



THE WORLD BANK

# ROSC

## Report on the Observance of Standards and Codes (ROSC)

CORPORATE GOVERNANCE  
COUNTRY ASSESSMENT

Ghana

December 2010

## About the ROSC

### What is corporate governance?

Corporate governance refers to the structures and processes for the direction and control of companies. Corporate governance concerns the relationships among the management, board of directors, controlling shareholders, minority shareholders and other stakeholders. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital.

The OECD Principles of Corporate Governance provide the framework for the work of the World Bank Group in this area, identifying the key practical issues: the rights and equitable treatment of shareholders and other financial stakeholders, the role of non-financial stakeholders, disclosure and transparency, and the responsibilities of the board.

### Why is corporate governance important?

For emerging market countries, improving corporate governance can serve a number of important public policy objectives. Good corporate governance reduces emerging market vulnerability to financial crises, reinforces property rights, reduces transaction costs and the cost of capital, and leads to capital market development. Weak corporate governance frameworks reduce investor confidence, and can discourage outside investment. Also, as pension funds continue to invest more in equity markets, good corporate governance is crucial for preserving retirement savings. Over the past several years, the importance of corporate governance has been highlighted by an increasing body of academic research. Studies have shown that good corporate governance practices have led to significant increases in economic value added (EVA) of firms, higher productivity, and lower risk of systemic financial failures for countries.

### The Corporate Governance ROSC

Corporate governance has been adopted as one of twelve core best-practice standards by the international financial community. The World Bank is the assessor for the application of the OECD Principles of Corporate Governance. Its assessments are part of the World Bank and International Monetary Fund (IMF) program on Reports on the Observance of Standards and Codes (ROSC).

The goal of the ROSC initiative is to identify weaknesses that may contribute to a country's economic and financial vulnerability. Each Corporate Governance ROSC assessment benchmarks a country's legal and regulatory framework, practices and compliance of listed firms, and enforcement capacity vis-à-vis the OECD Principles.

- The assessments are standardized and systematic, and include policy recommendations and a model country action plan. In response, many countries have initiated legal, regulatory, and institutional corporate governance reforms.
- The assessments focus on the corporate governance of companies listed on stock exchanges. At the request of policymakers, the World Bank can also carry-out special policy reviews that focus on specific sectors, in particular for banks and state-owned enterprises.
- Assessments can be updated to measure progress over time.
- Country participation in the assessment process, and the publication of the final report, are voluntary.

By the end of December 2010, 75 assessments had been completed in 59 countries around the world.



THE WORLD BANK

ROSC

## Contents

Executive Summary.....	2
Landscape.....	4
Key Findings.....	10
Commitment and enforcement.....	10
Shareholder Rights .....	13
Disclosure and Transparency.....	16
Board Practices and Company Oversight...	19
Findings of the DCA .....	21
Recommendations .....	21

## Acknowledgements

This assessment of corporate governance in Ghana has been prepared by David Robinett and Deborah Eskinazi of the World Bank Global Capital Markets Development Department, as part of the Reports on Observance of Standards and Codes Program. The report is based in part on a template / questionnaire completed by Lawfields Consulting. It has been updated to reflect all relevant changes through December 2010.

The assessment reflects technical discussions with the Securities and Exchange Commission, Bank of Ghana, Ghana Stock Exchange, Central Securities Depository, Registrar General, State Enterprise Commission, Social Security and National Insurance Trust (SSNIT), Institute of Chartered Accountants (ICAG), and representatives of companies, banks, and market participants.

Alex Berg, Alan Moody, Ishac Diwan, Ghita Alderman, Dante Mossi, and Roman Zyla provided advice and comments. Johana Shah provided administrative support.

Findings of this ROSC are based on the Detailed Country Assessment (DCA), which is presented as a separate annex.

## Acronyms

<b>BoG:</b> Bank of Ghana
<b>CA:</b> Companies Act
<b>CEO:</b> Chief Executive Officer
<b>CFO:</b> Chief Financial Officer
<b>CSR:</b> Corporate Social Responsibility
<b>DCA:</b> Detailed Country Assessment, an annex to this ROSC.
<b>EGM:</b> Extraordinary General Meeting
<b>ESOP:</b> Employee Stock Ownership Program
<b>GDP:</b> Gross Domestic Product
<b>GSE:</b> Ghana Stock Exchange
<b>ICAG:</b> Institute of Chartered Accountants, Ghana
<b>IFRS:</b> International Financial Reporting Standards
<b>IOSCO:</b> International Organization of Securities Commissions
<b>ISA:</b> International Standards on Auditing
<b>JSC:</b> Joint Stock Company
<b>LR:</b> Listing Rules
<b>NIC:</b> National Insurance Commission
<b>NPRA:</b> the National Pensions Regulatory Authority
<b>ROSC:</b> (Corporate Governance) Report on Standards and Codes
<b>RPT:</b> Related Party Transaction.
<b>SEC:</b> Securities and Exchange Commission
<b>SEC CGG:</b> Corporate Governance Guidelines issued by the SEC.
<b>SSNIT:</b> Social Security and National Insurance Trust
<b>SOE:</b> State Owned Enterprise
<b>SRO:</b> Self regulatory organization

## Definitions

<p><b>Cumulative voting:</b> Cumulative voting allows minority shareholders to cast all their votes for one candidate. Suppose that a publicly traded company has two shareholders, one holding 80 percent of the votes and another with 20 percent. Five directors need to be elected. Without a cumulative voting rule, each shareholder must vote separately for each director. The majority shareholder will get all five seats, as s/he will always outvote the minority shareholder by 80:20. Cumulative voting would allow the minority shareholder to cast all his/her votes (five times 20 percent) for one board member, thereby allowing his/her chosen candidate to win that seat.</p>
<p><b>Pre-emptive rights:</b> Pre-emptive rights give existing shareholders a chance to purchase shares of a new issue before it is offered to others. These rights protect shareholders from dilution of value and control when new shares are issued.</p>
<p><b>Proportional representation:</b> Proportional representation gives shareholders with a certain fixed percentage of shares the right to appoint a board member.</p>
<p><b>Pyramid Structures:</b> Pyramid structures are structures of holdings and sub holdings by which ownership and control are built up in layers. They enable certain shareholders to maintain control through multiple layers of ownership, while at the same time they share the investment and the risk with other shareholders at each intermediate ownership tier.</p>
<p><b>Shareholder agreement:</b> An agreement between shareholders on the administration of the company. Shareholder agreements typically cover rights of first refusal and other restrictions on share transfers, approval of related-party transactions, and director nominations.</p>
<p><b>Squeeze-out right:</b> The squeeze-out right (sometimes called a “freeze-out”) is the right of a majority shareholder in a company to compel the minority shareholders to sell their shares to him. The sell-out right is the mirror image of the squeeze-out right: a minority shareholder may compel the majority shareholder to purchase his shares.</p>
<p><b>Withdrawal rights:</b> Withdrawal rights (referred to in some jurisdictions as the “oppressed minority,” “appraisal” or “buy-out” remedy) give shareholders the right to have the company buy their shares upon the occurrence of certain fundamental changes in the company.</p>

## Executive Summary

This report assesses Ghana's corporate governance policy framework. It highlights recent improvements in corporate governance regulation, makes policy recommendations, and provides investors with a benchmark against which to measure corporate governance in Ghana. It is an update of the 2005 Corporate Governance ROSC.

Good corporate governance enhances investor trust, helps to protect minority shareholders, and can encourage better decision making and improved relations with workers, creditors, and other stakeholders. Better investor protection can lower the cost of capital and encourage companies to list and raise funds through equity markets. Investor protection is also crucial to protect retirement savings as pension funds invest more in listed companies. Good corporate governance also helps to ensure that these companies operate more transparently and efficiently.

**Achievements:** Since the 2005 ROSC there has been extensive legal and regulatory change to further develop capital markets and the financial system, including new acts on insurance, credit, non-bank financial institutions, alternative dispute resolution, and pensions and key amendments to laws for banking and foreign investment. The Securities and Exchange Commission (SEC) introduced a Code on Takeovers, and a depository for corporate securities has been established. The SEC's long-standing Corporate Governance Guidelines remain a source of good practice for listed companies and the Bank of Ghana (BoG) has actively pursued better corporate governance in banks.

Basic shareholder rights are largely in place. The new depository has improved share recordkeeping and transfers and shareholders have tender rights under the Takeover Code. They also have a number of possible sources of redress under the law if their rights are violated.

Listed companies are now required to use International Financial Reporting Standards (IFRS) and auditors must use International Standards of Audit. Company reports generally contain board statements that often include corporate governance and other qualitative issues. The Company Act has explicit duties for board members, and directors tend to take their responsibilities seriously. Each board is to have an audit committee and at least two independent directors.

Capital market performance has been strong, and going forward, investments from the Social Security and National Insurance Trust (SSNIT) and new private pension funds should continue to flow to companies on the GSE.

**Key Obstacles:** The SEC has seen its resources and independence restricted since the last ROSC. The CA is outdated and key provisions lack clarity. The SEC CGG is purely voluntary, with limited awareness and compliance. The BoG has not released explicit corporate governance regulations for banks or other financial institutions. The Registrar, which has important powers under the CA, is not seen as an effective source of shareholder redress. And shareholders have made limited use of their redress rights under the law. The legal regime for conflicts of interest and related party transactions is confusing and narrow in scope. Minority shareholders have few ways of influencing board selection.

Capacity building for and oversight of the implementation of IFRS has been minimal. There is also little to ensure independence of company auditors. Audit committees are not required to have independent members, and companies are not encouraged to have an internal audit function. The CA enumerates few explicit responsibilities for the board, and the SEC CGG also does not include key powers, like approving major transactions. Director training is not well established.

Market capitalization on the GSE remains low compared to other stock exchanges in the region and a number of major companies remain unlisted. The prominence of SSNIT as an investor is also a potential source of concern.

**Assessment:** In term of compliance with the OECD Principles, some of Ghana's scores have improved: the average percent of implementation in the shareholder rights chapter increased from 65 to 75 and from 52 to 61 in the chapter on equitable treatment of shareholders. Disclosure percent implementation increased from 56 to 62. Nevertheless, more work remains to be done. Ghana's average percent of implementation for the board actually fell, in large part due to low awareness of and compliance with the SEC CGG. When compared to other countries in Sub-Saharan Africa with listed companies, Ghana does well in terms of transparency and disclosure, but lags in equitable treatment of shareholders and, especially, responsibilities of the board.

**Next Steps:** Ghana has undertaken important reforms in recent years. However, fully tapping the potential of capital markets and professionalizing boards and management will require that reform continues. Key reforms include:

- Providing the SEC with the resources and independence to fully carry out its duties and strengthening the Company Registrar;
- Improving independence and oversight of the accounting and audit professions by BoG, SEC and other relevant bodies and mandating better disclosure of beneficial ownership and trading in company shares by insiders;
- Encouraging capital market development through listing of SOEs and other companies, effective implementation of pension regulation, and making SSNIT a proponent of better corporate governance;
- Requiring all companies to disclose their compliance with the SEC CGG and revising the SEC CGG to include board responsibilities, increase non-financial disclosure, and encourage posting company information online;
- Revising the CA to increase clarity and better protect shareholder rights, including stronger requirements for the review, approval, and disclosure of related party transactions;
- Increasing training and awareness of corporate governance for directors and other market participants.

To support these efforts, additional reviews of accounting and auditing and state owned enterprise corporate governance should be considered.

## Landscape

The Corporate Governance ROSC assessment of Ghana benchmarks law and practice against the OECD Principles of Corporate Governance. The ROSC focuses on the companies listed on the Ghana Stock Exchange, but many of its findings are also relevant for private companies and state owned enterprises (SOEs). This report updates a previous report published in May 2005.

Since the 2005 ROSC, Ghana has made substantial progress in improving the legal and regulatory framework for capital markets and the financial system, with new acts and legislative amendments on insurance, credit, banks and non-bank financial institutions, alternative dispute resolution, and pensions. The Securities and Exchange Commission (SEC) introduced a Code on Takeovers, and the Ghana Stock Exchange (GSE) established a depository for corporate securities. The SEC's long-standing Corporate Governance Guidelines (SEC CGG) remain a source of good practice for listed companies and the Bank of Ghana (BoG) has actively pursued better corporate governance in banks. Listed companies are now required to use International Financial Reporting Standards (IFRS) and auditors International Standards of Audit (ISA).

However, while the broader legal framework has seen substantial change, laws for companies and securities markets have not. The companies act (CA) in particular is outdated and key provisions, including those on conflicts of interest, lack clarity. The SEC CGG has also not been revised in a number of years, and is purely voluntary, with limited awareness and compliance. The BoG's corporate governance requirements are not explicated in any regulation or code.

Beyond legal and regulatory requirements, there are problems with enforcement and implementation. The SEC has seen its resources and independence restricted since the last ROSC. Capacity building for and oversight of the implementation of IFRS by the SEC, BoG and Institute of Chartered Accountants (ICAG) has been minimal and there is little to ensure independence of company auditors. The Registrar of Companies has very low capacity, and new regulatory regime for pensions is just being established. With few responsibilities explicit in the law and low awareness of the code, too many boards fail to carry out key functions. These challenges coincide with capital markets that are smaller and less liquid than in comparable countries.

## Capital Markets

**The GSE performed well during the financial crisis but remains illiquid**

Despite the global financial crisis, the Ghana Stock Exchange (GSE) was the best performer in Africa in 2008. From December 2005 to June 2010, the composite index of the GSE increased by 38 percent and the number of listed companies also grew from 29 in March 2005 to 37 in January 2011. However, the GSE remains illiquid with a low free float (less than 5 percent of the market capitalization) and a narrow investor base. The market is also concentrated in a small number of companies: the top five companies represent over 88 percent of the market value in June 2010.

**Cross-listed companies make up a large part of market cap**

Market capitalization rose by over 11 times from GH¢ 1.3 billion (US\$ 1.4 billion) in 2003 to over GH¢ 15.9 billion (US\$11.0 billion) (78.9% of GDP) in 2009. The significant increase in the market capitalization was largely due to cross listings. Anglo Gold Ashanti, cross listed on five other stock exchanges, accounted for 77 percent of the market capitalization in 2009. Gold Star Resources and Ecobank Transnational Incorporated (ETI) are cross listed on two other exchanges. Overall, the cross listings account for a significant percentage of the market capitalization (figure 2 below).

The market capitalization of the other, domestic, companies rose by three times, from GH¢\$1.3 billion in 2003 to GH¢\$3.9 billion as at June 2010, with large fluctuations within the period (i.e. a 95 percent increase from 2005 to 2006 and a 24 percent decrease from 2008 to 2009, partially due to the impact of the crisis) (Figure 1 below).

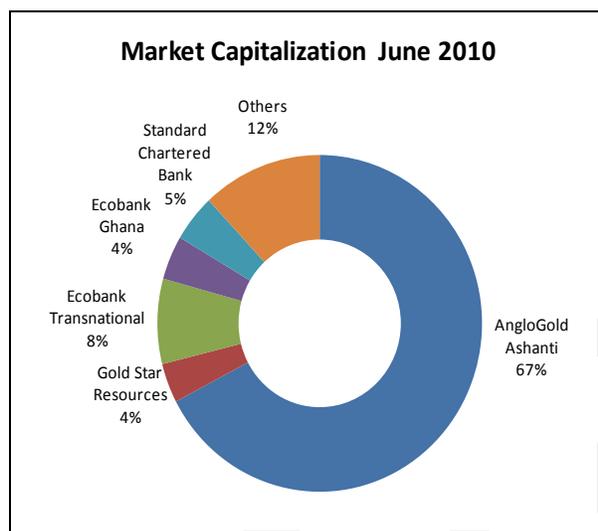
**Some large local companies still not listed**

While the overall market has been growing, market capitalization and turnover remain low when compared to other stock exchanges in the region. A number of major companies remain unlisted, including both state owned enterprises and local companies.

**Figure 1: Equity Market in Ghana 2003- 2009**

	2003	2004	2005	2006	2007	2008	2009
Market cap. % GDP	19	30	15	25	16	20	16
Market Cap. Bn. US\$	1.43	2.64	1.66	3.23	2.38	3.39	2.51
Turnover ratio	4	3	2	2	4	5	2

Source: World Bank Database, 2011. Note that cross listed equity is not included.

**Figure 2: Ghana Stock Exchange Market Capitalization (June 2010)**

Source: Ghana Stock Exchange

**Figure 3: Equity Market: Ghana (domestic market only) vs. Regional and Global Emerging Markets (2009)**

	Listed Co's	Market Cap percent GDP	Market Cap (Billions \$US)	Turnover Ratio (%)	Market Cap percent of OECD Avg.	Market Cap (\$) % of OECD Avg.	Turnover ratio % of OECD Avg.
Ghana	35	16.1	2.51	2.0	24.3	0.2	2.3
Kenya	55	35.6	10.76	4.6	53.8	1.0	5.2
Mauritius	88	55.1	4.74	8.1	83.3	0.5	
Nigeria	214	19.7	33.32	11.0	29.8	3.2	12.4
Cote d'Ivoire <sup>1</sup>	38	26.7	6.14	2	40.4	0.6	2.3
South Africa	363	246.5	704.82	57.3	372.6	68.6	64.8
OECD Avg	812	66	1,027.90	88	100.0	100.0	100.0

<sup>1</sup> Equity listed in the regional stock exchange based in Cote d'Ivoire: BRVM.

## Ownership

The government—directly and indirectly—is a major investor

Controlling shareholders of listed companies Ghana are generally foreign multinationals and the Government of Ghana. The government holds direct stakes in some listed companies, and has other substantial holdings through the Social Security and National Insurance Trust (SSNIT). The Ministry of Finance acts as the shareholder in non-financial companies in which the state has direct holdings. The BoG is the shareholder in most state owned banks. The State Enterprise Commission is responsible for non-financial enterprises in which the state has 100 percent ownership. This includes large SOEs like the Electricity Company of Ghana, Volta River Authority, Tema Oil Refinery, and Twifo Oil Palm Plantation that are currently not listed.

New pension funds will join SSNIT as key investors

SSNIT is the main domestic institutional investor in the country, with 81 percent of local funds under management in 2009. SSNIT has invested in 24 of the 36 listed companies and owns at least 20 percent of the capital in eight of them. SSNIT effectively holds over 40 percent of the free float as measured by market capitalization. SSNIT also has stakes in over 30 of unlisted companies. SSNIT's funds under management have increased rapidly in recent years. Funds invested from newly established private pension plans are also expected to grow strongly in coming years.

Other domestic investors include Merbank, Databank, EDC, and SIC, each with about 3 percent of local assets under management. Twenty other investment advisors also operate in the market. Funds managed include 18 collective investment schemes—7 of which are focused on equities—with 150,000 investors and US\$100 million in assets. While the insurance industry has been growing quickly, insurance companies are not yet major investors in equities. Other investors include foreign funds, the small number of local families and groups that control some listed companies, and individual investors. The overall investor base remains narrow, with approximately 45,000 securities depository accounts in a country with over 20 million people.

## Laws and Institutions

Neither the CG Guidelines nor the Company Act have been updated in recent years

Ghana has a common law legal system. The Companies Act 1963 is based on UK legislation. The Securities Industry Law 1993, The Securities Industry (Amendment) Act 2000, and the Securities and Exchange Commission (SEC) Regulations 2003 govern issuers and the securities industry. In addition, the SEC launched voluntary corporate governance guidelines (SEC CGG) in 1999, and a Code on Takeovers and Mergers, in 2008. A bill to amend securities law to bring the SEC into compliance with IOSCO standards has been tabled in Parliament. There has also been an ongoing discussion on revising the Companies Act.

Listed companies, capital market intermediaries, and the Ghana Stock Exchange (GSE), are under the supervision of the SEC. The SEC is subordinate to the Ministry of Finance and its members are chosen by the President and include a mix of government representatives and those with experience in the securities industry.

The GSE is an SRO owned by its members

The GSE was established in 1990. It is an SRO that operates as a mutual organization. Its members include the 18 brokers with seats on the exchanged and 35 associate members including banks and listed companies. It is governed by a 13 member council with representatives from the financial industry, listed companies, and the public. It tentatively plans to become demutualized in 2011.

There are two depositories

A securities depository for shares was established in 2008 and is owned by the GSE. The Bank of Ghana (BOG) launched a central securities depository system for government securities in 2004. The GSE introduced an automated trading system in 2009.

The pension regulator and private pensions are just being established

Banks and some other financial institutions are under the supervision of the BoG. Pensions and insurance companies are regulated by the National Pensions Regulatory Authority (NPRA) and the National Insurance Commission (NIC). Pensions and the NPRA are still in formative stages. The accounting and auditing professions are overseen by the Institute of Chartered Accountants, Ghana (ICAG), an SRO.

SOEs are overseen by a number of insitutions

The 34 enterprises under the State Enterprise Commission are all 100 percent state-owned, and include some large enterprises with commercial potential. The Commission has established systems for managing performance and monitoring SOE reporting. Board appointment is made by the President in consultation with the Commission, relevant sector ministry, and the Council of State. Most board members are from the

private sector.

BoG is the supervisor, policy maker, and owner in a number of commercial banks. Combining these roles is not considered good practice. SSNIT is also wholly state owned. It is governed by a board of trustees that includes representatives of government, organized labor, the Employers Association, and pensioners.

DRAFT

## Key Findings

The following sections highlight the principle-by-principle assessment of Ghana's compliance with the OECD Principles of Corporate Governance.

### COMMITMENT AND ENFORCEMENT

#### Legal and Regulatory Framework

There has been extensive legal and regulatory change in Ghana since 2005...

Since the 2005 Corporate Governance ROSC, Ghana has experienced extensive change to the legal and regulatory framework for finance and capital markets. In 2006 a new Insurance Act was passed as was a Foreign Exchange Act that removed restrictions on foreign investment in shares of listed companies. The Banking Act was amended in 2007 and a new act on Credit Reporting was passed, and acts for Nonbank Financial Institutions and Borrowers and Lenders were introduced in 2008. A new National Pension Act was also passed in 2008 that reformed the mandate for SSNIT, introduced the National Pensions Regulatory Authority, and established a nascent private pension industry. In 2008 the SEC also introduced the Code on Takeovers and IFRS has been mandated for all financial institutions and listed companies since that time. Private sector credit bureaus have begun operation and the GSE set up the securities depository for listed companies and launched the automated trading system. In 2010 a new Alternative Dispute Resolution Act was enacted.

...however key parts of the framework remain antiquated

While the pace of change has been significant, it has not been comprehensive. The CA has not seen major change since 1963. Amendments are needed to harmonize the Act with securities law and to remove confusing provisions (for example on related party transactions). Outside of the Code on Takeovers, there have been few major revisions to securities law or regulation since 2003, and many intermediaries, for example custodians, are still regulated as "dealers" for lack of specific provisions.

Compliance with the SEC Guidelines is limited, and CG rules for banks are largely unwritten

The SEC CGG have also not been updated since being issued, and awareness of the Guidelines is limited, with few companies disclosing their compliance. The BoG is active in ensuring that banks and other financial institutions do comply with certain governance standards, however, these standards are not codified in any particular regulation, and are considered to be part of wider prudential supervision.

## Enforcement

The SEC has the authority to conduct investigations, suspend licenses and issue other sanctions, and make new regulations

The SEC has broad powers and authority. It can issue and suspend licenses and launch onsite and offsite investigations of licensed entities. If an infraction is found, the SEC can issue warning letters and administrative fines in some cases.

The SEC is not independent of the Ministry of Finance and has had stagnant, insufficient resources

The SEC can and does issue new regulation. The SEC generally seeks feedback on proposed regulations, through stakeholder workshops and other mechanisms. Regulatory impact assessments and other formal measures of costs and benefits are not generally carried out.

Overall, the SEC is seen as an effective regulator, free from scandal. It does make regular use of its powers. However, its resource constraints limit its ability to fully enforce its regulations, oversee issuers, and protect investors. The SEC is overseen by the Minister of Finance, which receives its annual reports and is responsible for its budget. It has no formal autonomy. One of the main problems cited in the 2005 ROSC — insufficient SEC resources — persists. In 2008, SEC staff were converted to civil servants, limiting the ability of the SEC to hire and retain qualified staff. Salaries are low compared to the BoG and the private sector. Of the SECs 39 employees, only two are lawyers and six are involved in market supervision.

The Bank of Ghana monitors bank governance

While there is no explicit corporate governance regulation for banks, the BoG actively monitors bank corporate governance practices as part of its regular examinations, ensuring that they have audit committees, qualified directors, monitoring loans to directors, and so forth. The BoG will go so far as to remove a director or insist on other changes in bank behavior.

No MoU between SEC, BoG

The SEC and BoG have not signed a memorandum of understanding and do not normally carry out joint inspections. In the past joint regulator meetings were held, but not in the last few years. The two regulators do share information as needed and have sometime taken joint action.

Courts are expensive to use

The SEC is not responsible for enforcing the CA. The Registrar General has certain powers provided under the law, but does not regularly exercise these and is not seen as a source of shareholder redress. The other option is the courts. Since the 2005 ROSC, a specialized commercial court has become operational, and based on measures produced by the World Bank, courts in Ghana take less time, fewer procedures, and have lower costs than the average in Sub-Saharan Africa (see table). The courts however, do worse on these measures than many OECD countries, and more complex

cases can still take substantial time and have uncertain outcomes. Alternative dispute resolution (ADR), including mediation and arbitration, has long been available in Ghana but has seen limited use. The new ADR act is intended to encourage more people to take advantage of it.

<b>Doing Business 2010 Enforcing Contracts Indicator</b>			
<b>Indicator</b>	<b>Ghana</b>	<b>Africa</b>	<b>OECD Average</b>
Procedures (number)	36	39.1	31.2
Time (days)	487	639.0	517.5
Cost (% of claim)	23.0	50.0	19.2

## SHAREHOLDER RIGHTS

### Shareholder Meetings

Shareholders have to the right to participate at the GMS, but the right to ask question is not explicit.

Shareholders have the right to attend and cast votes at the GMS. Shareholders are not allowed to amend the agenda but they can propose resolutions six weeks before the meeting. In addition, the law does not explicitly give them the right to ask questions in GMS but some do and their questions are answered. Shareholders can vote in absentia, and such proxy voting is widely used. In contrast, postal voting is barely used due to the unreliable mailing system in Ghana, and electronic voting does not exist.

Institutional investors attend GMSs and vote, but do not disclose their voting or voting policies.

SSNIT and other institutional investors participate and vote in GMS even if they are not explicitly required to do so. They do not however, disclose their voting or voting policies. In addition, they are not explicitly required to develop a policy for dealing with conflicts of interests but some provisions in the Securities Act regulate conflicts of interests for institutional investors. SSNIT and some other investors also appoint members to the boards of companies in which they invest.

### Appointing board members and setting dividends

Board appointment is not entirely transparent

Shareholders use their rights to approve directors. However, there is no requirement to provide shareholders with any details on nominated directors before the meeting and minority shareholders often cannot influence the nomination or election. Once they have elected directors, 56 percent of the companies<sup>2</sup> disclose information on their qualifications and other directorships but it is often not detailed.

The GMS sets dividends which are not paid in a timely manner

The CA gives shareholders the rights to dividends out of profits. These must be approved by the GMS but are not always paid in a timely manner. A listed company is even known for having paid them two years after they were declared, without being sanctioned by the SEC.

### Major transactions and corporate events

Shareholders have preemptive rights

Section 202 of the CA reads as if a company cannot issue new shares without the approval of the shareholders *unless* the shares have first been offered to them. However, the interpretation of this provision is that any increase in capital must be approved by shareholders, *and* that

<sup>2</sup> Annual Report Survey, the World Bank 2011.

The threshold for a mandatory tender is 30 percent

Shareholders approve large transactions with a qualified majority only if they alter the company's regulations

Related parties are directors and provisions on related party transactions are not clear.

Insider trading is prohibited, but has not been prosecuted

shareholders' also have pre-emptive rights, which can be waived.

Under the SEC's Code on Takeover and Mergers, a shareholder, alone or in concert, owing 30 percent<sup>3</sup> of the voting rights shall notify the company and make a tender offer. The Code specifies a minimum price<sup>4</sup>.

Important decisions requiring a three-fourths majority vote of shareholders include: altering the regulations of the company, varying a rights of a class of shares, and voluntarily liquidating the company. However, a decision to sell, lease or otherwise dispose of the majority or whole of the undertaking or assets of the company only requires an ordinary resolution.

The law has separate rules for when a director has a "conflict of interest" and "interest in a contract". The former must be approved by shareholders in GMS before the company can give its consent. On the other hand, contracts in which directors are directly or indirectly interested, must be disclosed to the board and directors should abstain from participating in the board discussion and voting. Shareholder approval is not required. The distinction between general conflicts of interest and contracts in which directors are interested is not entirely clear. Under the CA, related parties are directors only. The law does not provide for interested controlling shareholders or other related parties.

### Protecting shareholders from illegal insider trading

The Securities Industry law prevents insiders with price sensitive information or anyone else who is given such information from dealing with the company's securities. While directors are required to disclose share transactions to the company, there is no general disclosure requirement for share trading by company insiders.

The SEC and Ghana Stock Exchange have the authority to oversee and enforce insider trading. However, as in many countries, detecting and enforcing violations of illegal insider trading has proven to be a significant challenge, especially because of the lack of disclosure.

<sup>3</sup> The tender offer shall be made when the person holds, alone or in concert 30 percent but less than 50 percent of the voting shares in a 12-month period, acquires or intends to acquire 50 percent of such voting shares, or acquires a company that hold effective control of a public company shall notify the company and make a tender offer. The offer shall be the same to all other shareholders of the same class. However, the offer shall state whether it is conditional upon maintenance of a minimum percentage of share holding by the general public to satisfy the continuing eligibility requirement for listing.

<sup>4</sup> The minimum price for the offer should be the highest of the price paid by the offeror during a period of 26 weeks prior to the date of the announcement of the offer, the price paid by the offeror under a preferential allotment made at any time during the 12-month period immediately prior to the date of the closure of the offer, or the average of the highest weekly prices realised by the shares of the target company in the 6-month period immediately prior to the date of the public announcement of the offer.

Accurate recordkeeping is in place

### Shareholder Recordkeeping

Recordkeeping seems accurate in practice, and has been enhanced by the introduction of the securities depository. Although there is no legal framework for custodians, licensed custodians are thought to keep records which are well organized and easily retrieved. In addition, custodians that are subsidiaries of multinationals are thought to use relatively high operational standards.

Shareholders can sue directly or file suit on behalf of the company...but rarely do so in practice

### Shareholder Redress

Minority shareholders have protections in the law from potential abusive actions by controlling shareholders and other company insiders. Directors may be sued by the company for a breach of duties if shareholders pass an ordinary resolution to that effect. Individual members may also sue on behalf of the company and other shareholders (derivative suits). The court has the discretion to reward damages to the company or shareholders. In addition, shareholders may apply to the court under the “remedy against oppression” provisions of the CA and may be granted of the right to sell their shares to other shareholders or the company itself. A shareholder lawsuit can also stop or reverse a decision of a company. Finally, shareholders with at least ten percent of voting rights may go to court to request an inspection of the company. However, in practice, these rights are not used by shareholders.

The following table shows Ghana’s score on the “protecting investors” index of the Doing Business 2011. As described above, the country scores quite highly on the extent of the disclosure of related party transaction. On the extent of director liability and ease of shareholder suits, the score of Ghana is not far from the OECD. The practice is, however, contrasting as shareholders do not use their rights.

DB Investor Protection Indicator	Ghana	Sub-Saharan Africa	OECD Average
Extent of disclosure index (0-10)	7	4.8	6.0
Extent of director liability index (0-10)	5	3.4	5.2
Ease of shareholder suits index (0-10)	6	5.0	6.8
Strength of investor protection index (0-10)	6.0	4.4	6.0

## DISCLOSURE AND TRANSPARENCY

### Company Reporting

Companies produce annual reports on a timely basis

All listed companies are required to produce annual reports with audited financial statements that include a balance sheet, income statement, and cash flow statement. Consolidation is required if a public company controls or has majority ownership in other companies. The great majority of listed companies produce annual reports on a timely basis.

IFRS is now required for all financial institutions and listed companies, but enforcement is limited

Since 2008 companies have been required to use International Financial Reporting Standards (IFRS). These have been promulgated by Institute of Chartered Accountants of Ghana (ICAG). ICAG has made an effort to raise awareness of the need to apply IFRS, but has done less to build accountant and auditor capacity. It does not review the quality of reports or their compliance with IFRS, and peer review is not established. While the BoG and SEC do monitor reporting, they do not have the capacity to ensure compliance with IFRS, and market participants have raised concerns on IFRS compliance in banks and (other) listed companies.

Some company information is available on the internet.

Companies are not required to disclose their annual reports or other information on the internet. In practice, some material information is available through the GSE website, and many, though not all, companies post their annual reports and other materials on the web.

### Non-financial Disclosure

Annual reports include governance statements

Annual reports from listed companies in Ghana generally contain a chairmen's statement that reviews the factors that have affected past performance and may affect future performance. They also frequently contain statements on corporate governance and corporate social responsibility. These statements are encouraged by the voluntary SEC CGG, but not required by listing rules or regulation.

Direct ownership is disclosed

Annual reports are to include the twenty largest shareholders and their holdings. Individual shareholders are also required to disclose when their ownership crosses each 5 percent threshold. While the concept of beneficial ownership is found in the law, in practice companies disclose direct shareholdings, not indirect or controlling ownership.

Details on directors, including independence, attendance, and individual pay, are rarely disclosed

There is no requirement to disclose key details on directors in the annual report. Omitted information includes: other directorships, independence, meeting attendance; as well as qualifications of nominated or proposed directors before the GMS. Directors are required to disclose transactions in the company's shares in a special registrar kept by the company. Aggregate, but not individual pay, is also supposed to be disclosed. In practice, a majority of companies disclose some details on their directors in the annual report, but only 17 percent disclose independence, only 11 percent disclose attendance, and only 11 percent disclose individual remuneration.

Most companies disclose details on RPTs and risk

As per IFRS, companies in Ghana are to disclose related party transactions (RPTs) in the annual report. 61 percent of companies disclose RPTs, and provide some details on the transactions. However, some market participants have expressed concern that this disclosure is not always complete. IFRS also encourages disclosure of risk policies and foreseeable risk factors. 67 percent of companies disclose the first and 72 percent the second.

Material information should be disclosed publicly, not selectively

Under SEC regulation and GSE listing rules, companies are required to publicly disclose information that could materially impact stock prices, though such information is rarely posted on company websites. Material information is not to be selectively disclosed to certain investors or others, and companies generally comply with this requirement.

### Audit

International Standards of Auditing are required, but oversight is limited

ICAG requires auditors in Ghana to comply with IFAC's International Standards of Audit (ISA) and Code of Ethics. ICAG is also responsible for licensing and disciplining auditors, and implicitly responsible for ensuring that ISA is implemented. In practice, ICAG is a self regulatory body with limited resources, and does not closely review its members' work. The SEC and BoG do engage in some audit oversight, but are also not capable of ensuring ISA compliance. The primary assurance of ISA implementation is the practices of the internationally affiliated auditors in Ghana.

There are few requirements to ensure auditor independence

While the SEC CGG calls for auditor rotation, this is not required and is not common in practice. Other independence requirements are basic, and audit firms do provide non-audit services for clients. Neither the full board nor audit committee has to report on the independence of the auditor.

**Auditors are liable to the company, but have never been sued for a violation of their duties**

Shareholders choose auditors, on the advice of the board. The SEC CGG encourages the audit committee to recommend the external auditor and manage relations. Under the companies act, auditors are liable for violating their duty to the company. In practice, no auditor has been sued for violating these duties.

DRAFT

## BOARD PRACTICES AND COMPANY OVERSIGHT

### The Role of the Board

Directors have duties of loyalty and care in the law, but may also act in the interest of particular shareholders

Ghana has a one tier board system, and the general role of the board is similar to that in other common-law countries. Directors in Ghana have an explicit legal duty to “observe good faith” toward the company, act in the interest of the company, and act in a careful manner regarding the business of the company. In practice, directors take their responsibilities seriously, but may equate the interest of the company with that of the controlling shareholder. The law allows the director to give “special...consideration to the interest of a ...class of shareholders he represents”. Company codes of conduct, letters of appointment, and induction training do not remind directors of their duties.

Boards are encouraged, but not bound, to ensure compliance with the law or stakeholder commitments

The SEC CGG encourages companies to have codes of ethics, the audit committee to ensure that the company complies with legal and regulatory requirements, and the board to consider the relevant interest of stakeholders in carrying out their duties. The CA also mentions the interest of employees, but there are no other binding requirements in these areas. In practice, many companies do have codes of conduct, but the board is not always considered responsible for compliance.

The CA contains few board responsibilities

The CA gives the board responsibility for the financial statements, the power to choose the managing director and “all powers not reserved for (shareholders)”, but provides little additional guidance on what the board should do. The voluntary SEC CGG does contain some additional board responsibilities: providing strategic guidance; ensuring good corporate governance; succession planning, appointment, training, and remuneration of senior management; and overseeing internal control mechanisms. Neither the Guidelines nor law gives the board explicit responsibility to review company budgets, develop performance indicators, or review or approve major transactions.

Board nomination is not always transparent

The CA provides little guidance on the nomination process for board members. The SEC CGG encourages the board as a whole to nominate non-executive directors. In practice, the board or controlling shareholder appoints, subject to approval at the GMS.

## Board Independence and Objectivity

Listing rules require independent directors

Listed companies must have at least one half of their board be non-executive, and at least two or 25 percent that are independent. In practice, most boards have a majority of non-executives and two independents. Most also separate the chair of the board from the managing director, as recommended in the voluntary SEC CGG.

Audit committees are common, but are not required to have independent members

SEC regulation requires issuers to have an audit committee, but provide no details on its composition or functions. The SEC CGG encourages the audit committee to recommend and liaise with the external auditor, review financial reporting, ensure compliance with laws and regulation, oversee the internal audit and internal controls, and report on “significant extraordinary financial transactions”. The committee should be chaired by a non-executive and composed mostly of non-executives who have relevant financial and other knowledge. There is no requirement specifically for independent directors. The SEC CGG also calls for a remuneration committee composed primarily of non-executive directors to develop executive pay policy and ensure that remuneration is performance oriented.

The BoG effectively requires financial institutions to have audit and risk management committees, and monitors implementation. Not all listed companies have committees besides the audit committee, and in non-financial ones there is little disclosure or assurance that audit committees are composed primarily of qualified independent members.

Internal audit not required

Listed companies are not required to have an internal audit function, and boards are not tasked with managing risks. The BoG effectively requires both of financial institutions.

Shareholders approve director pay

Director compensation is approved by the GMS, usually after being proposed by the board. The SEC CGG calls for non-executive director compensation to be set by the board as a whole, and notes that it should reflect experience, responsibilities, and should be high enough ensure commitment. There is no explicit call for linking to performance.

Board training and evaluations not common

The SEC CGG encourages director training and some institutions in Ghana offer director training, however it is not well established and many directors have not participated in formal training. This could reflect both the low visibility of the SEC CGG and the lack of capacity in local institutions. The BoG implicitly requires financial institutions to carry out a self evaluation. This is not required for companies, and not mentioned

in the SEC CGG.

## FINDINGS OF THE DCA

Corporate governance in Ghana lags in a number of key areas

The Detailed Country Assessment of the OECD Principles of Corporate Governance is summarized in the tables at the end of the report. These results indicate that:

- **Some of Ghana's scores have improved since the last ROSC was carried out in 2005.** The average percent of implementation in the shareholder rights chapter increased from 65 to 75, and from 52 to 62 in the chapter on equitable treatment of shareholders, reflecting in part the introduction of the securities depository and the SECs rules on changes in control. Thanks to the adoption of international standards, disclosure percent implementation increased from 55 to 62.
- **Nevertheless, more work remains to be done.** Using the new methodology to assess compliance with the OECD Principles, only 4 Principles were fully implemented and 10 were broadly implemented. 43 principles were partially implemented and 6 were not implemented. Ghana's scores for the board actually fell, in large due to low awareness of and compliance with the SEC CGG.
- **Ghana lags in some key areas compared to other countries in the region.** When compared to other countries in Sub-Saharan Africa with listed companies, Ghana does well in terms of transparency and disclosure, but lags in equitable treatment of shareholders and, especially, responsibilities of the board.

## Recommendations

Bring the corporate governance framework more in line with the OECD Principles.

Ghana has undertaken important reforms in recent years. However, fully tapping the potential of capital markets and professionalizing boards and management will require that reform continues. Good corporate governance ensures that companies use their resources more efficiently and leads to better relations with employees, creditors, and other stakeholders. It is an important prerequisite for attracting the patient capital needed for sustained long-term economic growth.

Key reforms include:

- Providing the SEC with the resources and independence to fully carry out its duties and strengthening the Registrar;

- Improving independence and oversight of the accounting and audit professions by BoG, SEC and other relevant bodies;
- Encouraging capital market development through listing of SOEs and other companies and effective pension regulation;
- Making SSNIT a proponent of better corporate governance;
- Requiring all companies to disclose their compliance with the SEC CGG;
- Revising the SEC CGG to include board responsibilities, increase non-financial disclosure, and encourage posting company information online;
- Mandating better disclosure of beneficial ownership and trading in company shares by insiders;
- Revising the CA to increase clarity and better protect shareholder rights, including stronger requirements for the review, approval, and disclosure of related party transactions;
- Increased training and awareness of corporate governance;

### Reforms to build regulatory and institutional capacity

The SEC should be provided with the resources and independence to fully carry out its duties. The number of professional staff should be increased, especially qualified lawyers and accountants, and compensation should be restored to the level that existed before being merged into the civil service in 2008. Capacity should be increased to:

- Better oversee company financial reporting;
- Improve compliance with requirements to disclose beneficial ownership and control;
- Move the SEC CGG to a “comply or explain” framework.

Over time, consideration should be given to reviewing the governance of the SEC. The goal should be to increase independence, with greater financial autonomy and direct oversight by the Parliament. Given the size of Ghana’s capital markets, the SEC will remain dependent on budgetary support, this should be stable and consistent with the need to strengthen the organization.

Oversight of accounting and auditing should be reviewed, preferably by undertaking an Accounting and Auditing ROSC, with the goal of better implementing international standards. Ensuring the independence of the audit will also require more independent oversight by enhancing the relevant capacity of the SEC and BoG, and or by creating a new independent oversight body, along the lines of the UK Financial Reporting

Strengthening the SEC is the most important reform

Oversight of accounting and auditing and the capacity of the Registrar should also be improved

Council or the South African Regulatory Board for Auditors.

The ongoing process of reform and support for the Registrar should continue. The move to electronic records and online filing and access should be completed. In addition, capacity should be created to enforce well established powers in the CA. This should include changes in human resources.

SSNIT should actively seek to improve the governance of its investments

SSNIT should develop clear policies on board appointment, exercise of its voting rights, and managing conflicts of interest, and disclose these policies to the public. It should actively seek to ensure good governance in its investments, as well as in its own governance arrangements. Donor assistance to advise and strengthen SSNIT should also be considered. Beyond SSNIT, the new regime for pension regulation should be fully and effectively implemented.

Steps should be taken to improve SOE governance and develop capital markets

The government should consider listing more shares of SOEs, including those held in joint venture companies that are already listed, those with 100 percent holdings under the State Enterprise Commission, and financial institutions under the BoG. It should also review other ways to encourage listing by local companies. Further review of corporate governance of SOEs should also be considered.

Capacity for director and media training should be increased

Broader institutional changes are also needed. Donors and possibly the GSE or SEC should look to help build capacity for director training, including the possibility of establishing or strengthening a local institute focused on training and corporate governance. Outreach should also be made to the media to increase journalist understanding of corporate governance issues and improve the quality of reporting.

Companies should have to disclose their level of compliance with the SEC CGG

### **Reforms to the legal and regulatory framework**

Changes should include substantial amendments to or replacement of the CA, changes to the SEC CGG, and additional regulatory changes, primarily through SEC regulations. A key change would be moving the SEC CGG from being purely voluntary to “comply or explain”, where all listed companies would be required to disclose the extent of compliance and why particular provisions were not complied with. This should be combined with efforts to raise awareness of the SEC CGG.

**Beneficial ownership and insider trading should also be disclosed**

Regulation should be clear that companies and shareholders should disclose indirect and beneficial ownership. This would both allow shareholders to better understand who controls companies, and facilitate implementing requirements on managing and disclosing related party transactions. When shareholders disclose crossing thresholds or intent to act in concert, this should be made available to the public on the GSE or SEC website. Securities law and regulation should also require disclosure of insiders trading.

**Custodians and institutional investors should act in the interests of their beneficiaries**

In addition, law or regulation should include specific requirements for custodians to act in the interest of their clients, pass on relevant information, and follow their instructions in the general meeting. In the longer term, institutional investors should be encouraged to vote their shares and required to disclose their voting and policies. Institutional investors should also be required to develop and disclose their policy for dealing with conflicts of interests.

**Board and auditor independence increased**

Law or regulatory change should also introduce higher standards for auditors, including limits on providing non-audit services to their clients and partner rotation should be considered. This should be done in conjunction with other changes to audit and accounting oversight.

Listing rules should be altered to require that the board has 1/3<sup>rd</sup> independent, and still at least two, as required in the SEC CGG. Listing rules should also require companies to disclose the annual report and other material information on their website. Information should also be disclosed on the GSE website in a more systemic manner.

**The BoG should issue corporate governance rules for banks**

The BoG should issue explicit rules on corporate governance. These can be based on current practice, and should be informed by international good practice and developed in consultation with the banks and the public.

**The CA should be amended or replaced, with clearer rules on conflicts of interest and related party transactions**

The CA should be amended or replaced to better protect shareholder rights. It should mandate:

- That dividends are paid within a reasonable period of time (3-6 months) after they are declared;
- A qualified majority (66-75%) to approve issue of new shares and extraordinary transactions;
- That shareholders have an explicit right to ask question at the GMS and the obligation for the board to answer;
- Confidential and secure method for voting at GMS, especially for sensitive issues;

- The board nomination process, including information on candidates that should be provided before the meeting;
- That all potential conflicts of interest are disclosed to the board, that conflicted directors recuse themselves, and that larger related party transactions are approved by shareholders, with interested parties not voting. This should be supported by a suitably broad definition of possible interested party.

The CA should also clarify that directors have a duty to treat all shareholders fairly. It should also make clear the boards powers to oversee, review and approve the company's strategy. It may also enumerate additional powers, as noted below for the SEC CCG.

The SEC CGG should also incorporate the changes proposed for the CA, to bring them to company and board attention more quickly. It should also

- Specify the boards power to:
  - Approve annual budgets and business plans;
  - Manage conflict of interest and related party transactions;
  - Set performance objectives and indicators;
  - Review and approve major transactions and investments;
  - Monitor and manage CEO and senior management performance and pay.
- Encourage board to conduct an annual self evaluation;
- Require companies to post annual reports and other information online;
- Require companies establish an internal audit function that reports to the audit committee;
- Encourage nomination committees composed of independent directors or other mechanisms that facilitate minority shareholders being able to have input on both nomination and choice of directors;
- Give companies and shareholders additional guidance on the conduct of the GMS.

The SEC CGG should include clear board responsibilities

And require disclosure on directors and trends affecting the company

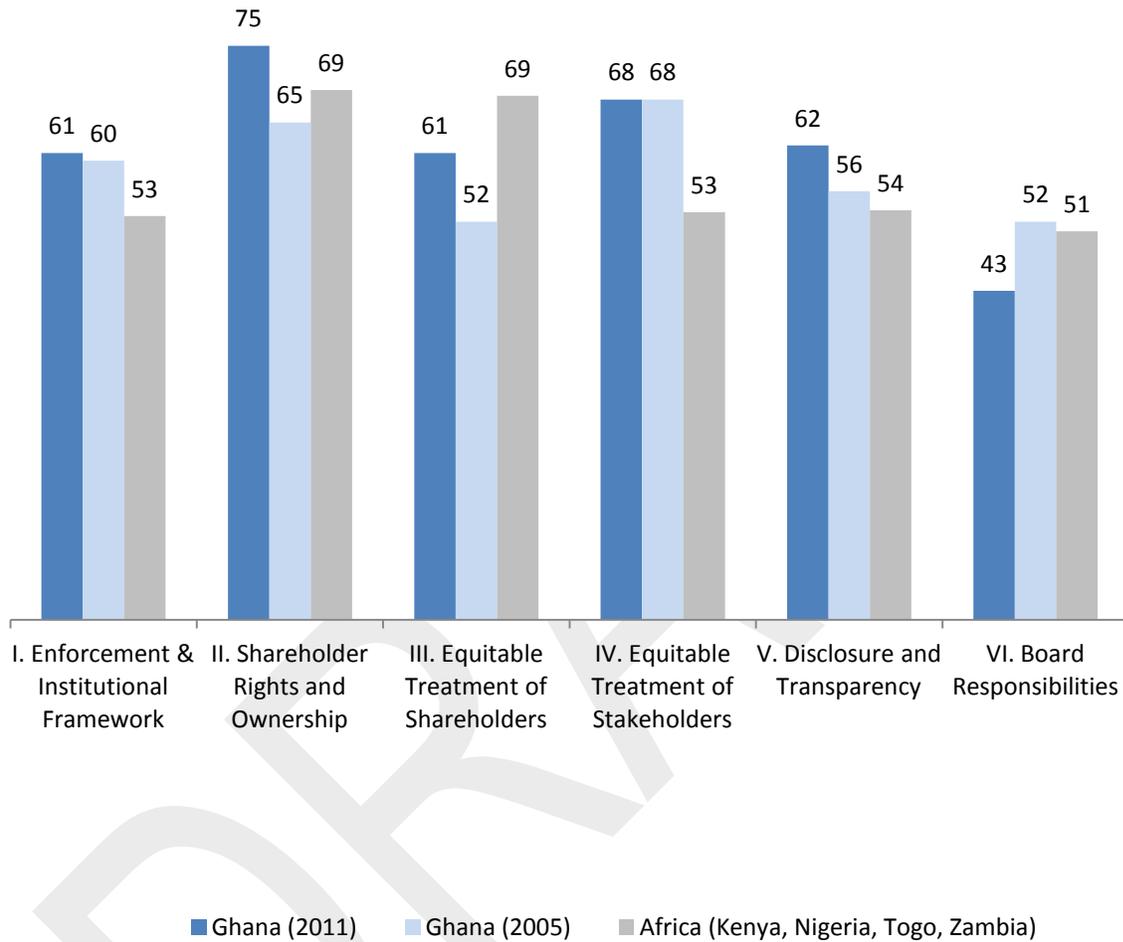
The SEC CGG should also strengthen requirements on the content of the chairmen and or board statement and other nonfinancial disclosure. These changes should also be considered for binding SEC regulations. These statements should include:

- Trends that may affect the company's future annual performance;
- A reiteration or any revisions to the companies objectives;

- Director qualifications, independence, other directorships; tenure on the board and any committees, and attendance;
- Greater detail and board and executive pay, including link to performance and individual director pay;
- A statement from the audit committee that the auditor was independent, qualified, and acted with care.

DRAFT

### Ghana Country Assessment vs. Africa Regional Average



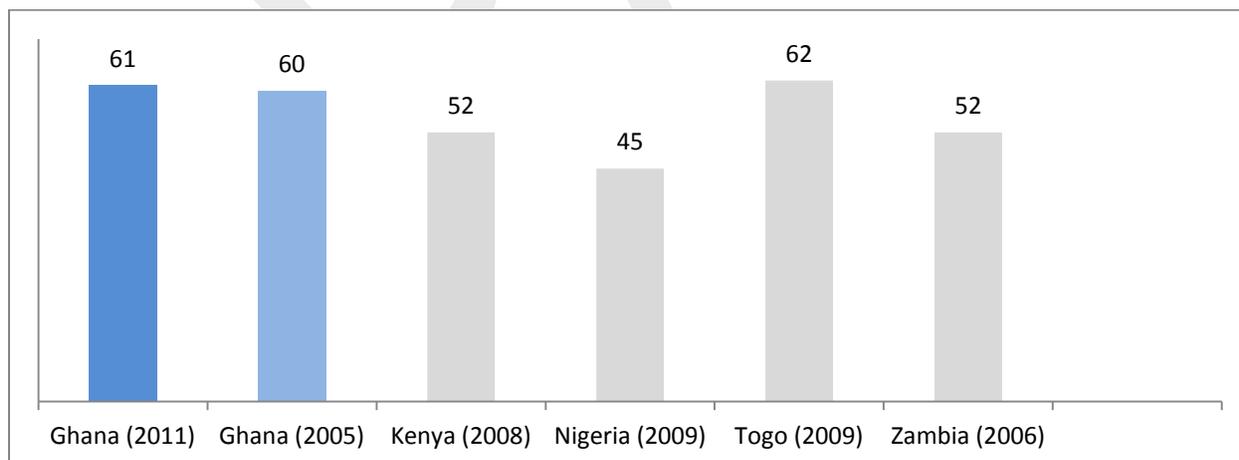
## OECD Principle Assessment: Corporate Governance Framework

### Ghana



Source: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95 % = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

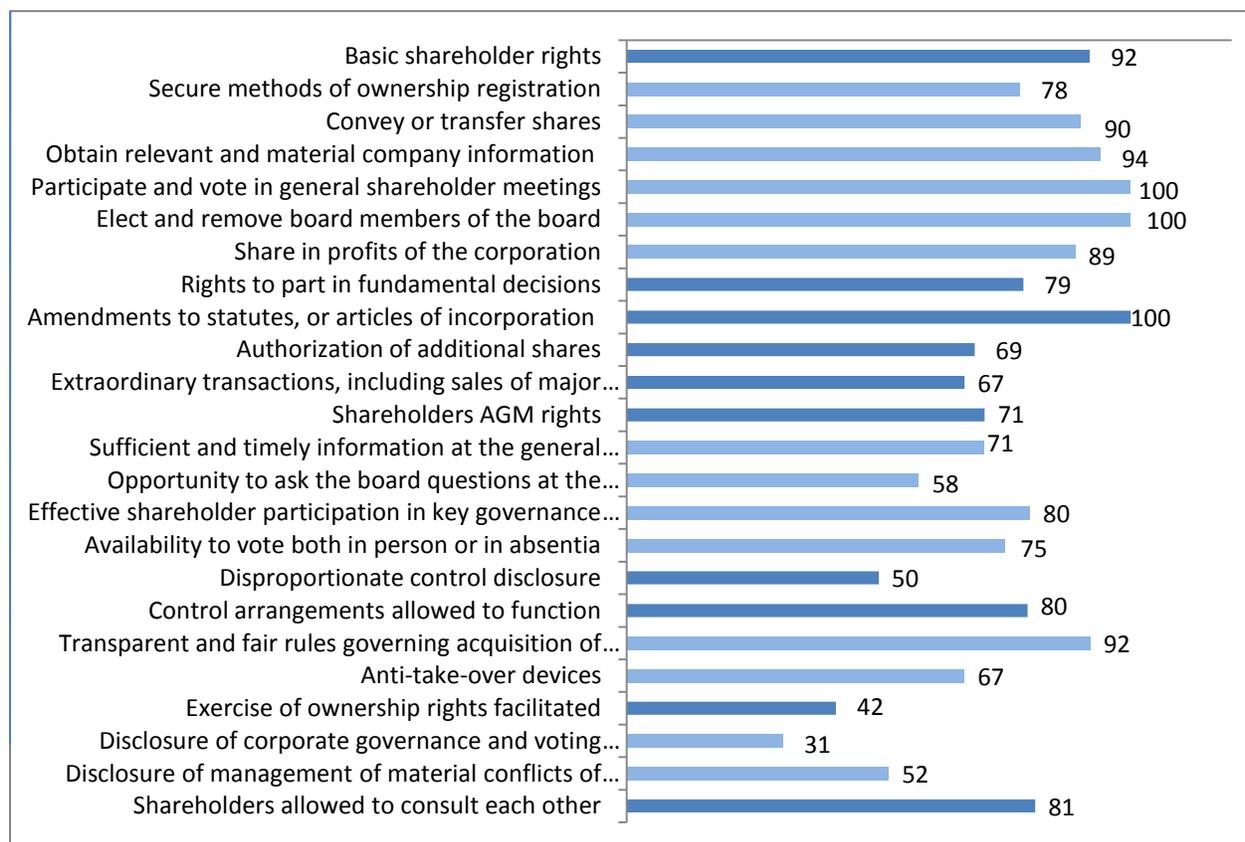
### International Comparisons



Source: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Ghana 2005 has been adjusted based on current methodology.

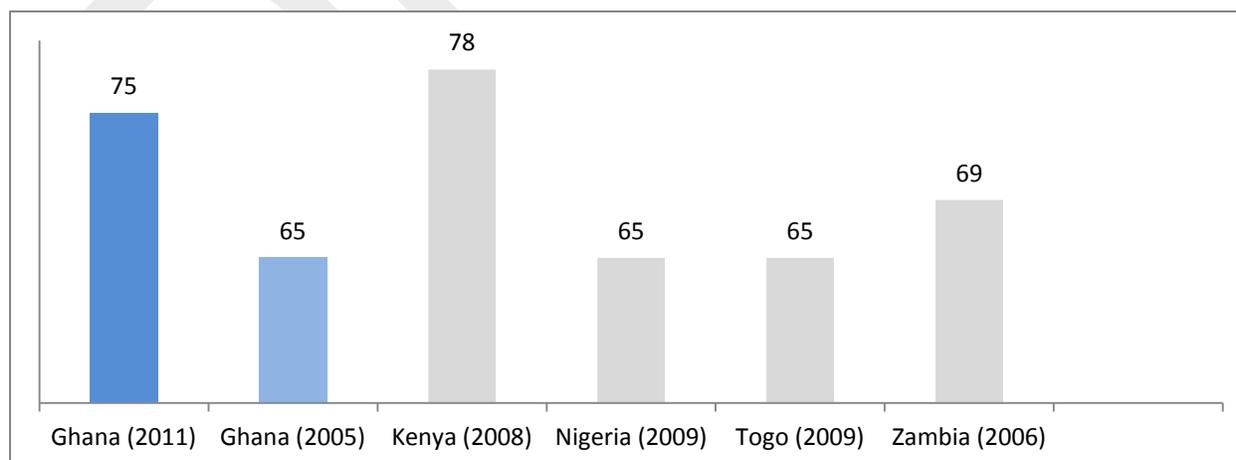
## OECD Principle Assessment: Shareholder Rights

### Ghana



Source: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95 % = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

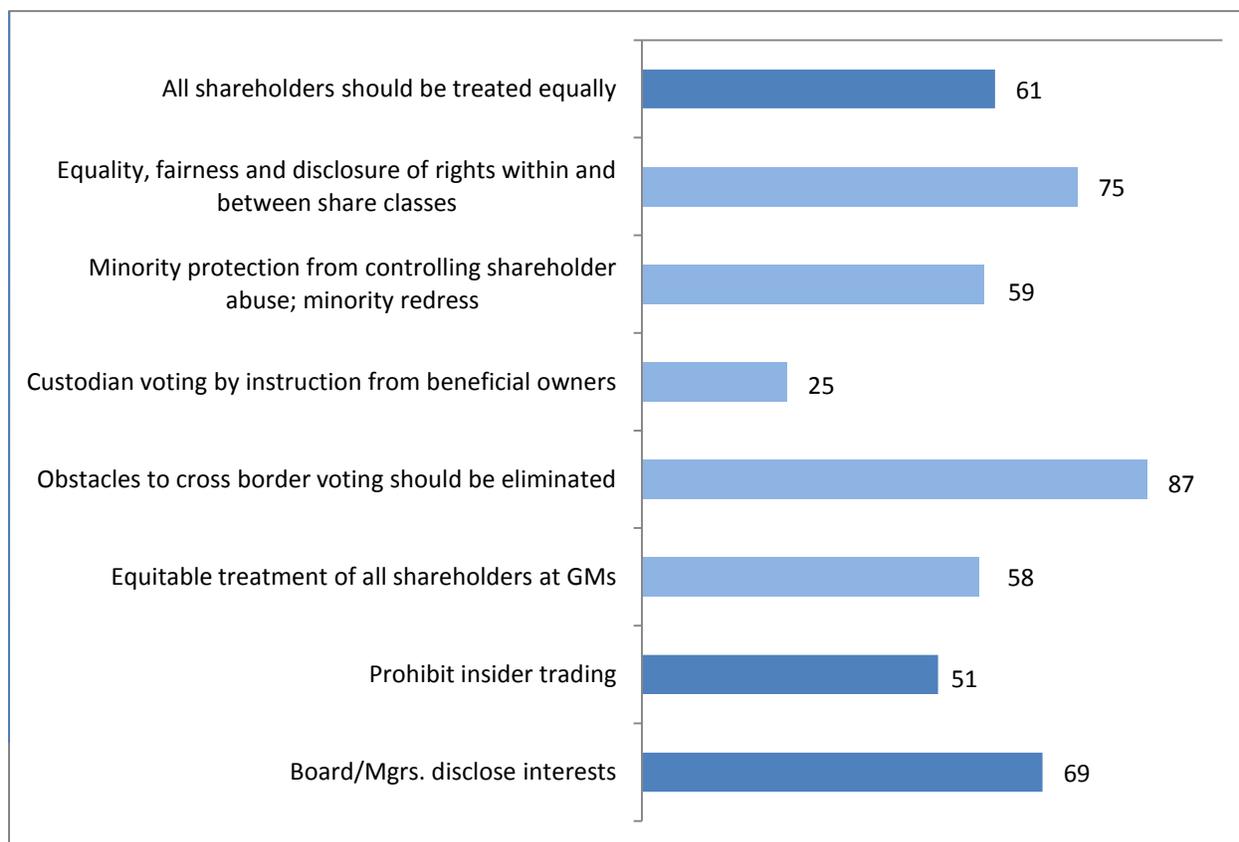
### International Comparisons



Source: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Ghana 2005 has been adjusted based on current methodology.

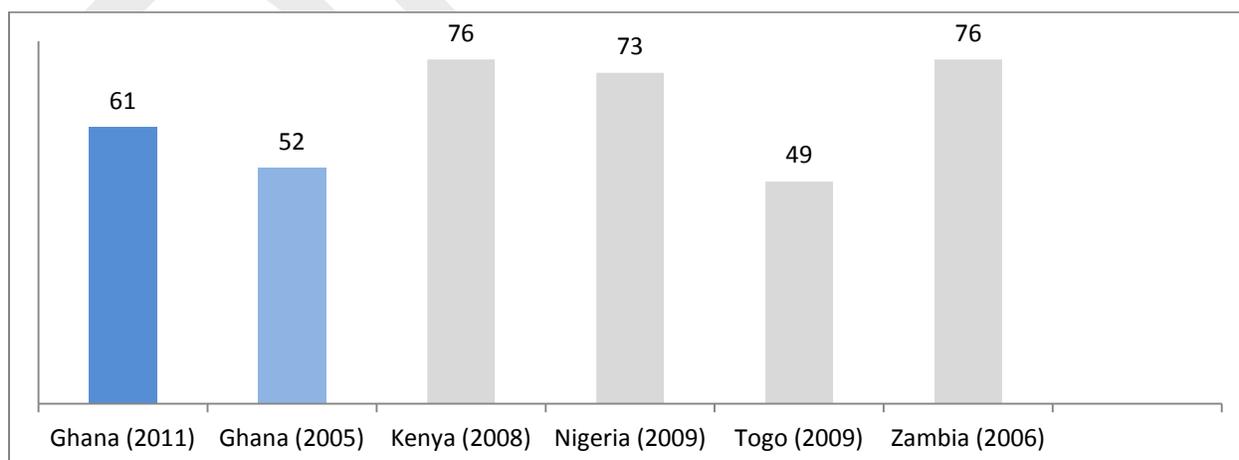
## OECD Principle Assessment: Equitable Treatment of Shareholders

### Ghana



Source: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95 % = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

### International Comparisons



Source: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Ghana 2005 has been adjusted based on current methodology.

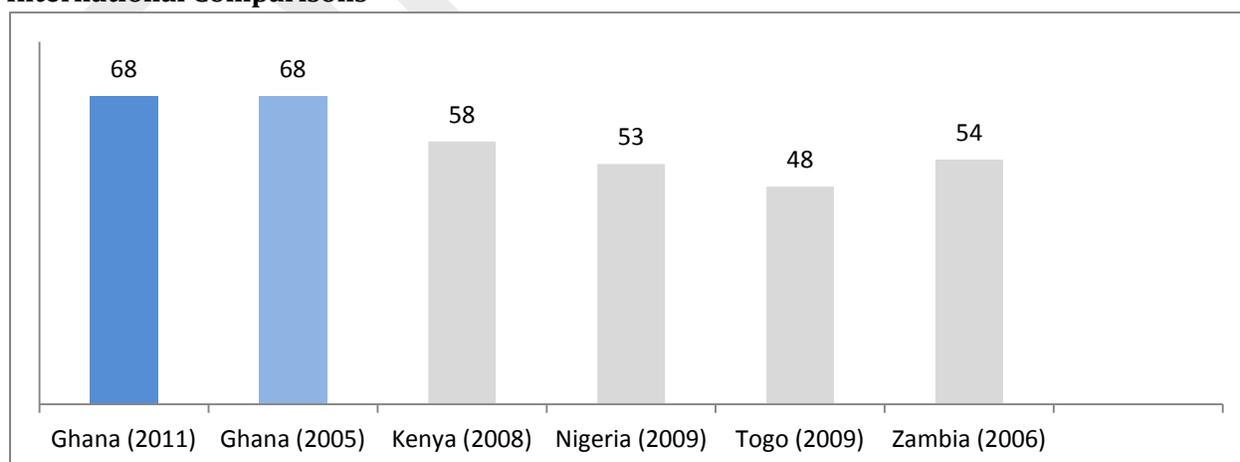
## OECD Principle Assessment: Equitable Treatment of Stakeholders

### Ghana



Source: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95 % = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

### International Comparisons



Source: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Ghana 2005 has been adjusted based on current methodology.

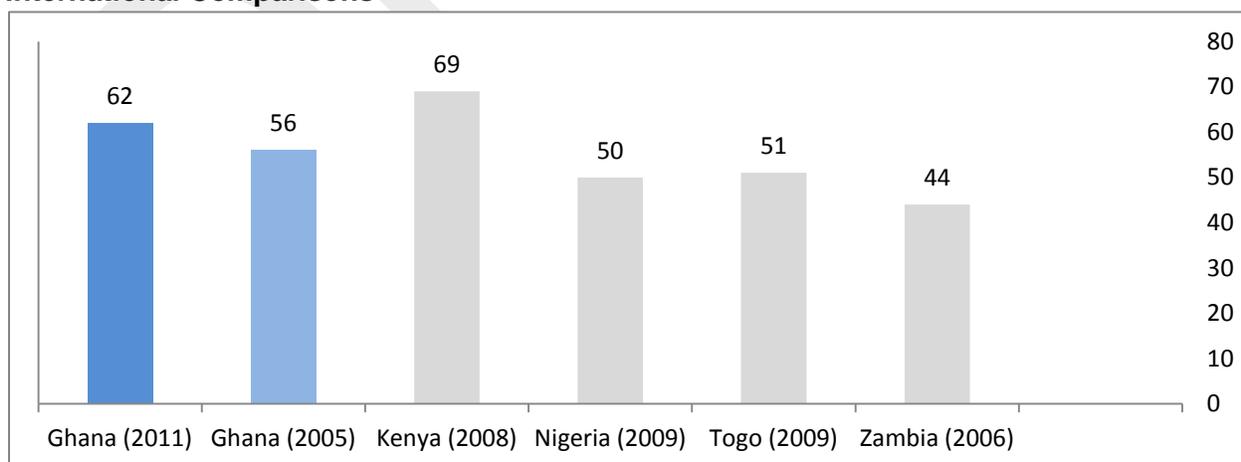
## OECD Principle Assessment: Disclosure and Transparency

### Ghana



Source: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95 % = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

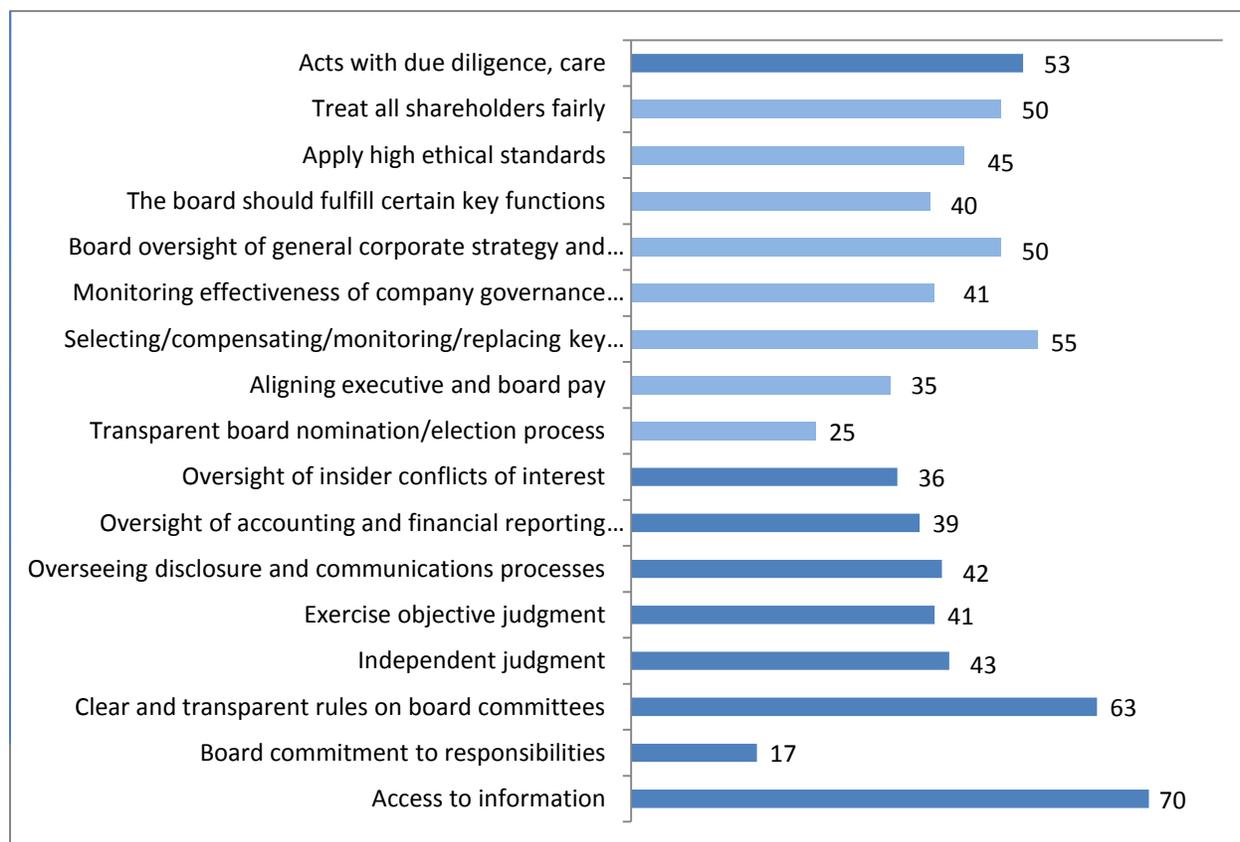
### International Comparisons



Source: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Ghana 2005 has been adjusted based on current methodology.

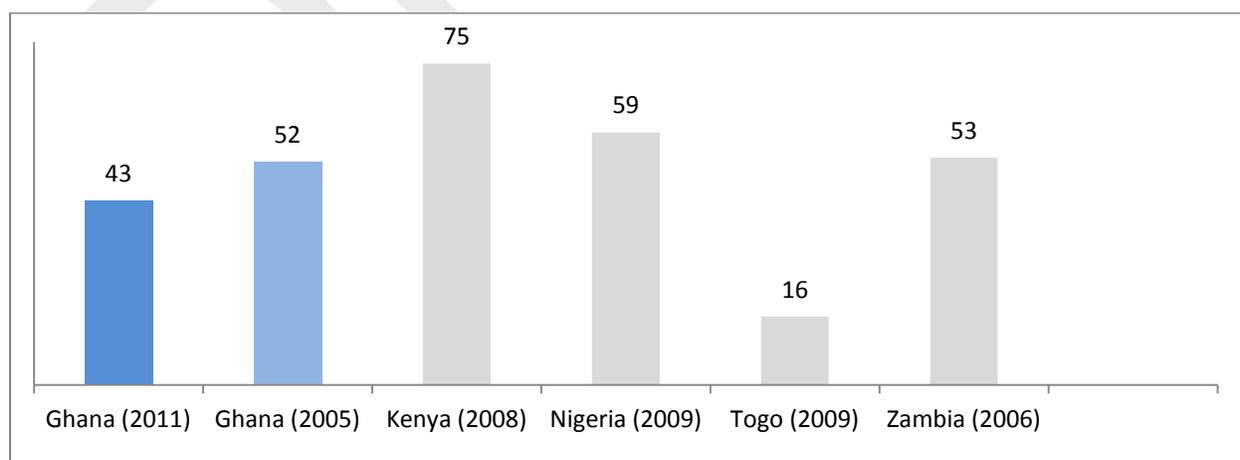
## OECD Principle Assessment: Responsibilities of the Board

### Ghana



Source: Detailed Country Assessment. Figures represent the percent implementation of each OECD Principle. 95 % = Fully implemented, 75-95 = Broadly Implemented, 35-75 = Partially implemented, and less than 35% = not implemented.

### International Comparisons



Source: Figures for other countries represent weight-averaging of scores from previous ROSCs. Averages should be interpreted with caution due to changing methodologies over time. Ghana 2005 has been adjusted based on current methodology.

## Summary of Observance of OECD Corporate Governance Principles

	Principle	FI	BI	PI	NI
<b>I. Ensuring the Basis for an Effective Corporate Governance Framework</b>					
IA	Overall corporate governance framework			X	
IB	Legal framework enforceable /transparent			X	
IC	Clear division of regulatory responsibilities			X	
ID	Regulatory authority, integrity, resources			X	
<b>II. The Rights of Shareholders and Key Ownership Functions</b>					
IIA	Basic shareholder rights				
IIA 1	Secure methods of ownership registration		X		
IIA 2	Convey or transfer shares		X		
IIA 3	Obtain relevant and material company information		X		
IIA 4	Participate and vote in general shareholder meetings	X			
IIA 5	Elect and remove board members of the board	X			
IIA 6	Share in profits of the corporation		X		
IIB	Rights to part in fundamental decisions				
IIB 1	Amendments to statutes, or articles of incorporation	X			
IIB 2	Authorization of additional shares			X	
IIB 3	Extraordinary transactions, including sales of major corporate assets			X	
IIC	Shareholders GMS rights				
IIC 1	Sufficient and timely information at the general meeting			X	
IIC 2	Opportunity to ask the board questions at the general meeting			X	
IIC 3	Effective shareholder participation in key governance decisions		X		
IIC 4	Availability to vote both in person or in absentia			X	
IID	Disproportionate control disclosure			X	
IIE	Control arrangements allowed to function				
IIE 1	Transparent and fair rules governing acquisition of corporate control		X		
IIE 2	Anti-take-over devices			X	
IIF	Exercise of ownership rights facilitated				
IIF 1	Disclosure of corporate governance and voting policies by inst. investors				X
IIF 2	Disclosure of management of material conflicts of interest by inst. investors			X	
IIG	Shareholders allowed to consult each other		X		
<b>III. Equitable Treatment of Shareholders</b>					
IIIA	All shareholders should be treated equally				
IIIA 1	Equality, fairness and disclosure of rights within and between share classes			X	

## Summary of Observance of OECD Corporate Governance Principles

	Principle	FI	BI	PI	NI
IIIA 2	Minority protection from controlling shareholder abuse; minority redress			X	
IIIA 3	Custodian voting by instruction from beneficial owners				X
IIIA 4	Obstacles to cross border voting should be eliminated		X		
IIIA 5	Equitable treatment of all shareholders at GMs			X	
IIIB	Prohibit insider trading			X	
IIIC	Board/Mgrs. disclose interests			X	
<b>IV. Role of Stakeholders in Corporate Governance</b>					
IVA	Legal rights of stakeholders respected			X	
IVB	Redress for violation of rights			X	
IVC	Performance-enhancing mechanisms			X	
IVD	Access to information			X	
IVE	"Whistleblower" protection			X	
IVF	Creditor rights law and enforcement			X	
<b>V. Disclosure and Transparency</b>					
VA	Disclosure standards				
VA 1	Financial and operating results of the company		X		
VA 2	Company objectives			X	
VA 3	Major share ownership and voting rights			X	
VA 4	Remuneration policy for board and key executives				X
VA 5	Related party transactions			X	
VA 6	Foreseeable risk factors			X	
VA 7	Issues regarding employees and other stakeholders			X	
VA 8	Governance structures and policies			X	
VB	Standards of accounting & audit		X		
VC	Independent audit annually			X	
VD	External auditors should be accountable			X	
VE	Fair & timely dissemination			X	
VF	Research conflicts of interests			X	
<b>VI. Responsibilities of the board</b>					
VIA	Acts with due diligence, care			X	
VIB	Treat all shareholders fairly			X	
VIC	Apply high ethical standards			X	
VID	The board should fulfill certain key functions				

### Summary of Observance of OECD Corporate Governance Principles

	Principle	FI	BI	PI	NI
VID 1	Board oversight of general corporate strategy and major decisions			X	
VID 2	Monitoring effectiveness of company governance practices			X	
VID 3	Selecting/compensating/monitoring/replacing key executives			X	
VID 4	Aligning executive and board pay				X
VID 5	Transparent board nomination/election process				X
VID 6	Oversight of insider conflicts of interest			X	
VID 7	Oversight of accounting and financial reporting systems			X	
VID 8	Overseeing disclosure and communications processes			X	
VIE	Exercise objective judgment				
VIE 1	Independent judgment			X	
VIE 2	Clear and transparent rules on board committees			X	
VIE 3	Board commitment to responsibilities				X
VIF	Access to information			X	
<i>Note: FI=Fully Implemented; BI=Broadly Implemented; PI=Partially Implemented; NI=Not Implemented; NA=Not Applicable</i>					