



Corporate Governance Disclosure Directive

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

May 2022

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PART I – PRELIMINARY

1. Title

This Directive may be cited as the Bank of Ghana Corporate Governance Disclosure Directive, 2022.

2. Application

- (1) This Directive is issued pursuant to 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).
- (2) This Directive shall be read in conjunction with the Bank of Ghana Corporate Governance Directive, 2018.
- (3) Where there is a conflict or inconsistency between the Bank of Ghana Corporate Governance Directive, 2018, and this Directive on matters of disclosures on corporate governance, this Directive shall prevail.

3. Interpretation

In this Directive, unless the context otherwise requires,

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

“Annual Report” means a company's yearly report to shareholders, documenting its financial condition and other activities in the previous financial year presented at the annual general meeting of the shareholders.

“Audited Financial Statement” means the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, summary of significant accounting policies and other explanatory notes, a report by the directors and a report of independent auditors attesting to the financial statement's fairness and compliance with generally accepted accounting principles.

“BOG” means Bank of Ghana.

“Board” means the Board of Directors of a Regulated Financial Institution.

“CGD” means the Bank of Ghana Corporate Governance Directive, 2018.

“Code of Conduct” means a set of rules outlining the norms, principles, standards, moral, and ethical expectations and the responsibilities or proper practices of a Regulated Financial Institution.

“Committees” means Board committees.

“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 is 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 would operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

“Corporate Governance Programme” means the training provided by the National Banking College or any other institution recognised by the BOG on Corporate Governance.

“Corporate Governance Report” means the disclosures made on the Corporate Governance of the Regulated Financial Institution.

“Executive Management Committee” means the committee that will support the chief executive officer or managing director to guide and steer the direction of the institution and to facilitate the flow of information between the Board and its senior management staff.

“Influence” means the power to participate in the operating and financial policy decisions of a company/entity.

“IFRS Disclosures” means the disclosures required by the International Financial Reporting Standard.

“Key Management Personnel” means the chief executive officer or managing director, deputy chief executive officer or deputy managing director, 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 or the manager of a significant business unit of a Regulated Financial Institution Or any person with similar responsibilities

“National Banking College” means a specialist academic training institution for bankers in Ghana.

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

“Related Persons” includes a spouse, son, daughter, step son, step daughter, brother, sister, father and mother, cousin, nephew, niece, aunt, uncle, step sister

and step brother of a significant shareholder, director or Key Management Personnel.

“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 of the RFI also serves as a director 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.*

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PART II – OBJECTIVES AND RELEVANT DISCLOSURE PROVISIONS

4. Objectives

The objectives of this Directive are to:

- (1) enhance transparency and market discipline;
- (2) enhance the accountability of the RFI to its stakeholders;
- (3) assess the effectiveness of RFIs' Corporate Governance practices and their risk profiles;
- (4) promote public confidence and trust in RFIs; and
- (5) amend all disclosures required in the RFI's Annual Report as stated in the CGD to disclosures in the RFI's "Audited Financial Statements".

5. Relevant Disclosure Provisions – CGD

- (1) Section 12 of the CGD requires:
 - (a) that within ninety (90) days of the beginning of each financial year, the Board shall provide a certification in the Annual Report of the preceding year as to the compliance of the RFI or otherwise with the contents of this Directive. Additionally, the certification shall state that:
 - (i.) the Board has independently assessed and documented whether the corporate governance process of the RFI is effective and has successfully achieved its objectives or otherwise; and
 - (ii.) Directors are aware of their responsibilities to the RFI 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 BOG.
 - (c) Directors are required to obtain certification from the National Banking College or any other institution recognised by the BOG to the effect that they have participated in a Corporate Governance Programme and have completed a programme on directors' responsibilities.
- (2) 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 director¹ ;
 - (b) Directors' other engagements to be disclosed in the annual accounts of the RFI² ;
 - (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) years³;
 - (d) the Board to ensure that appropriate public disclosure on conflict of interest is

¹ Bank of Ghana Corporate Governance Directive, 2018, Section 43

² Ibid Section 45(a)

³ Ibid, Sections 47 and 48(b)

made in the Annual Report⁴;

- (e) RFIs to disclose in the Annual Report details of shares held by directors and RelatedParties⁵; and
- (f) the governance of the RFI to be adequately transparent to its shareholders, depositors, and 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 RFI⁶.

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⁴ Ibid, Section 60

⁵ Ibid, Section 72 (h)

⁶ Section 71

PART III – DISCLOSURE REQUIREMENTS

6. Annual Certification

- (1) The Board shall provide a certification statement in the Audited Financial Statements on the extent to which the RFI has complied or otherwise with the requirements of the CGD and at a minimum, provide the following:
 - (a) any non-compliance with the provisions of the CGD;
 - (b) the period of non-compliance;
 - (c) explanations for the non-compliance with the CGD;
 - (d) details of any remedial action already taken; and
 - (e) planned corrective actions outlined to comply with the CGD.
- (2) The certification statement shall include disclosures as to whether:
 - (a) the Board had 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.
- (3) 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.

7. Governance Structure

The Board shall disclose in the Audited Financial Statement:

- (1) the RFI's corporate governance code or policy and the process by which it is implemented;
- (2) the induction of new directors and Key Management Personnel during the financial year;
- (3) the shareholding structure indicating voting rights and details of shares held by directors, Key Management Personnel, and Related Parties;
- (4) the size and composition of the Board (this includes the names, Related Persons, and designations – independent, non-executive, executive, as well as dates of appointment (the effective date on which the director is appointed by the RFI after receipt of prior written notice and subsequent approval of the BOG)) and indicate the compliance or otherwise with the following:
 - (a) thirty per cent (30%) Ghanaian membership on the Board as well as on the Audit and Risk Committees;
 - (b) thirty per cent (30%) independent directorship;
 - (c) a maximum of two (2) Related Persons allowed to serve on the Boards of the RFI and the financial holding company if any; and
 - (d) an appropriate balance of power and authority on the Board between the

executive and non-executive directors such that no one individual or group shall dominate the Board's decision-making process.

- (5) retirements, resignations, and removal of directors and Key Management Personnel during the financial year;
- (6) profile of directors (including qualifications and experience);
- (7) a brief description of the performance criteria used to assess the effectiveness of the Board as a whole and of individual directors;
- (8) a summary of the training and capacity building programmes provided to the Board; and
- (9) a profile of the Executive Management Committee and the board secretary (including qualifications and experience).

8. Remuneration Policies

The Board shall disclose in the Audited Financial Statement, information relating to the design and structure of the remuneration system and provide at a minimum, how:

- (1) the Board oversees the design and operation of the compensation system and how the Board monitors the review of the compensation system to ensure that it is effectively aligned with prudent risk taking;
- (2) 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's capital base;
- (3) the Board ensures that remuneration that is tied to performance and any variable remuneration scheme more generally, is designed in such a way as to prevent excessive risk taking;
- (4) a committee of independent directors determine the remuneration of executive and non-executive directors;
- (5) the Board, together with its Compensation Committee (where one exists), approves the compensation of Key Management Personnel.
- (6) details of share options that are part of executive remuneration are tied to performance, and subject to shareholder approval;
- (7) executive remuneration policy aligns with the long term sustainability of the institution by providing a mix of short-term and long-term remuneration to incentivise sustainable long-term performance;
- (8) the directors, executive management, and staff remuneration are structured.

9. Board Committees

The Board shall disclose the number and nature of Board committees of the RFI and provide as a minimum the following:

- (1) membership and composition of the Committees;
- (2) the existence or otherwise of Terms of Reference for the Committees;
- (3) summary of work carried out by the Board Committees during the year and focus of the next year's planned activities; and
- (4) calendar of activities of the Board Committees.

10. Board Meetings

- (1) 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.
- (2) The Board shall disclose the annual meeting calendar and a summary of work carried out during the year.

11. Other Engagements of Directors

The Board shall disclose directors' other engagements in the Audited Financial Statements of the RFI and provide at a minimum the following:

- (1) all other directorship positions (on-shore and off-shore) held by a director at a time in both financial and non-financial companies; and
- (2) other external professional commitments.

12. Report on Board Evaluation

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 at a minimum the following:

- (1) the name of the firm (vendor) engaged by the RFI to undertake the external evaluation;
- (2) the year of the last external evaluation;
- (3) areas covered by the external evaluation;
- (4) how the evaluation was conducted;
- (5) a summary of key findings from the Board evaluation;
- (6) an action plan with well defined deadlines to address the observed weaknesses and key findings;
- (7) how recommendations and key findings from previous assessments have been addressed;
- (8) whether a detailed report has been submitted to the BOG; and
- (9) the last date of reporting to the BOG.

13. Succession Planning

The Board shall disclose a description of the appropriate succession plans in place for such positions as Board members, directors (executive and non executive)

and Key Management Personnel to ensure the Board has an appropriate diversity of skills, backgrounds, and viewpoints.

14. Internal Control Framework

- (1) The Board shall disclose in the Audited Financial Statement, 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 at a minimum the following:
 - (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.
- (2) 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.

15. Internal Audit

The Board shall disclose the effectiveness of the the internal audit function 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.

16. Conflicts of Interest

- (1) The Board shall disclose in the Audited Financial Statement, information relating to its conflict of interest policy and an objective compliance process for implementing the policy.
- (2) The Board shall disclose its compliance or otherwise with the minimum requirements of the conflict of interest policy.

17. Ethics and Professionalism

The Board shall disclose in the Audited Financial Statement, information relating to the Code of Conduct for the RFI and provide at a minimum, the following:

- (1) whether the RFI has put in place a Code of Conduct which is made available to all persons to whom it applies;
- (2) whether all directors and employees have signed off as having read and understood the Code of Conduct and sanctions for breaching the policy;
- (3) rules put in place to maintain confidence in the integrity of the RFI;

- (4) how the RFI, its employees, management, and Board commit to the highest standards of professional behaviour, business conduct, and sustainable business practices;
- (5) policy established to govern trading in the shares of the RFI by directors, Key Management Personnel and employees; and
- (6) 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.

18. Related Party Transactions

The Board shall disclose in the Audited Financial Statement, the nature and extent of transactions with Related Parties (including intra-group transactions) and provide at a minimum the following:

- (1) whether the transactions have been reviewed by the Board of the RFI to assess risk and are subject to appropriate restrictions;
- (2) whether the transactions are conducted on non-preferential terms/basis; and
- (3) whether the transactions comply with applicable legislation and other requirements, regarding exposure limits for loans to Related Parties and staff.

19. Management Reporting Structures

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 and the frequency of the reports as well as key developments in the financial system and Directives, Notices, and Guidelines issued by the BOG.

20. Corporate Governance Report as part of the Audited Financial Statements

RFIs shall make these disclosures in the Audited Financial Statements under the sub-heading "Corporate Governance Report" and this shall be placed between the directors' report and independent auditors' report.

21. The Role of External Auditors

External auditors shall review and make comments on the Corporate Governance practices and the Corporate Governance Report of the RFI in the "other matters" section of the "Independent Auditors' Report" in the Audited Financial Statements.

22. Compliance with other Disclosure Requirements

RFIs shall comply with all other governance related disclosures required by Act 930, the Companies Act, 2019 (Act 992), other Directives, Notices and Guidelines issued by the BOG, any other relevant enactment and other governance related IFRS disclosures.