

# **BANK OF GHANA**



## **EXPLANATORY NOTES TO THE CORPORATE GOVERNANCE DISCLOSURE DIRECTIVE**

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*FOR BANKS, SAVINGS AND LOANS, FINANCE HOUSES AND FINANCIAL HOLDING COMPANIES*

**MAY 2022**

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## **INTRODUCTION**

Pursuant to Sections 56 and 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank of Ghana (BOG) has issued the Bank of Ghana Corporate Governance Disclosure Directive (CGDD) in May 2022 following consultations with the banking industry (herein called “the industry”) as well as stakeholder engagements with the Institute of Chartered Accountants, Ghana (ICAG), and the Ghana Association of Bankers (GAB).

The purpose of the CGDD is to enhance transparency, market discipline, and the accountability of banks, savings and loans companies, finance houses, and financial holding companies, hereinafter referred to as Regulated Financial Institutions (RFIs) to their stakeholders. The disclosure framework also serves as a barometer for stakeholders in assessment of the effectiveness of RFIs’ Corporate Governance practices.

The BOG has subsequently given the CGDD significant consideration in light of the comments, suggestions, and contributions received throughout the public consultation process. This resulted in a revised CGDD dated May 2022, which seeks to on-board material contribution received from the consultations based on the CGDD Exposure Draft.

As such, this explanatory note seeks to clarify the material changes made to the Exposure Draft of the Directive.

## **NOTES EXPLAINING REVISIONS REFLECTED IN THE 2022 CGDD**

### **Table of Content**

"Table of Content" is updated to include the following headings in order to conform to the contents of the Directive:

- 5. Relevant Disclosure Provisions – CGD
- 9. Board Committees
- 14. Internal Control Framework
- 15. Internal Audit
- 16. Conflicts of Interest
- 19. Management Reports to the Board
- 20. Corporate Governance Report as part of the Audited Financial Statements
- 21. The Role of External Auditors
- 22. Compliance with other Disclosure Requirements

"Section" is inserted to indicate that the various provisions in the CGDD shall be referred to as sections.

### **Part I – Section 1: Title**

The Directive, originally cited as the Corporate Governance Disclosure Directive, 2021 is now cited as the Bank of Ghana Corporate Governance Disclosure Directive, 2022 to properly reflect institution issuing the Directive and the year of issue to support referencing.

### **Part I – Section 2 (3): Application**

A statement to indicate that "Where there is a conflict or inconsistency between the Corporate Governance Directive, 2018, and this Directive on matters of disclosures on corporate governance, this Directive shall prevail" is included. This is to ensure that the CGDD is the back stop for all corporate governance disclosures.

### **Part I – Section 3: Interpretation**

To provide clarity and ease of reference and prevent ambiguity, definitions of the following are included:

- Annual Report
- Audited Financial Statement
- Code of Conduct
- Committees

Corporate Governance Programme  
Corporate Governance Report  
Influence  
Executive Management Committee  
IFRS Disclosures  
National Banking College  
Related Persons

### **Part I – Section 3: Interpretation**

Definition of “Key Management Personnel” is amended to include “deputy managing director” which some RFIs use in place of “deputy chief executive officer”.

### **Part II – Section 5 (2) (e): Relevant Disclosure Provisions – CGD**

“Senior Management” is deleted as it does not appear in the Bank of Ghana Corporate Governance Directive, 2018.

### **Part III – Section 6 (1): Annual Certification**

“Statement” is added to “Certification” to provide clarity on exactly what is required by the RFI.

### **Part III – Section 6: Annual Certification**

“The certification statement shall be dated and approved by the Board of the RFI” is deleted because the whole Audited Financial Statements is dated and approved by the Board of Directors so it’s implied.

### **Part III – Section 7 (2): Governance Structure**

Disclosure on induction of new directors and Key Management Personnel is included because this is important for directors and Key Management Personnel to know what is expected of them to perform their duties accordingly.

### **Part III – Section 7 (3): Governance Structure**

“Major share ownership” is changed to “Shareholding Structure” for clarity.

### **Part III – Section 7 (4): Governance Structure**

This section which details the composition of the Board is expanded to read as follows to provide clarity:

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:

- i. thirty per cent (30%) Ghanaian membership on the Board as well as on the Board audit and risk committees;
- ii. thirty per cent (30%) independent directorship;
- iii. a maximum of two (2) Related Persons allowed to serve on the Boards of the RFI and the financial holding company if any; and
- iv. 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.

### **Part III – Section 7 (6): Governance Structure**

"Key information and background of directors" is modified to "profile of directors" to provide clarity from the earlier rendition.

### **Part III – Section 7 (7): Governance Structure**

"A brief description" is added to the disclosure on performance criteria to ensure that the performance criteria is brief and concise in the disclosures.

### **Part III – Section 7 (8): Governance Structure**

"Description" is replaced with "A summary" of the disclosure on training and capacity building programmes provided to the Board. This is to ensure that directors' presentations are brief and concise in the disclosures

### **Part III – Section 7: Governance Structure**

"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);" is deleted as it is implied in other disclosures (Section 11).

"Risk management, internal control, and fraud frameworks" is deleted as it is implied in other disclosures (Sections 14 and 17).

### **Part III – Section 7 (9): Governance Structure**

Profile of Board secretary (including qualifications and experience) is included to throw more light on the important role the Board secretary plays in the RFI.

### **Part III – Section 8: Remuneration Policies**

“Details of shares held by directors and related parties” is deleted as it is implied in other disclosures (Section 7).

### **Part III – Section 9: Board Committees**

“Suitability of Committee members, conflict of interests of any of the members, and the respective mitigating actions” is deleted as it is implied in other disclosures (Sections 7, 9, 12 and 16).

### **Part III – Section 11: Other Engagements of Directors**

“On-shore and off-shore other engagements of directors and Key Management staff” is deleted as it is implied in other disclosures (Section 11). Also, disclosure of “Other Engagements of Key Management Personnel” is not required by the Bank of Ghana Corporate Governance Directive, 2018.

### **Part III – Section 13: Succession Planning**

This is combined into one (1) disclosure requirement and expanded to include “to ensure the Board has an appropriate diversity of skills, backgrounds, and viewpoints” as indicated under Section 13.

### **Part III – Section 16: Conflicts of Interest**

This is divided into two (2) disclosures as indicated in Section 16 (1) and (2) to provide clarity.

### **Part III – Section 19: Management Reporting Structures**

“Data Protection and Reports” is replaced with “Management Reporting Structures” because there is no disclosure requirement for data protection in this section.

Disclosure has been expanded to include “as well as key developments in the financial system and Directives, Notices, and Guidelines issued by the BOG.”

### **Part III – Section 20: Corporate Governance Report as part of the Audited Financial Statements**

“Placement of Corporate Governance Report in the Audited Financial Statements” is replaced with “Corporate Governance Report as part of the Audited Financial Statements” to make it more readable.

### **Part III – Section 21: The Role of External Auditors**

This section is updated to read:

“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” to provide clarity that they are not expected to express opinion of the Corporate Governance practices of RFIs.

### **Part III – Section 22: Compliance with other Disclosure Requirements**

A statement to indicate that 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 is included to ensure that RFIs comply with both current and future disclosure requirements which may not necessarily be in the CGDD.

#### **General**

To better communicate BOG’s regulatory expectations, on the disclosure requirements, statements such as “provide at a minimum the following” is added to a lot of the disclosure statements (Sections 6, 8, 11, 12, 14 and 18).

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