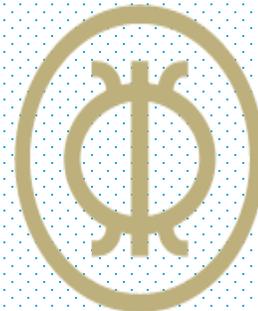


MODULE - 4

Corporate governance - accountability &
OVERSIGHT requirements



**SALMAN
PARTNERS**
& FINANCIAL CONSULT LTD.



DBG Development
Bank
Ghana

H. CORPORATE GOVERNANCE ARRANGEMENTS

1. A DFI shall comply with the Corporate Governance requirements under sections 35 to 57 of Act 1032.

2. In addition, a DFI shall ensure that:

a. A mandatory induction is conducted for new Directors;

b. The Board Chair is not a member of any Board Committee; and

c. There is a cooling off period of three (3) years for Chief Executive Officers or Managing Directors who have served the maximum tenure in a DFI.

3. The Fit and Proper Persons Directive, 2019, issued by the Bank of Ghana for banks, savings and loans companies, finance houses and financial holding companies shall be applicable to DFIs until such time that the Bank of Ghana issues specific Directive for the DFI sub-sector.

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections		Corporate Governance Directive 2008
Section 35	Corporate Governance	Comply with BOG's Corporate Governance Standards.
Section 36	Board of Directors and key Management personnel	Hierarchy in governance with the Board of Directors at the Apex
Section 37	Responsibility of the Board of Directors	Implement strategic objectives, risk strategy, corporate governance and corporate values
Section 38	Separation of Powers	The Chairperson and CEO positions shall be separated.

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections		Corporate Governance Directive 2008
Section 39	Tenure of office of Board of Directors	Chairperson and members – 4yrs & maximum 8years. CEO – not more than 12 yrs. CEO- position strengthened despite the above time limit.
Section 40	Independent Director	Private- 8 criteria State-owned -5 criteria

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections		Corporate Governance Directive 2008 and Governance Disclosure Directive 2022
Section 41	Composition and qualification of Board of Directors	<ul style="list-style-type: none"> • Size: min .7 to Max.13 • Independent directors -60% • Related parties not more than 2 • Directorships not more than 7 to guarantee time commitment but can be waived by BOG • Annual Certification from approved providers –e.g. SALMAN
Section 42	Alternative Director	<p>Due to being absent form Ghana or unable to perform duties as a director for a period not less than 6 months. Subject to prior approval by BOG and approval by the Board of DBG by ordinary resolution.</p>

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections		Corporate Governance Directive 2008
Section 43	Meeting of the Board	<ul style="list-style-type: none"><input type="checkbox"/> Minimum -4; minimum attendance 2<input type="checkbox"/> Key Issues for consideration – summary financial statements and performance review in DBG against the approved budget, business plan, peers and industry;<input type="checkbox"/> Risk exposures including credit, liquidity, interest rates, operational and other risks;<input type="checkbox"/> Review of NPLs, related party transactions and credit concentrations; effectiveness of control systems; outstanding litigation and contingent liabilities; compliance with AML and CFT policies and legislation.

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections		Corporate Governance Directive 2008
Section 44	Performance Evaluation of Board of Directors	<ul style="list-style-type: none"> <input type="checkbox"/> Internal Board evaluation- June every year <input type="checkbox"/> Annual AML and CFT- 31ST March to BOG and Financial Intelligence Centre <input type="checkbox"/> External Board Evaluation- bi-annually
Section 45	Committees of the Directors	<ul style="list-style-type: none"> <input type="checkbox"/> Chairperson's participation restricted. <input type="checkbox"/> Board accountabilities should be in the Board Charter <input type="checkbox"/> Copy of the Charter to be submitted to the BOG.

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections		Corporate Governance Directive 2008
Section 46	Audit Committee	<ul style="list-style-type: none"> <input type="checkbox"/> Membership – solely Non-Executive members <input type="checkbox"/> Chairperson shall be a Chartered Accountant <input type="checkbox"/> Cannot chair other committees like the Chairperson of the Board.
Section 47	Risk Committee	<ul style="list-style-type: none"> <input type="checkbox"/> An independent Non-Executive Director with expertise in risk management, finance, accounting, economics and similar competences.

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections	Theme	Corporate Governance Directive 2008 & Corporate Governance Disclosure Directive 2022
Section 48	Conflict of Interest	<ul style="list-style-type: none"> <input type="checkbox"/> A written policy on Conflict of Interest <input type="checkbox"/> Disclosure in the Annual Report <input type="checkbox"/> Maintain an up-to date register for documenting and managing conflict of interest situations in DBG.
Section 49	Duties of senior management	Ensure implementation of all approved policies of the Bank by the Board.
Section 50	Chief Internal Auditor (CIA)	<ul style="list-style-type: none"> -Reports directly to the Audit Committee or the Board of Directors -have unhindered access to the Board and interactions should be regular and comprehensively documented.

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections	Theme	Corporate Governance Directive 2008 & Corporate Governance Disclosure Directive 2022
Section 51	Chief Risk Officer	<ul style="list-style-type: none"> - Reports to the CEO. - Implement approve robust risk management regime in DBG.
Section 52	Fit and Proper	Satisfy the Fit and Proper Directive 2019.
Section 53	Minimum Assessment criteria for Fitness and Propriety	Same as above on qualifications, experience, reputation, conflict of interest, time commitment , collective suitability and financial integrity.

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections	Theme	Corporate Governance Directive 2008 & Corporate Governance Disclosure Directive 2022
Section 54	Duty of the Board to report	<ul style="list-style-type: none"> <input type="checkbox"/> Going concern issues <input type="checkbox"/> Liquidity issues <input type="checkbox"/> Credit and counterparty issues <input type="checkbox"/> Capital and funding inadequacies <input type="checkbox"/> Engagement or exposure or involvement in an event which is likely to have a material adverse impact on the Bank.
Section 54	Duty of the Board to report	<ul style="list-style-type: none"> <input type="checkbox"/> Board notification is required and should be in writing. <input type="checkbox"/> Administrative Penalty for non-compliance : Not more than 5000 penalty units <input type="checkbox"/> Fit and Proper (possible disqualification)

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections	Theme	Corporate Governance Directive 2008 & Corporate Governance Disclosure 2022
Section 55	Disqualification of a member of the Board and key management personnel	<ul style="list-style-type: none"> <input type="checkbox"/> see Fit and Proper criteria. <input type="checkbox"/> Notify BOG <input type="checkbox"/> Administrative Penalty: 1,000 Penalty Units
Section 56	Disclosure of Interest	<ul style="list-style-type: none"> <input type="checkbox"/> Declaration of interest professional and business before assuming office. <input type="checkbox"/> Interest in a proposed credit facility <input type="checkbox"/> Any transaction proposed by anybody that is not in the interest of the Bank <input type="checkbox"/> Consequence: Cease to be a member of the Board or Fit and Proper (possible disqualification).

CORPORATE GOVERNANCE

Development Finance Institutions Act, 2020 Act 1032 Sections	Theme	Corporate Governance Directive 2008 & Corporate Governance Disclosure Directive 2022
Section 57	Intervention of the Bank of Ghana in appointments	<ul style="list-style-type: none"> <input type="checkbox"/> The Bank shall seek prior approval of the Bank of Ghana before it appoints the CEO, or Deputy CEO. <input type="checkbox"/> Written approval is required for the appoint of key management personnel. <input type="checkbox"/> Notification of changes in the membership of the Board and key management personnel <input type="checkbox"/> Outsourcing of any core function of the Bank requires the approval of BOG. <input type="checkbox"/> Administrative Penalty : 1,000 Penalty Units

D-LENDING LIMITS

1. Lending by a Wholesale Development Finance Institutions (WDFI) shall be restricted to a maximum of 50% of the shareholders' funds unimpaired by losses of a Participating Financial Institution (PFI). This is in addition to the single obligor limits prescribed under Act 1032.

D- LENDING LIMITS

No.	PRUDENTIAL RETURN REQUIREMENT	COMPLIANCE AND BOARD ACCOUNTABILITIES
1	Legal Requirements- Sections 60	
	(i) Individual or a group of persons	Not more than 25%
	(ii) Unsecured Loans	Not more than 10%
	(iii) Key considerations in measurement of Single Obligor Limits should include: <ul style="list-style-type: none"> - Lien on deposits with banks - The market value of Government securities or Bank of Ghana securities and - Any other security of a similar nature approved by the Bank of Ghana. 	
	(iv) Security Cover (Exposure to Market Value of Security)	Not less than 100%

D- LENDING LIMITS

No.	PRUDENTIAL RETURN REQUIREMENT	COMPLIANCE AND BOARD ACCOUNTABILITIES
2	Legal Requirements- Sections 60 (9)	
	Administrative penalties for non-compliance	5,000 penalty units or GHS 60,000.
	Tracker	Other liabilities on the Statement of Position
	Code of Responsibility	Risk Committee of the Board

D- LENDING LIMITS

No.	PRUDENTIAL RETURN REQUIREMENT	COMPLIANCE AND BOARD ACCOUNTABILITIES
3	Legal Requirements- Sections 64	
	(i) Restriction on Lending to staff (unsecured advance or credit facility). Staff definition includes key management personnel	Not more than 2 years of the emolument of that employee.
	(ii) Secured and Unsecured Loans in aggregate to employees shall not exceed -	20% of the regulatory capital
	Administrative Penalties	<ul style="list-style-type: none"> - One-half per millie of the overexposure for each day. - Not more than 1,000 penalty units. - Further deduction in the computation of capital.

D- LENDING LIMITS

No.	PRUDENTIAL RETURN REQUIREMENT	COMPLIANCE AND BOARD ACCOUNTABILITIES
4	Legal Requirements- Sections 65 : Lending to insiders and other related parties	
	(i) Satisfy the DBG’s criteria for related parties	Standing Issue
	(ii) At least three quarters of the Board Members should be present at the time of approval and registered in the minutes.	Standing Issue
	(iii) Mandatory report by Management to the Board on all such exposures and subsequent report to Bank of Ghana.	Standing Issue
	Administrative Penalty	Not more than 2,000 penalty units.
	Code of Responsibility	Risk Committee/ The Board

D- LENDING LIMITS & EQUITY INVESTMENTS

No.	PRUDENTIAL RETURN REQUIREMENT	COMPLIANCE AND BOARD ACCOUNTABILITIES
5	Legal Requirements- Sections 67	
	(i) Investment in the share capital of a body corporate	Not more than 15% of the paid-up capital or 10% of the regulatory capital of DBG whichever is lower.
	(ii) Aggregated Portfolio – DBG –wide	Not more than 25% of DBG
	(iii) Exemptions	- Held in trust or in place of a repayment of a loan. Asset not to be disposed of within one year from the date of acquisition.
	Administrative Penalty (AP)	Violation of (i) and (ii) attracts an AP of 1,000 penalty units.

D- LENDING LIMITS

No.	PRUDENTIAL RETURN REQUIREMENT	COMPLIANCE AND BOARD ACCOUNTABILITIES
6	Legal Requirements- Sections 68- Reporting of Exposures	
	(i) The particulars of a large exposure	
	(ii) The particulars of lending to a related party and the related interest of that party and	
	(iii) On investments undertaken under Section 67.	
	Administrative Penalty (AP)	Not more than 1,000 penalty units.
	Code of Responsibilities	The entire Board

E. LIMITS ON FOREIGN CURRENCY BORROWINGS

E. Limits on Foreign Currency Borrowings

1. DFIs shall grant foreign currency loans to **ONLY** foreign currency earners.

2. The aggregate foreign currency borrowing of a DFI shall not exceed 75% of its regulatory capital.

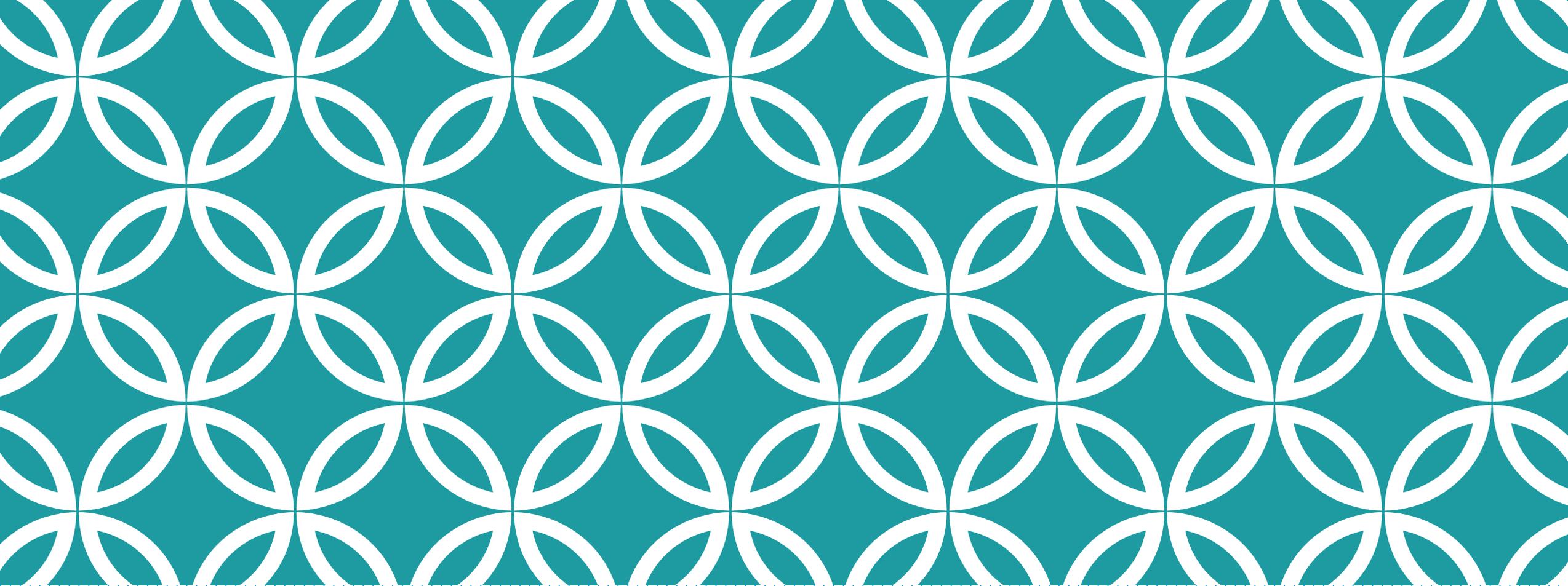
3. DFIs shall not engage in trading of foreign currency.

F. LIMITS ON INVESTMENTS

1. At no time shall permissible investments of a DFI exceed 20% of total assets.

2. Permissible investments are:

1. Debt obligations issued, insured, or guaranteed by the Government of Ghana or the Bank of Ghana (BOG).
2. Demand deposits, term deposits, or certificates of deposit in supervised institutions.
3. Deposits and reserves held with the BOG if any.
4. Other investments specifically permitted by the BOG.



GOVERNANCE CHALLENGES

TRADE OFFS

TRADE OFFS

Strategic trade-offs are key to ensuring that the DBG remains relevant and is well positioned for the future.

A critical part of the Board's role is to balance the short, medium and long-term and make tough decisions to create long term value.

In the process of doing so, certain trade-off need to be made that may be significant and the strategic rationale need further analysis on the part of the Board.

TRADE -OFF

	Trade – off	Details	Capitals to be Impacted
1	The trade-off between profitability and development impact	Delivering sustainable financial outcomes is intrinsically linked to the extent to which DBG makes progress in strategy execution, risk management and operational excellence. Generally, financial outcomes are not the end goal of a DFI and need to be complemented by the tangible development outcomes that transform society and the environment DBG operates in.	Financial Capital (FC) Social and Relationship capital (SRC)

TRADE-OFF

	Trade –off	Details	Capitals to be Impacted
2	Portfolio realignment in response to climate change	<p>There is the need to sustain DBG’s commitment to lending and financing activities for sustainability to align with its ESG imperatives that purposefully leads to making tangible differences to society and the environment.</p> <p>Helping Ghana to meet its net zero target suggest a pragmatic route that will provide transition finance to existing fuel structures and heavy manufacturing where necessary, with the clear understanding that they must achieve certain ESG goals and targets in the move to green energy. This is a significant and fundamental business model shift that DBG has made that should be sustained</p>	<p>Financial Capital (FC)</p> <p>Social and Relationship capital (SRC)</p> <p>Natural Capital (NC)</p>

TRADE -OFF

	Trade –off	Details	Capitals to be Impacted
3	Capital allocation and prudent risk management	<p>DBG’s ability to attract the capital needed to invest in the growth of quality assets is inextricably linked to providing a commensurate rate of return to debt funders and other capital providers. This requires a delicate balancing of DBG’s revenue generating ability with the associated costs. Furthermore, prudent allocation of capital to various markets will sustain the financial performance, balance the risk-return pendulum and ensure that the Board has built a resilient balance sheet for the future.</p> <p>Having a strong balance sheet not only supports growth but underpins key development outcomes and shields DBG from sudden and unexpected downside risk.</p>	Financial Capital (FC)

TRADE -OFF

	Trade –off	Details	Capitals to be Impacted
4	Employee value proposition and the workforce of the future	The key sectors identified by DBG and the PFIs that support the projects being financed suggests the need to ensure that reskilling of employee to meet the monitoring and implementation of projects to guarantee a high performing culture. Maintaining high productivity levels, sector and or industry specific specialists, cutting edge skills to satisfy changing global operations of potential clients of the PFIs require investments in staff and the operational machinery of the PFIs directly or through collaboration.	Financial Capital (FC) Social and Relationship Capital(SRC) Intellectual Capital (IC) Human Capital (SRC)

TRADE -OFF

	Trade –off	Details	Capitals to be Impacted
5	Credit Rating	<p>Credit rating is the current opinion of the creditworthiness, where creditworthiness includes the likelihood of default and credit stability (and in some cases recovery) (Standard and Poor’s definition).</p> <p>Seeking and gaining higher credit rating is central to the balancing of risks being taken by DBG and the physical and social impact of its operations.</p>	<p>Financial Capital (FC)</p> <p>Manufactured Capital (MC)</p>

KEY PERFORMANCE INDICATORS FOR DEVELOPMENT INVESTING ROLE OF DFIS

$$\text{Development Investment Ratio} = \frac{\text{Development Investments}}{\text{Average Total Assets}}$$

This measures the depth of a DFI with respect to its Development Investments

Shows the proportion of assets invested by the DFI for the development of priority sectors specified by its Mission Statement.

$$\text{Subsidy Dependence Index (SDI)} = \frac{\text{Total Value of Subsidy to DFI}}{\text{Total Revenues from Loans and Equity Investments}}$$

Where Total value of Subsidy = Equity Subsidy + Revenue Grants

This index determines how the Board is actively creating innovative financing mechanisms to repay the initial capital, access funds from the financial markets and possibly pays back the subsidy plus social costs (social rate of return).

KEY PERFORMANCE INDICATORS FOR DEVELOPMENT INVESTING ROLE OF DFIS

Financial Instrument for Development Investment (DI)

$$DI \text{ Instrument} = \frac{\textit{Value of DI by Instrument}}{\textit{Total Value of DI}}$$

This gives a breakdown of the investment funding used by the DFI, whether by traditional or by innovative means.

Concentration of Investments in a few types may show a need for the DFI to innovate to reach out to target sectors.

KEY PERFORMANCE INDICATORS FOR DEVELOPMENT INVESTING ROLE OF DFIS

❑ Contribution of the DFIs DIs in Target Economic Sectors

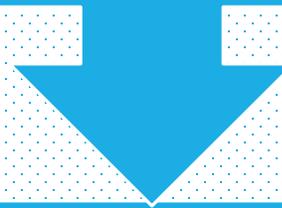
❑ Target Economic Sector DI(%) =
$$\frac{\text{Total Value of DI for All Target Economic Sectors}}{\text{Total value of DI}}$$

❑ Distribution of DIs by Sector(%) =
$$\frac{\text{No.of DIs per Economic Sector}}{\text{Total No. of DIs}}$$

❑ Average Size of DI (per Sector) =
$$\frac{\text{Total Value of DI per sector}}{\text{No.of DIs by Economic Sector}}$$

KEY PERFORMANCE INDICATORS FOR DEVELOPMENT INVESTING ROLE OF DFIS

These indicators show the allocation of DI over the target vs non-target economic sectors. DBG ability to balance its constrained development roles vs making money on opportunistic commercial loans. This ratio shows how DBG does its balancing act.



Again, DBG's policy is to lend to priority sectors but the loan demand may be in non-priority sectors. Simulating growth of priority sectors is beyond the scope of DFIs mandate. To avoid holding idle funds, DBG as a DFI may face pressure to lend to non-target sectors.

KEY PERFORMANCE INDICATORS FOR DEVELOPMENT INVESTING ROLE OF DFIS

□ Therefore for guidance and monitoring of the total effects of the bank, additional indicators including:

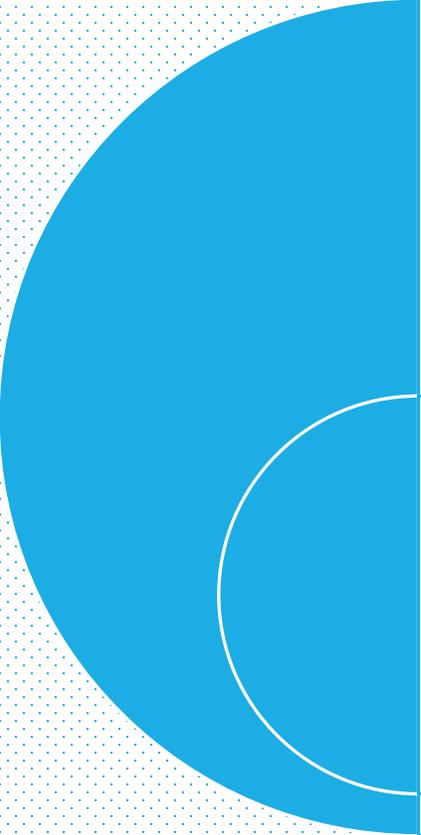
□ Share of DFI in each Economic Sector

$$\square = \frac{\textit{Value of DI per Sector}}{\textit{Total Value of DI+Commercial Bank Loans}}$$

□ Share of Commercial bank in Sector

□ = (1 - Share of DFI in Each Economic Sector)

KEY PERFORMANCE INDICATORS FOR DEVELOPMENT INVESTING ROLE OF DFIS



What these indicators suggest for the governance of DBG is to strengthen the Internal KPI for reviewing the sustainability of DBG.

Likewise, External KPI for reviewing the impact of DBG on the target sectors in Ghana.

END OF PRESENTATION

THANK
YOU

FOR YOUR

ATTENTION