ensure that management and executive directors devote a significant amount of time to building relationships with other entities, both public and private in order to minimise risks and where necessary appropriately compensate for risks assumed.

23.1.6 The board should ensure that the entity avoids at all costs behaviours that could violate human rights, degrade the environment and work against the green initiatives.

23.1.7 The board should ensure that the entity acknowledges the potential conflicts between the corporate stakeholders and the legal role of social corporate responsibility. Activities in these areas should be openly discussed with stakeholders and any action taken appropriately disclosed.

23.2 COMMENTARY

Due to the interconnectedness of the entity with its various stakeholders, it is important that the entity prepares a communications strategy or similar initiative to identify all stakeholders of the entity, current and potential, together with their legitimate and reasonable needs, interests, and expectations. Stakeholders' management should be imbedded into the day-to-day decision-making process of the entity. This could inform improvements in the products and services of the entity. In its extreme, this could influence the strategic direction of the entity, with totally new products and services for the entity.

24. DIRECTORS' INDEMNITY INSURANCE

24.1 PRINCIPLE

The Board should ensure that an adequate indemnity insurance cover is taken for directors and officers to cover them against the cost of compensation claims against the business's directors and officers for alleged wrongful acts, which may include breaches of fiduciary duty, failure to comply with regulations, creditor claims, reporting errors, cyber-attacks and even corporate collapse or scandals, amongst others.

24.2 COMMENTARY

Indemnity generally means security or protection against financial liability. The intention is to shift liability away from one party, and on to the indemnifying party. It is common occurrence that in the course of doing their duties in good faith, Directors and Officers (D&O) get exposed to compensation claims for alleged wrongful acts. An indemnity insurance therefore covers such cost of compensation.

25. DISPUTE RESOLUTION

25.1 PRINCIPLES

25.1.1 Due to the interconnectedness of the entity with its stakeholders the board should ensure that the Stakeholder Management Strategy is aligned to the Dispute Resolution Strategy.

25.1.2 The Board should ensure that the overriding objective in dealing with disputes is not just to win cases but to resolve disputes and maintain good relationships with the stakeholders.

25.1.3 The board should ensure that disputes are resolved fairly, expeditiously, effectively and efficiently. The parties shall use their best endeavours to resolve disputes or differences in an amicable manner through consultation with each other.

25.1.4 The Board should ensure that the dispute resolution is not unnecessarily protracted and costly to adversely impact the finances of both parties. Most importantly the entity should ensure that it does not use its superior financial muscle to victimise its less financially able stakeholder.

25.1.5 The board should recognise that disputes or conflicts are part and parcel of doing business and should therefore review the resolution process as a way of addressing and resolving business problems and preclude their recurrence.

25.1.6 The board should ensure that in the event that the dispute or difference is not resolved, either party may at any time by written notice inform the other that such disputes remain unresolved and requires to be resolved by mediation and after mediation failing, by arbitration. While escalation to high courts of law on the land is always a possible option, it should be an option of last resort.

25.1.7 The Board should ensure that the entity and its stakeholders are aware of the preferred process of dispute resolution, by signing or including a dispute resolution clause or agreement in all its contracts of agreement.

25.1.8 The Board should ensure that the entity signs a dispute resolution agreement with details of timelines within which action should be taken, the law to be used and details of the arbitration process to be used, ideally the Botswana Institute of

Arbitrators should be used for local cases and a suitable international arbitrator for international disputes.

25.1.9 The board should ensure that information shared during the cause of the dispute resolution process should be kept confidential and even the fact that there is a dispute between the parties should be kept secret and confidential.

25.1.10 The Board should ensure that there is a formal dispute resolution process for both internal and external disputes.

25.1.11 The Board should ensure that an alternative dispute resolution intervention is in place because it has been proven to be the most efficient and effective methodology in terms of time, cost and overall satisfactions compared to formal litigation. Where proactive solutions to disputes is necessary for maintaining relationships in the future mediation and conciliation are the preferred alternatives.

26. EXTRACT FROM BOTSWANA STOCK EXCHANGE (BSE) LISTING REQUIREMENTS

26.1 BSE CORPORATE GOVERNANCE EXTRACT

This is an extract from the BSE listing requirements which the exchange specifically requires listed companies to comply with at the very least.

5B.1 In accordance with Appendix 5B of the Botswana Stock Exchange listing requirements, the following minimum contents are required in Integrated Reports:

All listed companies should meet the statutory requirements concerning Integrated Reports. The financial information included therein should be prepared in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with International Standards on Auditing (ISA) and should be consistent with prior year financial statements.

The Integrated Report should be prepared in accordance with the International Integrated Reporting (IIR) Framework.

5B.2 a) Code of Corporate Governance

Further, the listed company must include a narrative of which principles of the Code it has adopted with sufficient information for the shareholder to be able to evaluate to what extent the company has or has not complied with the Code, including the reasons for non-compliance. With the new Code based on an Apply and Explain basis, the entity has to apply the Code and explain how it has applied it. This is in fact the principles-based approach to implementing the Code.

b) Management Discussion and Analysis/Commentary

The Code requires the preparation of an Integrated Report which by design requires the entity to provide the information required by the exchange such the business model, risks and opportunities, how the entity invests its six capitals, namely, financial, manufactured, intellectual, natural, and social to create, preserve and erode value.

c) Disclosure of headline earning per share and diluted headline earnings per share together with prior year comparative figures and an itemised reconciliation of headline earnings per share and diluted earnings per share.

d) Information on segmental/sectoral revenue analysis by geographic location.

e) Statement of director's holding in securities including any movement during the year and any price and number of shares acquired by way of employee share option scheme.

f) Information on share spread including the number of public and non-public shareholders for every class of listed securities, and percentages of each class of listed security held by public and non-public shareholders.

g) ***Other information required relates to:***

   i) Certain information on major shareholders.

   ii) Information on share incentive schemes and any movements during the year thereof.

   iii) Information on profit forecasts.

   iv) Number and status of unlisted securities.

   v) All special resolutions passed by the issuer and its subsidiaries relating to capital structure, borrowing powers, or any other material matters affecting the company.

   vi) Issues of securities for cash distinguishing between general and specific issues including number of securities issued, the price and to whom issued.

   vii) Disclosure of directors' remuneration and benefits paid for both executive and non-executive directors for the issuer, subsidiaries, associates, joint ventures; and entities that provide management and or advisory services.

   viii) Details of own equity securities repurchased showing number, and average price.

5B.3 Stand-alone financial statements are not required but may be presented alongside consolidated financial statements if desired.

5B.4 A statement that all disclosures as required by the Companies Act 42:01 have been adhered to must be made by the Board of Directors. Any omissions and the reasons therefore must be listed.

GLOSSARY OF TERMS

"Annual report"	means the document that an entity issues on an annual basis of its affairs, including its financial statements together with the audit report, and the report from its Board of Directors.
"audit"	means an examination of the financial statements of an organisation to form an opinion on whether the – (a) information presented in the financial statements, taken as a whole, reflect the true and fair financial position of the organisation including its assets and liabilities at a given date and its profits and losses for the given period; and (b) the financial statements are prepared in accordance with the applicable financial reporting framework.
"auditor"	means a person, whether independently or as a part of an audit firm, or as an employee of the Government that provides audit services to a private or public entity.
"certified auditor"	means an auditor registered under section 24 of the Financial Reporting (Amendment) Act 2020 (The Act).
"firm"	means an audit firm for certified auditors or certified auditors of public interest entities registered under section 25, which firm provides audit services to public interest entities or other entities, including a partly or wholly funded public body.
"auditing standards"	means the auditing standards issued by the Authority under section 53. The Authority has adopted International Standards on auditing,
"Authority"	means the Botswana Accountancy Oversight Authority established under section 3 of the Act.
"Board"	means the Board of Directors established under section 7 of the Board and governing body can be used interchangeably.
"entity"	means any person or body of persons, whether incorporated or unincorporated.
"financial reporting standards"	means the financial reporting standards issued by the Authority under section 52 of the Act. The Authority has adopted International Financial Reporting Standards (IFRS).
"independence"	means independence of mind, independence in appearance, or both.
"Independence of appearance"	means the avoidance of facts and circumstances that are so significant that a reasonable and informed third party having knowledge of all relevant information including any safeguards applied, will reasonably conclude that the integrity, objectivity or

professional scepticism of a firm or a member of the audit team had been compromised.

"Independence of mind"	means the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgement, allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
"Institute"	means the professional accountancy body known as the Botswana Institute of Chartered Accountants established under section 3 of the Accountants (Amendment) Act, 2020.
"Material irregularity"	means an irregularity that, by itself, or in combination with other irregularities, results in a misstatement of the financial statements of an entity, or in its financial statement not fairly presenting the operations and financial condition of entity and that, if properly presented, would affect a financial or investment decision of the user.
"officer"	in relation to a public interest entity, means a person who is responsible for the preparation of financial statements, and includes a member of the audit practice review committee, the chief executive, the chief financial officer and directors.
"PIE"	means public interest entity.
"rules"	means the rules of the Authority made under section 72 of the Act.
"Professional misconduct"	means an act or omission constituting misconduct in terms of section 38(2) of the Act.
"Engagement quality control review"	means a process designed to provide an objective evaluation, on or before the date of the report, of the significant judgements the engagement team has made and the considerations it made in formulating the audit opinion or report.
"IFAC"	means the International Federation of Accountants or its successor body.
"IFRS"	means the International Financial Reporting Standards.
"ISQC 1"	means the International Standards on Quality Control 1 or its successor quality control standards.
"Member firm"	means a firm providing professional auditing services which is registered in accordance with section 25 of the Act.
"Public body"	means any board, tribunal, commission, council, committee or other body, corporate or unincorporated established under any enactment, and includes any company in which the Government has equity shares".

"Chartered accountant"	has the same meaning as assigned to it under the Accountants (Amendment) Act, 2020.
"Certified professional accountant"	has the same meaning as assigned to it under the Accountants (Amendment) Act, 2020.
"register"	means a register of certified auditors, audit firms, PIEs and any other register kept and maintained in accordance with section 23 of the Act.

Accountability	The obligation to answer for the execution of responsibilities. Accountability cannot be delegated, whereas responsibility can be delegated without abdicating accountability for that delegated responsibility.
Assurance Engagement	An engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).
Audit firm tenure	The length of the audit firm-client relationship. It should be calculated as the number of uninterrupted financial years that an audit firm has acted as external auditor of an organisation, up to and including the organisation's last audited financial year.
Board of a company	If it is used in the context of a company, "means the board of directors of a company", as defined in Section 1 of the Companies Act. Boards form a subset of the wider term "governing bodies".
Business model	"An organisation's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value over the short, medium and long terms".
CAE	Chief audit executive
Capitals or six capitals	"The capitals are stocks of value on which all organisations depend for their success as inputs to their business models, and which are increased, decreased, or transformed through the organisations business activities and outputs. In accordance with the six capitals model, these capitals consist of financial, manufactured, intellectual, human, social and relationship, and natural capital. Each of these capitals are described in the International ≤IR≥ Reporting Framework.
CEO	Chief Executive Officer or the highest-ranking employee in an organisation regardless of naming convention.
CFO	Chief Finance Officer
Code	Botswana Code of Corporate Governance.

Combined Assurance	A combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment; support the integrity of information used for internal decision-making by management, the governing body and its committees; and support the integrity of the organisation's external reports.
Companies Act	Companies Act, Chapter 42:01.
Company	A juristic person incorporated in terms of the Companies Act 42:01.
Competence	Possessing the skills and attributes and exhibiting the conduct that are used to define and measure suitability for a certain role or function.
Conflict of interest	A conflict of interest, used in relation to members of the governing body and its committees, occurs when there is a direct or indirect conflict, in fact or in appearance, between the interests or such member and that of the organisation. It applies to financial, economic and other interest in any opportunity from which the organisation may benefit, as well as use of the property of the organisation, including information. It also applies to the member's related parties holding such interests.
Corporate Citizenship	Corporate citizenship is the recognition that the organisation is an integral part of the broader society in which it operates. Affording the organisation standing as a juristic person in that society with rights but also responsibilities and obligations. It is also the recognition that the broader society is the licensor of the organisation.
Creation of value	The positive consequences of the organisation's business activities and outputs on the triple context in which the organisation operates, and the capitals it uses and affects.
Culture	In an organisation context, "the way in which members of an organisation relate to each other, their work and the outside world in comparison to other organisations". It is generally described as "the way we do things around here, even when no one is watching.
Director	Means a member of the board of a company, as contemplated in Section 126 of the Companies Act 42:01, or an alternate director of a company and includes any person occupying the position of a director or alternate director, by whatever designated", of the Companies Act.
Diversity	Diversity should be understood as the varied perspectives and approaches offered by members of different identity groups. It includes diversity in terms of fields of knowledge, skills and experience as well as age, culture, race and gender.
Effective or effectively	The adequate accomplishment of the desired objective or a pursuit with the minimum expenditure of time, resources, waste and effort.

Ensure	Ensure, where it is used in relation to the responsibilities of the governing body, means to direct and oversee in good faith and with best reasonable effort towards achieving the desired result.
ESG	Environmental, social and governance
Ethics	Considering what is good and right for the self and the other, and can be expressed in terms of the golden rule, namely, to treat others as you would like to be treated yourself. In the context of organisations ethics refers to ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and the broader society.
Fairness	Fairness refers to the equitable and reasonable treatment of the sources of value creation, including relationship capital as portrayed by the legitimate and reasonable needs, interests and expectations of material stakeholders of the organisation.
Information	Includes all data, records and knowledge in electronic or any other format, which form part of the intellectual capital used, transformed or produced by the organisation.
Integrated reporting	"A process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time. It includes related communications regarding aspects of value creation".
Integrated thinking	"Integrated thinking is defined as the active consideration by an organisation of the relationships between its various operating and functioning units and the capitals that the organisation uses or affects".
Integrity	In the context of governance and ethics, integrity is possessing the quality of being honest and having strong moral principles. It encompasses consistency between stated moral and ethical standards, and actual conduct. Integrity, in relation to the annual financial statements and other external reports issued by the organisation, refers to the reliability and usefulness of these reports. (in this context, "reliability" means validity, accuracy and completeness, while usefulness" means consistency, relevance and measurability.)
International ≤IR≥ Framework	International Integrated Reporting Framework
Management	Management includes senior management and executive management "Senior Management" is the level of management reporting to executive management. "Executive Management" is, after the governing body, the highest decision-making authority in the organisation.

Materiality	It is a "measure of the estimated effect that the presence or absence of an item of information [or identified subject matter] may have on the accuracy or validity of a statement [or decision]. Materiality is judged in terms of its inherent nature, impact (influence) value, se value, and the circumstances (context) in which it occurs". Materiality in relation to the inclusion of information in an integrated report refers to matters that "could substantively affect the organisation's ability to create value over the short, medium and long term.
Performance	"An organisation's achievements relative to its strategic objectives, and its outcomes in terms of its effects on the capitals". It includes the organisation's outcomes in terms of its effects on the triple context in which the organisation operates. Performance is therefore the result (positive and negative) of the value creation process. (See also "good performance".)
Pre-emptive	"Rights conferred o shareholders under Section 52 of the Companies Act", 42:01.
Policy	Policy gives effect to strategy and strategic direction by defining the frameworks, standards and plans tat establish the scope or speres within which judgement is exercised, decisions are made and actions are taken.
Related party	A related party is a person or entity as set out in Section 2(1) of the Companies Act. It applies *mutatis mutandis* to organisations other than companies. (See also "conflict of interest".) A party that is either: a) A related party as defined in the applicable financial reporting framework; or b) Where the applicable financial reporting framework establishes minimal or no related party requirements" i) A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity. ii) Another entity over which the reporting entity has control or significant influence directly or indirectly through one or more intermediaries; or iii) Another entity that is under common control with the reporting entity through having: a. common controlling ownership; b. owners who are close family members; or c. common key management. However, entities that are under common control by a state (that is, a national, regional or local government) are not

considered related unless they engage in significant transactions or share resources to a significant extent with one another.

Responsibility	Taking ownership of a duty, obligation, or liability.
Risk	Risk is about the uncertainty of events; including the likelihood of such events occurring and their effect, both positive and negative, on the achievement of the organisation's objectives. Risk includes uncertain events with a potential positive effect on the organisation (i.e. opportunities) not being captured or not materialising.
Shareholders	"Subject to Section 57(1) of the Act, means the holder of a share issued by a company and who is entered as such in the certificated or uncertificated securities register, as the case may be" as defined in Section 1 of the Companies Act.
SOE	State-owned entity.
Stakeholders	"Those groups or individuals that can reasonably be expected to be significantly affected by an organisation's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value over time". "Internal stakeholders" are directly affiliated with the organisation and include its governing body, management, employees and shareholders. "External stakeholders" could include trade unions, civil society organisations, government, customers and consumers. Internal stakeholders are always material stakeholders, but external stakeholders may or may not be material.
Strategy	The setting of the organisation's short, medium and long-term direction towards realising its core purpose and values.
Technology	Technology comprises the infrastructure, devices, systems, and software that generate, use or carry information and enable transactions.
Transparency	The unambiguous and truthful exercise of accountability such that decision-making processes and business activities, outputs and outcomes (both positive and negative) are easily able to be discerned and compared with ethical standards.
Triple context	The combined context of the economy, society and environment in which the organisation operates.
Value creation or value creation process	"The process that results in increase, decreases or transformations of the capitals caused by the organisation's business activities and outputs". The value creation process therefore has neutral, positive and negative outcomes.

Value	Convictions and beliefs about how the organisation and those who represent it should conduct themselves; how resources and stakeholders should be treated; what the core purpose and objectives of the organisation should be; and how work duties should be performed.
Corporate Social Responsibility/Corporate Responsibility (CSR)	Is an important and critical component of the broader notion of corporate citizenship. One is a good corporate citizen, inter alia, by being socially responsible. Corporate responsibility is the responsibility of the company for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development including health and the welfare of society; takes into account the legitimacy interest and expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the company and practiced in its relationships. Activities include products, services and processes.' Relationships refer to a company's activities within its sphere of influence.
Corporate Social Investment/Responsible Investment (CSI)	Is one manifestation of Corporate Responsibility. In the narrow sense it refers to donations and other kinds of financial assistance (made for an altruistic purpose) and in the broader sense, includes other kinds of contributions beyond just financial assistance. Whilst Responsible Investment is an important aspect of Corporate Responsibility, it should be an integral component of a broader economic social and environmental (sustainability) strategy.
COO	Chief Operating Officer
CRO	Chief Risk Officer
ERM	Enterprise Risk Management is defined as comprehensive risk management that allows companies to identify, prioritise, and effectively manage their crucial risks. An ERM approach integrates risk solutions into all aspects of business practices and decision-making processes.
Ethics	'Ethics and morality' (these terms can be used interchangeably) refer to that which is good or right in human interaction. Ethics involves three key interlinked concepts – 'self, 'good', and 'other'. Thus, one's conduct is *ethical* if it gives due consideration not only to that which is good for *oneself*, but also good for *others*.
Ethical values and Ethical principles	Ethical values translate into behavioural commitments (principles)or behavioural directives (standards, norms, and guidelines). For example, the ethical value of honesty generates the principle "We

	should be honest". This means that we have an ethical duty not to deceive, but to tell the truth. In specific circumstances, the principle of respect – "We should respect the dignity of others". A clash of ethical principles results in an ethical dilemma. We need to employ ethical reasoning and deliberation to resolve ethical dilemma.
Values	Describing conduct as 'good' or 'right' means measuring it against standards, called 'values'. *Ethical values* are convictions we hod about what is important in our character and interactions with others. Examples of ethical values are integrity, respect, honesty (truthfulness), responsibility, accountability, fairness, transparency, and loyalty.
IIA	Institute of Internal Auditors.
IT Governance	IT Governance can be considered as a framework that supports effective and efficient management of IT resources to facilitate the achievement of a company's strategic objectives.
Confidentiality	The property that information is not made available or disclosed to unauthorised individuals, entities, or processes.
Control framework	A control framework is a set of fundamental controls that must be in place to prevent financial or information loss in a company.
Information governance	Is an emerging discipline with an evolving definition. The discipline embodies a convergence of data quality, data management, business process management, and risk management surrounding the handling of data in a company. Also defined as data governance.
Information Management program	A comprehensive information management program will improve the information- handling and administration processes, the security of private information.
Information security	Information security is the protection o information from a wide range of threats in order to ensure business continuity, minimise business risk, and Maximise return on investment and business opportunities.
IT	Information technology
Laws	Acts promulgated by Parliament, regulation, subordinate legislation, international legislation, applicable binding industry codes and rules such as JSE listings requirements and contractual obligations.
Legitimate interests and expectations	The interest and expectation could be concluded to be valid and justifiable on a legal, moral or ethical basis in the circumstances by a reasonable and informed party.
LID	Lead Independent Director.
OECD	Organisation for Economic Cooperation and Development.
PFMA	Public Finance Management Act.

Practitioner	A person appointed, or two or more persons appointed jointly, to oversee a company during business rescue proceedings.
Private company	As defined in the Companies Act, 42:01 Section 2.
Public company	As defined in the Companies Act.
Responsibility	The state or position of having control or authority and being accountable for one's actions and decisions.
Risk	Risk can be defined as uncertain future events that could influence, both in a negative and positive manner, the achievement of the company's objectives. It is the combination of the probability of an event and its consequence, Risk is a condition in which the possibility of loss exists. In some situations, risk arises from the possibility of deviation from the expected outcome or event. Risk arises as much from failing to capture business opportunities when pursuing strategic and operational objectives as it does from a threat that something bad happen.
Event	Occurrence of a particular set of circumstances. The event can be certain or uncertain. The event can be a single occurrence or a series of occurrences. The probability associated with the event can be estimated for a given period of time.
Risk management	Risk management Process entails the planning, arranging and controlling of activities and resources to minimise the negative impacts of all risk to levels that can be tolerated by stakeholders whom the board has identified as relevant to the business of the company, as well as to optimise the opportunities, or positive impacts, of all risk.
Criteria	Terms of reference by which the significance of risk is assessed. Risk criteria can include associated cost and benefits, legal and statutory requirements, socio economic and environmental aspects, the concern of stakeholders, priorities, and other inputs to the assessment.
Key risk	Risks which the company perceives to be its most significant risks.
Key risk indicators	A metric that can be monitored and that has a correlation with one of the risk factors. Indicators by which key risks can be easily identified.

Mitigation	Limitation of any negative consequences of a particular event.
Residual risk	The level of Risk remaining after risk treatment
Risk acceptance	Decision to accept risk
Risk analysis	Systematic use of information to identify sources and to estimate the risk. Risk analysis provides a basis for risk evaluation, risk treatment and risk acceptance. Information can include historical data, theoretical analysis, informed opinions, and the concerns of stakeholders.
Risk appetite	The level of residual risk that the company is prepared or willing to accept without further mitigation action being put in place, or the amount of risk company is willing to accept in pursuit of value. A company's risk appetite will vary from risk to risk. Risk appetite is different from risk bearing capacity.
Risk assessment	Overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities or minimise loss.
Risk avoidance	Decision not to become involved in, or action to withdraw from, a risk situation. The decision may be taken based on the result of risk evaluation.
Risk perception	Way in which a stakeholder views a risk based on a set of values or concern. Risk perception depends on the stakeholder's needs, issues and knowledge. Risk perception can differ from objective data.
Risk profile	The company and its regions and functional area, has an inherent and residual risk profile. These are all the risks faced by the company, ranked according to a risk matrix and indicated graphically on a matrix. The Risk Score may be determined by multiplying the frequency and severity of the risk, where these are indicated.
Risk reduction	Actions taken to lessen the probability negative consequences or both, associated with a risk.
Risk register	A formal listing of risk identified, together with the results of the risk analysis, risk evaluation procedures together with details of risk treatment, risk control, risk reduction plans.
Risk response	Process of selection and implementation of measures to modify risk.

	The terms "risk treatment" is sometimes se for the measures themselves. Risk response measures can include treating, avoiding, optimising, transferring, terminating and retaining risk.
Risk retention	Acceptance of the burden of loss, or benefit of gain, from a particular risk. Risk retention includes the acceptance of risk that have not been identified. Risk retention does not include treatments involving insurance, or transfer by other means. There can be variability in the degree of acceptance and dependence on risk criteria.
Risk transfer	Sharing with another party the burden of loss or benefit of gain, for a risk. Legal or statutory requirements can limit, prohibit or mandate the transfer of certain risk. Risk transfer can be carried out through insurance or other agreements. Relocation of the source is not risk transfer.
Share-based incentive Scheme	A share-based incentive scheme is a form of remuneration which rewards employees according to the appreciation in vale of real or notional equity holdings in the company. It may take a variety of forms, including that of an option or a conditional grant of shares subject to performance or other conditions. It is generally granted over a period of three or more years and may be settled by the issue of shares.
SRI	Socially Responsible Investment.
Sustainability	Sustainability of a company means 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 includes environmental, social and governance issues.

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