

**CORPORATE GOVERNANCE FRAMEWORK FOR  
STATE ENTERPRISES AND PARASTATALS  
IN ZIMBABWE**



*Prepared by*

**MINISTRY OF STATE ENTERPRISES AND  
PARASTATALS**

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## TABLE OF CONTENTS

<b>GLOSSARY OF TERMS AND INTERPRETATION</b>	<b>v</b>
<b>MESSAGE FROM HIS EXCELLENCY THE PRESIDENT</b>	<b>vii</b>
<b>MESSAGE FROM RIGHT HON. PRIME MINISTER M.R. TSVANGIRAI</b>	<b>ix</b>
<b>FOREWORD</b>	<b>xi</b>
<b>PREFACE AND ACKNOWLEDGEMENTS</b>	<b>xiii</b>
<b>SECTION 1: CORPORATE GOVERNANCE BACKGROUND</b>	<b>1</b>
1.1 Introduction	1
1.2 Objectives	4
1.3 General Principles of Corporate Governance	4
1.4 Application	5
<b>SECTION 2: SHAREHOLDERS</b>	<b>6</b>
2.1 Shareholders (Owners)	6
2.2 Role of Responsible Minister	6
2.3 The role of the Minister of State Enterprises and Parastatals	7
<b>SECTION 3: THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT</b>	<b>8</b>
3.1 The Board	8
3.2 Board Selection and Appointment	8
3.3 Role of the Board	9
3.4 Board and Shareholder Performance Contract	13
3.5 Board Evaluation	13

3.6	Responsibility of Directors	13
3.7	Board Tenure and Retirement/Dismissal	13
3.8	Board Size and Composition	14
3.9	Appointment of the Chairperson of the Board	14
3.10	Role of the Chairperson	15
3.11	Separation of Responsibilities	16
3.12	Board Committees	16
3.13	Board Remuneration	16
3.14	Appointment of the Managing Director (MD)/Chief Executive Officer (CEO)/ General Manager (GM)/Director – General (DG), and other designated appointees	17
3.15	Role of the CEO/MD/GM/DG	17
3.16	The Board Secretary	17
3.17	Frequency of Board Meetings	18
3.18	Board’s Master Agenda	18
3.19	Senior Management Team	19
3.20	Disclosure of Interest	19
3.21	Loans to Directors	20
<b>SECTION 4</b>	<b>ANNUAL GENERAL MEETING (AGM)</b>	<b>21</b>
4.1	Annual General Meeting	21
4.2	Conducting the Annual General Meeting	22
<b>SECTION 5</b>	<b>FINANCIAL GOVERNANCE</b>	<b>23</b>
5.1	Financial reporting	23
5.2	Internal Checks, Control and Auditing	24
5.3	Internal Audit	24
5.4	External Audit	25
5.5	Appointment of External Auditors	26

5.6	The Board- Auditor Relationship	26
5.7	SEPs Borrowings and Guarantees	26

## **SECTION 6 COMPLIANCE, REPORTING AND OTHER**

	<b>GENERIC ISSUES</b>	<b>27</b>
6.1	Monitoring of Compliance	27
6.2	Compliance and Reporting	27
6.3	Dividend Policy	27
6.4	Management Environment	27
6.5	Corporate Objectives Statement	28
6.6	Corporate Planning	28
6.7	Corporate Budgeting	28
6.8	Corporate Performance Monitoring and Reporting	29
6.9	Risk Management	29
6.10	Corporate Governance Report	30
6.11	Ethical Framework	30
6.12	Labour Practices	30
6.13	Corporate Social Responsibility	31

## **GLOSSARY OF TERMS AND INTERPRETATION**

In this document, unless the context indicates otherwise, reference to the singular shall include the plural and vice versa, words denoting gender include others, expressions denoting natural persons include juristic persons and associations of persons and the words stated below shall have the meanings as follows:

**"Accounting Authority"** means the Board or other controlling body of the SEP or where there is no such Board, this shall refer to the CEO or other person in charge of that SEP unless specific legislation applicable to the SEP designates another person as the Accounting Authority as provided for in the PFMA.

**"after consultation"** means agreement is not necessary.

**Annual General Meeting** means a general meeting of the SEP held every year at least not more than five months of the financial year-end to approve accounts, receive report of the Chairperson and of the Chief Executive Officer; to elect Board members, external auditor, as well as legal representatives.

**"Board"** means the Board of directors of the SEP as constituted from time to time;

**"Chairperson"** is the head of the Board responsible for the management of Board;

**"Executive Director"** means a director in the employ of the State Enterprise or Parastatal;

**"External Auditor"** means the Comptroller and Auditor General or any other appointed auditor in terms of relevant legislation;

**"Head of Ministry"** means the Permanent Secretary;

**"Government"** means the Government of the Republic of Zimbabwe as defined in the Constitution of the Republic of Zimbabwe;

**"in consultation"** means with agreement

**"Internal Auditor"** means an employee or a group of employees of the SEP working on day-to-day audit operations;

**“Managing Director (MD)/ Chief Executive Officer (CEO)/ Director-General(DG)/General Manager(GM)”** Heads of State Enterprises and Parastatals who in some instances are ex-officio members of Boards of entities employing them.

**“Minister”** means minister of government who is a member of cabinet;

**“Non-executive director”** means a director who is not in fulltime employment of the SEP in any executive capacity.

**“PFMA”** means the Public Finance Management Act (Chapter 22:19);

**“Responsible Minister”** means the following as defined in the PFMA: -

- (i) In relation to a Public Entity, means the Minister responsible for administering the Act by or in terms of which the Public Entity was established;
- (ii) In relation to a company or organization other than a Public Entity established by an Act, means the Minister who has been assigned the responsibility for the administration of the company or organization.

**“Senior Management at Appropriate Levels”** means any person holding an Executive level position in a State Enterprise or Parastatal.

**“Shareholder”** means

- a) Government represented by the responsible Minister or by a Designated Agent.
- b) Any other holder of shares in the entity.

**“State Enterprises and Parastatals (SEPs)”** Means “public entities” as defined in the Public Finance Management Act (Chapter 22:19) with the exception of Local Authorities;

## **Message from His Excellency the President**

Zimbabwe is a democratic developmental State with State Enterprises and Parastatals (SEPs) playing an important role, as enablers, in service delivery and as an engine of economic growth. Government since independence bestowed the developmental mandate to various State Enterprises and Parastatals and entrusted upon them the primary role of promoting growth with equity especially with regards to the previously marginalised sectors, ethnic groups and regions of the country. Through State Enterprises and Parastatals, Government assumed the facilitative role in the provision of key infrastructure and utilities such as, roads, rail and air transport, telecommunication, electricity and water.

It is imperative that Government ensures that these State Enterprises and Parastatals have sound governance systems. Good Corporate Governance would ensure improved service delivery of these basic human needs for which Government is accountable to the people of Zimbabwe, and at the same time minimize risks associated with unacceptable human behaviour. Corporate crime, as an example of these risks, has been a disease the world over which strives in environments characterized by weak Corporate Governance. Historically our African societies have curtailed this human weakness through the philosophy of "Ubuntu" or "Unhu"

Hence this Corporate Governance Framework has its roots in our own African philosophy anchored on respect for humanity and preservation of life. The Framework is an initiative of Government supported by, State Enterprises and Parastatals through a shared vision of continuous learning and improvement in service delivery.

I want to urge all of you, within your various roles and capacities, to commit to the basic principles of accountability, responsibility, transparency, responsiveness and fairness. Leading by example will transform our fortunes, and set new benchmarks for efficiency, profitability, environmental and social responsibility, for the benefit of all Zimbabweans.

His Excellency, R.G Mugabe  
**The President of the Republic of Zimbabwe**

## **Message from Right Hon. Prime Minister M.R. Tsvangirai**

The Management of our public enterprises competently, with integrity and with due regard to the interests of all stakeholders is a key priority for government. The last few years have seen intense public scrutiny of state enterprises as the economy has waned and investment flows have diminished. The publication of this booklet at this time is opportune because the emphasis on Corporate Governance makes it essential for company officers, director, and senior managers to understand their responsibilities and legal obligations in complex, costly, and rapidly changing economy. Enterprises and Parastatals (SEPs) fall under the economic cluster of the Government Work Programme, whose vision is "A growing economy that is generating adequate resources for increased incomes and employment for Zimbabwe".

The current thrust of public enterprises reforms focuses on reducing dependence on the fiscus and enhancing their contribution to economic turnaround. The adoption of the Corporate Governance Framework is a clear testimony of the Government's commitment to turnaround the economy in a sustainable manner. The framework will enhance economic stability and help restore the capacity of SEPs to contribute to the overall economy through good corporate governance practices and performance improvement. Foremost, gains in SEPs performance will positively influence growth in the economy and ultimately the well being of the whole nation.

Globally, investment flows favour regions characterised by good Corporate Governance practice over those with poor governance practices. Zimbabwe in particular, is faced by serious shortage of investment inflows to grow the economy. The adoption and practice of good Corporate Governance by SEPS will make them a favourable investment destination. This will enhance investment inflows into the country and aid the much needed economic growth.

The framework is set to establish an operating environment that is cognisant of the changing socio-economic environment. The envisaged improvement will aid the rebranding of Zimbabwe as a country regionally and internationally, thus improving the country's investment ranking.

It is the hope of the Government that the Framework will create an environment conducive to the growth not only of State Enterprises and Parastatals, but of both public and private entities.

**R.M. Tsvangirai**  
**Prime Minister of the Republic of Zimbabwe**

## **Foreword**

State Enterprises and Parastatals (SEPs) have a potential to contribute about 40% to the Gross Domestic Product. The governance systems in some of these SEPs currently is characterised with role ambiguity, ineffective boards, ineffective management systems and non- adherence to statutes. This scenario has contributed to the poor performance of some of these SEPs, rendering them a drain to the fiscus.

Sound Corporate Governance is a critical component and an anchor to the performance and viability of SEPs. By improving the process of decision making, good corporate governance can improve SEPs profitability, efficiency and competitiveness. This way, SEPs can positively contribute to the economic growth of the country and reduce dependency on treasury.

The Corporate Governance Framework (CGF) provides for transparency in corporate structures, operations, as well as reducing opportunities for role conflict among key stakeholders namely, the shareholders, Board and management.

Government recognizes the need for SEPs reforms such as, Privatisation, Commercialisation and Restructuring, to achieve the economic and social objectives as spelt out in various Government policy statements. The adoption of, and compliance to the CGF will go a long way in addressing the challenges confronting our economy and also help to inculcate personal and institutional responsibilities and accountabilities and

the management of our SEPs. This CGF will also foster sense of corporate citizenship among the SEPs so that, as they strive to create profits, they will remain cognisant of their wider social responsibilities and obligations to contribute to environmental sustainability.

It is the hope of the Government that all stakeholders will render their full participation, cooperation and support for the successful implementation of this Framework and Guidelines.

**Hon. A.G.O Mutambara**  
**Deputy Prime Minister of the Republic of Zimbabwe**

## **Preface**

The Corporate Governance Framework (CGF) provides Government, SEPs and stakeholders with a common frame of reference on corporate governance issues. The fundamental objective of this CGF is to promote the efficient use of public resources and to require accountability for the stewardship of those resources. Therefore, the Framework endeavours to align as nearly as possible the interests of individuals, SEPs and society. As the Government implement the CGF, it shall periodically review the Framework to ensure that it will remain in line with regional and international best practices. Further, the processes laid down in this Framework shall be subjected to regular monitoring and evaluation.

The formulation of this CGF was based on the four “pillars” of corporate governance which are Responsibility, Accountability, Fairness and Transparency (RAFT). A religious adherence to these pillars by SEPs forms a strong foundation of good corporate governance. This will strengthen SEPs’ undeniable capacity to deliver a positive contribution to the economy. This will be achieved by ensuring that Boards of SEPs have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. In addition, the Boards shall be required to act with integrity and be held accountable for their actions. The integrity of a board is of paramount importance. Boards are appointed by Government and, are obligated to govern the SEPs with the support of senior management to ensure the achievement of strategic intent and objectives of government with regards to public enterprise.

The adoption of this Corporate Governance Framework is a prerequisite that would anchor any other SEPs’ turnaround measure. The ability to attract investment and capital by SEPs depends largely on the adherence to good corporate governance practices. In this regard, the Government completely commits itself in abiding to the principles of proper corporate governance in all its relationships with SEPs.

I strongly believe that once the guidelines stipulated in this Framework are adhered to, they have immense capacity to turnaround the performance of SEPs so that they can effectively play their role as economic enablers.

Lastly, I wish to thank all the stakeholders with particular emphasis to all Line Ministries, relevant Cabinet Committees, Government Departments and SEPs who provided inputs in the formulation of this Framework. Further I would also want to acknowledge that this Framework is a result of a series of extensive stakeholder consultations.

I have no doubt that the implementation of the CGF will be critical for the revitalisation of our SEPs.

**I thank you**

**Honourable G. Moyo (MP)**  
**Minister of State Enterprises and Parastatals**

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## SECTION 1

### CORPORATE GOVERNANCE BACKGROUND

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#### **1.1 Introduction**

- 1.1.1 Governments all over the world have been actively involved in many spheres of economic activity by engaging in direct production and distribution of a variety of goods and services. The level of this involvement in the economy varies from country to country and from time to time.
  
- 1.1.2 Zimbabwe emerged from a decade of economic decline which was characterised by high unemployment, declining Gross Domestic Product (GDP), low capacity utilization, low savings and investment levels, poverty, infrastructure inadequacy and shortages of basic commodities.
  
- 1.1.3 The Inclusive Government has prioritised macroeconomic stabilisation and economic recovery. State Enterprises and Parastatals (SEPs), most of which are economic enablers, with a potential to contribute at least 40% to the Gross Domestic Product (GDP), are expected to play a critical role in economic recovery and growth.
  
- 1.1.4 It is imperative that Government ensures that the entities have sound governance systems. Corporate governance is a prerequisite for the success of any entity, both in the public and private sector which in turn translates to sustainable socio-economic development

for the country. It thus creates the basis for profitability, efficiency and effectiveness of any entity.

1.1.5 This Corporate Governance Framework (CGF) outlines the objectives, principles, guidelines and ethical standards to bind and guide all SEPs in Zimbabwe.

1.1.6 In adopting this CGF, the Government intends to provide for a code of governance that will foster a culture of observance and adherence to regional and international best practices in organisational governance. In crafting this framework, a careful review was undertaken of several regional and international corporate governance codes including the Malawi Code, the King III Code of Governance for South Africa, the Organization for Economic Co-operation and Development (OECD) Guidelines on Corporate Governance of State Owned Enterprises, the United States' Corporate and Auditing Accountability and Responsibility Act (Sarbanes-Oxley) of 2002 and subsequent revisions to the Act following the global economic crisis, and practices in the East, especially in China where concerted efforts are underway to transform a model that has been associated with a command economy into a modern enterprise system based on the corporatization of State Owned Enterprises (SOEs). From these reviews were extracted the following key principles that form the bedrock of global best practice:

- The supremacy of the shareholder interest. Boards of Directors and managers should be, first and foremost, the custodians of the shareholders' interest;
- The provision of adequate authority, responsibility and competencies to Boards and management for effective accomplishment of their functions and tasks;

- The clear separation of powers between the Board and the management for accountability and transparency purposes;
- The institution of clear reporting and compliance procedures and internal and external monitoring and evaluation frameworks;
- The need for good corporate citizenship which extends corporate responsibility beyond the need to only create profits for shareholders, but to the concerns of stakeholders regarding corporate, social and environmental responsibility (the triple bottom-line).

1.1.7 This framework is concerned with the establishment of an environment conducive to enabling SEPs to grow, thrive and create sustainable development for Zimbabwe, whilst acting as good corporate citizens. Its application should be grounded in the doctrine and philosophy of **Ubuntu**. The Ubuntu concept is the foundation of sound human relations in African societies. It is a deep rooted African philosophy that carries high values of caring, sharing, inclusivity, compassion, and communalism. It is about self respect, integrity and human dignity. Above all, the philosophy is about mutual respect and mutual accountability and is inspired by the collective wisdom of the people of Africa.

1.1.8 The framework provides explicit Corporate Governance elements which allow for the evaluation of compliance to these guidelines and to seek accountability from the Board and management.

1.1.9 In seeking to influence Corporate Governance in SEPs cognisance should be taken that some SEPs are wholly owned by the Government and that in others, Government is a minority shareholder.

1.1.10 Addressing issues of corporate governance within SEPs requires the enhancement of auditing processes to improve accountability and transparency.

1.1.11 The adoption of, and compliance to the Corporate Governance Framework will go a long way in addressing the challenges confronting the economy in general and SEPs in particular.

## **1.2 Objectives**

The objectives of the Corporate Governance Framework, among others, are to:

- clarify relationships and reporting structures among stakeholders;
- provide for transparency and role clarity in terms of responsibilities and accountabilities;
- provide for financial reporting, internal checks and controls, risk management and communication requirements;
- minimise conflict of interest;
- improve efficiency and effectiveness in State Enterprises and Parastatals; and,
- provide for performance agreements, monitoring and evaluation of performance;

## **1.3 General Principles of Corporate Governance**

1.3.1 Corporate governance is a set of processes, customs, value codes, policies, laws and structures governing the way a corporation is directed, controlled and held accountable. Corporate governance ensures that the organization is run properly, that goals are being achieved and funds are being managed with high standards of propriety and probity.

1.3.2 Principal stakeholders in the corporate governance of SEPs are the shareholders, (represented by the Responsible Ministers), the Minister of State Enterprises and Parastatals, Boards of Directors, management, employees, suppliers, customers, financial institutions, regulators, and communities at large.

1.3.3 This Corporate Governance Framework is founded on the African traditional philosophy of Ubuntu, the African philosophy that fosters a community orientation, mutuality of interests and mutual accountability. Although there is not a 'one-size-fits-all' model for good corporate governance, there are basic universal governance values and principles which every entity needs to fulfil in order to achieve set objectives and increase shareholder value. These principles include, but are not limited to the following:

- Ubuntu;
- Accountability;
- Responsibility;
- Transparency, and;
- Fairness.

## **1.4 Application**

1.4.1 In developing the Framework, cognisance has been taken of the diversity of SEPs and their peculiar operating environments, hence the Framework provides generic guidelines which may be customised by each SEP in agreement with the Responsible Minister and the Minister of State Enterprises and Parastatals.

1.4.2 State Enterprises are generally governed by the Companies Act (Chapter 24:03), while Parastatals are governed by individual Acts of Parliament. This framework aims at providing corporate governance guidelines that complement the existing legislation that governs the operations of SEPs. In the event of inconsistency between this framework and the governing legislation that legislation takes precedence.

1.4.3 The Corporate Governance Framework is applicable to both Parastatals established through an Act of Parliament and to State Enterprises registered under the Companies Act (Chapter 24:03).

- 1.4.4. Every state enterprise or parastatal shall adhere to and implement the principles of sound corporate governance policies, procedures and practices , as required by section 50 of the Public Finance Management Act (Chapter 22:19) (PFMA).
- 1.4.5 Section 91 of the PFMA provides for penalties for non compliance with principles of sound corporate governance policies, procedures and practices.

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## **SECTION 2: SHAREHOLDERS**

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This Section deals with the role of the shareholders, expected behaviour and, more specifically, the role and powers of the Responsible Minister.

### **2.1 Shareholders**

- 2.1.1 The shareholders shall jointly and severally protect, preserve and actively protect the interest of the organisation.
- 2.1.2 The majority shareholders and the members of the Board should appropriately respect the rights of the minority shareholders. The organisation's affairs may not be conducted in a manner which is unfairly prejudicial to the interest of minority shareholders and/ or to the purpose of the organisation.
- 2.1.3 The legal and regulatory framework for SEPs should ensure a level playing field in competitive markets to avoid market distortions. There should be a clear separation of Government's ownership function and other government functions such as the regulatory function.

### **2.2 Role of Responsible Minister:**

- 2.2.1 The Responsible Minister shall ensure that:
  - only competent and reliable persons with appropriate knowledge, skills and experience are appointed to the Board;
  - the board is refreshed on a regular basis bringing new and sound viewpoints into discussions and decision making;
  - the board is held accountable and responsible for the efficient and effective governance of the organisation;
  - the organisation acts as a good corporate citizen;

- the organisation complies with all applicable laws; and
- the level of remuneration for members of the Board and top management is sufficient to attract and retain the quality and calibre of individuals needed to run the organisation successfully.

2.2.2 The Responsible Minister shall:

- decide the term to be served by non – executive members of the Board in terms of the relevant Act of Parliament or Articles of Association, whichever is applicable. In cases where legislation does not specify, the term of office shall not exceed three years;
- foster constructive relationship with the Board to facilitate the success and sustainability of the organisation;
- change the chairperson and/ or the composition of the Board that does not perform to expectation or in accordance with the mandate of the organisation, and
- respect the fiduciary duties of the members of the Board.

2.2.3 The relationship between the shareholders and the Board shall be governed by a written agreement between the Responsible Minister and the Board. It is the responsibility of the Responsible Minister, after consultation with the Minister of State Enterprises and Parastatals, to ensure that the agreement is developed and signed by the Responsible Minister and the Board.

### **2.3 The role of the Minister of State Enterprises and Parastatals**

The Minister of State Enterprises and Parastatals is responsible for: a) the setting and monitoring of good corporate governance standards; and b) informing and advising Cabinet on cross cutting policy matters relating to the administration and management of SEPs.

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## **SECTION 3:**

### **THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

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This section provides guidelines on:

- the constitution of the Board;
- the selection, appointment, and termination process of Board members;
- strategic responsibilities and accountability of the Board;
- remuneration of Board members;
- performance agreements and evaluations;
- meetings of the Board;
- the establishment of the committee of the Board; and,
- the appointment and termination of CEOs/MDs/DG.

#### **3.1 The Board**

Boards constitute the fundamental base of corporate governance in the SEPs and have responsibility to ensure the success of the organisation. Each State Enterprise or Parastatal shall be headed and controlled by an effective and efficient Board, comprising of executive and non-executive directors of whom the majority shall be non-executive directors in order to ensure objectivity in decision making.

#### **3.2 Board selection and appointment**

- 3.2.1 The performance of a SEPs largely depends on the capabilities and performance of its Board. It is therefore imperative that when appointing directors, the shareholders shall ensure that the Board is constituted with the appropriate expertise and skills mix. In this regard, the Board shall, at all times, comprise of competent

individuals with integrity, relevant complementary expertise and experience.

- 3.2.2 Board appointments shall take into account the need for gender balance.
- 3.2.3 Board appointments shall be in accordance with the provisions of the relevant legislation, that is, the enabling Acts or Articles of Association of the Company.
- 3.2.4 At the expiry of the Board tenure, where possible and appropriate, at least a third of the Board shall be retained to ensure continuity and stability to its leadership and policies. No member shall serve for more than two successive terms on the same Board except in exceptional circumstances as determined by the Responsible Minister.
- 3.2.5 The individuals nominated for appointment to a Board of a State Enterprise or Parastatal should not be serving on Boards of more than one State Enterprise or Parastatal at a given time.
- 3.2.6 The timing of appointment of a new Board should allow for smooth hand over- take over processes.

### **3.3 Role of the Board**

- 3.3.1 The Boards of SEPs have responsibility for the performance of the SEPs and are fully accountable to the shareholders for such performance and in all cases are guided by relevant legislation and/or the Memorandum of Association of the Company.
- 3.3.2 The Board's principal tasks are to:
  - establish a corporate strategy for the SEP;
  - ensure that the SEP has effective management teams;
  - ensure that the SEP's shareholders and other interested stakeholders are informed of the SEPs' progress and financial position;

- in concurrence with the shareholders, appoints the MD/CEO/GM/DG/ and other designated posts;
- ensure that an effective succession plan for key executives is in place;
- ensure effective risk management, internal control and internal audit processes are in place;
- ensure that a Safety, Health and Environmental (SHE) policy is in place;
- ensure that a Human Resources Management Policy is in place; and,
- ensure that a code of conduct for Directors is developed and complied with.

3.3.3 The Board shall ensure that the SEP is fully aware of and complies with applicable laws, regulations, government policies and codes of business practice.

3.3.4 The Board shall be cognisant of the overall macroeconomic and socio-political goals of Government and shall ensure that activities are consistent with those goals which include, but are not limited to:

- promotion of sustainable economic recovery and growth;
- indigenous economic empowerment;
- pro-poor development;
- empowerment of women and youths;
- promotion of community welfare;
- promotion of investment; and
- promotion of environmental protection.

3.3.5 All Board members shall have unrestricted access to accurate, relevant and timely information about the SEP so as to act on a fully informed basis, in good faith, with diligence, skill and care and in the best interests of the SEP. In this regard, the Board must

monitor closely the process of disclosure and communication and exercise objective judgment, independent of management on the affairs of the SEP. In so doing, each individual member of the Board must keep confidential all matters of the SEP.

- 3.3.6 The Board shall, in consultation with the Responsible Minister and subject to the relevant legislation, formulate, monitor and review corporate strategy, major plans of action, risk policy, approve annual budgets and business plans of the SEP and regularly identify key risk areas and key performance indicators, based on both financial and non-financial expectations of the shareholders.
- 3.3.7 Without derogating from its fiduciary duties, the Board shall ensure that the shareholders' overall objectives are achieved and are translated as the performance of the SEP. In addition, the Board shall ensure that the SEP prepares annual budgets against which, *inter alia*, its performance can be monitored.
- 3.3.8 The Board shall ensure that there is minimal conflict of interest, among Board members and management. The Board as a whole and each individual director shall not accept any unauthorised payment or commission, any form of bribery, gift or profit for her/himself.
- 3.3.9 The Board shall develop a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensure that it reserves specific powers and authority to itself. Delegated authority must be in writing and evaluated on a regular basis.
- 3.3.10 Board members shall attend Annual General Meetings and ensure that each item of business included in the notice of the Annual General Meeting is accompanied by a full explanation of the effects of proposed resolutions with the aim of ensuring that shareholder value is increased.

- 3.3.11 The Board shall ensure that appropriate and effective induction, education and training programmes are offered to new and existing Board members.
- 3.3.12 The Board shall adhere to and implement the principles of sound corporate governance policies, procedures and practices.
- 3.3.13 The Board shall ensure that the SEP has an effective management team. The Board shall monitor and evaluate the management team's performance on a regular basis. The Board shall appoint and dismiss, in consultation with the Responsible Minister and subject to terms and conditions set out in the enabling legislation, MD/CEO/GM/DG on such terms and conditions as it sees fit. The terms and conditions of such appointment shall be reduced to writing in the form of a Performance Based Contract. The Board shall regularly monitor and evaluate the SEP's operations against the agreed objectives and guidelines.
- 3.3.14 The Board shall ensure that control of the SEP's financial situation is always at its highest possible level;
- the SEP's risk exposure is minimised;
  - accounting and financial management are of a high quality standard and monitored in a satisfactory manner; and
  - that the SEP has good internal checks and control systems that are effective, efficient and transparent.
- 3.3.15 The Board shall ensure that the SEP, in its reporting to shareholders, gives an accurate picture of its operations, financial position and risks faced and how they have been or will be controlled.
- 3.3.16 The Board shall ensure that there is satisfactory progress to monitor the SEP's compliance with the regulations in force covering its operations.

3.3.17 The Board shall ensure that necessary guidelines are established on the SEPs' ethical conduct in its relations with employees, customers, suppliers and society in general.

### **3.4 Board and Shareholders Performance Contract**

- 3.4.1 The relationship between the shareholders and the Board of Directors shall be governed by a written agreement.
- 3.4.2 It is the responsibility of the Responsible Minister, after consultation with the Minister of State Enterprises and Parastatals to ensure that a Performance Contract is developed and signed by the Responsible Minister and the Board.
- 3.4.3 Other Government Agencies shall relate to SEPs through the Responsible Ministers or Designated Government Agencies.

### **3.5 Board Evaluation**

- 3.5.1 The Board shall evaluate itself against agreed performance indicators and targets on an annual basis in accordance with the guidelines developed by the Responsible Minister after consultation with the Minister of State Enterprises and Parastatals.
- 3.5.2 The Board shall sign a performance agreement with the Responsible Minister for the period of appointment. Using an agreed Performance Management System, the Responsible Minister shall appraise the performance of the Board on an annual or such more frequent basis as the Responsible Minister and the Board may agree.

### **3.6 Responsibility of Directors**

In view of the unitary structure of the Board, directors are jointly and severally responsible for all the decisions taken by the Board.

### **3.7 Board Tenure and Retirement/Dismissal**

- 3.7.1 Where the Responsible Minister identifies non – performers, corrupt directors or any behaviour by a director which brings the name of

the State Enterprise or Parastatal into disrepute, measures shall be taken, in accordance with relevant legislation and/ or applicable code of conduct, to dismiss the parties concerned.

3.7.2 On resigning/ dismissal, all confidential documented information which pertains to the State Enterprise or Parastatal that may have been given to the former director shall be promptly returned to the entity.

3.7.3 Once retired, an ex-Board member shall not be eligible for re-appointment to the same Board for a period equivalent to the number of years he/she served that State Enterprise or Parastatal.

3.7.4 The tenure of the Board shall not, in any way be affected by the tenure of office of the Responsible Minister.

### **3.8 Board Size and Composition**

3.8.1 The size and composition of Boards shall be in accordance with the provisions of the enabling Acts or Articles of Association.

3.8.2 The Board shall be composed of executive and non-executive directors, a majority of whom shall be non executive so as to give the Board a wider perspective and minimise potential conflict of interests.

3.8.3 Consideration shall be given to gender balance.

### **3.9 Appointment of the Chairperson of the Board**

The Responsible Minister, in accordance with the enabling legislation, shall appoint one of the members of the Board to be the Chairperson of the Board and another to be the Deputy Chairperson both of whom shall, except where the chair is also the CEO of the organisation, be non-executive directors for the duration of their tenure of office. If the Chairperson relinquishes his or her duties during the mandate period, the Responsible Minister shall appoint a Chairperson

from amongst the members to serve for the remainder of the term of the outgoing Chairperson. In the absence of the Chairperson for any reason, the deputy Chairperson shall stand in his/her stead and conduct the business of the Chairperson until such time the incumbent is available.

### **3.10 Role of the Chairperson**

The Chairperson is the head of the Board and reports to the Responsible Minister on policy matters. The responsibilities of the Board Chairperson shall include:

- ensuring that the business of the Board is well organized, conducted and that the Board discharges its duties smoothly and efficiently;
- ensuring that all the Board members are fully involved and informed of any business issues on which a decision has to be taken;
- ensuring that the executive directors play an effective management role and participate fully in the operations and governance of the SEP;
- ensuring that the non-executive directors monitor the business and contribute to the business decisions of the SEP;
- exercising independent judgement, acting objectively and ensuring that all relevant matters are placed on the agenda and prioritized properly;
- working closely with the Board Secretary in ensuring that at all times all the Board members fully understand the nature and extent of their responsibilities as directors in order to ensure the effective governance of the SEP;
- ensuring that the performance of the CEO/MD/GM/DG is appraised on an annual or other more frequent basis as the SEP's circumstances may demand, by a sub-committee appointed by the

Board;

- being receptive to shareholders' views and communicating these views to members of the Board;
- being the spokesperson for the Board;
- ensuring that the Board receives information that is satisfactory to form sufficient basis for the Board's decision-making process; and
- ensuring that the Board regularly evaluates its work.

### **3.11 Separation of Responsibilities**

As a general principle, the role of the Chairperson and that of the Chief Executive Officer should not be vested in the same person. This is necessary to eliminate role conflict.

### **3.12 Board Committees**

The Board shall establish standing committees as it deems necessary which committees shall include ones responsible for:

- Corporate Strategic Planning;
- Audit and Internal Controls;
- Human Resources and Remuneration; and
- Finance and Risk Management.

### **3.13 Board Remuneration**

The process of determining remuneration for the Board members shall be transparent, disclosed and approved by the Responsible Minister after consultation with the Minister of State Enterprises and Parastatals in line with the principles of affordability, sustainability, competitiveness and reasonableness.

### **3.14 Appointment of the Managing Director (MD)/Chief Executive Officer (CEO)/General Manager (GM)/Director – General (DG), and other designated Posts**

3.14.1 The Board shall appoint the MD/CEO/GM/DG and other designated posts on a renewable performance related contract in consultation with the Responsible Minister and in accordance with the provisions of the enabling legislation.

3.14.2 The dismissal of the MD/CEO/GM/DG and other designated posts shall be done based on the agreed contract of appointment and

with the concurrence of the Responsible Minister.

3.14.3 The MD/CEO/GM/DG shall sign the contract of employment before the first day of office and shall not conduct business of the State Enterprise or Parastatal before signing the contract.

### **3.15 Role of the CEO/MD/GM/DG**

The MD/CEO/GM/DG should focus on the operations of the State Enterprise or Parastatal, ensuring that the organization is running efficiently and effectively and in accordance with strategic decisions of the Board.

### **3.16 The Board Secretary**

3.16.1 The Board shall appoint a Board Secretary whose role shall be to ensure that the Board functions effectively. This entails providing the Board and individual directors with detailed guidance as to the nature and extent of their duties and responsibilities and, more importantly, how such duties and responsibilities shall be properly discharged in the best interests of the State Enterprise or Parastatal and the shareholders.

3.16.2 The Board Secretary shall circulate to members materials such as Financial reports, relevant committee minutes and other background materials fourteen days before scheduled meetings and during months when the Board is not scheduled to meet.

3.16.3 The Board Secretary co-ordinates the induction of new Directors, and together with the Chairperson of the Board, develops mechanisms for providing continuous education and training for Board members in order to improve and maintain the effectiveness of the Board.

3.16.4 The Board Secretary shall assist the Chairperson and the CEO in developing an Annual Board Plan and other strategic issues of an

administrative nature that affect the Board. The Board Secretary shall provide guidance and advice to the Board and the Management Team on matters of ethics and good governance.

3.16.5 The Board Secretary shall keep a register of disclosures of interest with respect to each Director. Directors shall be required to give written notice of any changes with regards to disclosure particulars.

3.16.6 The Board Secretary shall report to the Chairman and is accountable to the Board as a whole.

### **3.17 Frequency of Board Meetings**

The Board shall hold a minimum of four meetings in any calendar year. The Board Chairperson may call special meetings to respond to any particular circumstances that may arise in between the scheduled meetings.

### **3.18 Board's Master Agenda**

3.18.1 The Board, in consultation with the Chief Executive Officer/MD shall prepare an Annual Master Plan and An Annual Master Agenda. The Master Agenda shall set forth general items to be considered during the year.

3.18.2 A copy of the Annual Master Plan and the Master Agenda shall be made available to the Responsible Minister.

### **3.19 Senior Management Team**

3.19.1 Senior Management of the organisation shall constitute a Management Team  
(MT).

3.19.2 The Management Team, among other matters- shall be responsible for;

leading the implementation of the strategic direction set by the Board and reporting on the implementation status; and

3.19.3 generating information for quarterly reports to the Board and the Responsible Minister.

### **3.20 Disclosure of Interest**

A State Enterprise or Parastatal Director is bound to disclose in writing to the Board, the Responsible Minister and the Minister of State Enterprises and Parastatals information of material effect to the State Enterprise or Parastatal's operations, financial status or image which include, but not limited to the following issues:

- any connection with the State Enterprise or Parastatal (or any related company) shares, debentures, or any changes in respect of those particulars prescribed;
- disclosure of contracts in which he/she has direct or indirect personal interest which may give rise to conflict of interest such as contracts between the SEP and any other company in which a Director or his/her relative has an interest; and
- every such Director shall withdraw from the proceedings of the Board or Committee when a matter in which he/she has an interest is considered, unless the other members decide that the member's direct or indirect interest in the matter is trivial or irrelevant.

### **3.21 Loans to Directors**

Loans made either directly or indirectly to non-executive directors are prohibited unless the granting of loans is the core business of the entity and subject to the rules and procedures applicable to the granting of such loans.

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**SECTION 4:**  
**ANNUAL GENERAL MEETING**

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This section deals with requirements and business of Annual General Meetings.

**4.1 Annual General Meeting**

- 4.1.1 It is good practice for an annual meeting to be held, at which the annual report is presented. The Responsible Minister, Directors of the organisation, the CEO/MD/GM/DG, the director of finance and the entity's external auditors should attend the meeting and should be available to answer questions. Such meetings should be held not more than 15 months apart and not more than six months after the end of the financial year. This practice should apply to both Parastatals established by an Act of Parliament and State Enterprises registered under the Companies Act (Chapter 24:03). Parastatals governed by individual acts of Parliament should also hold Annual General Meetings.
- 4.1.2 The Chairperson and/or the Secretary shall give notice of an Annual General Meeting (AGM) at least twenty one days before the date of the meeting. The notice of the meeting shall be made public and it shall state:
- the venue and time of meeting;
  - matters to be considered; and
  - the Board's proposals on decisions to be taken at the meeting.

4.1.3 Substance for the AGM includes:

- the presentation and adoption of the Annual Reports;
- appointment of legal representatives;
- determination of the remuneration of Auditors for the past audit and to elect auditors for the ensuing year subject to the provisions of PFMA;
- appointment of human resources recruiting agency;
- receiving and endorsing business strategies for the coming year;
- to consider and approve remuneration policy for Directors and senior executives for the coming year;
- to transact any other business as may be transacted at an AGM.

4.1.4 In the case of Public Entities registered under the companies Act (Chapter 24:03), the holding of the annual general meeting shall be in accordance with the provisions of that Act.

## **4.2 Conducting the Annual General Meeting**

4.2.1 The Annual General Meeting shall be conducted in accordance with the provisions of the Companies Act (Chapter 24:03).

4.2.2 The Chairperson of the meeting shall ensure that the shareholders are given the opportunity to ask questions, comment on the proposals presented and propose changes and additions to them within the legislative framework before the meeting comes to a decision.

- 4.2.3 The resolutions from the most recent Annual General Meeting and any subsequent extra-ordinary meetings shall be circulated to the shareholders at the time of notification of the meeting.

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## **SECTION 5: FINANCIAL GOVERNANCE**

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This section provides general guidelines on financial governance, reporting and internal checks and control including internal and external audit requirements.

### **5.1 Financial Reporting**

- 5.1.1 The Board shall be responsible for the financial governance of the entity. The Board shall be responsible for the preparation of financial statements and presentation of Annual Audited Financial Accounts at the AGM and, as and when required by the Responsible Minister and in accordance with the requirements of the PFMA.
- 5.1.2 The Chairperson shall ensure that the final annual reports/statements/accounts are prepared in accordance with generally accepted accounting principles and standards shall be certified by an Auditor.
- 5.1.3 The reports form the basis for the payment of performance related remuneration and bonuses for the Management Team and its staff.
- 5.1.4 State Enterprises or Parastatals shall submit the following reports in accordance with the PFMA to the Responsible Minister and the Minister of State Enterprises and Parastatals:

- Quarterly Management Accounts;

- Half - Yearly Unaudited Reports (Statement of Comprehensive Income; Statement of Financial Position; and Statement of Cash Flow); and
- Annual - Audited Reports (Statement of Comprehensive Income; and Statement of Financial Position).

5.1.5 The Responsible Minister shall consider the report and make known his response within 45 days of receipt of the progress report.

5.1.6 The responsible Minister shall ensure that the Minister of State Enterprises and Parastatals is furnished with copies of the report and his response thereto.

## **5.2 Internal Checks, Control and Auditing**

5.2.4 The Board is responsible for internal checks and controls, with the overall aim of protecting the shareholders' wealth.

5.2.5 The Board shall establish an audit committee consisting of not less than three non executive members. The Audit Committee should be chaired by a suitably qualified and independent non- executive director. The Chairperson of the Board should not be a member of the Audit Committee.

5.2.6 The Board is to document and present information in the Corporate Governance report (as outlined in 5.15) to the Responsible Minister on the manner in which it maintains the quality of the financial reports, internal checks and control and communicates with the auditors.

## **5.3 Internal Audit**

5.3.4 The primary role of Internal Audit is to assist the Board and management to evaluate risk management and internal control

processes and opportunities for improvement to achieve organizational goals.

5.3.5 The internal audit units functions shall include:

- financial and compliance audits;
- operational efficiency audits;
- special reviews and investigations;
- information technology audits;
- value for money audits;
- systems implementation reviews;
- provision of independent advice on management and accounting issues; and
- provision of relevant advice to officers relating to accounting, control, risk issues and other related matters.

5.3.6 The board shall ensure that an internal Audit Charter is in place which shall include:

- Responsibility;
- Reporting structure;
- Accountability;
- Independence;
- Mission and Scope;
- Authority;
- Standards;
- Qualifications.

5.3.7 All State Enterprises or Parastatals shall have an internal **Audit unit.**

## **5.4 External Audit**

5.4.1 The financial statements of a State Enterprise or Parastatal shall be audited annually by the Comptroller and Auditor General or his or her nominee. The Auditor shall observe the highest level of professional ethics and his/her independence must not be impaired.

5.4.2 The Auditor's report shall be published together with the Board's statement in the Corporate Governance Report.

## **5.5 Appointment of External Auditors**

5.5.1 External Auditors shall be appointed at the Annual General Meeting. External Auditors may not audit a State Enterprise or Parastatal for more than five consecutive years.

5.5.2 External Auditors shall prepare their reports in accordance with International Accounting and Auditing Standards.

5.5.3 The Board in consultation with the Comptroller and Auditor General may review the work of the External Auditors as and when required.

## **5.6 The Board - Auditor Relationship**

At least once a year the Board shall meet both Internal and External Auditors in the absence of the MD/CEO/GM/DG or any other State Enterprise or Parastatal Executives.

## **5.7 SEPs Borrowings and Guarantees**

5.7.1 Debt shall be contracted in full compliance to the PFMA.

5.7.2 Borrowings shall be approved by the Board, and reported prior to the beginning of the financial year to the Responsible Minister in terms of the provisions of the PFMA.

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## **SECTION 6:**

### **COMPLIANCE, REPORTING AND OTHER GENERIC ISSUES**

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This section provides for compliance monitoring and reporting, Corporate Objectives and Planning, Budgeting, Risk Management, Ethical Framework, Indigenisation and Empowerment and Corporate Social Responsibility.

#### **6.1 Monitoring of Compliance**

The Ministry of State Enterprises and Parastatals in consultation with the Responsible Minister shall monitor compliance of the Corporate Governance Framework by SEPs.

#### **6.2 Compliance and Reporting**

All reporting requirements should be aligned to the PFMA.

#### **6.3 Dividend Policy**

6.6.1 Each SEP shall comply with the requirements of a Dividend Policy for SEPs.

6.6.2 The requirements of the dividend policy shall be contained in the written agreement governing the relationship of the shareholder and the Board as provided in 3.4 hereof and shall be agreed to on an annual basis between the Responsible Minister and the Board subject to the provisions of the PFMA.

#### **6.4 Management Environment**

6.4.1 The Board and MD/CEO/GM/DG shall create a conducive management environment for the SEP.

6.4.2 The management environment sets the broad principles under which the entity operates. These principles include establishing structures to support the achievement of corporate objectives. The main activities would be:

- implementing sound business planning and objectives setting;
- establishing performance measures, evaluating performance and providing feedback;
- providing an appropriate ethical and behavioural framework;
- providing for transparency of action and defining clear roles, responsibilities and accountabilities;
- ensuring that personnel have the right skills and training to perform the job and are well placed and motivated; and
- having sound internal communication and sound external communication with clients.

#### **6.5 Corporate Objectives Statement**

The Board of a SEP and the Responsible Minister must agree on a Corporate Objectives Statement (COS), which shall be made public. The COS is a brief document showing outputs and containing a business description and mission statement, corporate vision, objectives, code of ethics, statement of accountability (including reporting obligations) and broad expectations on financial and non-financial performance.

## **6.6 Corporate Planning**

Corporate and Strategic Planning shall be developed through an ongoing process that ensures that the plans remain relevant, integrated and aligned with Government's priorities. The plans are the key documents that outline priorities, goals, objectives, strategies and measures. The corporate plan must focus on agreed outcomes and key result areas. The plan shall create a link for the development of personnel and staff achievement plans so that they can identify their contribution to the success of the organization.

## **6.7 Corporate Budgeting**

6.7.1 Annual Revenue and Expenditure Budgets and Capital Budgets should be approved through a formal process with documented procedures in accordance with the provisions of relevant legislation, that is, the Public Finance Management Act, the enabling Act and/or the Companies Act. The procedures must provide for timely approval by the shareholder.

6.7.2 Corporate budgeting shall be based on the Results Based Budgeting system.

## **6.8 Corporate Performance Monitoring and Reporting**

Key financial and non-financial as well as human resources performance reports shall be prepared and discussed by the Management team every month. Detailed reports of performance and strategy implementation are prepared quarterly in time for the next Board meeting.

## **6.9 Risk Management**

6.9.1 Each SEP shall have a risk management policy.

6.9.2 Risk management shall cover the process of identifying, analyzing and mitigating risks that can hinder the SEP from effectively achieving its business objectives and pursuing Government priorities and outcomes. Risk management includes not only consideration and minimization of risks to staff as they perform their often hazardous duties, but also includes such diverse activities as reviews of operating performance, professional development, the effective use and development of information technology, contracting out and assessing tenders.

6.9.3 The Management Team has ultimate responsibility for identifying the major strategic risks to the organization, setting minimum levels for these risks and ensuring senior management takes the necessary steps to detect, measure, monitor and control the identified risks.

## **6.10 Corporate Governance Report**

A special report on Corporate Governance shall be attached to the SEPs' Annual Report. The report, which should be published, must include, but not

restricted to the following:

- a statement on whether or not the entity has been audited;
- a statement to confirm that the SEP is complying with the CGF giving a brief description of how this is being applied;
- a statement indicating those rules or principles of the CGF that the SEP deviated from and the reasons for each deviation;
- the skills, experience and expertise held by each Director in office at the date of the report;

- a statement as to whether there is a procedure agreed to by the Board for Directors to take independent professional advice at the expense of the Entity;
- the period of office held by each Director in office at the date of the annual report; and
- the number of meetings held during the year and the number of meetings attended by each Director.

### **6.11 Ethical Framework**

Each SEP shall develop and adopt a Code of Conduct and Ethical Framework, which shall be disseminated and understood by all employees.

### **6.12 Labour Practices**

Each SEP shall ensure best labour practices which recognise and uphold the rights of employees as provided for under the Labour Act (Chapter 28.01) and international standards as set by the International Labour Organisation (ILO).

### **6.13 Corporate Social Responsibility**

6.13.1 Every SEP shall develop a clear Corporate Social Responsibility Plan integrated into its Corporate Statement, Objectives and Planning and Budgeting to ensure the SEP's adherence to the law, ethical standards and international norms.

6.13.2 Every SEP shall produce an Annual Corporate Responsibility Report which shall accompany its Annual Audited Financial Statements to provide information on the extent to which its activities have impacted on the following:

- the environment;
- consumers;
- employees;
- communities;
- stakeholders;
- supply Chain Responsibility; and
- the public generally.