MAIN REPORT

BALANCING RULES AND FLEXIBILITY FOR GROWTH

A Study of Corporate Governance Requirements Across Global Markets
Phase 2 – Africa

Think Ahead

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1. Foreword

The 2014 study conducted by KPMG in Singapore and *ACCA, Balancing Rules and Flexibility,* looked at 25 markets across three economic zones, and three geographic zones, encompassing both developing and developed nations. Our follow up study, *Balancing Rules and Flexibility for Growth,* focuses on 15 markets on the continent of Africa.

The reasons for a focus on Africa are compelling. According to World Bank data Africa had six out of the 12 fastest-growing economies between 2014 and 2016, and the continent's population[1] is set to more than double by 2060, with a corresponding increase in the urbanised and middle-class population. This growth story also illustrates the challenges of rapid economic growth in developing economies.

Against this background, the need for adequate and effective corporate governance frameworks becomes even more critical than previously. This growth requires investment and investors will only invest where they can see a strong and effective corporate governance infrastructure to protect their investment.

Studies have shown that investors are willing to pay a premium for companies with good governance, and this price premium is even higher in markets with weak legal protection[2].

Sophisticated and sound corporate governance practices can be helpful in obtaining new and much-welcomed investments in Africa, as good-quality corporate governance is especially important for investors. In 2015, Africa received only 3.1% of the world's foreign investment[3].

While this study stands alone, the research framework is broadly consistent with that used in Phase 1, to allow a degree of comparison, albeit at a different point in time, and with a revised set of OECD principles from 2015 as a benchmark. As with Phase 1, the aim of this study is to raise awareness of corporate governance requirements and help markets continue to raise corporate governance standards.

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[1] Source: World Bank
[2] Chen, K.C.W., Chen, Z. and Wei, K.C.J (2009) Legal protection of investors, corporate governance and the cost of equity capital. Journal of Corporate Finance. Vol. 15, Issue 3.
[3] United Nations Conference on Trade and Development, World Investment Report, 2016

Having high standard corporate governance frameworks in place at national levels is fundamental. It facilitates market confidence and business integrity. It signals governments' commitment to create credible arrangements for investors, taking their rights into consideration and providing support mechanisms that safeguard their investment. It is therefore no coincidence that, in its Reports on the Observance of Standards and Codes, the World Bank evaluates corporate governance as a key indicator of a market's resilience and the potential for capital markets to develop.

We ought to be mindful, however, that corporate governance is not a static concept but rather a means to an end. While this report presents a ranking based on the laws, rules and good practice guidance, we should not be expecting that the governance frameworks that prevail today remains adequate in the future. It is important to monitor emerging good practice and consider its introduction when and where appropriate.

Furthermore, success in implementing corporate governance codes or similar frameworks, whether they are mandatory or voluntary by nature, depends on efforts made by enforcing bodies as well as businesses themselves. Corporate governance helps management deliver the long-term success of the company: to this aim boards provide effective oversight in the interest of the company while taking into account that of stakeholders and the wider society. Nothing is more disheartening than having first-rate frameworks in place which fail to translate into positive change.

While the direction of travel is definitely set, establishing high standards in frameworks is just a starting point. It is down to each one of us to take up the challenge and facilitate good corporate governance to support economic health, sustainable growth and financial stability. As a global accountancy body, we are looking forward to supporting this journey, working with policy makers and other interested parties to identify reform priorities, improve governance frameworks and practice, and ultimately contribute to strengthened economic performance.

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2. Definitions

Term/abbreviation	Definition
Adequacy	Whether the requirement addresses the risk that it is intended to address.
Corporate governance code	A document/instrument drafted to capture a majority of the key corporate governance requirements for a market. It is typically endorsed by the government or the stock exchange regulator and is generally applicable to publicly listed companies. It may vary in strength from voluntary, 'comply or explain' or mandatory.
Clarity and completeness	Extent to which the requirement reflects all aspects of OECD Principles in an easily comprehensible manner.
'Comply or explain'	Companies are required to state whether they adopt the recommended requirement and, if not, why they have chosen not to. In this report, we have included under 'comply or explain' variations such as 'comply and explain', 'apply or explain', 'apply and explain' or 'if not, why not' instruments.
CSR	Corporate Social Responsibility
Degree of enforceability	Enforceability of the instrument, e.g. mandatory, voluntary, or comply or explain.
Developed and developing economies	The classification in the World Economic Outlook on the IMF website divides the world into two major groups: advanced economies (which the study refers to as 'developed') and emerging market and developing economies (which the study refers to as 'developing').
Effectiveness	Whether the requirement can be carried forward as intended.
Elements	Specific corporate governance requirements which formed the basis of the study. The elements are grouped together to form a theme.
GDP	Gross Domestic Product
IMF	International Monetary Fund
Instrument	The mechanism used for introducing the corporate governance requirements. For example, corporate governance codes, listing rules, company law.
Leading Practice	Practice above and beyond the practices recommended by the OECD Principles.
Mandatory (M)	Companies must comply with the requirement, or face fines/penalties. For example, listing rules, company law.
Market	An area or arena in which commercial dealings are conducted. This differs from the definition of 'country', which is described as 'a nation with its own government, occupying a particular territory'.
OECD	Organisation for Economic Co-operation and Development
OECD Principles	OECD Principles of Corporate Governance 2015
Pillar	Basic tenet of corporate governance framework. Pillars are made up of related 'themes' (see below). For further details, please refer to Appendix A: Research approach, specifically A.6 Research framework.
Prevalence	Number of times a requirement is found in the corporate governance framework of the market.
Requirement	In this study the term is used to refer to requirements, principles and recommendations.
Stock options	The right to buy or sell shares at a specified price on or before a specified date.
Theme	A theme is a sub-section of a Pillar and is made up of a group of related elements .
Two-tiered boards	A supervisory board is responsible for overall strategy and oversight whilst execution and management is carried out by a management board.
Unitary boards	Unitary boards include both executive and non-executive directors and make decisions as a unified group.
Voluntary (V)	Companies are encouraged to follow the guidelines but are not required to and do not need to explain why not if they choose not to follow them; an example is better practice guidelines.

3.About the study

3.1 Objectives

The overall objectives of the study are to:

- examine corporate governance requirements in terms of clarity and completeness of content, degree of enforceability and prevalence, in relation to the OECD Principles of Corporate Governance (2015)
- identify common and basic corporate governance requirements and emerging trends
- raise awareness of the similarities and differences in corporate governance requirements across markets, geographic regions, economic zones and pillars and themes of corporate governance, and;
- inform other corporate governance industry research.

3.2 Scope and approach

The study focused on identifying the number (prevalence) and type of instruments and requirements that have been adopted to a varying degree of enforceability across African markets. It also considered how clearly and holistically the requirements, principles and recommendations found within the instrument specify the objective, and expected action or behaviour in relation to the ACCA-KPMG research framework (refer to Appendix A: Research approach). The requirements were analysed according to the aspects noted in Figure 3.1.

3.2.1 Structure of the analysis

The report focuses on three main types of analysis with respect to the approach:

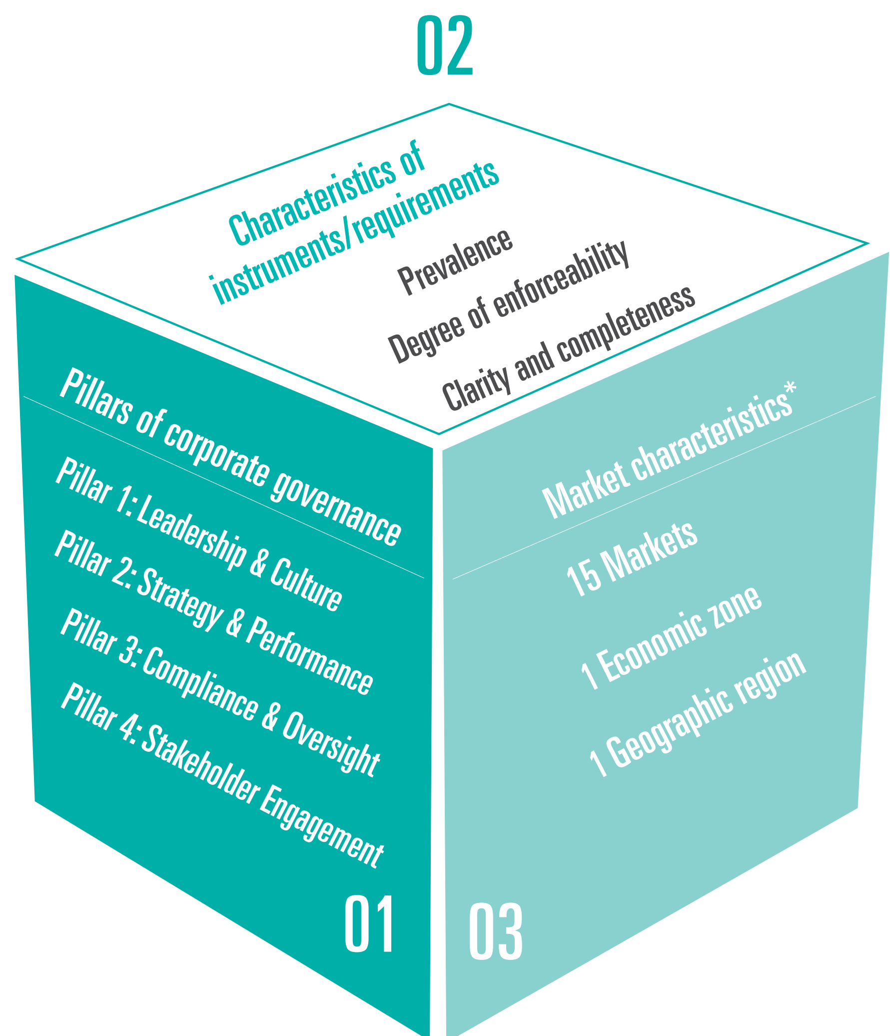
- The profile of corporate governance instruments – the types of instruments (such as company law, corporate governance code and listing rules), as well as the degree of enforceability of the instruments (such as mandatory, 'comply or explain' and voluntary) (section 6).
- The state of adoption of OECD Principles – analysis of adoption of the Principles in different markets, and of the take-up of leading practices (section 8).
- Clarity and completeness of requirements – analysis by pillar and theme of the results across the markets studied (section 9).

3.2.2 Scope limitations

The following limitations should be noted while reviewing the study:

- This study focuses on the corporate governance requirements only. It has not reviewed levels of enforcement by regulators or compliance by companies.
- The study does not include industry-specific corporate governance instruments (for example, banking and finance sector or state-owned enterprises).

Figure 3.1: ACCA-KPMG CG study analysis approach 2017



* Phase 1 of the study focused on 25 markets across 3 economic zones and 3 geographic regions. This phase covered just 1 economic zone and 1 geographic region.

3.3 About phase 1

Phase 1 of the study, *Balancing Rules and Flexibility*, examined the corporate governance requirements of 25 markets with varying levels of adoption and implementation maturity, and drew comparisons to global practices.

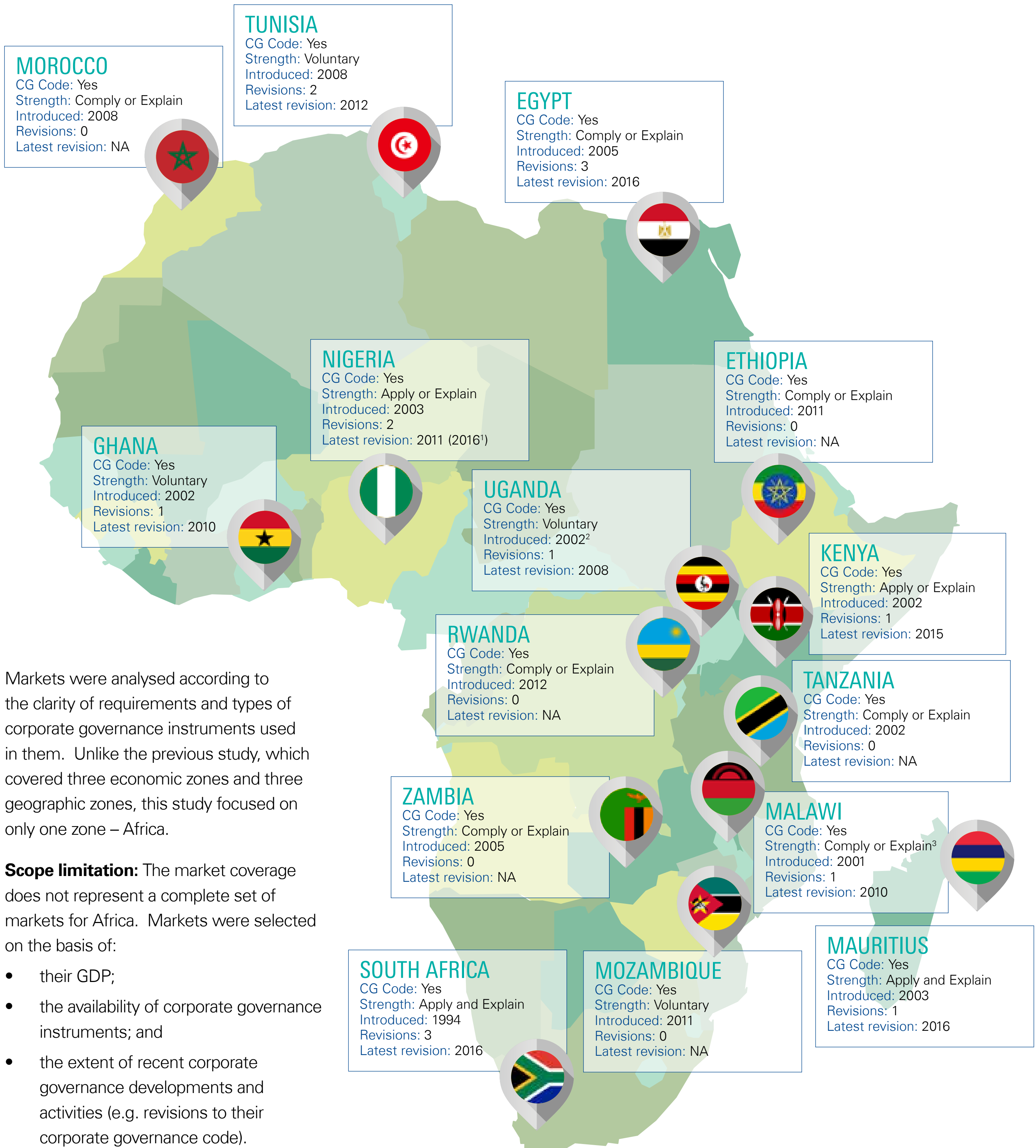
The requirements were assessed for clarity and completeness in relation to a research framework developed based on principles contained within the OECD Principles 2004 and KPMG's Board and Governance Principles.

While the core of the methodology for phase 2 is broadly consistent, the research framework has been upgraded to reflect the revised OECD Principles 2015, which has an impact on the elements categorised as 'OECD' and 'Leading Practice', and therefore the scoring attributable to these elements. These changes mean that there is a limit to the comparability of results from phase 1 to phase 2.

Phase 1 Rankings					
1	UK	10	Taiwan	18	Canada
2	US	11	South Africa (equal 11th)	19	China
3	Singapore	12	Thailand (equal 11th)	20	Cambodia
4	Australia (equal 4th)	13	Korea	21	Japan
5	India (equal 4th)	14	UAE	22	Vietnam
6	Malaysia (equal 4th)	15	New Zealand	23	Myanmar
7	Hong Kong (equal 7th)	16	Philippines	24	Brunei (equal 24th)
8	Russia (equal 7th)	17	Indonesia	25	Laos (equal 24th)
9	Brazil				

3.4 Geographic coverage

Figure 3.2: Geographic coverage of ACCA-KPMG corporate governance study 2017



Markets were analysed according to the clarity of requirements and types of corporate governance instruments used in them. Unlike the previous study, which covered three economic zones and three geographic zones, this study focused on only one zone – Africa.

Scope limitation: The market coverage does not represent a complete set of markets for Africa. Markets were selected on the basis of:

- their GDP;
- the availability of corporate governance instruments; and
- the extent of recent corporate governance developments and activities (e.g. revisions to their corporate governance code).

[1] The CG Code released in October 2016 is not currently in effect. This revised Code was therefore excluded from the research.
[2] The CG Guidelines of the Institute of Corporate Governance of Uganda were first introduced in 2002 and revised in 2008 but the Capital Markets Corporate Governance Guidelines also considered in the study were first introduced in 2003 and have not been revised since.
[3] Malawi issued the Company Act 2013 on 31 January 2017 which is outside the scope of this research. Therefore this Act has not been taken into account for this report.

4. Key findings

Profile of corporate governance instruments (Section 6)

Corporate governance codes provide clarity but are not a 'one-stop-shop' for corporate governance requirements

Each of the 15 markets studied has a corporate governance code (or equivalent) in place. Corporate governance codes provide an efficient and effective framework in which to clarify the principal corporate governance requirements within a market. Nonetheless, reviewing a corporate governance code in isolation from other corporate governance requirements (such as company law, listing rules and better practice guidelines) may not give a complete picture.

The study reviewed 58 corporate governance instruments containing approximately 1300 requirements (pertaining to the research framework elements outlined in Appendix A: Research approach). This equates to nearly four instruments and 85 requirements on average per market with which directors and other key stakeholders must familiarise themselves.

The nature of companies in Africa affects corporate governance requirements

While the study focused on corporate governance requirements for listed companies, it should be noted that a significant proportion of companies in Africa are not listed. In many cases, they are small and medium enterprises or state-owned enterprises and family-owned businesses (operating as private companies) often large in size.

Many African countries' capital markets and financial institutions are evolving, although Africa as a whole cannot be characterised by one single market type. For example, in South Africa state ownership is less common and stock markets are active and Nigeria has a vibrant stock exchange, whilst Ethiopia does not have one and Mozambique has one of the smallest stock exchanges in the world.

Although basic corporate governance rules and regulations may be applicable to all types of companies as defined in company law, there remains a challenge for regulators to design and establish a corporate governance framework that is practical and able to raise corporate governance standards across all types of companies.

Evolution of Corporate Governance Codes (Section 7)

African corporate governance codes may require more frequent and timely review

Even though most markets in the study have adopted their first corporate governance code only since 2000, the standard of the instruments in their corporate governance frameworks is relatively high. South Africa has shown itself to be an early adopter and is relatively progressive in corporate governance. This has influenced a number of other African markets, which have benefited as fast followers in corporate governance practice.

In the markets covered in this study, corporate governance codes were introduced in two tranches, 2000 - 2005 and 2008 - 2012. The first tranche could be seen as a reaction to the release of the first OECD Principles in 1999, while the second could be a reaction to the global financial crisis of 2008. Although South Africa has recently launched the King IV™ Report[4] (the third revision), 6 of the 15 markets studied are on the first version of their codes, and one-third of the markets studied have only recently revised their codes. Nonetheless, the standard of these codes is relatively high, because these markets were able to leverage the lessons learned in the evolution of similar codes in other markets.

The impetus of the new OECD Principles 2015, the announcement by the UN Industrial Development Organization that 2016 - 2025 would be the Third Industrial Development Decade for Africa[5] and the need to encourage an increase in foreign direct investment indicates that now could be the right time for regulators to reassess and revise their codes.

State at Adoption: OECD Principles 2015 (Section 8)

The standard of corporate governance frameworks in Africa is relatively strong

Based on our methodology (Appendix A), the corporate governance frameworks of markets studied in this report were marked and aggregated to provide the rating below.

South Africa is clearly a leader and is at the forefront of corporate governance framework development when compared with developing, and even most developed, economies studied in Phase 1. Indeed, South Africa has been relatively progressive in corporate governance regulation since the introduction of the King Code in 1994, which had been inspired by the UK's Cadbury Code of 1992. Kenya and Mauritius also performed strongly with their recently revised codes.

It should be noted that the overall results, even for the lowest-rated markets in the study, were relatively strong too when compared with the results for the markets studied in Phase 1. While acknowledging that these studies were done at different times (see section 3 'About the study'), even the lowest-scoring markets in the study, still had the fundamentals of a robust corporate governance framework that reflects the requirements contained in the 2015 OECD Principles.

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[4] The King IV Report on Corporate Governance for South Africa ('King Code IV'), Institute of Directors in Southern Africa, 2016. IoDSA website: <www.iodsa.co.za/?page=AboutKingIV>, accessed 21 April 2017.

[5] UNIDO Annual Report 2016

Markets	Scores
South Africa	145
Kenya	128
Mauritius	126
Nigeria	124
Uganda	120
Egypt	109
Rwanda	106
Morocco	102
Tunisia	98
Mozambique	90
Tanzania	85
Ghana	82
Zambia	80
Malawi	67
Ethiopia	59

Strong alignment with and adoption of OECD Principles

The study found that a majority of these markets (10 out of 15) have aligned their corporate governance requirements with more than 80% of the OECD's related principles, indicating that these principles have played a part in shaping corporate governance requirements across African markets.

Of the 81 questions in the study, 52 related to the OECD principles, and the extent to which markets adopted these requirements ranged between 94% (49 out of 52 elements for South Africa) and 65% (34 out of 52 elements for Ethiopia).

An additional 29 areas of leading or better-practice requirements were included in the study, which represent emerging areas that markets may consider in future revisions of their codes. For these areas, Nigeria was the best performer, with requirements present for 79% (23 out of the 29 elements) of the leading practices.

Well-defined corporate governance requirements (on paper) may lack enforceability in practice

While all markets mandate elements of corporate governance, the degree to which they are supplemented by principles or leading practices varies.

Overall, the study found that 68% of the 1300 requirements reviewed were non-mandatory, with the remaining 32% of requirements being mandatory in nature.

The study also found that the markets with the highest attributed scores for clarity and completeness of requirements had the majority of their requirements in 'comply or explain' instruments.

Having too many prescriptive or mandatory requirements could lead to a 'compliance only' culture (only doing the bare minimum) and could disengage smaller-sized companies. Too little enforcement may lead to indifference towards or even disregard of the requirements. Effective corporate governance requires investment in establishing a strong regulatory oversight and enforcement function to ensure the consequences for non-compliance are in place, understood and are strong enough to be a disincentive, for example, increased regulatory scrutiny, fines or delisting.

Clarity and completeness of corporate governance requirements (Section 9)

'Structural/ procedural' corporate governance requirements are better defined than 'behavioural' aspects

Overall the most well-defined corporate governance requirements were found in (ranked in order):

Rank	Theme	Pillar
1	Stakeholder Engagement	Pillar 4
2	Leadership and Culture	Pillar 1
3	Compliance and Oversight	Pillar 3
4	Strategy and Performance	Pillar 2

The underlying themes (ranked in order) were as follows:

Rank	Theme	Pillar
1	Financial and non-financial disclosures	Pillar 3
2	Role of the board	Pillar 1
3	Shareholders' rights	Pillar 4
4	Stakeholder engagement	Pillar 4
5	Director independence	Pillar 1
6	Audit Committee and financial integrity	Pillar 3
7	Remuneration Committee	Pillar 2
8	Assurance	Pillar 3
9	Nominating Committee	Pillar 1
10	Directors' time and resources	Pillar 1
11	Remuneration structure	Pillar 2
12	Performance evaluation	Pillar 2
13	Risk governance	Pillar 3
14	Board composition and diversity	Pillar 1

Irrespective of Pillars, this shows that the better-defined areas of corporate governance in Africa are those that are the more structural or procedural in nature. The less well-defined areas of corporate governance are those less tangible and more behavioural or relationship based. These are 'emerging' as critical areas in enhancing corporate governance frameworks.

5. The way forward

Africa is a diverse continent and, overall across the 15 markets reviewed, the study found a wide divergence among corporate governance requirements in clarity and degree of enforceability, and in the prevalence of instruments. As regulators, policymakers, directors and corporate governance practitioners seek to understand, clarify and take decisions to implement and enhance corporate governance practices, greater clarity is required. This may be done by providing greater explanations in non-mandatory requirements or by increasing the enforceability of compliance mechanisms.

The study noted that most markets mandate the basic requirements and supplement these with non-mandatory approaches. Although the majority of corporate governance requirements came from 'comply or explain' rules and voluntary instruments, this may not necessarily be the best solution for all markets. Having a balanced approach, which mandates core tenets and supplements these with a principles-based approach, provides an effective framework that allows companies the flexibility to establish practices relevant for their circumstances. Regardless of which approach is taken, both have to have a strong oversight and enforceability framework to be effective.

Critical components of the OECD Principles (such as disclosures, the role of the board, and shareholders' rights) feature as key areas of strength and show that the focus in these markets may have been on 'getting the basics right'.

Nonetheless, it is clear that several of the markets studied have moved ahead of OECD Principles as evidenced by the number of leading practice requirements being included. Indeed, the recently released King IV™ Report of South Africa contains several progressive elements that were not considered to be within the research framework as they were judged to go beyond leading practice, and in fact constitute emerging practice. These include giving the board responsibility for governing the technology and information framework (including a specific and separate responsibility for governing cybersecurity risk frameworks), and for reviewing the adequacy and effectiveness of the technology and information and compliance functions.

Although decisions about developing, defining and enforcing corporate governance requirements are specific to the political, legal, economic, social and cultural environment of each market and there is no 'one-size-fits-all', there is value in continuing to compare against internationally accepted standards of corporate governance.

The purpose of corporate governance is to enable long term success of business. As Africa continues on its journey to drive economic growth, its markets must ensure that they have the corporate governance frameworks in place to allow them to evolve and adapt to the rapidly changing business environment. By looking to other economic and geographic zones, and improving awareness of practices and requirements elsewhere, markets may adopt best approaches for their markets from the successes and experiences of others.

One-third of the markets studied have recently reviewed their codes. The impetus of the new OECD Principles and the announcement by the UN Industrial Development Organization (UNIDO) that 2016–25 will be the Third Industrial Development Decade for Africa[6], and the need to encourage an increase in foreign direct investment, indicates that now could be the right time for regulators to reassess their codes and revise them if necessary.

[6] UNIDO Annual Report 2016

6. Profile of corporate governance instruments

The study looked at the types of corporate governance instruments that markets across Africa use to capture their corporate governance requirements, and the degree of enforceability of these instruments.

6.1 A wide variety of corporate governance instruments are used across and within markets

A wide variety of corporate governance instruments are used to encapsulate corporate governance requirements across Africa, including company law, listing rules, corporate governance codes, better-practice guidelines and other legislation. Figure 6.1 shows the range of corporate governance instruments used across the markets covered in the study.

Better practice guidelines are often used to give companies guidance on specific corporate governance issues. However, the use of this type of instruments was limited in the markets analysed in this research.

The total number of corporate governance instruments considered in this study was 58. On average, this represents nearly 4 instruments per market. Figure 6.2 shows that all market have at least one or two mandatory instruments (generally company law and listing rules) and then a corporate governance code that is either voluntary or 'comply or explain' in nature. As mentioned, the existence of better-practice guidelines is rare in the African market but where they exist the research included them as voluntary instruments. Refer to Appendix B: Corporate governance instruments reviewed for further details.

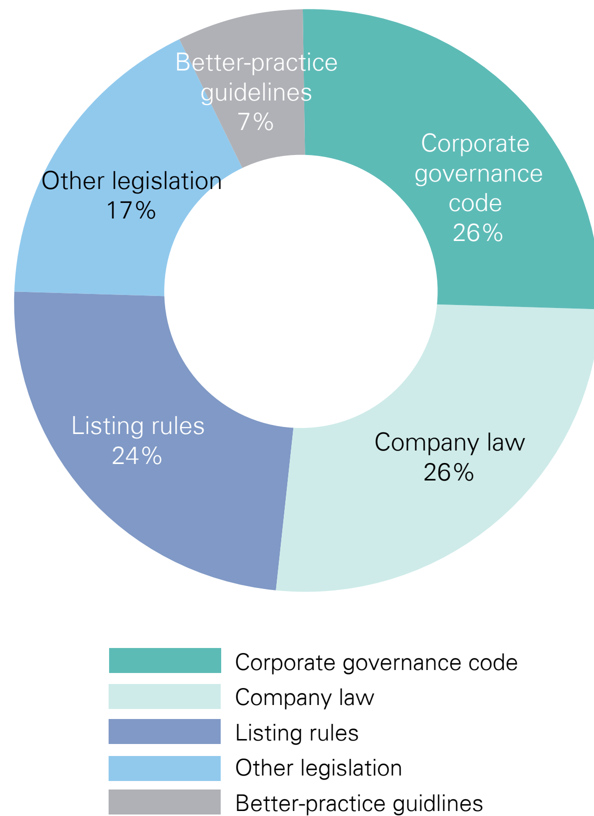


Figure 6.1: Breakdown of total corporate governance instruments by type

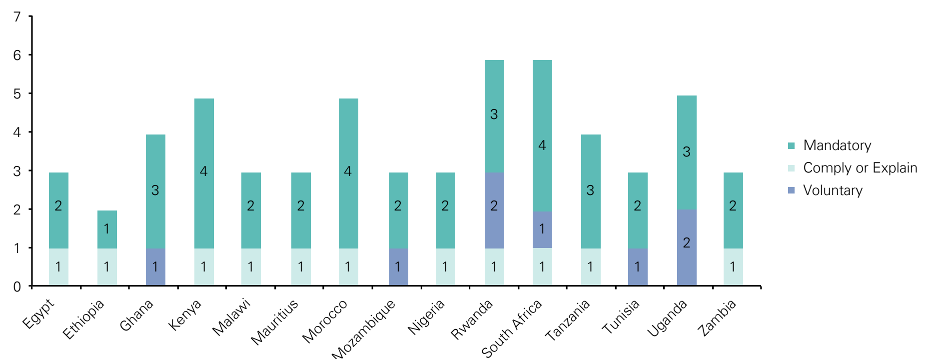


Figure 6.2: Total number of corporate governance instruments reviewed, by market, showing degree of enforceability

6.2 Non-mandatory mechanisms contain more corporate governance requirements

When considering the degree of enforceability of the corporate governance instruments, Figure 6.3 shows that of the total number of instruments, 66% are mandatory, 14% are voluntary and 20% are 'comply or explain'. When looking at the degree of enforceability of the corporate governance requirements considered within the study, however, Figure 6.3 shows that the total number of requirements found within non-mandatory instruments (instruments based on 'comply or explain' or voluntary compliance) was much higher (68%), even though they only make up 34% of all instruments. This indicates that non-mandatory mechanisms (such as corporate governance codes) are a useful tool in introducing either descriptive (and possibly specific), or alternatively, principles-based corporate governance requirements.

Although the study focused on corporate governance requirements for listed companies, it should be noted that a significant proportion of companies in Africa are not listed. Many are state-owned enterprises or family-owned businesses (operating as private companies) and are often large in size. Many African markets have relatively new capital markets, although Africa as a whole cannot be characterised by one single market type. While basic corporate governance rules and regulations apply to these companies (as defined in company law), there remains a challenge for regulators in establishing a corporate governance framework for raising corporate governance standards across all types of companies.

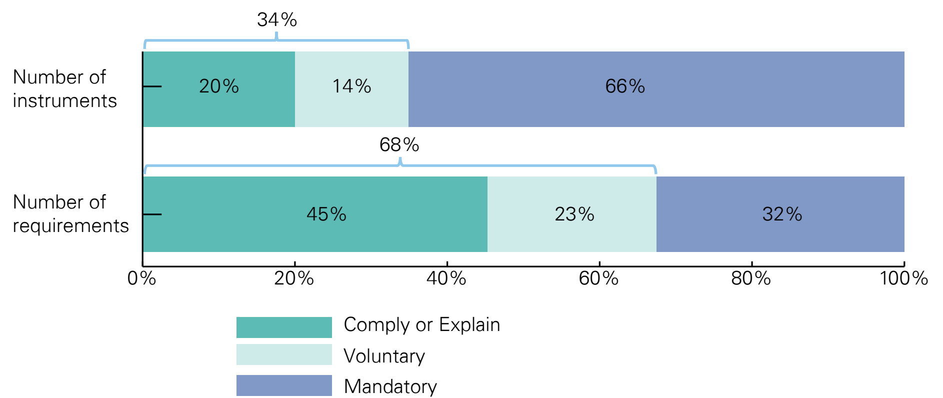


Figure 6.3: Degree of enforceability in relation to the number of corporate governance instruments and corporate governance requirements

6.3 Well-defined requirements may not be supported by enforceability

A well-defined corporate governance requirement may look effective in theory but may not be supported in practice unless it is accompanied by a corporate governance instrument with an appropriate degree of enforceability. Decisions about the enforceability of an instrument are specific to every market. They vary owing to many factors, such as political and legal systems, the maturity of the capital markets, and social and cultural norms. Getting the balance and timing right for introducing and revising mandatory, 'comply or explain' or voluntary requirements is a critical factor for regulators and policymakers to consider.

The degree of enforceability of corporate governance requirements varied across markets, as shown in Figure 6.4. Two-thirds of the markets reviewed (10 out of 15) have adopted a predominantly non-mandatory approach that generally involves a corporate governance code that builds on existing legislative requirements. The most common combination is a range of mandatory and 'comply or explain' mechanisms with a majority of markets having a company law, stock exchange listing rules and corporate governance code or equivalent in place. Only one market, Malawi, has adopted a predominantly mandatory approach, and the remaining four markets have adopted a predominantly voluntary regime.

Mandatory instruments and requirements may appear more attractive to regulators and policymakers in markets that are trying to establish their basic corporate governance frameworks. However, it should be noted that excessive use of 'mandatory' style corporate governance instruments may lead to a 'compliance only' culture.

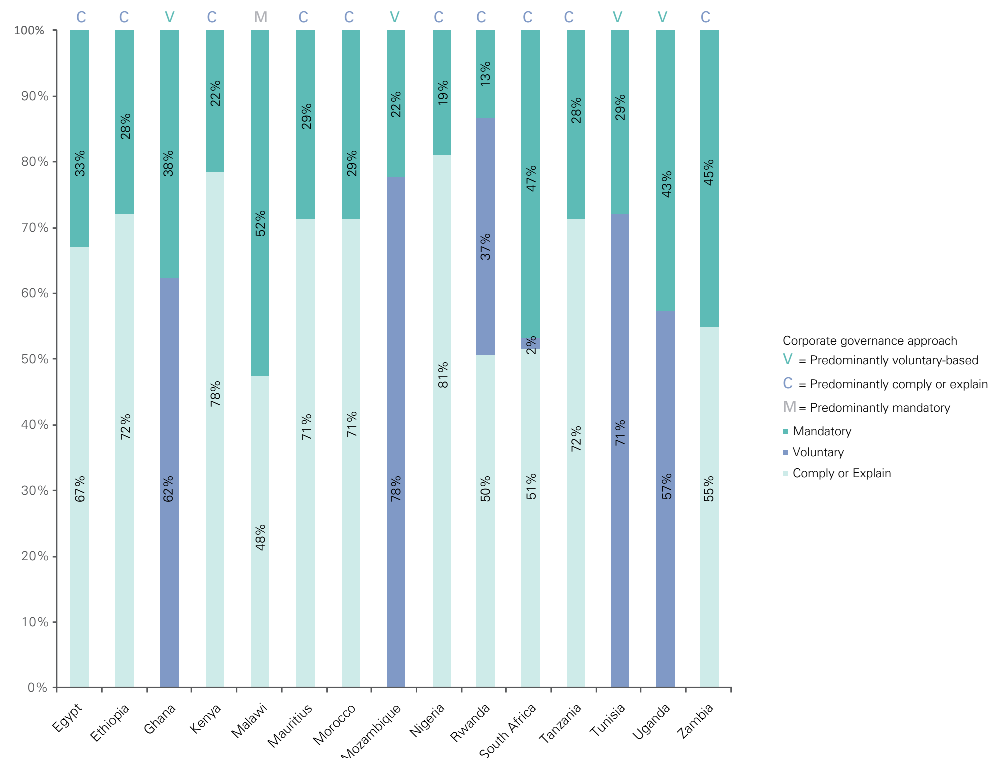


Figure 6.4: Degree of enforceability of corporate governance requirements by market (based on the number of corporate governance requirements)

Alternatively, regulators and policymakers in markets that rely on predominantly 'voluntary' corporate governance requirements, such as Ghana, Mozambique, Tunisia and Uganda, may wish to consider if they have achieved the full potential of intended corporate governance objectives as companies may lack impetus to adopt the full set of corporate governance requirements.

As markets evolve and mature, many may choose to move towards a 'comply or explain' based approach as it compels consideration of the requirements, while allowing a degree of flexibility where a one-size-fits-all approach does not work. For 'comply or explain' to work effectively, it is generally necessary to have a strong enforceability framework around it – a company law or listing rules that specifically enforce fundamental requirements that apply to every capital market participant – as well as companies embracing the spirit of underlying principles.

In determining what should be mandatory or non-mandatory, regulators are faced with a challenge of balancing. Although 'comply or explain' avoids problems related to a one-size-fits-all instrument, as it allows flexibility for companies to choose how they comply, it may not drive compliance in the same way as a mandatory regime; as against this, the latter does have the disadvantage of risking a tick-box approach to prevail. In markets where the rule of law is weak, determining the best path for the regulator and policymakers can become even more complex.

Key take-aways and observations

- A majority of the markets studied use a mix of corporate governance instruments, including legislation (such as company law and listing rules), corporate governance codes and other guidance. The use of better-practice guidelines in Africa is fairly limited.
- Significantly more corporate governance requirements are contained in non-mandatory instruments ('comply or explain' or voluntary) – an indication that these instruments are useful in introducing more descriptive and principles-based corporate governance requirements.
- Regulators may wish to consider how to apply or encourage the adoption of corporate governance codes beyond listed companies, given the prevalence of family-owned and state-owned companies in many African markets.

7. Evolution of corporate governance codes

The corporate governance landscape is unique to every market. Decisions about the types of instrument to use and when to revise them are key challenges faced by regulators and policymakers in creating a corporate governance landscape that drives optimal outcomes.

Figure 7.1 provides an illustrative example (based on the South African experience) of the corporate governance lifecycle. For example, South Africa initially incorporated minimum corporate governance requirements within the South African Companies Act and the Johannesburg Stock Exchange Listing Rules. When South Africa became a democratic republic in 1994 there was an impetus for corporate governance reform. Building economic strength and stability was considered a key mechanism for eliminating political isolationism. Strengthening corporate governance was viewed as an opportunity for building trust and transparency in the economy, for both internal and external stakeholders.

In July 1993, the Institute of Directors in Southern Africa engaged a former Supreme Court of South Africa judge, Mervyn E. King, to chair a committee on corporate governance. The committee conducted extensive research into corporate governance requirements from other leading jurisdictions (such as the UK, which had launched the 'comply or explain' UK Cadbury Report in 1992) and corporate governance failures in practice.

The findings of the committee culminated in the launch of the 'comply or explain' King Code in 1994. The corporate governance requirements in the King Code were considered leading and progressive in adopting a broader, stakeholder-based, view of corporate governance. The King Code has been instrumental in shaping the South African corporate governance landscape, with many enhancements made to the Companies Act (which was reissued in 2008), other key legislation and listing rules to align and strengthen the key requirements.

The Institute of Directors in Southern Africa continues to play a significant role in continually reviewing and revising the King Code to ensure that it remains relevant and practical, as demonstrated by the progressive refinement of the King Code in 2002, 2009 and 2016. While other jurisdictions, such as the UK, have also supplemented their corporate governance codes with better-practice guidelines as well as regular revisions, South Africa has mostly incorporated such guidance directly into King Code IV and related guidelines.

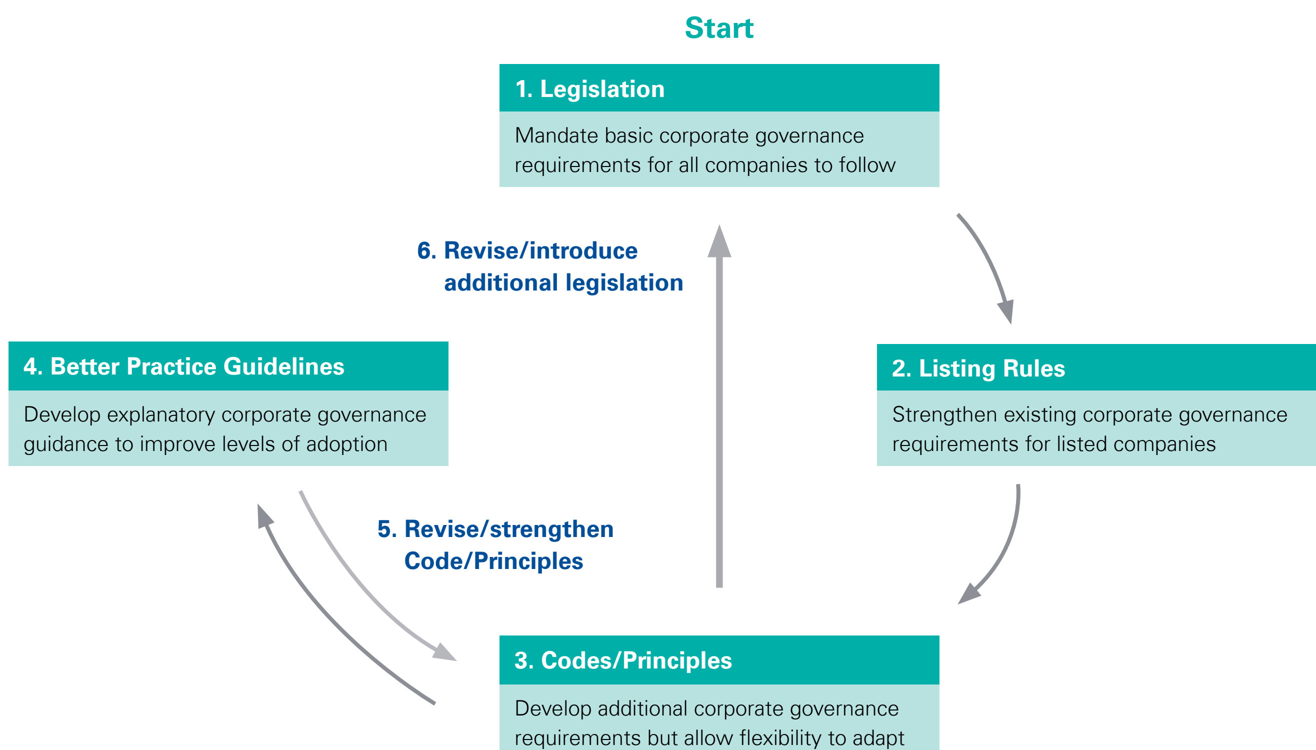


Figure 7.1: Example lifecycle for developing and enhancing corporate governance instruments and requirements

The study also found a moderate impact of external events (such as the launch of the OECD Principles in 1999, significant corporate collapses, global financial crises and significant global regulatory developments) on the introduction and review of corporate governance requirements as shown in Figure 7.2. The influence of the King Code, particularly the revision in 2002, also appears to have had a significant influence on the corporate governance landscape of other African nations, with many establishing their first corporate governance code in 2002 and 2003.

Figure 7.2: Timeline of development of corporate governance codes

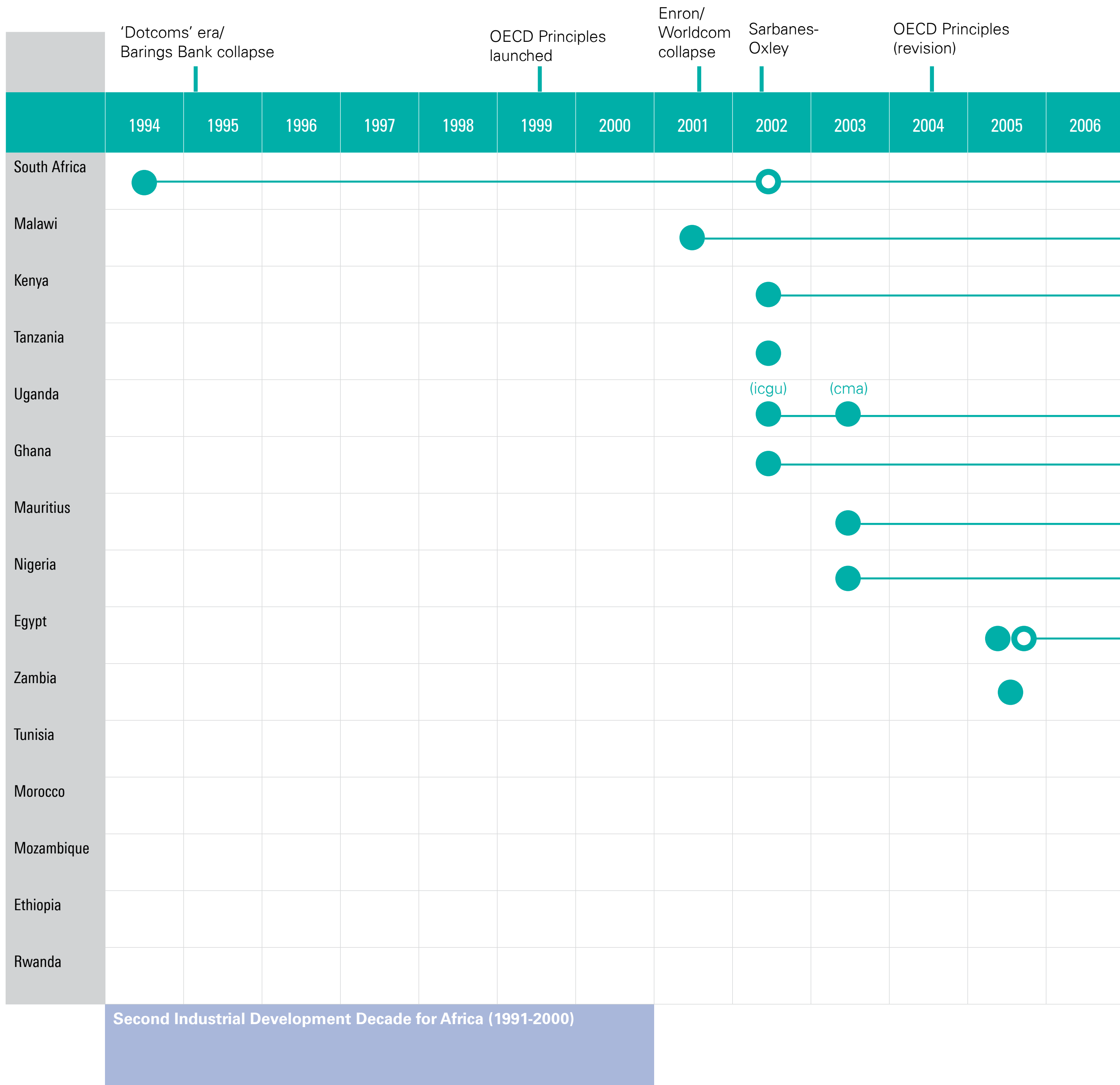
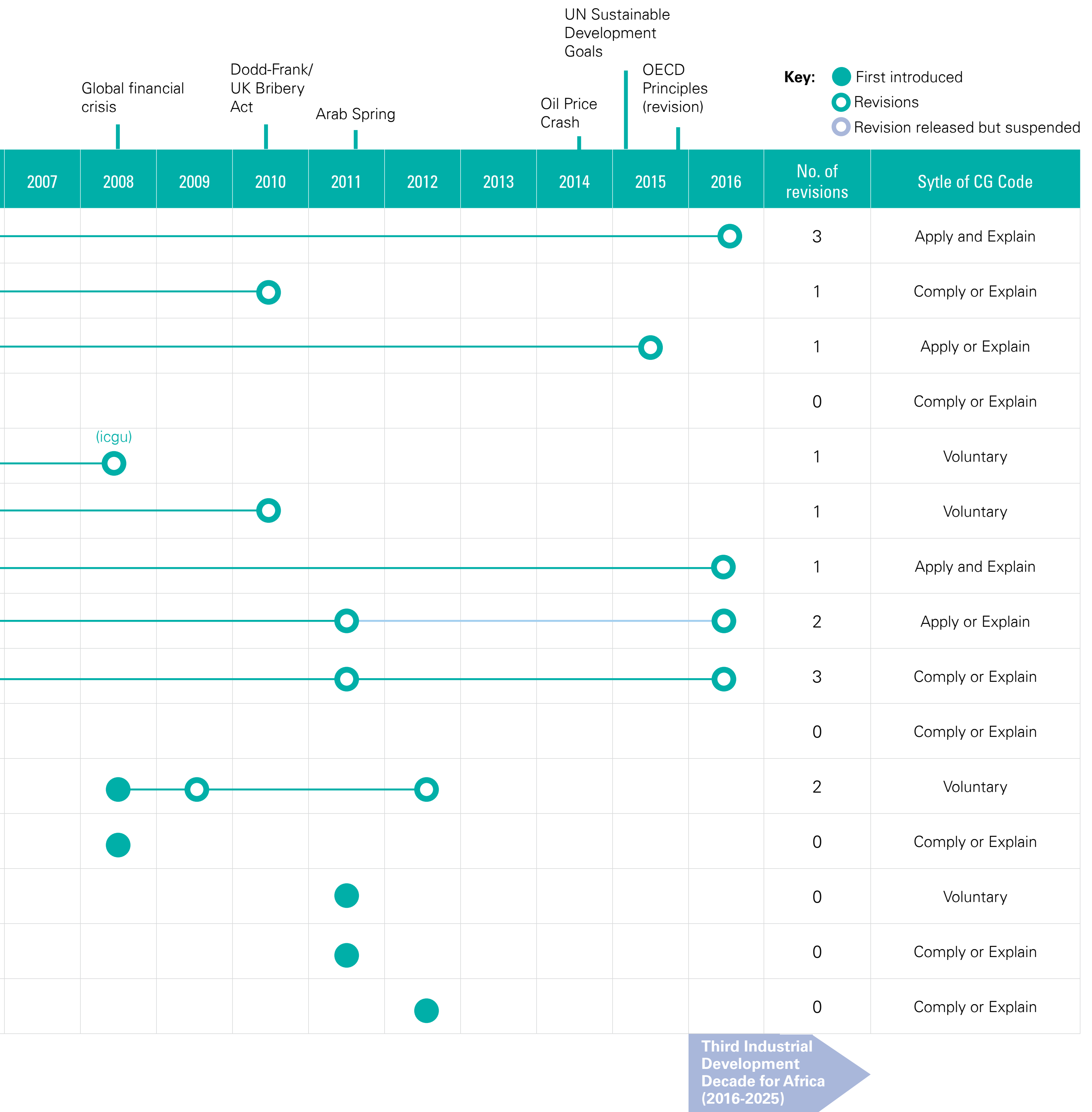


Figure 7.2 shows a number of key developments in the corporate governance landscape over the past 25 years, including significant external events, introduction of influential legislation, emergence of corporate governance codes or equivalents and the frequency of their revision. It shows that South Africa pioneered the way with the launch of the King Code in 1994. The first major

Figure 7.2 also shows that one-third of the markets studied have reviewed their codes in the last 5 years. The impetus of the new OECD Principles and the announcement by the UN Industrial Development Organization (UNIDO) that 2016–25 will be the 'Third Industrial Development Decade for Africa' and the need to encourage an increase in foreign direct investment indicates that now could be the right time for regulators to reassess their codes and revise them if necessary.



adoption phase of corporate governance codes in Africa occurred in the few years after the introduction of the OECD Principles in 1999 and launch of King Code II. The second major phase occurred after the global financial crisis in 2008 as markets sought to strengthen their corporate governance environment.

8. State of adoption: OECD Principles 2015

The study focused on 81 key elements of the OECD Principles and leading corporate governance practices. The elements relating to OECD Principles were scored out of a maximum three points, and the leading practices out of a maximum two points.

8.1 Strong state of adoption of OECD Principles

Overall, the study found that all markets, to some extent, had corporate governance requirements that aligned with, or originated from, the OECD Principles of Corporate Governance 2015 ('OECD Principles'). Despite this, there was a large divergence between markets in terms of the number of the OECD Principles introduced, from South Africa, which scored 107 out of a maximum score of 156, to other markets (e.g. Ethiopia scored 53 out of 156). There was a correlation between the number of requirements related to the OECD Principles and the number of leading practice requirements. Figure 8.1 shows the market rankings (based on the highest attributed scores) in relation to alignment with the OECD Principles.

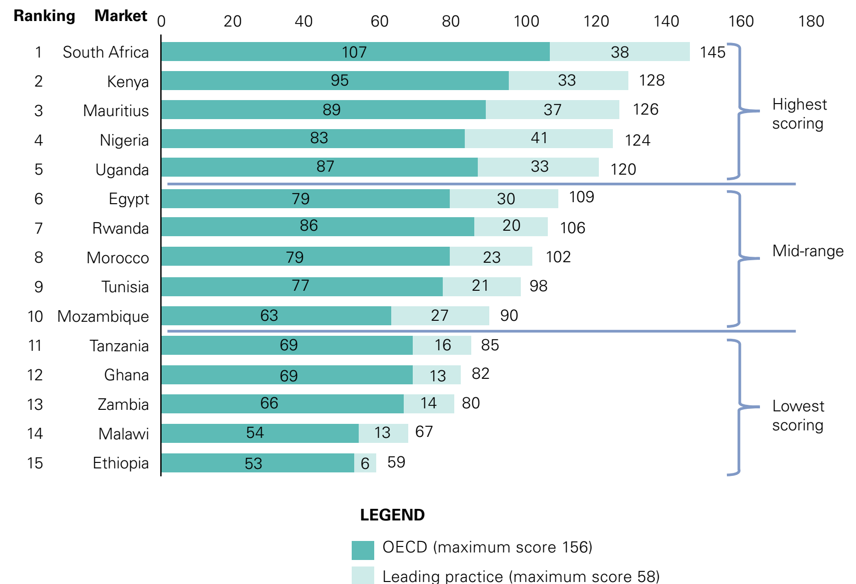


Figure 8.1: Overall market rankings (based on highest attributed scores for requirements relating to the OECD Principles and leading practices)

8.2 Opportunity to increase awareness of the OECD Principles

The study found that 10 out of 15 markets adopted 80% or more of the OECD Principles indicating that these principles have played a part in shaping corporate governance requirements across African markets. Figure 8.2 shows the number of OECD or leading practice requirements for which markets had some requirements in their corporate governance instruments.

Of the 81 elements in the study, 52 related to the OECD Principles, and the extent to which markets adopted these requirements ranged between 94% (49 out of 52 elements for South Africa) and 65% (34 out of 52 elements for Ethiopia).

The study also included an additional 29 areas of leading or better-practice requirements which may represent emerging areas that markets could consider in future revisions of their codes. For these Nigeria was the best performer with requirements present for 79% of the leading practices (23 out of 29 elements).

There were some common elements of the OECD-related principles that were not featured by a large number of markets. These related to:

- a requirement to allow shareholders to consult with each other on issues of their basic shareholder rights (Pillar 4)
- the ability of companies to recoup director remuneration in the event of negligence or fraud (Pillar 1)
- provision of stock options to independent or non-executive directors (Pillar 2), and
- a requirement to allow development of performance-enhancing mechanisms for employee participation (Pillar 4).

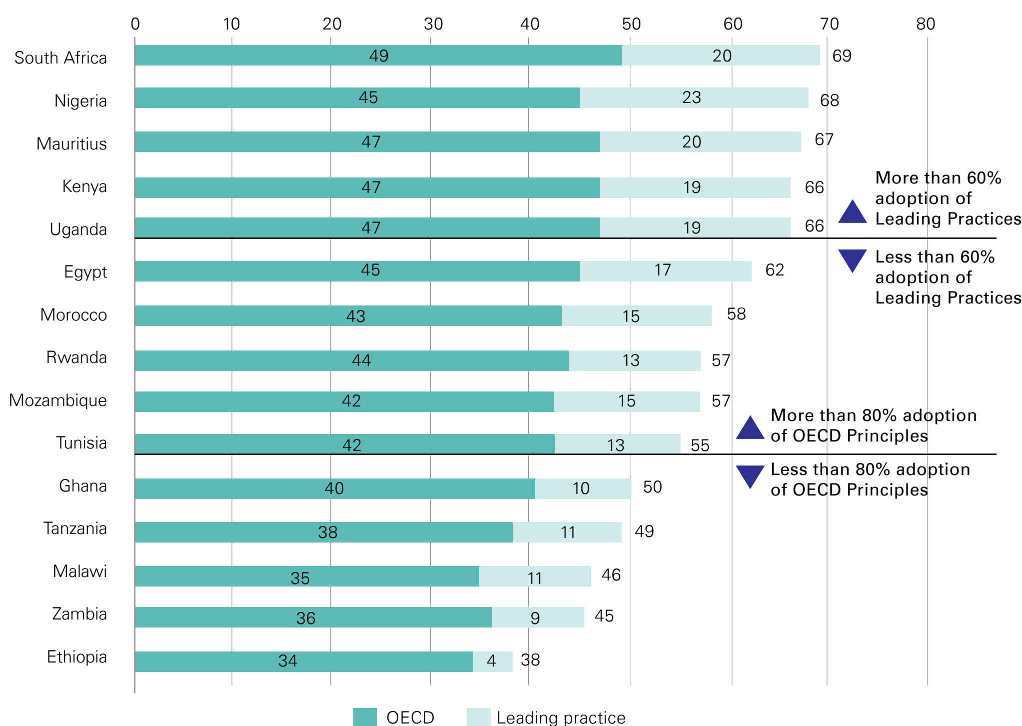


Figure 8.2: Number of OECD Principles and leading practices where markets had a requirement in place

Key take-aways and observations

- The OECD Principles have been influential in shaping corporate governance requirements. A majority of markets have adopted more than 80% of OECD-related Principles.
- A majority of markets mandate the minimum requirements and supplement them with principles and guidelines that enhance explanations and flexibility.
- There is an opportunity for those markets that received a score lower than the average to consider and determine whether and how the existing corporate governance requirements may be enhanced.

9. Clarity and completeness of corporate governance requirements

The research framework divided corporate governance requirements into four pillars: Leadership and culture; Strategy and performance; Compliance and oversight; and Stakeholder engagement. These pillars were made up of 14 themes which form the tenets that are generally found in most corporate governance codes (refer Appendix A.6 for details on the themes associated with each pillar). These themes are in turn made up of the 81 elements described in section 8.

9.1 Well-defined requirements exist in most pillars of corporate governance

The study found that, on average, the corporate governance requirements existing within Pillar 4: Stakeholder Engagement were the most well defined, with Leadership and Culture (Pillar 1) and Compliance and Oversight (Pillar 3) defined to a similar level, but Strategy and Performance (Pillar 2) was significantly less well defined.

Figure 9.1 shows the relative strength of the Pillars. The average score indicates the clarity and completeness of requirements included in each pillar, against the OECD Principles and leading practices, and in relation to the ACCA-KPMG research framework.

For example, an overall average score of 1 indicates that a requirement is basic: it means that the corporate governance requirement either meets the OECD Principles or has a basic reference to the leading practice defined in our research framework. Figure 9.1 also shows the proportion of instruments used in relation to their degree of enforceability. Stakeholder Engagement is the highest scoring pillar and also has significantly more mandatory instruments (47%) than the other pillars.

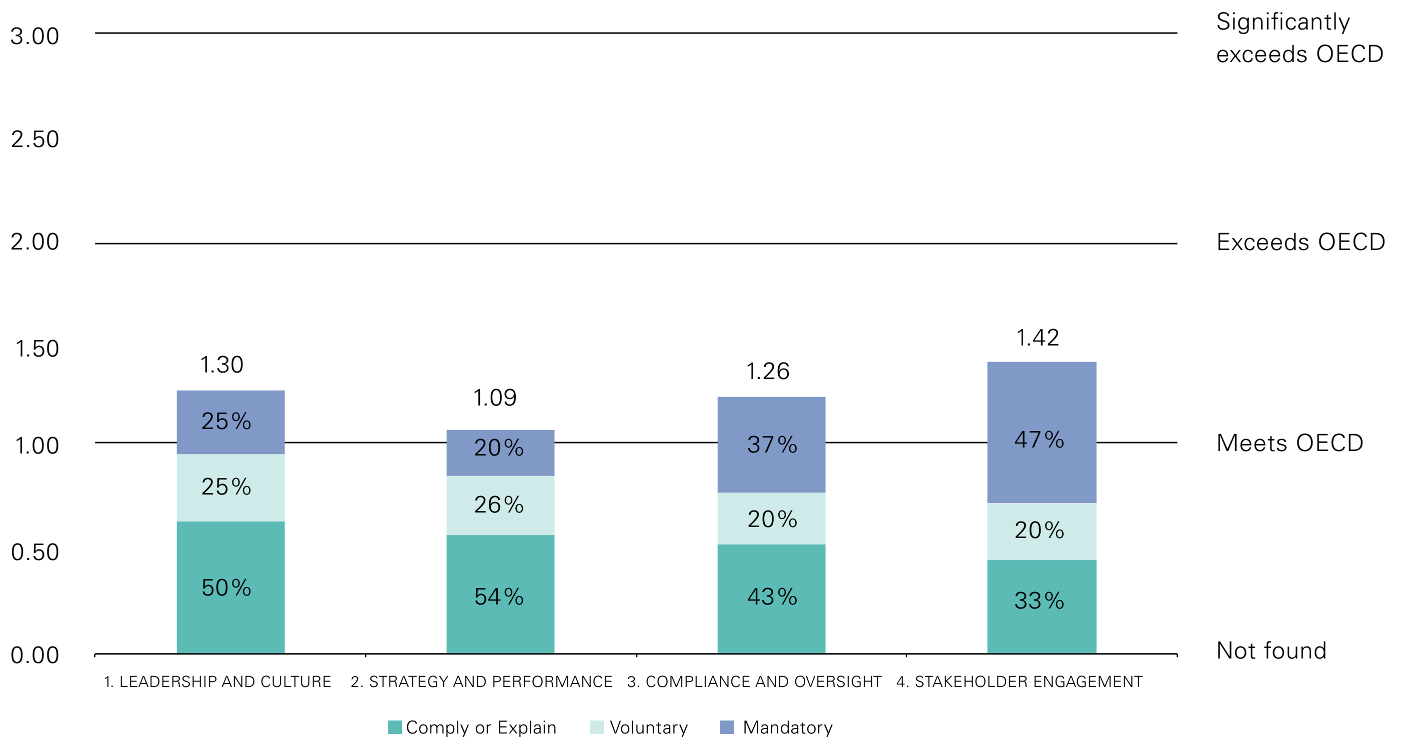


Figure 9.1: Comparison of average scores by corporate governance pillar (showing percentage of degree of enforceability)

- **Pillar 1: Leadership and Culture**, on average, contained the second most well-defined corporate governance requirements. This pillar contains the cornerstone of corporate governance and Figure 9.2 shows the highest-scoring underlying themes: those related to the role of the board, director independence, and the Nominating Committee. In contrast, this pillar also contained the lowest-scoring theme in the study that related to board composition and diversity, which is concerned with whether instruments require boards to have the mix of qualifications, expertise and experience necessary for improving board effectiveness.

- **Pillar 2: Strategy and Performance**, on average, contained the least well-defined corporate governance requirements. Performance evaluation and remuneration structure requirements were in the low range, while those for the Remuneration Committee were in the mid-range.

- **Pillar 3: Compliance and Oversight**, on average, contained some well-defined corporate governance requirements. Figure 9.2 shows that this pillar contained the highest-scoring underlying theme, i.e. which related to disclosures. Audit Committees and financial integrity and assurance themes were assessed as mid-range, while risk governance fell into the lowest range.

- **Pillar 4: Stakeholder Engagement**, on average, contained the most well-defined corporate governance requirements. Figure 9.2 shows that stakeholder engagement and communication, and shareholder rights both fell into the high range, reflecting the prevalence of mandatory requirements in this pillar.

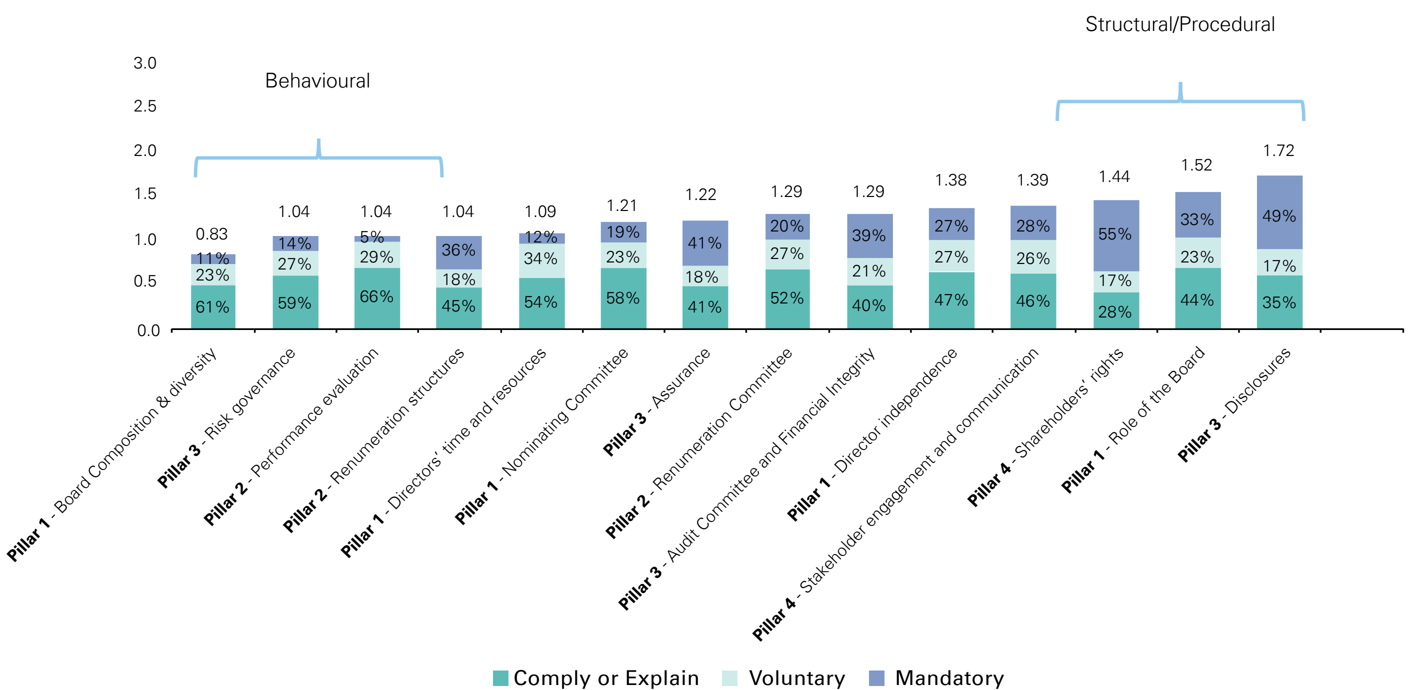


Figure 9.2: Average scores by corporate governance themes (showing percentage of requirements from each degree of enforceability)

9.2 'Structural' requirements are better defined than behavioural and cultural elements

The study found that better-defined corporate governance requirements were mostly quantifiable or tangible in nature ('structural') or had received more widespread attention over a longer period of time. The examples of these include the better-defined requirements related to financial and non-financial disclosures, the role of the board, and shareholders' rights (refer to Figure 9.2 and Table 9.1). These are fundamental tenets of a robust corporate governance framework and are receiving due attention in all markets.

The less-defined areas of corporate governance are those related to behavioural elements or those considered 'emerging' corporate governance practices. These include board composition and diversity, risk governance and performance evaluation. These areas are often found among leading practices, rather than in the OECD Principles. These generally scored low in this study[8].

Rank	Theme		Rank	Theme	
1	Remuneration Committee	Pillar 3	8	Disclosures	Pillar 3
2	Audit Committee and financial integrity	Pillar 1	9	Shareholders' rights	Pillar 1
3	Director independence	Pillar 4	10	Assurance	Pillar 1
4	Role of the Board	Pillar 4	11	Remuneration structures	Pillar 2
5	Nominating Committee	Pillar 1	12	Performance evaluation	Pillar 2
6	Remuneration structures	Pillar 3	13	Risk governance	Pillar 3
7	Board composition	Pillar 2	14	Board composition and diversity	Pillar 1

Table 9.1: Summary of strongest and weakest corporate governance themes (ranked)

9.3 The highest-scoring corporate governance themes

According to the study, the following core themes of corporate governance contained the most well-defined and prevalent requirements.

- Financial and non-financial disclosures (9.3.1)
- Role of the board (9.3.2)
- Shareholders' rights (9.3.3)
- Stakeholder engagement (9.3.4)

As noted earlier, the themes in each pillar are made up of a number of elements specifically drawn from OECD Principles or leading practice. The results of the study for each of these elements were ranked in order and divided into low, medium and high-scoring groups. The analysis that follows shows the results by theme, including which elements are included in that theme, and how they were ranked in comparison to the other elements, therefore there may not be highest, lowest or mid-range elements for each theme, as this rating is relative to all 81 elements, not just the elements in the particular theme.

[8] The study did not specifically incorporate a review of financial services corporate governance instruments that are considered more specific and advanced for risk management and oversight than those for other business sectors.

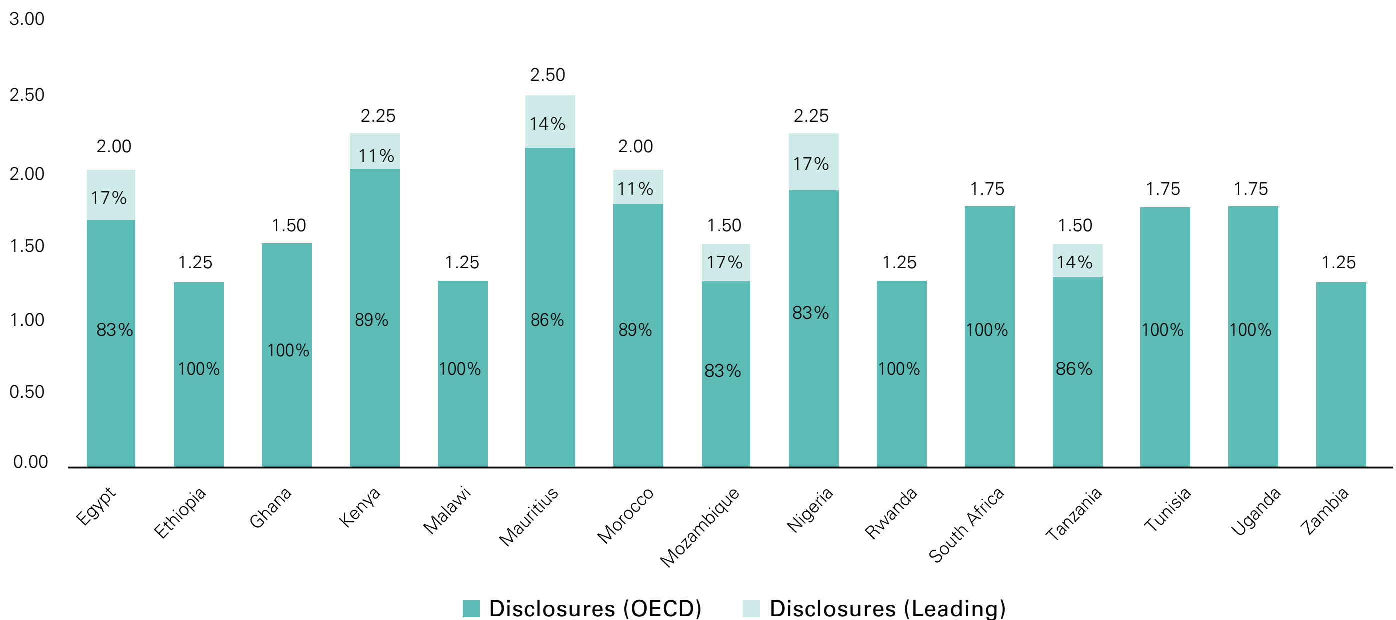


Figure 9.3.1: Clarity of requirements for Disclosures theme (by market)

9.3.1 Disclosures

Disclosures relating to financial and non-financial matters are fundamental to a robust corporate governance framework anywhere. Only by getting access to company disclosures can shareholders obtain the transparency they need to invest with confidence.

Figure 9.2 shows that the Disclosures theme contained, on average, the greatest number of well-defined requirements. The requirements found across markets are outlined below.

Highest-scoring elements:

- Disclosure of information about the entity prepared in accordance with high-quality standards of accounting and financial and non-financial disclosure (OECD).
- Deviations from the Code highlighted and explained (OECD).
- Provision of equal, timely and cost-efficient access to relevant information by users (OECD).

Lowest-scoring aspect:

- Disclosures of governance practices in the annual report (Leading).

Figure 9.3.1 shows that a majority of requirements in this theme are contained in the OECD Principles rather than in leading practice. As Figure 9.2 shows, nearly 50% of the requirements are mandatory, indicating that policymakers often considered them essential.

All the markets in this study required the presentation of financial statements (in accordance with International Financial Reporting Standards[9]), the issuance of timely annual general meetings notices, and publication of a statement of compliance with the applicable corporate governance code, along with explanations for any non-compliance. The Mauritian Code stood out, with an extensive list of what should be disclosed in the annual report, a description of items that should be considered for disclosure on the company's website and a requirement that the auditor should assess the explanations given for compliance with the market's corporate governance code.

[9] Ethiopia is currently in the process of transition to IFRS, with all financial institutions and government-owned public enterprises to present IFRS based financial statements by year ending 7 July 2017.

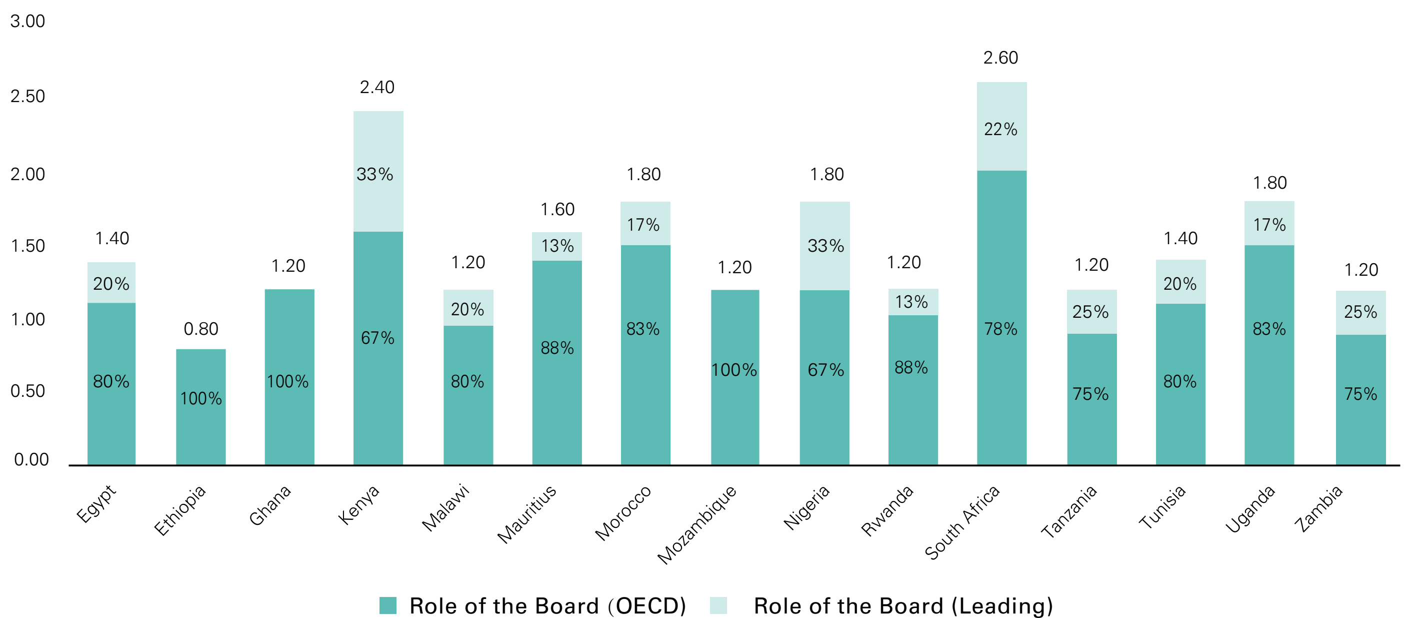


Figure 9.3.2: Clarity of requirements for the Role of the Board theme (by market)

9.3.2 The Role of the Board

Clear definitions of the roles and accountabilities of the board are pivotal components of the corporate governance framework. These definitions set out the fiduciary duties of the board, along with its powers and delegations for directing and making decisions on the company's strategic, financial and operational objectives. They also show that setting the appropriate ethical values and tone at the top at the board level is critical and that this should have a cascading effect throughout the company.

Figure 9.2 shows that the 'role of the board' theme contained, on average, the second largest number of well-defined requirements. The requirements found across markets are outlined below.

Highest-scoring elements

- Documenting the role of the board (OECD)
- Fiduciary duties of the board (OECD)
- Code of conduct and ethical values (OECD)

Mid-range elements

- Defining roles and responsibilities of the board (Leading)

Lowest-scoring elements

- Directors' resignation or cessation statements (Leading)

Figure 9.3.2 shows that there are well-defined requirements across a number of markets, indicating again that a strong element of the OECD Principles underlies the requirements: indeed, over 75% of the requirements are based on the OECD Principles. South Africa and Kenya stand out, with their requirements to set out clearly the fiduciary duties of the board, to require the board to document and disclose its role formally in a board charter, and to establish a code of conduct. In addition, South Africa requires the board to monitor adherence to the entity's ethical standards by employees and other stakeholders through periodic independent assessments.

Although it is a leading practice rather than an OECD Principle, several markets specify the need to disclose reasons for directors' resignation or removal, including Kenya, Nigeria, Rwanda, South Africa, Tanzania and Uganda, through different means. Kenya requires the disclosure to be made in a national newspaper while most other markets require disclosure in the annual report or in a direct communication to shareholders.

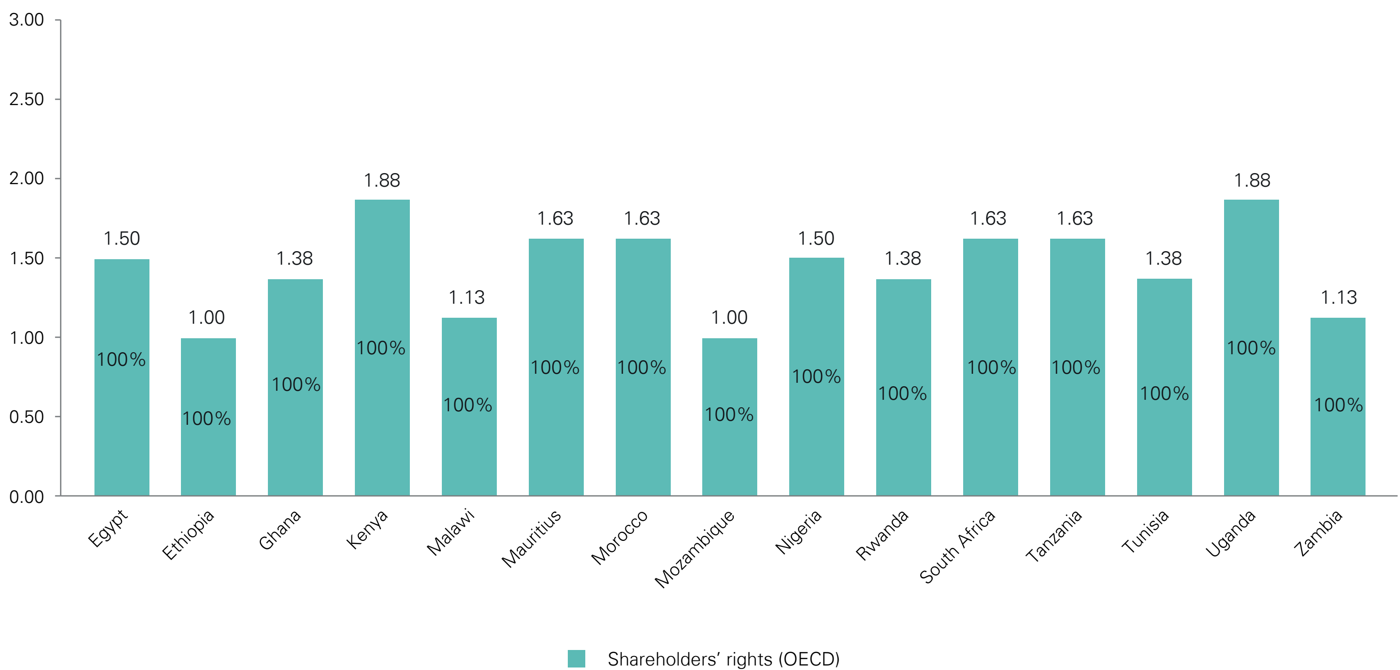


Figure 9.3.3: Clarity of requirements for shareholders' rights theme (by market)

9.3.3 Shareholders' rights

One of the key aims of good corporate governance is to protect stakeholders, and protecting shareholders' rights is a fundamental tenet of this. The OECD Principles indicate that all shareholders of the same class should be treated equally and that any structures or arrangements that enable certain shareholders to obtain influence or control disproportionate to their equity ownership should be disclosed.

Figure 9.2 shows that the shareholders' rights theme on average, ranked third for the number of well-defined requirements. The requirements found across markets are outlined below.

Highest-scoring elements

- Requirement for shareholders to participate effectively and vote in general shareholder meetings (OECD)
- Requirement to identify and protect shareholders' rights (OECD)
- Requirement to allow proxy voting (OECD)
- Requirement to prohibit insider trading and abusive self-dealing (OECD)

Mid-range elements

- Requirement for companies to establish policies regarding fair and equitable treatment of shareholders (OECD)
- Requirement to establish and disclose a dividend policy (OECD)

Lowest-scoring elements

- Requirement for the company to disclose institutional investors acting in a fiduciary capacity (OECD)
- Requirement to allow shareholders to consult with each other on issues of their basic rights (OECD)

Figure 9.3.3 shows that all the elements in this theme relate to the OECD Principles, and well-defined requirements are found across a number of markets. Uganda and Kenya encourage companies to hold regular investor briefings and require them to disclose information in relation to shareholders' rights, including their participation and voting at annual general meetings, receipt of information, opportunity to ask questions and participate in major decisions, and share in the distribution of profit.

Proxy voting seems to be standard practice in all markets, but the right to propose resolutions and put issues on the agenda for the general meeting is less frequent. It was noted that three markets (Ghana, Rwanda and Tunisia) allow postal voting. In most cases these requirements are embedded in the legislation as well as the codes, showing that this is considered a fundamental aspect of protecting shareholders' rights.

Markets such as Ghana, Mauritius, Nigeria, Uganda and South Africa encourage institutional investors to engage in company actions and in Ghana, its requirement even explicitly states that they should be encouraged to do this owing to the 'lack of sophistication of domestic individual investors'. Most markets do not mention institutional investors in their codes.

There are very few requirements in place to allow shareholders to consult with each other, with Tunisia having the most progressive guidance. It advocates that companies provide on their website a 'Shareholder Space' where investors can access information and communicate with each other.

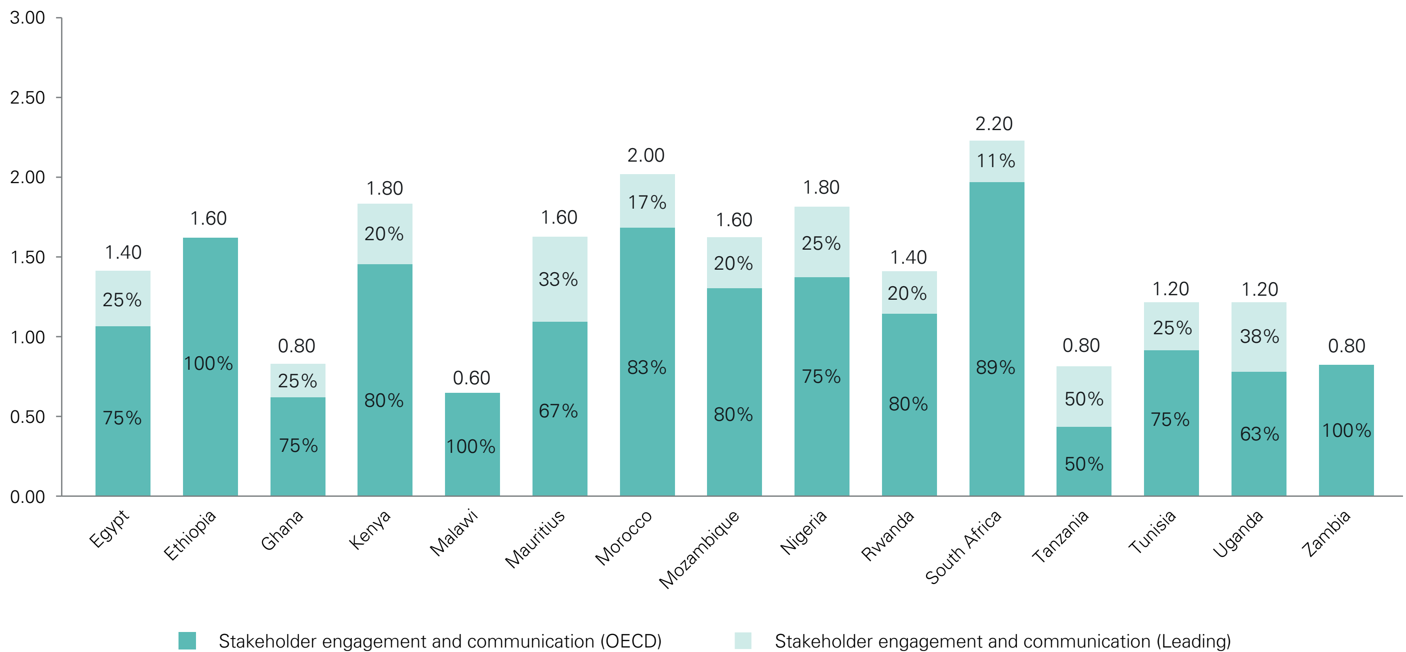


Figure 9.3.4: Clarity of requirements for stakeholder engagement and communication theme (by market)

9.3.4 Stakeholder engagement and communication

Stakeholder engagement is important in understanding issues affecting stakeholders (such as shareholders, investors, analysts, employees, community, media, regulators, government, etc.), thus helping to shape and enhance the effectiveness of strategy and key decision-making. Communication with stakeholders on key financial and non-financial matters is important for building trust and confidence in the company.

Figure 9.2 shows that the stakeholder engagement and communication theme was the fourth-highest-scoring theme overall. The requirements found across markets are outlined below.

Highest-scoring elements

- Requirement to establish stakeholder communication and engagement mechanisms (OECD)
- Requirements for corporate social responsibility (CSR) or sustainability reporting (OECD)

Mid-range elements

- Establish investor relations policies or programmes (Leading)

Lowest-scoring elements

- Stakeholders can seek redress for violation of rights (OECD)
- Employee participation rights and programmes (OECD)

Figure 9.3.4 shows a wide range of scores across the markets. Again, this theme is closely aligned with the OECD Principles, which encourage markets to engage transparently with their stakeholders.

Stakeholder considerations (such as management and employee relations and relations with other stakeholders - such as creditors, suppliers and local communities, and human resources policies and strategies) are broadly mentioned in the OECD Principles. A number of markets incorporate the requirements for the boards to consider these factors, and this is an area where African markets differentiate themselves, in particular with regard to requirements for leading disclosures on environmental and social aspects.

While some of well-established corporate governance codes have a narrow definition of stakeholders as shareholders, employees and customers, most African markets also define environment and society as stakeholders. In the case of Nigeria, the promotion of national interests is explicitly stated in its code. This is consistent with the concept of ‘Ubuntu’ (usually translated as ‘humanity’, but more broadly as the belief in a universal bond of sharing that connects all humanity), which is specifically mentioned in the Malawi and South African codes, with other markets outlining a similar concept.

In summary, in terms of broader CSR considerations, African codes surpass well-established corporate governance codes elsewhere. Nigeria and Tunisia mention issues such as human rights, child labour, AIDS and malaria and even linguistic heritage in their codes as issues that businesses should acknowledge.

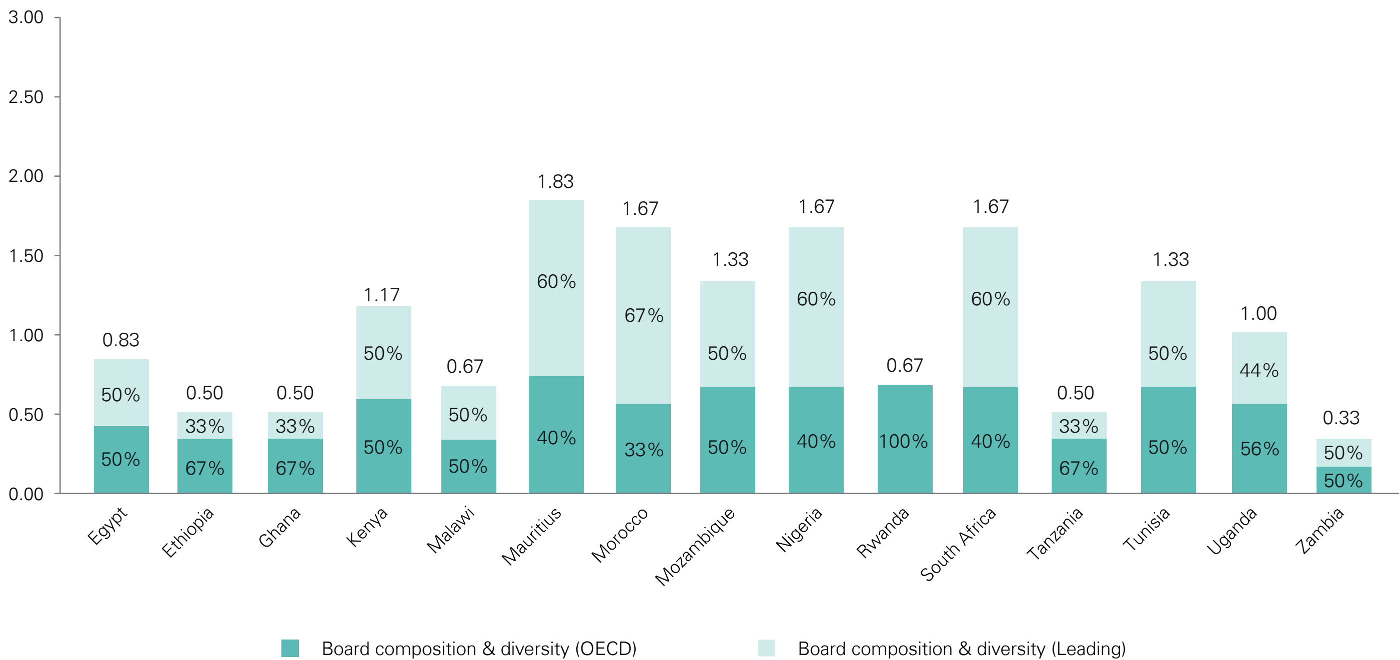


Figure 9.4.1: Clarity of requirements for board composition and diversity theme (by market)

9.4 Lowest-scoring corporate governance themes

The study found that the key areas with the lowest-scoring corporate governance requirements are (with the weakest theme first):

- board composition and diversity (9.4.1)
- risk governance (9.4.2)
- performance evaluation (9.4.3); and
- remuneration structures (9.4.4).

9.4.1 Board composition and diversity

The importance of having a mixture of qualifications, expertise and experience on the board is well recognised. The OECD Principles encourage boards to consider whether they collectively possess the right mix of background and competences for avoiding 'groupthink' and bringing a diversity of thought to board discussions.

Figure 9.2 shows that board composition and diversity formed the weakest theme overall, with no elements that were ranked in the highest-scoring range. The requirements found across markets are outlined below.

Mid-range elements

- Specify that the board comprises individuals with various qualifications and backgrounds (OECD)

Lowest-scoring elements

- Guidelines defining board diversity (Leading)
- Boards to implement competency matrix and identify skill gaps within the board (Leading)

Figure 9.4.1 shows that the majority of markets have minimal requirements relating to board composition and diversity. While most markets mention having a board with a mixture of backgrounds, experience and expertise as the starting point (along with meeting the independent director requirements), Ethiopia and Zambia have no requirements for board composition. Diversity is a high-profile issue globally, with the definition broadening from gender to include age and ethnicity. The majority of the requirements in the framework for this theme were leading practice, so although some markets performed strongly, others are yet to consider whether improvements will result from imposing mandated targets to increase participation by diverse candidates for director positions, and thereby invest in enlarging the available talent pool.

South Africa has the most extensive guidance on the factors that should be considered when selecting board members, and while most markets mention gender diversity in their requirements, Kenya, Morocco, Nigeria, South Africa and Tunisia also mention age diversity. Indeed, Tunisia recommends that one-third of board members should be under 40 years old and one-third should be over 60 years old to achieve an inter-generational mix.

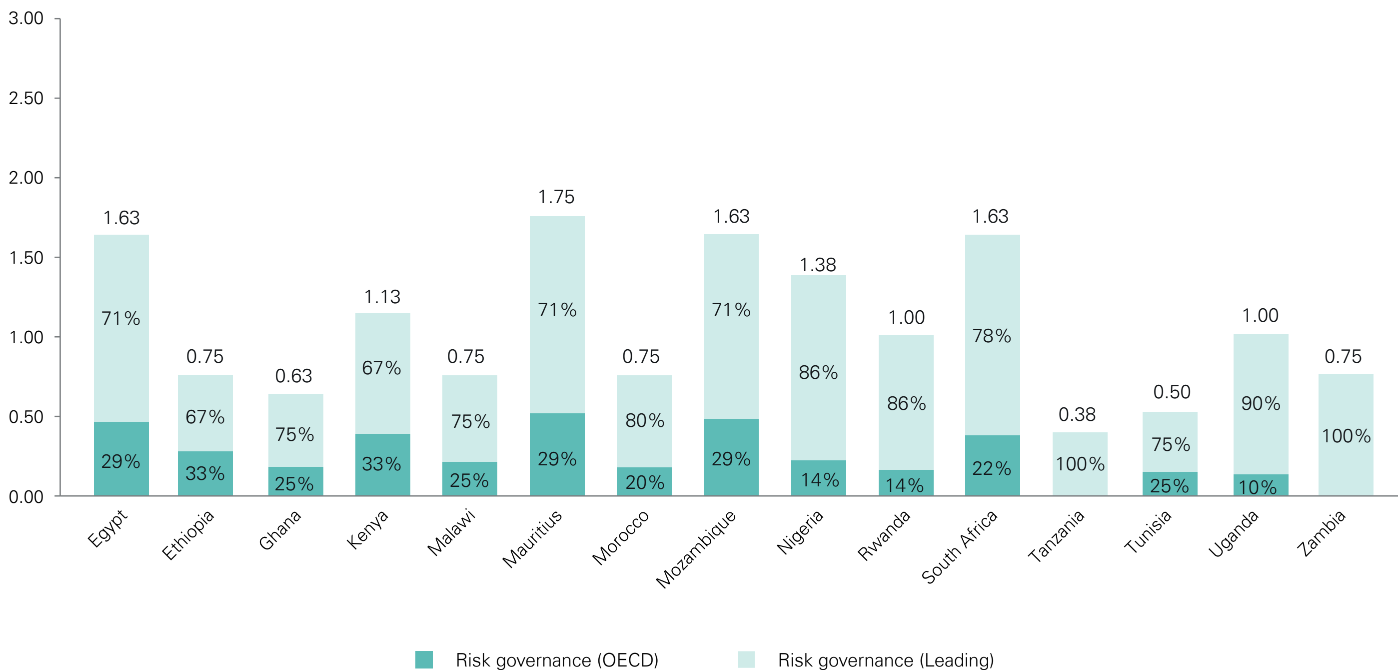


Figure 9.4.2: Clarity of requirements for risk governance theme (by market)

9.4.2 Risk governance

Risk governance has become an increasingly important aspect of corporate governance over the last 10 to 15 years. The failures in risk management and internal control systems in the recent global financial crises and significant corporate collapses have heightened the need for improvements in this area.

Ultimate accountability for risk needs to be determined, with a hierarchy of clearly defined roles and responsibilities throughout the company. The linkage between strategic objectives, decision-making and risk tolerance must be explicit. Greater transparency about the risks facing companies and how they are being managed is required for stakeholders to make informed economic decisions. Establishing effective oversight of the adequacy and effectiveness of risk management and internal controls instils confidence in stakeholders that the company is well placed to navigate uncertainty.

Figure 9.2 shows that the risk governance theme was the second weakest theme overall (on a par with ‘Performance evaluation’ and ‘Remuneration structure’).

The requirements found across markets are outlined below.

Highest-scoring elements

- Board has responsibility for risk management and internal controls (Leading)

Mid-range elements

- Delegation of authority for risk oversight to a board committee (Leading)
- Review of adequacy and effectiveness of risk management and internal controls (Leading)
- Board to determine risk tolerance levels (OECD)

Lowest-scoring elements

- Disclosure of key risks in the annual report (OECD)
- Comment or opinion from board on adequacy and effectiveness of risk management and internal controls (Leading)
- Governance framework between group and subsidiary boards (Leading)

Figure 9.4.2 shows that there is a great divergence in the clarity of risk-governance requirements. While several markets, such as Mauritius, South Africa, Egypt and Mozambique, performed strongly, a significant number of markets had an average score of less than 1.0. Most of the requirements in this area are leading practices.

All markets attribute responsibility for risk management to the board, and only Malawi does not require companies to establish a risk policy or risk framework. Over two-thirds of the markets recommend the establishment of a risk committee, and Egypt additionally requires an independent risk-management department and details the responsibilities of this department. South Africa also goes beyond the leading practice to require companies to disclose their policies and processes for IT governance, especially for cybersecurity risk. The King IV™ Report requires the board to be responsible for the governance of the technology and information frameworks (including a specific and separate responsibility for the governance of cybersecurity risk),

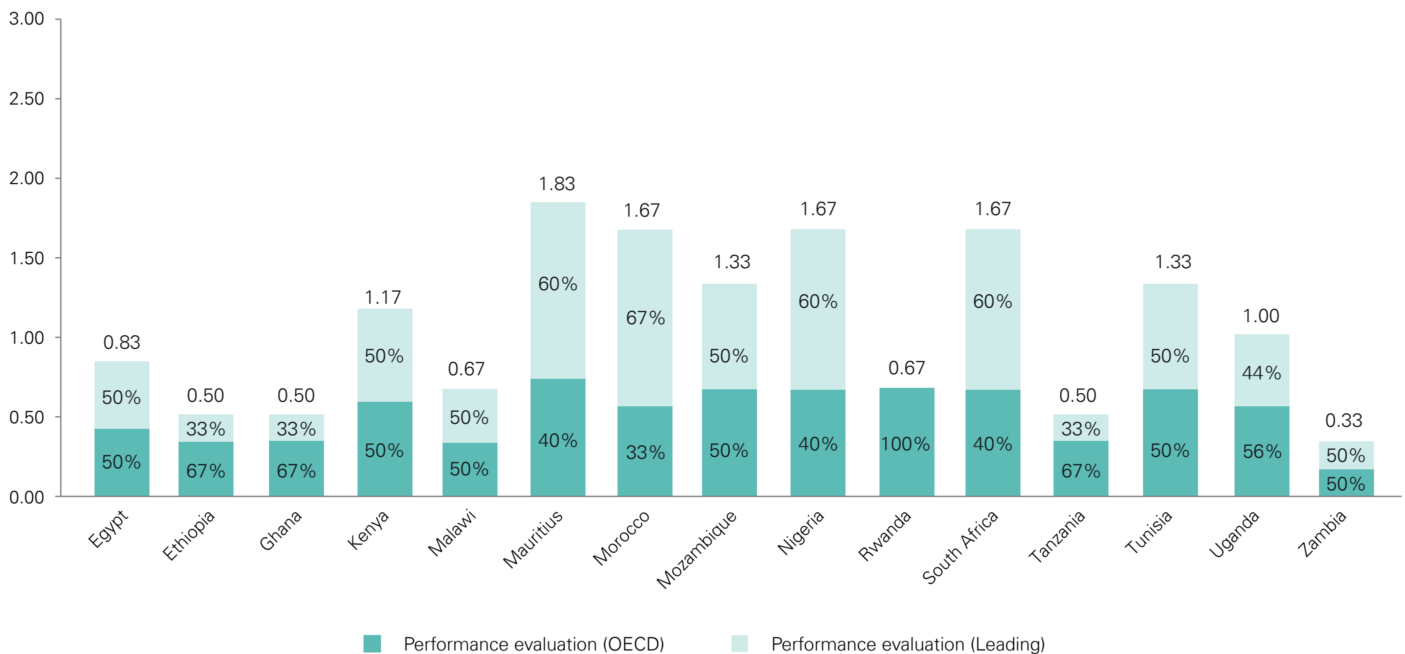


Figure 9.4.3: Clarity of requirements for performance evaluation theme (by market)

and for reviewing the adequacy and effectiveness of the technology and information and compliance functions. This was not tested in the framework for this study and has not affected the score for South Africa.

9.4.3 Performance evaluation

Monitoring the effectiveness of the governance structure is critical to ensuring efficient functioning of the board. Performance evaluations of the board, board committees and directors provide a structured approach to setting objectives and assessing whether they have been achieved. Shareholders are likely to be interested in the extent to which the performance of the board's evaluation process is objective and how the results will add value to the company. Stakeholders are further interested in how the performance criteria used for assessment align with expectations and how this relates to remuneration.

Figure 9.2 shows that the performance evaluation theme had the second weakest average score (on a par with 'Risk governance' and 'Remuneration structure'). The requirements found across markets are outlined below.

Highest-scoring elements

- Requirement for the board to conduct performance evaluation (OECD)
- Requirement for individual director evaluation (OECD)

Mid-range elements

- Guidance on how performance evaluation should be conducted (Leading)
- Requirement for board committee performance evaluation (Leading)

Lowest-scoring elements

- Disclosure of the process for director performance evaluation (Leading)
- Disclosure of the process for executive performance evaluation (Leading)

Figure 9.4.3 shows that again there is a wide divergence across markets for this theme. While all markets have, at a minimum, a requirement that the board conducts a performance evaluation, many do not specify how regular the evaluation should be, and whether it is a self-assessment exercise or an independent review. All markets also had a requirement for the performance evaluation of individual directors, with the exception of Zambia, where only the review of the chairperson is required.

As regards to adopting leading practices, Mauritius, Morocco, Mozambique, Nigeria and South Africa all had guidance on how such performance evaluations should be conducted, as well as the requirement to disclose the process for evaluation. Mauritius and Nigeria also specify that the chairperson should act on the results of the evaluation, that directors who are found not to have discharged their duties and responsibilities satisfactorily should be removed, and that the chairperson should lead this process.

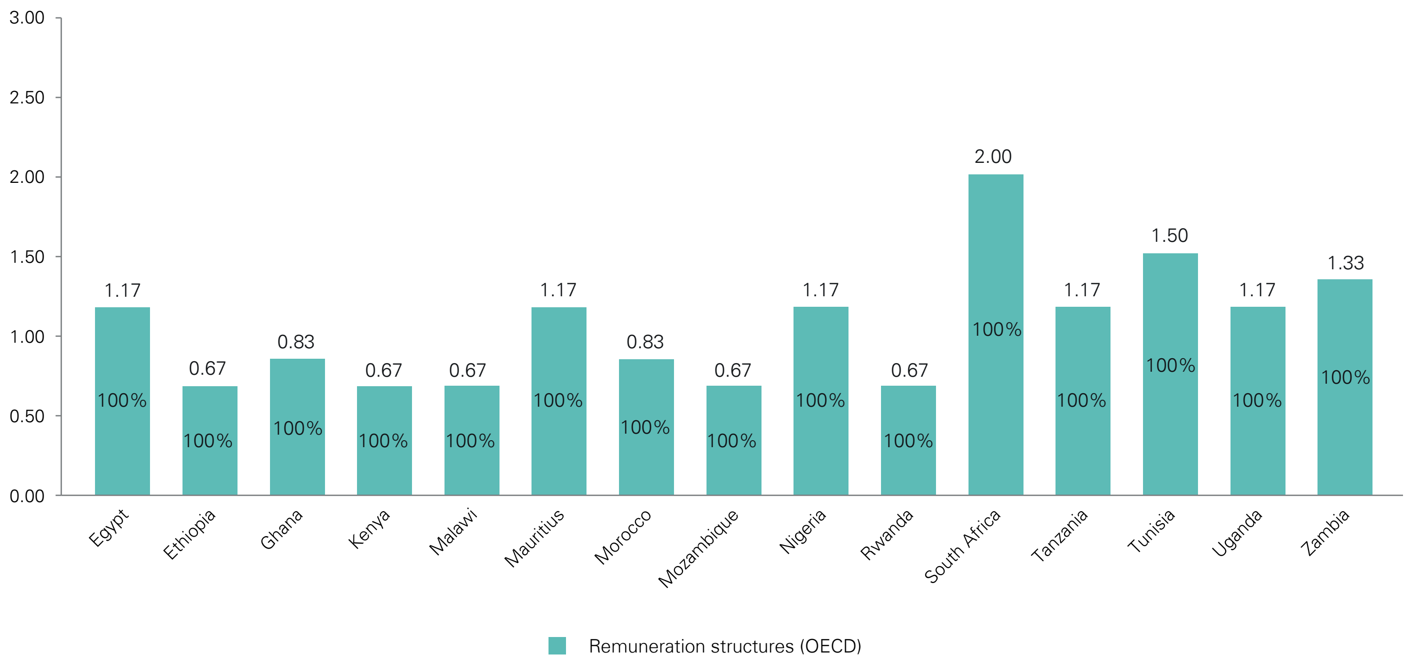


Figure 9.4.4: Clarity of requirements for remuneration structures theme (by market)

9.4.4 Remuneration structures

Remuneration of executives and directors is receiving much attention as a corporate governance issue in recent years. Determining the right amount of remuneration and incentives to attract and retain talent while aligning their interests to the long-term goals of the company can be a challenge. Shareholders and stakeholders are increasingly demanding transparency in remuneration policy and packages to ensure that there is a link between performance, pay and risk-taking activities.

Figure 9.2 shows that the theme related to remuneration structures theme received the equal second weakest average score (on a par with ‘Risk governance’ and ‘Performance evaluation’). The different aspects of this score across markets are outlined below.

Highest-scoring elements

- Remuneration guidelines for directors (OECD)

Mid-range elements

- Disclosure requirements for directors’ remuneration (OECD)
- Remuneration guidelines for executives (OECD)
- Disclosure requirements for executives’ remuneration (OECD)

Lowest-scoring elements

- Provision of stock options (OECD)
- Remuneration claw-back provisions (OECD)

Figure 9.4.4 shows that requirements relating to remuneration structures are all related to the OECD Principles and not well defined in any market except South Africa.

The markets that specifically disallow performance-related payments for non-executive directors are Mauritius, South Africa, Egypt, Nigeria and Ghana. Malawi has the only code that states that non-executive directors could possibly work pro-bono for companies. Only Egypt specifically enables the company to recoup director remuneration in the event of negligence or fraud.

On the issue of compensation levels, there is a movement in some markets to discourage companies from benchmarking salaries, and to set an upper limit on remuneration, as there is a view that higher remuneration does not directly lead to improved performance. This is not the case in Africa, where either the issue is not addressed or there are general statements about setting remuneration at an appropriate level to attract and retain talented individuals. Nigeria recommends a periodical ‘peer review’, while Ghana, Kenya, Tunisia and Morocco encourage companies to take into account industry practices and remuneration levels.

Key take-aways and observations

- The markets covered in the study are focusing on structural and procedural elements, with the core areas of disclosures, role of the board and shareholders’ rights being most clearly articulated.
- As these markets grow and evolve, more awareness and effort will be needed to strengthen remaining critical areas of corporate governance, particularly for remuneration structures, performance evaluation, risk governance, and board composition and diversity.

10. Other factors influencing corporate governance requirements

10.1 Relationship between GDP per capita and corporate governance maturity

Figure 10.1 shows that overall there is some correlation between GDP per capita and the clarity and completeness of corporate governance requirements. There appears to be less correlation between the average market capitalisation and the maturity of corporate governance frameworks.

The markets with the highest GDP per capita (Mauritius and South Africa) have better-defined corporate governance requirements. In contrast, markets with the lowest GDP per capita (Ethiopia and Malawi), generally have less-clearly-defined corporate governance requirements. There are some exceptions to this observation: Uganda has well-defined corporate governance requirements in place, yet has a relatively low GDP per capita, whereas Tunisia has less-well-defined corporate governance requirements despite relatively high GDP per capita.

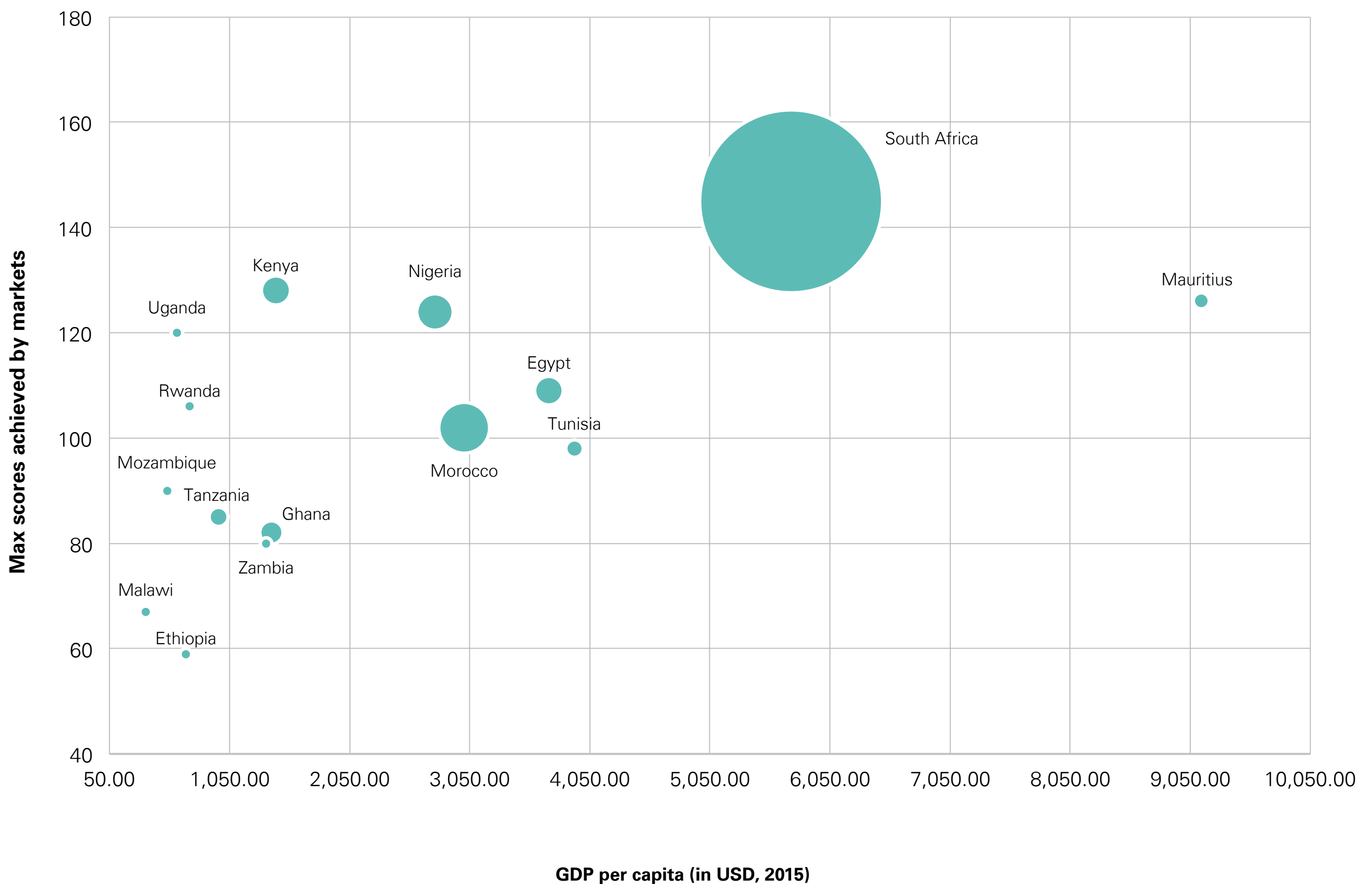


Figure 10.1: Comparison of corporate governance requirements and economic strength (as measured by GDP per capita[10] and size of average market capitalisation of the stock exchange) .

[10] (*)Average market capitalisation of the stock exchange, in US dollars (Source: Bloomberg, market cap as at 30 December 2016). GDP per capita, current prices US.dollars (Source: International Monetary Fund, World Economic Outlook Database, October 2016). The GDP per capita was used to rank the position of the 'bubbles' although should be noted that the chart is not to scale and is only illustrative in nature.

Appendix A: Research approach

A.1 Type of instruments

The study focused mainly on the requirements contained in the corporate governance codes found in 15 markets concerned.

Corporate governance code definition

A document/instrument drafted to capture a majority of the key corporate governance requirements for a market. It is typically endorsed by the government or stock exchange administrator of the market and is generally applicable to publicly listed companies. It may vary in strength from voluntary to 'comply or explain' to mandatory. A market may not have an instrument referred to as a corporate governance code as such, but may have another instrument that is similar in nature and for the purposes of this study has been taken to be a corporate governance code.

In order to reflect the variability in approaches across markets, the study also considered the broader corporate governance issues as outlined below-

		Degree of enforceability		
	Definitions	**Voluntary**	**'Comply or explain'**	**Mandatory**
	Description of instruments	Companies are encouraged to follow the requirements but are not required to and do not need to explain if they choose not to. For example, better-practice guidelines or 'ethics-based' principles	Companies are required to state whether they adopt the recommended approach and if they do not comply, why they choose not to. Variations also include 'apply and/or explain' or 'if not, why not' instruments	Companies must comply with the requirement or face fines/ penalties. For example, legislation, listing rules, companies law
ACCA-KPMG research scope	In-scope instruments	Market-level better-practice guidelines that are directly referenced in the corporate governance code	Corporate governance codes for listed companies	Key legislation and regulations containing key corporate governance requirements
	Out of scope instruments	International better-practice guidelines (e.g. International Standard Organization 31000: 2009 Risk Management Principles and Guidelines on Implementation)	Industry-specific corporate governance codes (e.g. banking and finance sector or state-owned enterprises)	Other legislation and regulations (such as an income tax act)

Table A1: Summary of type and scope of instruments considered in ACCA-KPMG study 2017

A.2 Assessment of requirements

The requirements were assessed for clarity and completeness in relation to the ACCA-KPMG research framework ('the research framework'). The research framework is based on principles contained within the OECD Principles 2015 and KPMG's Board and Governance Principles. Scores were assigned to aid the analysis, for example, with 1 meaning 'meets the OECD requirement', 2 'exceeds' and 3 'significantly exceeds' or 0 when 'not mentioned'. Table A2 below outlines the common scores used throughout the study:

Score	Total market score	Highest attributed score	Average score
Description	The aggregation of highest attributed score assigned to each requirement across the research framework.	The maximum score assigned to each requirement (regardless of the degree of enforceability) for each research framework element. For example if there were a requirement which was scored 3 and another requirement which was scored 2 the highest attributed score for that element will be 3.	The total of all the highest attributed scores divided by the number of relevant requirements (within corporate governance pillars/themes) or number of markets.

Table A2: Common scores used throughout the study

A.3 Exclusions

1. Levels of compliance

The study focused on publicly available sources of corporate governance requirements. It did not review:

- the level of compliance or adoption of the requirements by listed companies within each market, or,
- the extent of regulatory implementation and monitoring.

2. Revisions of requirements

During the research period a number of markets revised their instruments. Where possible, the latest versions of all corporate governance codes were reviewed.

In Nigeria the revised code released in 2016 had been suspended at the date of the study so the previous code was included. For further information, please refer to: Appendix B: Corporate governance instruments reviewed and Appendix D: Market synopses.

A.4 Limitations

1. Completeness of information

Given the significant volume of corporate governance requirements that exists, the study may not have completely captured all the data sets. The study verified, where possible, at the local market levels, all the known key corporate governance instruments identified within each market. Refer to Appendix B for the corporate governance instruments reviewed.

2. Accuracy of information

The study relied on publicly available documents, some of which had been translated into English solely for the purpose of this study. This could affect the accuracy of information.

3. Subjectivity/interpretation

The study relies predominantly on a qualitative approach that involves an assessment of the clarity and completeness of the requirement against the research framework. While efforts were made to create consistency by using a single assessment framework and by calibrating the scoring obtained from each assessment used across markets, there was an element of subjectivity and interpretation, which may have affected the results.

A.5 Assumptions

1. Validity of information

The research relied on publicly available information as at 31 December 2016. Any changes to corporate governance requirements made after this point were not considered as part of this study.

2. Research framework

The key questions contained in the research framework were based on the pillars contained in the OECD Principles 2015, KPMG's Board and Governance Principles and other emerging leading practices in corporate governance. The framework may not represent a complete set of corporate governance requirements.

3. Multiple instruments

Where multiple instruments were identified within a category of enforceability (such as mandatory, 'comply or explain' or voluntary), the most rigorous standard was selected and assessed for the purposes of this study.

A.6 Research framework

For the purposes of this study, these pillars and themes of corporate governance were used as the basis of the research framework. These pillars and themes form the basic tenets of corporate governance that are generally found in most corporate governance codes and better-practice guidelines. The themes were made up of 81 key elements which were specific corporate governance requirements that related to the OECD principles and leading corporate governance practices. The adoption of the pillars, themes and elements of corporate governance provides a framework of comparison used in this study.

Pillar	Description	Themes	OECD Principle - related elements	Better-practice-related elements	Total number of elements
Pillar 1: Leadership and Culture	Clarifying and optimising the mix of skill sets at the board level, and the board's structure, to generate an appropriate ethical culture and provide direction for long-term sustainable success.	Role of the board Nominating Committee Board composition and diversity Director independence Directors' time and resources	12	8	20
Pillar 2: Strategy and Performance	Establishing transparent mechanisms that encourage the right set of behaviours to achieve outcomes (within risk tolerances) and drive a continuous improvement performance culture.	Remuneration Committee Remuneration structures Performance evaluation	15	6	21
Pillar 3: Compliance and Oversight	Establishing adequate and effective risk management, internal controls and assurance systems covering financial, operational, compliance and information technology risks.	Financial and non-financial disclosures Audit Committee and financial integrity Risk governance and assurance	13	14	27
Pillar 4: Stakeholder Engagement	Protecting, communicating and engaging with shareholders and stakeholders.	Shareholders' rights Stakeholder engagement and communication	12	1	13
		Total number of elements	52	29	81

Appendix B: Corporate governance instruments reviewed

Table B1 summarises the 58 instruments applicable for listed companies that were reviewed as part of the study. It may not represent a complete list so it is recommended that users of this report also make their own enquiries.

	Voluntary	Comply or explain	Mandatory
Egypt		• Egyptian Code of Corporate Governance, published in August 2016*	• Company Law 159/1981 • Listing Rules 2016
Ethiopia		• Ethiopian Code of Corporate Governance	• Commercial Code of the Empire of Ethiopia, 1960
Ghana	• Corporate Governance: Guidelines on Best Practices (Securities and Exchange Commission)		• Ghana Stock Exchange Listing Rules • Companies Code (Act 179) of 1963 • The Securities Industry Law 1993 (PNDC Law 333), amended by Securities Industry (Amendment) Act 2000 Act 590
Kenya		• The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015	• The Companies Act, 2015 • The Capital Markets Act, Cap 485A • The Nairobi Securities Exchange Listing Rules 2014 • The Capital Markets (Securities)(Public Offers, Listing and Disclosure) Regulations, 2002 (revised 2016)
Malawi		• The Malawai Code II, Code of Best Practice for Corporate Governance in Malawi Overarching Provisions (2010)	• Malawi Stock Exchange: Listing Requirements, 1st May 2009 • Chapter 46.03 Companies
Mauritius		• The National Code of Corporate Governance for Mauritius (2016)*	• The Listing Rules • The Companies Act 2001
Morocco		• Moroccan Code of Good Corporate Governance Practices, 2008	• Loi n° 17-95 Relative aux sociétés anonymes • Dahir n° 1-12-55 du 14 safar 1434 (28 décembre 2012) • Moroccan Capital Market Code (2012) • General Regulations of the Stock Exchange
Mozambique	• Mozambican Corporate Governance Code		• Commercial Code, Decree 2/2005 of 27th December • The process for admission to quotation of securities
Nigeria		• Code of Corporate Governance for Public Companies in Nigeria**	• Companies and Allied Matters Act, 1990 • Nigerian Stock Exchange Listing Requirements
Rwanda	• Guiding Code of Corporate Governance 2009 • Code of Business Ethics and Excellence 2009	• The Capital Market Corporate Governance Code N° 09, 2012	• Law Relating to Companies, No. 7/2009 of 27/04/2009 • Law Regulating Capital Market in Rwanda, No.01/2011 of 10/02/2011 • Rwanda Stock Exchange Rule Book, 2013

	Voluntary	Comply or explain	Mandatory
South Africa	• CRISA, Code for Responsible Investing in South Africa 2011	• King IV Report on Corporate Governance™ for South Africa 2016	• JSE Limited Listings Requirements • Companies Act No. 71 of 2008 • Companies Regulations, 2011 • Insider Trading Act, 1998
Tanzania		• Guidelines on Corporate Governance Practices by Public Listed Companies In Tanzania, 2002	• The Capital Markets and Securities Act, No.5 of 1994, Amended by The Capital Market and Securities Act, No. 4 of 1997 • The Companies Act, 2002 • The Dar es Salaam Stock Exchange Rules, 2014
Tunisia	• Guide to Good Practices for the Governance of Tunisian Companies, 2012		• Financial Market Council Regulation on Public Offerings, 2000 • Code des sociétés commerciales
Uganda	• Corporate Governance Manual, Recommended Guidelines for Corporate Governance in Uganda, 2008 (ICGU Guidelines) • The Capital Markets Corporate Governance Guidelines, 2003 (CMA Guidelines)		• The Companies Act, 2012 (including Table F: Code of Corporate Governance) • The Capital Markets Authority Act, Cap 84, as amended in 2011 and 2016 • The Uganda Securities Exchange Listing Rules, 2003
Zambia		• Lusaka Stock Exchange: Corporate Governance Code for Listed and Quoted Companies, March 2005	• The Companies Act, Cap 388 • The Harmonised Listings Requirements of the Lusaka Stock Exchange, 2012

(*) Issued in past 6 months. (**) Currently under review/consultation period (proposed changes not included in scope)

Appendix C: Summary of corporate governance requirements (extracts)

A key driver of this study was to develop a better understanding of what the key corporate governance requirements are across the different jurisdictions. A summary of some of the most common areas is outlined below. Given the volume of requirements and length of exact wording, a summary has been prepared. The following coding has been used to indicate the degree of

		Egypt	Ethiopia	Ghana	Kenya	Malawi	Mauritius	Morocco
Pillar 1: Leadership & Culture	Requirement to define the role of the board?	Yes – Charter disclosed (CoE)	-	-	Yes – Charter disclosed (CoE)	Yes – Charter (CoE)	Yes – Charter disclosed (CoE)	Recommended – Charter (CoE)
	Requirement to develop a code of conduct?	Yes – Code of Conduct (CoE)	Yes – Ethics and other policies (CoE)	Yes – Code of Ethics (V)	Yes – Code of Ethics and Conduct, summary disclosed (CoE)	Yes – Code of Ethics (CoE)	Yes – Code of Ethics disclosed (CoE)	Yes – Code of Ethics (M
	Requirement to establish a nominating committee (NC)?	Yes – should have (CoE)	-	-	Yes – shall establish (CoE)	-	Yes – may have (CoE)	Yes - Recommended (CoE)
	Requirement for NC independence?	Chair independent (CoE	-	-	Chair independent (CoE)	-	Where possible majority (CoE)	-
	Guidance on ideal board size?	'Reasonable number' (CoE) Minimum of 3 (M)	Not less than 3, nor more than 12 (M)	8 – 16 members considered ideal (V) At least 2 (M)	'Sufficient size' (CoE) At least 2 (M)	At least 3 (M)	'Sufficient size' (CoE)	At least 3, not more than 12 (M)
	Requirement to formalise board diversity?	-	-	-	Yes – Diversity policy (CoE)	Yes – Diversity considered (CoE)	Yes – Considered + Non-discrimination policy (CoE)	Yes – Diversity considered (CoE)
	Requirement to consider gender diversity?	-	-	-	Yes – gender one of many factors (CoE)	Yes – gender considered (CoE)	Yes – gender considered (CoE)	Yes – consider male-female balance (CoE)
	Requirement for board independence?	Yes - no less than 2 (M)	Yes - at least one-third (CoE)	Yes - at least one-third (V) one-fourth (M)	Yes - at least one-third (CoE)	Yes - at least 1 (M)	Yes - at least 2 (CoE)	-
	Requirement to separate Chairperson and CEO/ Chairperson to be independent?	Yes – should be separate but is possible (CoE)	Yes – should be separate (M)	Yes – should be separate but is possible (V)	Yes – shall be separate (CoE)	Yes - should preferably be separate (CoE)	Yes – should be separate (CoE)	Yes – should be separate, but is possible (CoE)
	Requirement for safeguards where Chairperson and CEO not separate (or Chairperson is not independent)?	Yes – reasons should be disclosed, and independent deputy appointed (CoE)	-	Yes – reasons should be disclosed, procedures ensuring independence of the board enacted (V)	-	Yes - Chairperson encourages proper deliberation of all matters (CoE)	-	Yes – reasons should be disclosed (CoE)

enforceability of the instrument: V = Voluntary; CoE = Comply or Explain; and M = Mandatory. Where multiple instruments were in place, the requirement was primarily taken from the instrument with the highest degree of enforceability. However, where inconsistencies were identified – the conflicting requirements have been noted below.

Mozambique	Nigeria	Rwanda	South Africa	Tanzania	Tunisia	Uganda	Zambia
-	Yes – Charter, and statement disclosed (CoE)	-	Yes – Charter (CoE)	-	Yes – Charter (V)	Yes – Charter (M)	Yes – Charter disclosed (CoE)
Yes – Code of Ethics and Conduct (V)	Yes – Code of Conduct and Ethics disclosed (CoE)	-	Yes – Code of Conduct disclosed (CoE)	-	Yes – Code of Conduct, disclosure recommended (V)	Yes – Code of Ethics (M)	Yes – Code of Conduct / Ethics, available to all stakeholders (CoE)
Yes – may have (V)	Yes – may establish (CoE)	Yes – must establish (CoE)	Yes – should have (M)	Yes – shall establish (CoE)	Yes - recommended (V)	Yes – shall establish (M)	Yes – where appropriate (M)
-	-	Majority + Chair independent (CoE)	Majority + Chair independent (M)	-	Members preferably independent (V)	Majority (M)	Majority (M)
Minimum 5, maximum 11 (V) Odd number (M)	Not less than 5 (CoE) At least 2 (M)	'Large enough', benchmark 7 to 10 (COE)	'Sufficient number' (CoE) At least 3 (M)	'Not too large or too small' (CoE) At least 2 (M)	Between 7 and 9 recommended (V) At least 3, no more than 12 (M)	'Not too large or too small' (V) At least 2 (M)	Minimum 4 (M)
-	Yes – Considered + Criteria written (CoE)	-	Yes – Targets set and disclosed (CoE) Gender diversity policy (M)	Yes – Diversity considered (V) Fixed aged diversity (M)	Yes – Diversity considered (V)	Yes – Diversity considered (V)	-
-	Yes – gender considered (CoE)	-	Yes – Targets set and disclosed (CoE) Gender diversity policy (M)	Yes – gender considered (V)	Yes – gender considered (V)	Yes – gender considered (V)	-
Yes – Chairperson must be independent (V)	Yes - at least 1 (CoE)	Yes - at least one-fourth (CoE)	Yes - at least one-fourth (CoE)	Yes - at least one-third (V)	Yes - at least one-third (M)	Yes - at least one-third (M)	-
Yes – should be separate (V)	Yes – shall be separate (CoE)	Yes – must be separate (CoE)	Yes – must be separate (M)	Yes – should be separate, but is possible (CoE)	Yes – should be separate but is possible (V) may be separate (M)	Yes – shall be separate, but is possible (M)	Yes – must be separate (M)
-	-	Yes – reasons should be disclosed (V)	NA – as not allowed.	Yes – reasons should be disclosed, including measures implemented (CoE)	Yes – Code of Conduct, disclosure recommended (V)	Yes – independent deputy chairperson appointed, reason justified each year (M)	Yes – independent deputy chairperson appointed (CoE)

		Egypt	Ethiopia	Ghana	Kenya	Malawi	Mauritius	Morocco
Pillar 1: Leadership & Culture	Requirement For independent director tenure limits?	Yes – 6 consecutive years (deeming rule) (CoE)	-	-	Yes – cumulative term of 9 years (deeming rule) (CoE)	-	Yes – 9 continuous years (deeming rule) (CoE)	-
	Requirement for restricting concurrent directorships?	Yes – no more than 2, with exceptions (M)	-	Yes – consider number of directorships for appointments (V)	Yes – no more than 3 listed companies (CoE)	-	-	-
Pillar 2: Strategy & Performance	Requirement to establish Remuneration Committee (RC)?	Yes - should have (CoE)	-	Yes - should have (V)	Yes - shall have (CoE)	Yes - should have (M)	Yes - may have (CoE)	Yes - should have (CoE) may have (M)
	Requirement for RC independence?	Independent and non-executive members (CoE)	-	-	Mainly independent and non-executive members (CoE)	-	Majority NED, where possible ID (CoE)	-
	Requirement to conduct board performance evaluations?	Yes – frequency not specified (CoE)	Yes – frequency not specified (CoE)	Yes – frequency not specified (V)	Yes – annual evaluation (CoE)	Yes – annual evaluation (CoE)	Yes – annual evaluation (CoE)	Yes – at least once every 3 years (CoE)
Pillar 3: Compliance & Oversight	Requirement for directors to receive a declaration from the CEO/ CFO regarding Financial statement integrity?	-	-	-	-	-	-	-
	Requirement for external audit?	Yes (M)	Yes (M)	Yes (M)	Yes (M)	Yes (M)	Yes (M)	Yes (M)
	Requirement to rotate audit partners/firms?	Yes – audit partner every 5 years (CoE)	-	Yes – audit partner regularly (V)	Yes – audit partner every 6 to 9 years (CoE)	-	Yes – audit partner 5 years, audit firm contract 10 years (CoE)	Yes – audit firm every 6 years (CoE)
	Requirement to establish an Audit Committee (AC)?	Yes – must have (M)	Yes – should have (CoE)	Yes – should have (V)	Yes – shall have (M)	Yes – should have (M)	Yes – should have (CoE)	Yes – should have (CoE)
	Requirement for AC independence?	At least 2 (M)	Majority of independent and non-executive directors (CoE)	-	At least 3 independent and non-executive directors (CoE)	-	Majority (CoE)	-
	Requirement for board to be responsible for risk management (RM) and internal controls (IC)?	Yes – Internal controls and risk management (CoE)	Yes – Internal controls and risk management (CoE)	Yes – Internal controls and risk management (V)	Yes – Internal controls and risk management (CoE)	Yes – Governance of risk (CoE)	Yes – Internal controls and risk management (CoE)	Yes – Internal controls and risk management (CoE)
	Requirement to disclose key risks in the annual report?	Yes – disclose most important risks (CoE)	-	Yes - material foreseeable risk factors disclosed (V)	Yes - key company's risks (CoE)	-	Yes - principal risks and uncertainties faced (CoE)	Yes - material or foreseeable risks (CoE)

Mozambique	Nigeria	Rwanda	South Africa	Tanzania	Tunisia	Uganda	Zambia
-	-	-	Yes – 9 years (deeming rule) (CoE)	-	Yes – 6 years (tenure rule) (V)	-	-
-	Yes – consider number of directorships for appointments (CoE)	Yes – no more than 3 listed companies (CoE)	-	Yes – no more than 3 listed companies (CoE)	-	Yes – no more than 5 listed companies, chairperson 2 (V)	-
Yes - may have (V)	Yes - may have (CoE)	Yes - must have (CoE)	Yes - must have (M)	Yes - should have (CoE)	Yes - should have (V)	Yes - shall have (M)	Yes - must have (M)
-	-	Majority + Chair independent (CoE)	Majority + Chair independent (CoE)	Mainly independent and non-executive members (CoE))	-	Majority + Chair independent (M)	-
Yes – annual assessment (V)	Yes – annual evaluation (CoE)	-	Yes – at least every 2 years (CoE)	Yes – frequency not specified (CoE)	Yes – annual assessment (V)	Yes – regular evaluation (M)	Yes – frequency not specified (CoE)
-	Yes - CEO / CFO certify (CoE)	Yes – CEO / Chairperson certify (CoE)	-	-	-	-	-
Yes (M)	Yes (M)	Yes (M)	Yes (M)	Yes (M)	Yes (M)	Yes (M)	Yes (M)
Yes – audit partner every 5 years (V)	Yes – audit partner regularly, audit firm 10 years (CoE)	Yes – audit partner every 5 years (CoE)	Yes – audit partner every 5 years (M)	-	Yes – audit partner every 9 years, audit firm 15 years (V)	-	-
Yes – shall have (V)	Yes – shall have (M)	Yes – must have (CoE)	Yes – must have (M)	Yes – must have (M)	Yes – must have (M)	Yes – shall have (M)	Yes – must have (M)
Non- executive and independent directors (V)	-	Majority + Chair (CoE)	All (M)	Independent and non-executive directors (CoE)	At least 1 (V)	Majority of Independent and non-executive directors (V)	-
Yes – Internal controls and risk management (V)	Yes – Internal controls and risk management (CoE)	Yes – Internal controls and risk management (CoE)	Yes – Internal controls and risk management (CoE)	Yes – Internal controls and risk management (CoE)	Yes – Internal controls and risk management (V)	Yes – Internal controls and risk management (V)	Yes – Internal controls and risk management (CoE)
Yes - Improper, unexpected or unusual risks (V)	-	-	Yes – key, undue, unexpected, and unusual risks (CoE)	-	-	-	-

		Egypt	Ethiopia	Ghana	Kenya	Malawi	Mauritius	Morocco
Pillar 3: Compliance & Oversight	Requirement to conduct a review of the adequacy and effectiveness of the risk management and/or internal control systems? a) What is being reviewed?	Yes – adequacy and effectiveness (CoE)	-	Yes - adequacy (V)	Yes – adequacy (only IC), and effectiveness (CoE)	-	Yes – effectiveness (CoE)	-
	b) Scope?	Internal controls (CoE)	-	Internal controls (V)	Risk management and Internal controls (CoE)	-	Risk management and Internal controls (CoE)	-
	c) Frequency?	Not Specified (CoE)	-	Not Specified (V)	Annually for effectiveness (CoE)	-	Annually for IC,	-
	Requirement to have an internal audit function?	Implied – describes AC role in relation to IA (M)	Yes – should have (CoE)	Implied – describes AC role in relation to IA (V)	Yes – shall have (CoE)	-	Encouraged – review annually the need for one, and reasons for not having one disclosed (CoE)	Yes - is required to have (M)
	Requirement to establish whistleblowing (WB) mechanisms?	Yes – WB system (CoE)	Yes – WB from staff should be encouraged and protected (CoE)	-	Yes – WB mechanisms for stakeholders (CoE)	-	Yes – Encouraged to put WB procedures in place in the Code of Ethics (CoE)	Yes – WB procedures for employees (CoE)
Pillar 4: Stakeholder Engagement	Requirement to establish stakeholder communication/ engagement mechanisms?	Yes - investor relations department to communicate with stakeholders (CoE)	Yes – focus on shareholders + cooperate with / inform stakeholders (CoE)	Yes – communication policy with stakeholders must be adopted (V)	Yes - stakeholder-inclusive approach (M)	Yes – focus on shareholders (M)	Yes – focus on shareholders and other key stakeholders (CoE)	Yes - communication policy, stakeholder approach (CoE) Communication strategy (M)
	Requirement to establish CSR and sustainability reporting?	Yes - set a clear policy about social and environmental responsibilities (CoE)	Yes - Environmental Sustainability Policy, and Personnel Policy (CoE)	Yes – encouraged to include information on social responsibility (V)	Yes - corporate citizenship policies, report on CSR performance (CoE)	Yes – integrated sustainability reporting and disclosure (CoE)	Yes – recommended disclosure on CSR performance & outlook (CoE)	Yes - Corporate Responsibility Charter, CSR communication (CoE)

Mozambique	Nigeria	Rwanda	South Africa	Tanzania	Tunisia	Uganda	Zambia
Yes –effectiveness (V)	Yes – adequacy and effectiveness (CoE)	Yes - adequacy (CoE) effectiveness - only IC (V)	Yes –effectiveness (M)	Yes - adequacy (CoE)	Yes –effectiveness (M)	Yes –effectiveness (M)	Yes –effectiveness (CoE)
Risk management and Internal controls (V)	Risk management and Internal controls (CoE)	Risk management and Internal controls (CoE)	Risk management and Internal controls (M)	Internal controls (CoE)	Internal controls (M)	Internal controls (M)	Internal controls (CoE)
Annually (V)	At least once every quarter (CoE)	Annually (CoE) Regularly (V)	Not Specified (M)	Regularly (CoE)	Periodically (M)	Regularly (M)	Regularly (CoE)
Implied – describes internal audit roles (V)	Yes – should have (CoE)	Yes – must have (CoE)	Implied – describes governing body role in relation to IA (CoE)	Yes – should have (CoE)	Yes – should have (V)	Yes – should have (V) Implied (M)	Yes – must have (CoE)
Yes – WB mechanisms for internal and external stakeholders (V)	Yes – WB policy for internal and external stakeholders (CoE)	Yes – WB system for employees (CoE)	Yes – WB mechanisms (CoE) Protection of WBs (M)	-	-	Yes – WB process for employees and others should be considered (M)	-
Yes – stakeholder approach (V) Focus on shareholders (M)	Yes - Communication Policy, stakeholders approach (CoE)	Yes – focus on shareholders, stakeholders as required (CoE)	Yes - stakeholder relationships policy (CoE) Stakeholders access to company information (M)	Yes – stakeholders communication policy, Shareholders' Association (CoE)	Yes - Shareholder relations department, communication with stakeholders (V)	Yes – stakeholders communication policy (V) shareholders communication policy (M)	Yes - formal procedures for communicating with its main stakeholders (CoE)
Yes - encouraged to disclose annual integrated Sustainability Report (V)	Yes – annual reporting on social, ethical, safety, health and environmental policies and practices (CoE)	No - but monitor CSR and promulgate policies consistent with good business practices (V)	Yes – recommended corporate citizenship disclosures, sustainability reports, social and ethics committee reports (CoE) Social and Ethics Committee & reporting (M)	-	Yes - disclosure of corporate social responsibility policy (V)	Yes – sustainability reporting, recommended disclosures (M)	Yes – Integrated sustainability reporting, environmental, HIV, charitable and other policies (CoE)

Appendix D: Market synopses

Egypt market synopsis

Market	Egypt				
Market overall ranking:	6 out of 15				
Current corporate governance code (equivalent)	Egyptian Code of Corporate Governance			Last revision	2016
Style of corporate governance code	Comply or explain			Style of governance:	Unitary boards
No. of sections	4	No. of principles:	N/A	No. of guidelines	42

The corporate governance framework in Egypt comprises the Company Law 159/1981 (updated 1984), the Listing Rules (2016) and the Egyptian Code of Corporate Governance (2016, 'the ECCG'). The ECCG is issued by the Egyptian Financial Supervisory Authority (EFSA) and the Egyptian Institute of Directors, which was established under the Ministry of Investment in 2003 and is now affiliated to EFSA. The ECCG for Listed Companies was issued in 2005 and a Code of Corporate Governance for State-Owned Enterprises in 2006.
The ECCG was revised in 2011, and the latest version was released in August 2016. The code is applicable to listed and non-listed companies, financial and non-financial institutions, manufacturing, commercial and service companies, regardless of their size or nature, and whether they are family owned or publicly held.
The Ministry of Investment and the General Authority for Investment and Free Zones supervise the implementation of the Company Law, and the Egyptian Financial Supervisory Authority regulates the Egyptian Stock Exchange and enforces its listing rules.

Strengths and Weaknesses Barometer

Themes	Disclosures	Audit Committee and financial integrity	Remuneration Committee	Risk governance	Director independence	Shareholders' rights	Role of the board	Stakeholder engagement and communication	Nominating Committee	Remuneration structures	Assurance	Directors' time and resources	Performance evaluation	Board composition & diversity

Ethiopia market synopsis

Market	Ethiopia				
Market overall ranking:	15 out of 15				
Current corporate governance code (equivalent)	Ethiopian Code of Corporate Governance			Last revision	2011
Style of corporate governance code	Comply or explain			Style of governance:	Unitary boards
No. of sections	7	No. of principles:	N/A	No. of guidelines	54

The corporate governance framework in Ethiopia comprises the Commercial Code of the Empire of Ethiopia (1960) and the Ethiopian Code of Corporate Governance (2011, 'the Code'). Ethiopia does not have a stock exchange.
The Code was developed by the Private Sector Development hub under the Addis Ababa Chamber of Commerce and sectorial associations. For listed companies, the application of the Code is based on the 'apply or explain' approach. It is expected that smaller businesses, regardless of their ownership or size, should be inspired and directed by the governance principles of the code.
The Commercial Code of the Empire of Ethiopia is currently being revised by the Ministry of Justice.

Strengths and Weaknesses Barometer

Themes	Stakeholder engagement and communication	Disclosures	Shareholders' rights	Audit Committee and financial integrity	Assurance	Role of the Board	Risk governance	Remuneration structures	Director independence	Directors' time and resources	Performance evaluation	Nominating Committee	Remuneration Committee	Board composition & diversity

Ghana market synopsis

Market	Ghana				
Market overall ranking:	12 out of 15				
Current corporate governance code (equivalent)	Corporate Governance Guidelines on Best Practices			Last revision	2010
Style of corporate governance code	Voluntary			Style of governance:	Unitary boards
No. of sections	6	No. of principles:	5	No. of guidelines	105

The corporate governance framework in Ghana comprises the Companies Code 1963 (Act 179), the Securities Industry Law 1993, the Securities Industry (Amendment) Act 2000, the Ghana Stock Exchange Listing Rules, and the Corporate Governance Guidelines on Best Practices (2010, 'the Guidelines').
The Guidelines are issued by the SEC and are voluntary. Other CG guidance includes a Code of Conduct for Primary Dealers in Government Securities (2011), the Code of Corporate Governance for State-Owned Enterprises and a Corporate Governance Manual for Governing Boards/Councils of the Ghana Public Services (2015), which were not considered for this study.
The Registrar General enforces the Companies Code and the SEC monitors compliance with the Securities Industry Act on the Ghana Stock Exchange (GSE). Overseen by the Ministry of Finance, the SEC published the first Corporate Governance Guidelines on Best Practices in 2002, and a Code on Takeovers and Mergers in 2008.

Strengths and Weaknesses Barometer

Themes	Director independence	Disclosures	Directors' time and resources	Shareholders' rights	Remuneration Committee	Role of the board	Audit Committee and financial integrity	Assurance	Remuneration structures	Stakeholder engagement and communication	Risk governance	Performance evaluation	Board composition & diversity	Nominating Committee

Kenya market synopsis

Market	Kenya				
Market overall ranking:	2 out of 15				
Current corporate governance code (equivalent)	The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015			Last revision	2015
Style of corporate governance code	Apply or explain			Style of governance:	Unitary boards
No. of sections	N/A	No. of principles:	28	No. of guidelines	111

Kenya's corporate governance framework comprises The Companies Act, 2015, the Capital Markets Act, Cap 485A, the Nairobi Securities Exchange Listing Rules 2014, the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations, 2002 (revised 2016) and the Code of Corporate Governance Practices for Issuers of Securities to the Public ('the Code'), 2015.
The Code is issued by Kenya's Capital Market Authority, the main regulatory body for all securities market participants complying with the Kenyan Capital Markets Act. The 2015 edition of the code applies to both listed and unlisted companies. It replaces the Guidelines on Corporate Governance Practices published in 2002.
The Code strengthens disclosure obligations from 'comply or explain' to 'apply or explain' and issuers are now required by the Capital Market Authority and the Capital Markets (Securities) (Public Offers, Listing and Disclosures) (amendment) regulations, 2016, to explain 'the steps being taken to ensure the application of recommended corporate governance practices' where they are not fully applied.

Strengths and Weaknesses Barometer

Themes	Role of the board	Disclosures	Shareholder's rights	Audit Committee and financial integrity	Director independence	Stakeholder engagement and communication	Board composition & diversity	Nominating Committee	Assurance	Directors' time and resources	Remuneration Committee	Performance evaluation	Risk governance	Remuneration structures

Malawi market synopsis

Market	Malawi				
Market overall ranking:	14 out of 15				
Current corporate governance code (equivalent)	The Malawi Code II, Code of Best Practice for Corporate Governance in Malawi Overarching Provisions (2010)			Last revision	2010
Style of corporate governance code	Comply or explain			Style of governance:	Unitary boards
No. of sections	N/A	No. of principles:	19	No. of guidelines	101

The corporate governance framework of Malawi comprises Malawi Code II, Code of Best Practice for Corporate Governance in Malawi Overarching Provisions (2010), the Chapter 46:03 Companies (1984), and the Malawi Stock Exchange: Listing Requirements (2009).
The Institute of Chartered Accountants in Malawi (ICAM) issued a first Code of Corporate Governance in 2001 and initiated the establishment of Malawi's Institute of Directors (IoDM) in 2004. The latter formed a 'National Corporate Governance Review Committee' (NCGRC) to drive stakeholder consultations following the recommendations of the World Bank Report on the Observance of Standard and Codes (ROSC) in Malawi (2007), and a revised Corporate Governance Code, Malawi Code II ('the Code') was published in 2010.
The Code applies to all types of organisation. It recommends a unitary governance structure and adherence is on a 'comply or explain' basis. The IODM is responsible for monitoring compliance with the Code's Overarching Provisions. The 2009 Malawi Stock Exchange listing requirements stipulate, however, that listed companies disclose compliance to the UK Cadbury Code or the South Africa King Code in their annual reports.
The Registrar General administers the Chapter 46:03 Companies of 1984, and the Capital Markets Development Act of 1990 has established the Reserve Bank of Malawi (RBM) as sole regulator of Malawi's capital market.

Strengths and Weaknesses Barometer

Themes	Disclosures	Role of the board	Shareholders' rights	Director independence	Directors' time and resources	Nominating Committee	Risk governance	Assurance	Performance evaluation	Remuneration structures	Remuneration Committee	Board composition & diversity	Audit Committee and financial integrity	Stakeholder engagement and communication

Mauritius market synopsis

Market	Mauritius				
Market overall ranking:	3 out of 15				
Current corporate governance code (equivalent)	The National Code of Corporate Governance for Mauritius (2016)			Last revision	2016
Style of corporate governance code	Apply and explain			Style of governance:	Unitary boards
No. of sections	N/A	No. of principles:	8	No. of guidelines	27

The corporate governance framework in Mauritius comprises the National Code of Corporate Governance for Mauritius (2016) ('the Code'), the Companies Act 2001, and the Listing Rules made by the Stock Exchange of Mauritius Ltd in 1988 (last amended November 2015).
The Code was first issued in 2003 by the National Committee on Corporate Governance (NCCG), which was established in 2001 with the mandate of promoting principles of good corporate governance among public and private sector organisations. The NCCG today operates in accordance with the requirement of the Financial Reporting Act 2004 to coordinate all matters pertaining to corporate governance.
The Code applies to public interest entities defined by the Financial Reporting Act 2004 and public sector organisations listed as public interest entities in Schedule 1 of the Financial Reporting Act 2004. Other companies are encouraged to give due consideration to the application of the Code so far as the principles are applicable.

Strengths and Weaknesses Barometer

Themes	Disclosures	Assurance	Performance evaluation	Risk governance	Shareholders' rights	Stakeholder engagement and communication	Role of the board	Directors' time and resources	Director independence	Nominating Committee	Audit Committee and financial integrity	Remuneration structures	Board composition & diversity	Remuneration Committee

Morocco market synopsis

Market	Morocco				
Market overall ranking:	8 out of 15				
Current corporate governance code (equivalent)	Moroccan Code of Good Corporate Governance Practices			Last revision	2008
Style of corporate governance code	Comply or explain			Style of governance:	One- and two-tiered boards
No. of sections	4	No. of principles:	22	No. of guidelines	51

One-tiered and two-tiered board structures exist within Morocco's corporate governance framework. The framework includes the Company Law, the laws of the Stock Exchange and of the CDVM Moroccan Securities Commission, the Commercial Code and the Moroccan Code of Good Corporate Governance Practices, 2008 ('the Code').
The Code, which is voluntary and applies to both the public and private sectors, was developed by the National Corporate Governance Commission. This private-public commission comprises key Moroccan actors in corporate governance, including the General Confederation of Moroccan Companies (CGEM), the Center of Young Leaders, Bank-Al-Maghrib, the Association of Moroccan Banks, the Moroccan Securities Commission, the Stock Exchange of Casablanca, the National Agency for SMEs, the Ministry of Justice, and the Ministry of Economy.

Strengths and Weaknesses Barometer

Themes	Stakeholder engagement and communication	Disclosures	Role of the board	Performance evaluation	Board composition & diversity	Shareholders' rights	Nominating Committee	Assurance	Audit Committee and financial integrity	Remuneration Committee	Director independence	Remuneration structures	Risk governance	Directors' time and resources

Mozambique market synopsis

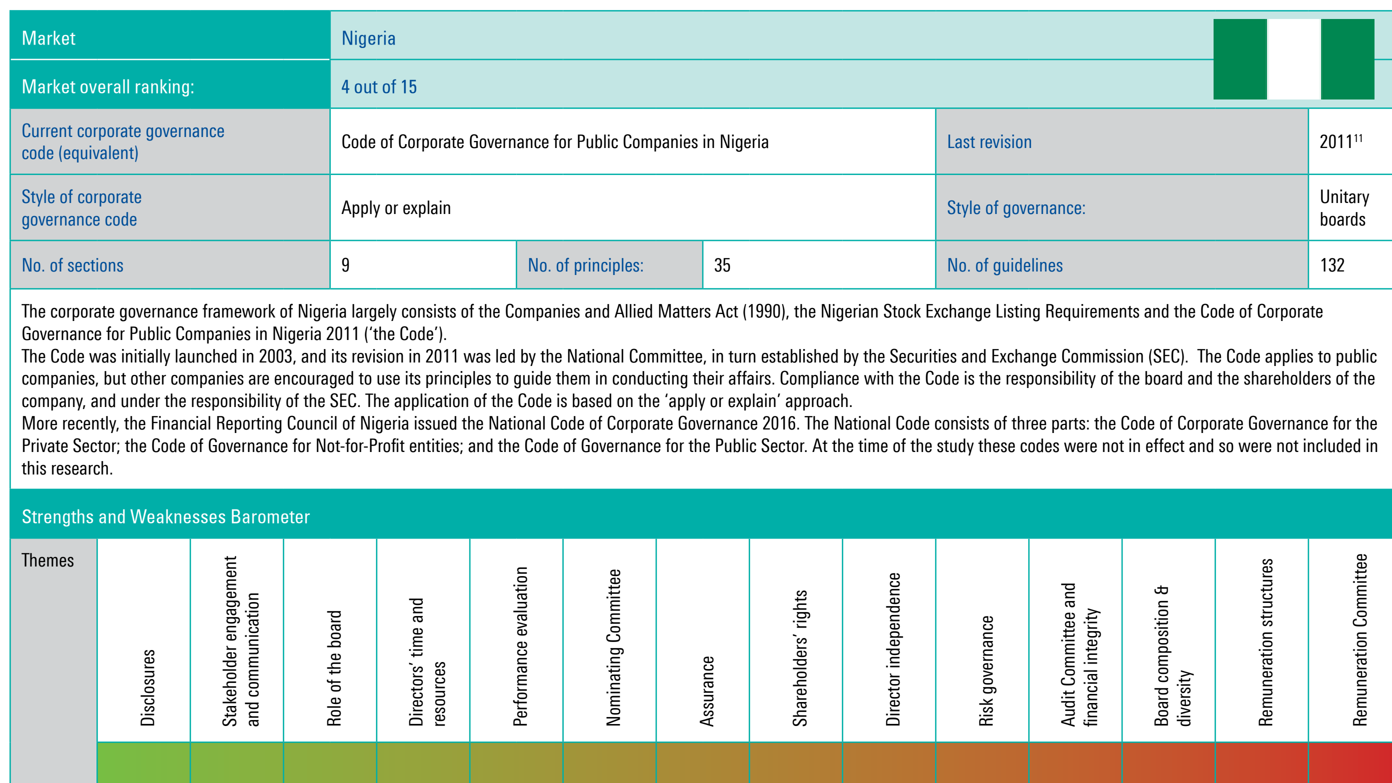
Market	Mozambique				
Market overall ranking:	10 out of 15				
Current corporate governance code (equivalent)	Mozambican Corporate Governance Code			Last revision	2011
Style of corporate governance code	Voluntary			Style of governance:	Two-tiered boards
No. of sections	10	No. of principles:	N/A	No. of guidelines	80 (9 are definitions)

The corporate governance framework in Mozambique comprises the Mozambican Corporate Governance Code (2011) ('the Code') and the Commercial Code (revised 2005).
The Code was issued in 2011 by the Institute of Directors in Mozambique (IoDmz), established in 2007 with technical assistance of the IFC Private Enterprise Partnership for Africa and the Global Corporate Governance Forum co-funded by the World Bank and the OECD. The IoDmz promotes business integrity initiatives, including the adoption of a Business Code of Ethics and a Business Pact against Corruption (BIPAC) in procurement and political funding.
The Bank of Mozambique is the sole regulator of the stock exchange, which is among the smallest in Africa, and the 2005 Commercial Code is the primary legislation for the regulation of business conduct on the Mozambique Stock Exchange (BVM).

Strengths and Weaknesses Barometer

Themes	Risk governance	Stakeholder engagement and communication	Disclosures	Audit Committee and financial integrity	Performance evaluation	Role of the board	Director independence	Shareholders' rights	Remuneration Committee	Nominating Committee	Directors' time and resources	Remuneration structures	Assurance	Board composition & diversity

Nigeria market synopsis



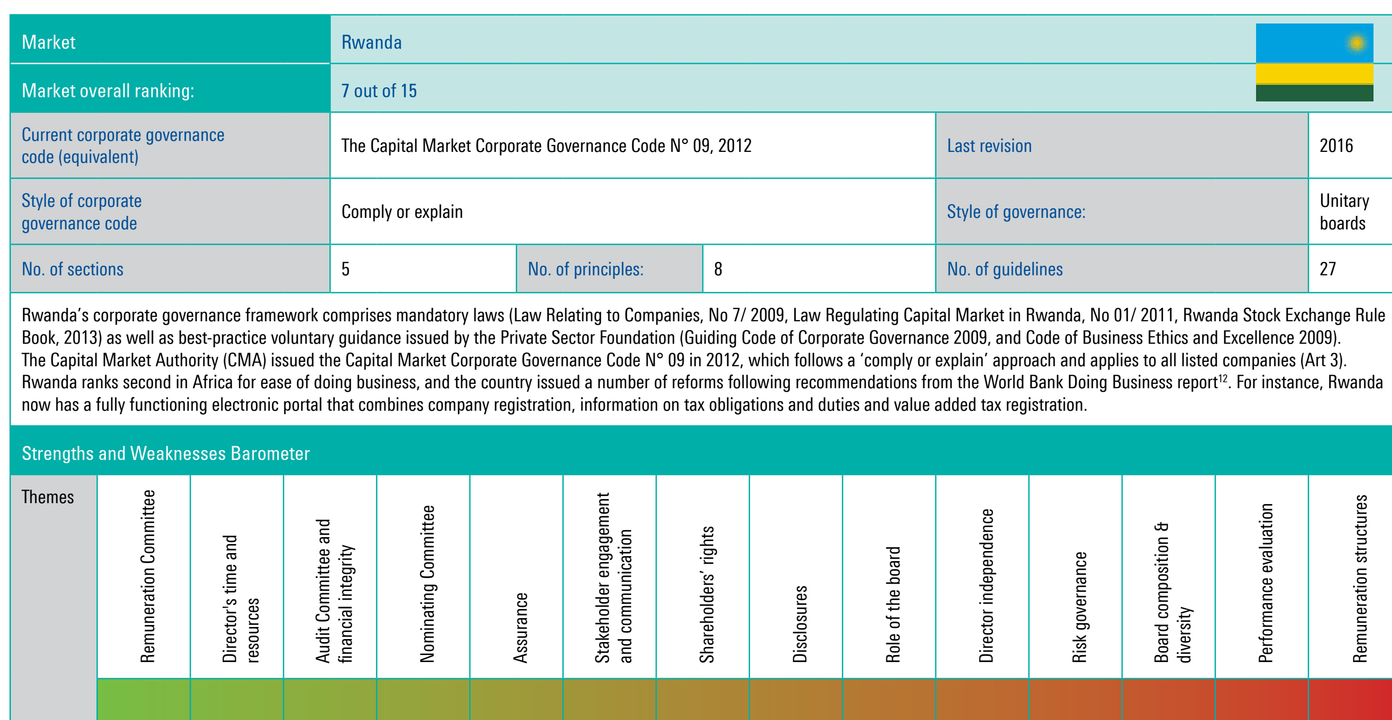
Market	Nigeria				
Market overall ranking:	4 out of 15				
Current corporate governance code (equivalent)	Code of Corporate Governance for Public Companies in Nigeria			Last revision	2011[11]
Style of corporate governance code	Apply or explain			Style of governance:	Unitary boards
No. of sections	9	No. of principles:	35	No. of guidelines	132

The corporate governance framework of Nigeria largely consists of the Companies and Allied Matters Act (1990), the Nigerian Stock Exchange Listing Requirements and the Code of Corporate Governance for Public Companies in Nigeria 2011 ('the Code').
The Code was initially launched in 2003, and its revision in 2011 was led by the National Committee, in turn established by the Securities and Exchange Commission (SEC). The Code applies to public companies, but other companies are encouraged to use its principles to guide them in conducting their affairs. Compliance with the Code is the responsibility of the board and the shareholders of the company, and under the responsibility of the SEC. The application of the Code is based on the 'apply or explain' approach.
More recently, the Financial Reporting Council of Nigeria issued the National Code of Corporate Governance 2016. The National Code consists of three parts: the Code of Corporate Governance for the Private Sector; the Code of Governance for Not-for-Profit entities; and the Code of Governance for the Public Sector. At the time of the study these codes were not in effect and so were not included in this research.

Strengths and Weaknesses Barometer

Themes	Disclosures	Stakeholder engagement and communication	Role of the board	Directors' time and resources	Performance evaluation	Nominating Committee	Assurance	Shareholders' rights	Director independence	Risk governance	Audit Committee and financial integrity	Board composition & diversity	Remuneration structures	Remuneration Committee

Rwanda market synopsis



Market	Rwanda				
Market overall ranking:	7 out of 15				
Current corporate governance code (equivalent)	The Capital Market Corporate Governance Code N° 09, 2012			Last revision	2016
Style of corporate governance code	Comply or explain			Style of governance:	Unitary boards
No. of sections	5	No. of principles:	8	No. of guidelines	27

Rwanda's corporate governance framework comprises mandatory laws (Law Relating to Companies, No 7/ 2009, Law Regulating Capital Market in Rwanda, No 01/ 2011, Rwanda Stock Exchange Rule Book, 2013) as well as best-practice voluntary guidance issued by the Private Sector Foundation (Guiding Code of Corporate Governance 2009, and Code of Business Ethics and Excellence 2009).
The Capital Market Authority (CMA) issued the Capital Market Corporate Governance Code N° 09 in 2012, which follows a 'comply or explain' approach and applies to all listed companies (Art 3).
Rwanda ranks second in Africa for ease of doing business, and the country issued a number of reforms following recommendations from the World Bank Doing Business report[12]. For instance, Rwanda now has a fully functioning electronic portal that combines company registration, information on tax obligations and duties and value added tax registration.

Strengths and Weaknesses Barometer

Themes	Remuneration Committee	Director's time and resources	Audit Committee and financial integrity	Nominating Committee	Assurance	Stakeholder engagement and communication	Shareholders' rights	Disclosures	Role of the board	Director independence	Risk governance	Board composition & diversity	Performance evaluation	Remuneration structures

[11] A revision of the CG Code was released in October 2016, but is not currently in effect. This revised Code was therefore excluded from the research.
[12] World Bank Group (2017), Doing Business: Equal Opportunity For AU-Regional Profile 2017: Sub-Saharan Africa.

South Africa market synopsis

Market	South Africa				
Market overall ranking:	1 out of 15				
Current corporate governance code (equivalent)	King IV Report on Corporate Governance™ for South Africa 2016			Last revision	2016
Style of corporate governance code	Apply and explain			Style of governance:	Unitary boards
No. of sections	5	No. of principles:	16	No. of guidelines	208

The Institute of Directors in Southern Africa (IoDSA) released the first King Report on Corporate Governance in 1994. The King reports have then evolved, with the release of three new successive versions in 2002, 2009 and 2016. The Institute of Directors in Southern Africa (IoDSA) released King IV Report on Corporate Governance™ in November 2016. King IV will be effective for financial years commencing from 1 April 2017. King IV™ requires an 'Apply AND Explain' approach to disclosure, as opposed to King III™ which was 'Apply Or Explain'.
The Companies Act, Act No. 71 of 2008 and the Companies Regulations of 2011. The Act also plays an important role in shaping the Corporate Governance practices in South Africa, for example by setting requirements for public companies and state-owned companies audit committee, and social and ethics committee.
The other main relevant instruments shaping South Africa Corporate Governance include: the JSE Limited Listings Requirements; the Insider Trading Act of 1998; the CRISA, Code for Responsible Investing in South Africa of 2011.

Strengths and Weaknesses Barometer

Themes	Remuneration Committee	Role of the board	Board composition & diversity	Stakeholder engagement and communication	Remuneration structures	Nominating Committee	Audit Committee and financial integrity	Disclosures	Performance evaluation	Director independence	Shareholders' rights	Risk governance	Assurance	Directors' time and resources

Tanzania market synopsis

Market	Tanzania				
Market overall ranking:	11 out of 15				
Current corporate governance code (equivalent)	Guidelines on Corporate Governance Practices by Public Listed Companies in Tanzania			Last revision	2002
Style of corporate governance code	Comply or explain			Style of governance:	Unitary boards
No. of sections	N/A	No. of principles:	4	No. of guidelines	16

The Tanzania corporate governance framework comprises the Companies Act, 2002, the Dar Es Salaam Stock Exchange Rules, 2014, the Capital Markets and Securities Act (1994), and the Guidelines on Corporate Governance Practices by Public Listed Companies in Tanzania (2002) (the Guidelines).
The Guidelines for listed companies were issued by the Capital Markets and Securities Authority (CMSA) and apply on a 'comply or explain' basis to all institutions authorised and regulated by the CMSA. The stock exchange began operations in 1997 under the Capital Markets and Securities (Conduct of Business) Regulation.

Strengths and Weaknesses Barometer

Themes	Shareholders' rights	Disclosures	Remuneration Committee	Nominating Committee	Assurance	Role of the board	Remuneration structures	Director independence	Audit Committee and financial integrity	Board composition & diversity	Stakeholder engagement and communication	Directors' time and resources	Performance evaluation	Risk governance

Tunisia market synopsis

Market	Tunisia				
Market overall ranking:	9 out of 15				
Current corporate governance code (equivalent)	Guide to Good Practices for the Governance of Tunisian Companies			Last revision	2012
Style of corporate governance code	Voluntary			Style of governance:	Two-tiered boards
No. of sections	N/A	No. of principles:	7	No. of guidelines	54

Tunisia's corporate governance framework comprises the Code des sociétés commerciales [company law] revised in 2011, the Règlement du Conseil du Marché Financier Relatif à l'Appel à l'Épargne [Financial Market Council Regulation on Public Offerings] amended in 2000, and the 2012 Guide de Bonnes Pratiques de Gouvernance des Entreprises Tunisiennes [Guide to Good Practices for the Governance of Tunisian Companies].
The Institut Arabe des Chefs d'Entreprise [Arab Institute of Business Managers] and the Centre for International Private Enterprise (CIPE) issued a first Code of Best Practice of Corporate Governance in 2008, and the Centre Tunisien de Gouvernance d'Entreprise [institute of corporate governance], established by the Arab Institute of Business Managers and CIPE, published the revised version in 2012. This Code is voluntary and is applicable to all types of organisation.

Strengths and Weaknesses Barometer

Themes	Director independence	Disclosures	Remuneration structures	Role of the board	Shareholders' rights	Audit Committee and financial integrity	Performance evaluation	Remuneration Committee	Stakeholder engagement and communication	Assurance	Board composition & diversity	Directors' time and resources	Nominating Committee	Risk governance

Uganda market synopsis

Market	Uganda				
Market overall ranking:	5 out of 15				
Current corporate governance code (equivalent)	1. Corporate Governance Manual, Recommended Guidelines for Corporate Governance in Uganda, 2008 (ICGU Guidelines) 2. The Capital Markets Corporate Governance Guidelines, 2003 (CMA Guidelines)			Last revision	1. 2008 2. 2003
Style of corporate governance code	Voluntary			Style of governance:	Unitary boards
No. of sections	1. N/A 2. 5	No. of principles:	1. 12 2. N/A	No. of guidelines	1. 17 2. 59

The corporate governance framework in Uganda comprises the Uganda Securities Exchange Listing Rules, 2003, The Capital Markets Authority Act, Cap 84 (amended 2011 and 2016), The Companies Act, 2012, and two sets of voluntary guidelines for listed companies issued by the Institute of Corporate Governance of Uganda (ICGU) and the Capital Market Authority (CMA).
The ICGU Corporate Governance Manual was first issued in 2002 and revised in 2008, and The Capital Markets Corporate Governance Guidelines were published in 2003.

Strengths and Weaknesses Barometer

Themes	Remuneration Committee	Nominating Committee	Shareholders' rights	Role of the board	Disclosures	Assurance	Directors' time and resources	Director independence	Board composition & diversity	Audit Committee and financial integrity	Stakeholder engagement and communication	Remuneration structures	Risk governance	Performance evaluation

Zambia market synopsis

Market	Zambia				
Market overall ranking:	13 out of 15				
Current corporate governance code (equivalent)	Lusaka Stock Exchange: Corporate Governance Code for Listed and Quoted Companies			Last revision	2005
Style of corporate governance code	Comply or explain			Style of governance:	Unitary boards
No. of sections	N/A	No. of principles:	9	No. of guidelines	102

The Zambia corporate governance framework comprises the Companies Act, Cap 388 – first issued in 1994 and amended in 2011, the Harmonised Listings Requirements of the Lusaka Stock Exchange, first issued in 1999, with a revised version strengthening disclosure requirements becoming effective in 2012, and the Lusaka Stock Exchange Corporate Governance Code for Listed and Quoted Companies ('the LuSE Code') (2005).
The LuSE Code is applicable to all listed companies, and based on a unitary board governance structure. Both the LuSE Code and the Harmonised Listing Requirements require listed companies to disclose a statement of compliance with the principles of the Code, and specifying the reasons for non-compliance with any of the principles.
The Lusaka Stock Exchange, now called the Lusaka Securities Exchange Plc (LuSE) was opened with government funding and the technical assistance of the IFC and the World Bank in 1994; it is regulated by the Securities Act of 1993, which is enforced by the Securities and Exchange Commission of Zambia.

Strengths and Weaknesses Barometer

Themes	Director independence	Remuneration structures	Remuneration Committee	Disclosures	Role of the board	Nominating Committee	Assurance	Shareholders' rights	Directors' time and resources	Stakeholder engagement and communication	Risk governance	Audit Committee and financial integrity	Performance evaluation	Board composition & diversity

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