



BANK OF GHANA

Corporate Governance Disclosure Directive

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

(EXPOSURE DRAFT)

Prepared by the Bank of Ghana

November 2021

Table of Content

PART I – PRELIMINARY	3
Title	3
Application.....	3
Interpretation.....	3
PART II – OBJECTIVES AND RELEVANT DISCLOSURE PROVISIONS	5
Objectives	5
PART III –DISCLOSURE REQUIREMENTS	7
Annual Certification.....	7
Governance Structure	7
Remuneration Policies.....	8
Board Meetings	9
Other Engagements of Directors	9
Report on Board Evaluation	9
Succession Planning.....	10
Ethics and Professionalism	11
Related Party Transactions.....	11
Data Protection and Reports	11

PART I – PRELIMINARY

Title

1. This Directive may be cited as the Corporate Governance Disclosure Directive, 2021.

Application

2. This Directive is issued under the powers conferred by Sections 56 and 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and shall apply to Regulated Financial Institutions (RFIs).
3. This Directive shall be read in conjunction with the Corporate Governance Directive, 2018.

Interpretation

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

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

"BOG" means the Bank of Ghana.

"Board" means the Board of Directors of a Regulated Financial Institution.

"CGD" means the Corporate Governance Directive, 2018.

"Corporate Governance" means the manner in which the business and affairs of a Regulated Financial Institution is governed by its Board and Senior Management, including how its strategy and objectives are set; its risk appetite/tolerance are determined; its day-to-day business is operated; interests of depositors are protected and shareholders obligations are met, taking into account the interests of other recognised stakeholders; and aligning corporate activities and behaviour with the expectation that it will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

"Key management personnel" means the chief executive officer or managing director, deputy chief executive officer, chief operating officer, chief finance officer, Board secretary, treasurer, chief internal auditor, the chief risk officer, the head of compliance, the anti-money laundering reporting officer, the head of internal control functions, the chief legal

officer, the manager of a significant business unit of a Regulated Financial Institution.

“Regulated Financial Institution (RFI)” *means a bank, savings and loans company, finance house and financial holding company regulated under Act 930.*

“Related Party” *in relation to business transactions means a company/entity in which:*

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

“Remuneration Structure” *means a compensation framework designed to ensure that there is an appropriate balance of fixed and variable rewards, which include both short-term and long-term incentives, and is weighted towards performance-related elements that take into account individual, functional and corporate performance.*

PART II – OBJECTIVES AND RELEVANT DISCLOSURE PROVISIONS

Objectives

5. The objectives of this directive are to:
 - a. enhance transparency and market discipline;
 - b. enhance the accountability of the RFI to its stakeholders;
 - c. assess the effectiveness of RFIs' Corporate Governance practices and their risk profiles;
 - d. promote public confidence and trust in RFIs; and
 - e. amend all disclosures required in the RFI's "Annual Report" as stated in the Corporate Governance Directive, 2018 to disclosures in the RFI's "Audited Financial Statements".

Relevant Disclosure Provisions – Corporate Governance Directive (CGD)

6. Section 12 of the CGD requires:
 - a. Within 90 days after the beginning of each financial year, the Board shall provide a certification in the annual report as to the compliance of the Regulated Financial Institution or otherwise with the contents of this Directive.
Additionally, the certification should state that:
 - (i) The Board has independently assessed and documented whether the corporate governance process of the Regulated Financial Institution is effective and has successfully achieved its objectives or otherwise.
 - (ii) Directors are aware of the responsibilities to the Regulated Financial Institution as persons charged with governance.
 - b. The Board shall report any material deficiencies and weaknesses that have been identified in the course of the year, along with action plans and timetables for corrective action by the Board to the Bank of Ghana.
 - c. Directors are required to obtain certification from the National Banking College or any other institution recognised by the Bank of Ghana to the effect that they have participated in a corporate governance programme and have completed a programme on directors' responsibilities.
7. In addition, other sections of the CGD require:
 - a. The Board to disclose in the corporate governance section of its Annual Report, the total number of Board meetings held in the financial year and the attendance by each director (section 43);
 - b. Directors' other engagements to be disclosed in the annual accounts

- of the RFI (section 45 (a));
- c. A statement on the external evaluation of the Board to be included as a separate section of the annual report of the RFI every two (2) years (sections 47 and 48 (b));
 - d. The Board to ensure that appropriate public disclosure on conflict of interest is made in the annual report (section 60);
 - e. RFI to disclose in the annual report, details of shares held by Directors, Senior Management and Related parties (section 72 (h)); and
 - f. The governance of the RFI to be adequately transparent to its shareholders, depositors, other relevant stakeholders and to be disclosed in its annual report. The disclosure shall include, material information on the organisational and governance structures and policies, (in particular the content of any corporate governance code or policy and the process by which it is implemented), major share ownership and voting rights, and related parties transactions of the RFI (section 74).

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PART III –DISCLOSURE REQUIREMENTS

Annual Certification

8. The Board shall provide a certification in the Audited Financial Statements on the extent to which the RFI has complied or otherwise with the requirements of the CGD and provide:
 - a. any non-compliance with the CGD;
 - b. the period of non-compliance;
 - c. explanations for the departure from the CGD;
 - d. details of any remedial action already taken; and
 - e. planned corrective actions outlined to comply with the CGD.
9. The certification shall be dated and approved by the Board of the RFI.
10. The certification statement shall include disclosures as to whether:
 - a. the Board has independently assessed and documented the corporate governance process of the RFI as effective or otherwise and has successfully achieved its objectives or otherwise; and
 - b. Directors are aware of their responsibilities to the institution as persons charged with governance or otherwise.
11. The Board shall disclose certification obtained by the Directors from the National Banking College or any other institution recognised by the BoG, at least annually, to the effect that they had participated in a corporate governance programme and have completed a programme on Directors' responsibilities.

Governance Structure

12. The Board shall disclose in the Audited Financial Statement:
 - a. the RFI's corporate governance code or policy and the process by which it is implemented;
 - b. major share ownership and voting rights and details of shares held by Directors and related parties;
 - c. the composition of the Board (including the name, designation, independent, non-executive, executive, etc, and date of appointment of Director);
 - d. retirements, resignations, and removal of Directors and Key Management Personnel during the financial year
 - e. key information and background of Directors (such as qualifications and experience);
 - f. the performance criteria used to assess the effectiveness of the Board as a whole and of individual Directors;

- g. description of training and capacity building programmes provided to the Board;
- h. an assessment of the time commitment by Board members, including a quantitative assessment (e.g. hours dedicated to the role), and the assessment of qualitative aspects (e.g. size and the circumstances of the entities where other directorships are held and the nature, scale, and complexity of their activities; the place or country where the entities are based; other professional or personal commitments and circumstances);
- i. risk management, internal control, and fraud frameworks; and
- j. profile of the Executive Management Committee.

Remuneration Policies

- 13. The Board shall disclose information relating to the design and structure of the remuneration system and as a minimum provide the following:
 - a. how the Board oversees the design and operation of the compensation system and monitors the review of the compensation system to ensure that it is effectively aligned with prudent risk taking;
 - b. how the Board ensures that levels of remuneration are sufficient to attract, retain, and motivate executive officers of the RFI and how the remuneration is balanced to avoid excessive risk taking or potential risks to the RFI capital base;
 - c. how the Board ensures that remuneration that is tied to performance and any variable remuneration scheme more generally, is designed in such a way to prevent excessive risk taking;
 - d. how a committee of independent Directors determine the remuneration of executive and non-executive Directors;
 - e. how the Board, together with its compensation committee (where one exists), approves the compensation of key management personnel.
 - f. details of share options that are part of executive remuneration and are tied to performance, and subject to shareholder approval;
 - g. how executive remuneration policy aligns with the long term sustainability of the institution by providing a mix of short-term and long-term remuneration to incentivize sustainable long-term performance;
 - h. details of shares held by directors and related parties; and
 - i. summary of the Directors, Executive Management and Staff remuneration structure.

Board Meetings

14. The Board shall disclose the frequency and conduct of Board and Committee meetings and the attendance of each Director at meetings during the financial year.
15. The Board shall disclose the detailed annual meeting calendar and a summary of work it carried out during the year.

Board Committees

16. The Board shall disclose the number and nature of Board Committees of the RFI and provide as a minimum the following:
 - a. membership and composition of the Committees;
 - b. the existence of Terms of Reference for the Committees;
 - c. work carried out by the Board Committees during the year and focus of next year's planned activities;
 - d. calendar of activities of the Board Committee;
 - e. suitability of Committee members, conflict of interests of any of the members, and the respective mitigating actions.

Other Engagements of Directors

17. The Board shall disclose Directors' other engagements in the Audited Financial Statements of the RFI. These shall include:
 - a. all directorship positions held by a Director at a time in both financial and non-financial companies;
 - b. other external professional commitments;
 - c. on-shore and off-shore other engagements of Directors and Key Management staff.

Report on Board Evaluation

18. The Board shall disclose in the Audited Financial Statements whether there was an external evaluation of the Board, the Board Committees, and of individual Board members and provide as a minimum:
 - a. the name of the firm (vendor) engaged by the RFI to undertake the external evaluation;
 - b. the year of the last external evaluation;
 - c. areas covered by the external evaluation;
 - d. how the evaluation was conducted;
 - e. a summary of key findings from the Board evaluation;
 - f. an action plan with well defined deadlines to address the observed weaknesses and key findings;
 - g. how recommendations and key findings from previous assessments

- have been addressed
- h. whether a detailed report has been submitted to the BoG; and
- i. the last date of reporting to the BoG.

Succession Planning

- 19. The Board shall disclose:
 - a. its work on succession planning for Board Members and Key Management Personnel; and
 - b. a description of the appropriate succession plans in place for such positions.

Internal Control Framework

- 20. The Board shall disclose the effectiveness or otherwise of the internal control framework and the nature and frequency of any review and assessment conducted on the internal control framework and provide:
 - a. the key internal control policies and procedures for managing each key/material risk and the changes made to the policies and procedures during the year to ensure that they remain relevant;
 - b. the key points concerning its risk exposures and risk management strategies without necessarily breaching confidentiality;
 - c. the internal control over financial reporting; and
 - d. the procedures used to report internal control deficiencies or breaches and any preventive actions.
- 21. Additionally, the Board shall disclose its responsibility for maintaining and reviewing the effectiveness of risk management systems, and for determining the aggregate level and types of risks the RFI is willing to take in achieving its strategic objectives.

Internal Audit

- 22. The Board shall disclose the effectiveness of the the internal audit structure put in place to provide an independent assessment of the adequacy of, and compliance with established policies and procedures, the lines of reporting of the internal audit department, the roles and responsibilities of the internal audit department as well as the scope and nature of audit work.

Conflicts of Interest

- 23. The Board shall disclose information relating to conflict of interest policy and an objective compliance process for implementing the policy. The Board shall also disclose its compliance or otherwise with the minimum

requirements of the conflict of interest policy as set out in Section 59 of the Corporate Governance Directive, 2018.

Ethics and Professionalism

24. The Board shall disclose information relating to Code of Conduct for the RFI and provide as a minimum the following:
- a. whether the RFI has put in place a Code of Conduct which is made available to all persons to whom it applies;
 - b. whether all Directors and employees have signed off as having read and understood the Code of Conduct and sanctions for breaching the policy;
 - c. practices put in place to maintain confidence in the integrity of the RFI;
 - d. how the RFI, its employees, management, and Board commit to the highest standards of professional behaviour, business conduct, and sustainable business practices;
 - e. policy established to govern trading in the shares of the RFI by Directors, Key Management Personnel, and employees; and
 - f. corporate culture and values established by the Board that promote and reinforce norms for responsible behavior in terms of RFI's risk awareness, risk-taking, and risk management.

Related Party Transactions

25. The Board shall disclose the nature and extent of transactions with related parties (including intra-group transactions) and indicate:
- a. whether the transactions have been reviewed by the Board of the RFI to assess risk and are subject to appropriate restrictions;
 - b. whether the transactions are conducted on non-preferential terms/basis; and
 - c. whether the transactions comply with applicable legislation and other requirements such as those prescribed under sections 67 to 70 of Act 930, regarding exposure limits for loans to related parties and staff.

Data Protection and Reports

26. The Board shall disclose the systems and procedures put in place to enable Directors keep abreast with the performance of the RFI against the strategic plan and budget, including the types of reports submitted by Management in accordance with section 44 of the CGD and the frequency of the reports.

Placement of Corporate Governance Report in the Audited Financial Statements

27. RFI shall make the disclosure requirements of the CGD under the sub-heading "Corporate Governance Report" and this shall be placed between the Directors' Report and Independent Auditors' Report in the Audited Financial Statements .

The Role of External Auditors

28. External auditors shall assess the Corporate Governance practices of the RFI and review the Corporate Governance Report. The report of their assessment shall be placed after the "Independent Auditors' Report" under a sub-heading "Independent Auditors' review of Corporate Governance Practices" in the Audited Financial Statements.

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