APRM
African Peer Review Mechanism

AFRICAN PRINCIPLES AND GUIDELINES ON CORPORATE GOVERNANCE

A Framework for a Competitive, Resilient and Inclusive Private Sector

An Institution of the African Union

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Supported by African Development Bank Group

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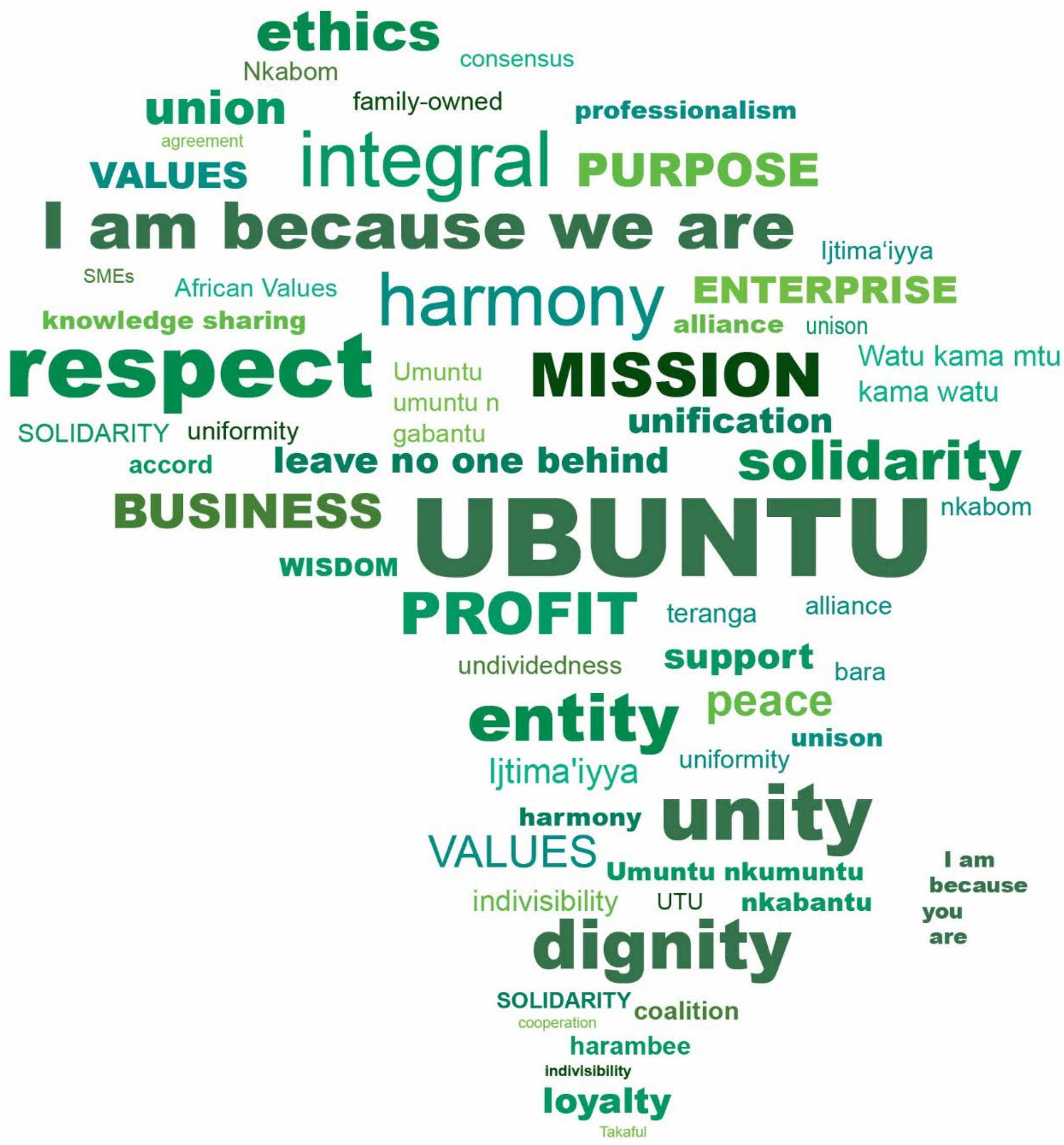
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cooperation
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indivisibility
loyalty
Takaful

Foreword

H.E President Abdelmadjid Tebboune
Chairperson of the APR Forum and President of the People's Democratic Republic of Algeria

Good corporate governance can greatly boost domestic investment and attract greater inflows of foreign direct investment.

The African Principles and Guidelines on Corporate Governance represent a milestone in our collective effort to foster a governance ecosystem that aligns with the unique realities of Africa's socio-economic and cultural landscape. These principles are not merely a collection of best practices but a reflection of Africa's aspirations for sustainable development, inclusive growth, and regional integration.

Though African nations have made great progress in building effective governance frameworks, the reliance on imported corporate governance models has often left a gap between governance standards and the lived realities of businesses operating on the continent. The African Principles bridge that gap by embedding global best practices within the context of African values, namely, Ubuntu, Utu, Harambee, Teranga, Bara, Nkabom, Ijtima'iyya and Takaful. These African Principles place shared purpose at their core. They highlight the interconnectedness between businesses and their host communities, and their collective duty toward one another.

The Principles also address the needs of diverse business entities, from large multinationals to SMEs and the informal sector, and empower enterprises by providing governance tools tailored to the specific characteristics of African businesses, while still enabling them to thrive in competitive and dynamic environments.

NEW ORDER – COVID-19 PANDEMIC

The damage to our economies by the Covid-19 pandemic validated the urgent need to rethink how we do business in Africa. It could no longer be business as usual. Although the Pandemic exposed the vulnerabilities of the private sector, especially SMMEs, to external shocks, it also presented an opportunity to showcase the role that the private sector can play in socio-economic development.

While SMEs and the informal sectors were most affected by the Covid-19 pandemic, large companies and other institutions in the private sector responded quickly and took advantage of the unprecedented opportunities it also offered to take decisive action to address its socio-economic challenges. In Kenya, the National Business Compact Coalition reacted by launching competing brands in the hygiene business to accelerate local action and support government efforts in countering the pandemic. In other countries like Morocco, Senegal, South Africa, Rwanda and Egypt, commercial banks responded by granting soft loans to SMEs to help them survive the crisis and preserve jobs. In South Africa, a Solidarity Response Fund was established as a public-private partnership to channel resources towards efforts in vulnerable communities. In Ghana and Botswana, mining companies made significant financial contributions to the Covid-19 relief efforts by their governments.

To sustain the commitment of the private sector to socio-economic development beyond the Covid-19 pandemic and for businesses to become accelerators of positive social and economic development at the local level, the best practices that emerged during the Covid 19 Pandemic must be made a centrepiece of our Corporate Governance. The Covid-19 pandemic provided us with an opportunity to rethink how we do business, and we must act boldly to foster the new approach. The socio-economic impact of any business must be on the agenda of Board meetings of Business organisation in the African continent.

THE AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT

The development of these African Principles has also coincided with the first year of the implementation of the AfCFTA which promises to usher in a new era for Africa's integration efforts. By creating a single continental market for goods, services and investments, the AfCFTA entrenches the notion that the activities of businesses and the objectives of development are closely linked. The implementation of the African Principles in Member States will undoubtedly enhance the coherence of business regulations and corporate governance practices across different countries. Ensuring a seamless application regardless of the jurisdiction in which the business operates, will become an essential component of the success of AfCFTA.

These African Principles should also be seen as a sign of Africa's resolve to strengthen its economies and support businesses that create jobs for the youth of the Continent.

COMMITMENT AND COLLABORATION

The successful implementation of these principles will require commitment, collaboration and continuous learning. It is our hope that this document will inspire businesses, governments, and communities to work together to create a resilient and prosperous Africa. We urge our Member States to work with the African Union and the APRM to utilise the African Principles to develop their Corporate Governance frameworks or Codes, improve the business climate and create a conducive environment for businesses.

We should thus move forward with determination, knowing that good governance is not just a means to economic success but a foundation for equity, dignity, and shared prosperity.

H.E President Abdelmadjid Tebboune
Chairperson of the APR Forum and President of the People's Democratic Republic of Algeria

Foreword

Ambassador Marie-Antoinette Rose Quatre
CEO, APRM Continental Secretariat

I am honoured to present the African Principles and Guidelines on Corporate Governance, a transformative framework developed to align Africa's corporate governance practices with the specific socio-economic, cultural, and developmental realities of the continent. These Principles and Guidelines are not just a corporate governance tool but a roadmap for driving sustainable growth, fostering inclusivity, and contributing to the realization of the African Union's Agenda 2063: The Africa We Want.

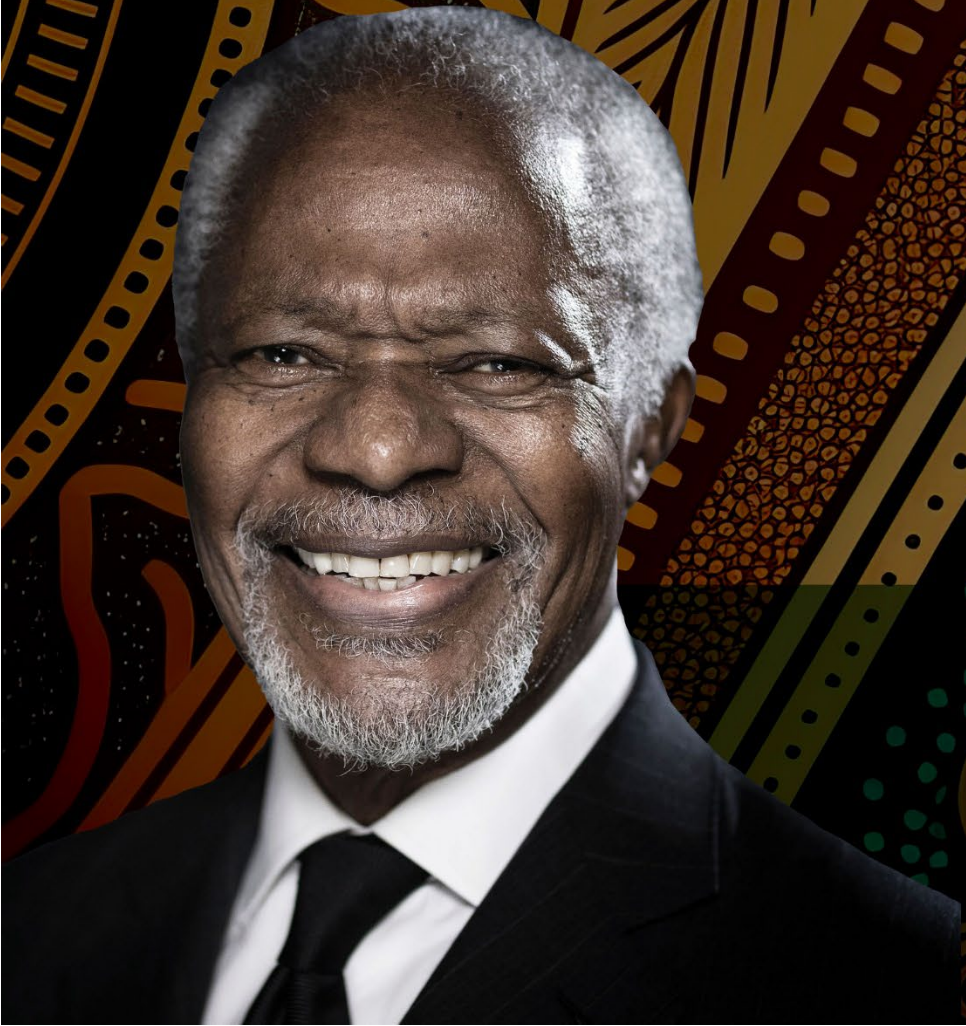
Africa has made remarkable progress in governance, economic growth, and societal development. Unfortunately, the continent is still facing significant challenges, especially in the area of corporate governance. Good governance, particularly in the private sector, can play a major role in addressing most of the challenges the continent is still grappling with. Good corporate governance provides the foundation for businesses to thrive, create jobs and improve the living standards of millions. However, for it to be effective, it must reflect Africa's realities, —from its rich cultural heritage to the diverse structures of its business environment.

As Africa's premier governance institution mandated by the African Union to ensure that Member States' policies and practices meet the AU's political, economic, and corporate governance standards, the APRM developed the African Principles which are the answer to the challenge of weak corporate governance environments in Africa. As an Africa-led and Africa-owned institution which seeks African solutions to Africa's challenges, we have, in the spirit of the APRM philosophy, sought answers from within Africa to the corporate governance challenges. Though the African Principles incorporate the best practices from around the world, they mostly derive from the specificities of the African business environment and are inspired and infused by the values and systems of the community and society it serves. The African Principles are therefore underpinned by the values of UBUNTU – shared purpose, human dignity, co-responsibility, humaneness, solidarity, acceptance and compassion. The UBUNTU philosophy guides all forms of human conduct, business and politics, and apply equally to natural persons and corporate entities.

Every Member State has its own distinct legal and regulatory framework and its own specific commercial environment. The individual States are also in different stages of development, with each having its own set of challenges. However, the 10 African Principles outlined in this document are applicable to the private and public sectors of all Member States. Each country will have to build on them to develop its own Code of Corporate Governance in accordance with its legal system and regulatory framework. We hope that the 21 countries will revise their existing Codes and align them with the African Principles. At the APRM we will do everything in our power to provide support to Member States in their efforts to improve good corporate governance standards and practices within their private and public sectors. We will deliver on this mandate, and continue to contribute to the transformation of the lives of Africans. *The African Principles* is an evolutionary document which will be continuously revised and updated to keep up with the dynamics of the rapidly evolving global and African business sectors and social contexts.

I would like to commend all those who contributed to making this document a reality, especially the former Chief Executive Officer of APRM, Prof. Eddy Maloka, who initiated the project, the project team members, consultants as well as staff who supported the preparation of the report in one way or another.

Amb. Marie-Antoinette Rose Quarter
Chief Executive Officer of the African Peer Review Mechanism



"Without the private sector, sustainable development will remain only a distant dream. We are not asking corporations to do something different from their normal business; we are asking them to do their normal business differently". (Kofi Annan, 2002)

1 Secretary-General Kofi Annan to the World Summit on Sustainable Development in Johannesburg, 2 September

PREFACE

The **African Principles and Guidelines on Corporate Governance** are the product of extensive research, consultations and collaborative efforts involving many different stakeholders across the continent. They have been shaped by insights and contributions from a wide range of parties, including policymakers, business leaders, academia, civil society, the African Union, the African Union Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration comprised of the Experts and Ministers of Finance, Economic Planning and Integration and Central Bank Governors of African Union. Their collective wisdom has ensured that these principles are both practical and visionary, offering guidance that is relevant to the current needs and future aspirations of the continent.

A PARADIGM SHIFT IN CORPORATE GOVERNANCE

The Principles represent a bold step towards REDISIGNING, REDEFINING and REIMAGINING corporate governance in Africa and globally. They empower businesses not only to pursue profit but to also contribute meaningfully to the socio-economic development of their communities and the continent at large. The new approach in designing effective corporate governance policies and frameworks is necessary to build competitive businesses, especially SMEs and to develop the informal sector and enable them to achieve both profit and public value.

The new approach in Corporate Governance seeks to:

- **Embed African Values and Shared Purpose** Anchored in the philosophy of Ubuntu, these principles emphasize human dignity, human rights, solidarity, and shared prosperity.
- **Champion Inclusivity and Sustainability** by emphasizing the importance of shared purpose, human rights protection, stakeholder engagement, environmental stewardship, and social responsibility. It also seeks to address the unique needs of SMEs, the informal sector, and family businesses;
- **Promote Ethical Leadership** by fostering transparency, disclosure, accountability and ethical conduct in business operations;

- **Foster Regional Coherence by** supporting the harmonization of corporate governance practices across the continent, especially in the context of the African Continental Free Trade Area (AfCFTA). The Principles encourage all African business organizations to promote Africa's continental and regional integration agenda for the continent's sustainable and resilient development;
- **Champion Gender Equality in Business**
  The African Principles recognise that gender equality and human rights are prerequisites for sustainable growth, development and prosperity. The African Principles on Corporate Governance is the first Corporate Governance Code in the world that incorporates gender equality as one of its core guidelines. It requires that at least 50% of board members be made up of women.
- **Introduce Public Policy Committee of the Board of Directors**
  The role of the Public Policy Committee is to provide guidance to the Board and management on social, political, legislative, environmental and public policy matters. More significantly, this Committee has oversight of the Company's role, plans and activities in meeting its public interest goals and obligations.

Member States are called upon to domesticate and implement these Principles, and the APRM will continue to work with policy makers, regulators, Chambers of Commerce, development partners, academia and civil society organisations to support their implementation of them. This will promote compliance by the private sector and improve coherence in the manner business is conducted throughout the Continent.

Ms. Tumi Dlamini
Chairperson of the Committee on African Principles and Guidelines on Corporate Governance

ACKNOWLEDGEMENTS

It took two years of in-depth brainstorming and consultations across 14 countries on the Continent to develop the African Principles and Guidelines on Corporate Governance. A taskforce led by the APRM Advisor on Corporate Governance, Ms. Tumi Dlamini and Mr. Hugues Manzila drew up an outline and identified key issues to be addressed. Former Chief Executive Officer of the African Peer Review Mechanism, Prof. Eddy Maloka had initiated the undertaking and continued to provide support for the project. The APRM would like to thank him for his foresight in initiating this project.

To realize this project, APRM was supported by the following partners:

(i) The African Development Bank – The AfDB funded the development of the Guidelines, including the consultants' fees, country consultations and the validation process;

(ii) The African Network on Corporate Governance – The Institutes of Directors across the Continent were instrumental in providing technical expertise and support and further facilitated national dialogue and consultations with relevant stakeholders in Member States;

(iii) The UN Global Compact – The UN Global Compact provided technical input for the African Principles.

We are thankful to Prof. Amon Chizema (Lead consultant) who led the group of consultants that worked on the project, including desktop research, country visits to conduct extensive country consultations and also drafted the report. He was supported in this by Prof. Karim Ben Kahla and Prof. Babacar Ndiaye.

The extensive APRM country consultations would not have been possible without the support and dedication of APRM national offices as well as the private sectors in our Member States. Valuable contributions were also received from experts within and outside the APRM. We extend our sincerest appreciation to Dr. Almona Chinyere, CEO of the Lagos Chamber of Commerce, for her invaluable contributions and insights on small and medium-sized enterprises (SMEs). In particular, our team drew upon her book, Corporate Governance for Small and Medium-Sized Businesses in African Economies: Promoting the Appreciation and Adoption of Corporate Governance Principles for SMEs in Africa, which provided essential guidance for our research.

The African Principles were also enriched by insights and inputs from the United Nations Global Compact. Ms. Olajobi Makinwa represented the U Global Compact in our engagements.

Special thanks to Mr. Tholinhlanhla Gcabashe, a Partner at Bowmans, a Pan African law in firm in Johannesburg for the pro bono services for the review of the African Principles.

We are also grateful to the African Union Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration as well as the Experts of the STC for their rigorous review and ultimate approval of the African Principles, and their recommendation to the Heads of States to domesticate them in their countries.

Finally, we would like to extend our sincere appreciation to Mr. Abdoulaye Coulibaly, Director Governance and Economic Reforms, Mr. Kalayu Gebre-Selassie, Mr. Baboucarr Koma and Ms. Evelynne Change who facilitated all our engagements with the African Development Bank.

GLOSSARY OF TERMS

Accountability
The obligation to answer for the execution of responsibilities. Accountability cannot be delegated, whereas responsibility can be delegated without abdicating accountability for that delegated responsibility

Board
The board of directors " or “governing body” of the Business Organisation

Business Organisation
All forms of business organisation, including Small-to-Medium Enterprises (SMEs), State-Owned Enterprises (SOEs), family businesses and the informal sector

Code of Ethics
A set of principles and guidelines designed to help individuals and organizations conduct their actions in accordance with moral and ethical standards. It outlines acceptable behaviours, responsibilities, and decision-making processes to ensure integrity, accountability, and respect for all stakeholders

Company
A juridical person

Conflict of Interest
A conflict of interest, used in relation to members of the governing body and its committees, occurs when there is a direct or indirect conflict, in fact or in appearance, between the interests of such member and that of the organisation. It applies to financial, economic and other interests in any opportunity from which the organisation may benefit, as well as use of the property of the organisation, including information. It also applies to the member's related parties holding such interests

Corporate Citizenship
Corporate citizenship is the recognition that the organisation is an integral part of the broader society in which it operates, affording the organisation standing as a juridical person in that society with rights as well responsibilities and obligations. It is also the recognition that the broader society is the licensor of the organisation

Corporate Governance
King IV defines this as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;

- Effective control;
- Legitimacy.

The use of "corporate" in the term "corporate governance" is used to differentiate it from other forms of governance, for example national or political governance

"Corporate" refers to organisations that are incorporated to form legal entities separate from their founders and therefore applies to all forms of incorporation whether as company, voluntary association, retirement fund, trust, legislated entity or others

Director

A member of the board of a company, or an alternate director of a company and includes any person occupying the position of a director or alternate director, by whatever name designated", as defined in any relevant legislation

Diversity

Diversity should be understood as the varied perspectives and approaches offered by members of different identity groups. For the purposes of King IV, it includes diversity in terms of fields of knowledge, skills and experience as well as age, culture, race and gender

Ethics

Considering what is good and right for the self and the other, and can be expressed in terms of the golden rule, namely, to treat others as you would like to be treated yourself. In the context of organisations, ethics refers to ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and the broader society

Fairness

Fairness refers to the equitable and reasonable treatment of the sources of value creation, including relationship capital as portrayed by the legitimate and reasonable needs, interests and expectations of material stakeholders of the organisation

Global Compact Principles

These are United Nations' principles in the areas of human rights, labour, environment, and anti-corruption. These principles are derived from key international declarations and conventions and provide a framework for businesses to operate responsibly and sustainably.

Governing Body

The governing body is the structure that has primary accountability for the governance and performance of the organisation. Depending on context, it includes, among others, the board of directors of a company, the board of a retirement fund, the accounting authority of a State-owned entity and a municipal council

"Members of the governing body" (also referred to as "those charged with governance duties") are those who are duly appointed to serve on the governing body and/or its committees

GRI

This stands for Global Reporting Initiative, and is an international independent standards organization that helps businesses, governments, and other organizations to understand and communicate their impacts on critical sustainability issues.

Independent Non-Executive Director

A member of a company's board of directors who does not have a material or pecuniary relationship with the company or its related entities, other than receiving director's fees. Their role is to provide independent oversight and contribute to the board’s decisions without any conflicts of interest.

Integrity

In the context of governance and ethics, integrity is possessing the quality of being honest and having strong moral principles. It encompasses consistency between stated moral and ethical standards, and actual conduct

Integrity, in relation to the annual financial statements and other external reports issued by the organisation, refers to the reliability and usefulness of these reports

(In this context, "reliability" means validity, accuracy and completeness, while "usefulness" means consistency, relevance and measurability.)

Management

Management includes senior management and executive management.

"Senior management" is the level of management reporting to executive management.

"Executive management" is, after the governing body, the highest decision-making authority in the organisation.

"Executive managers" are the members of the executive management team and include executive members of the governing body and prescribed officers as defined in any relevant legislation or, in respect of

	organisations other than companies, those who exercise general executive control over, and management of, the whole or significant portions of the business and activities of the organisation.
Organisation	A company, retirement fund, non-profit organisation, State-owned entity, municipality, municipal entity, trust, voluntary association and any other legal person regardless of manner of incorporation
Policy	Policy gives effect to strategy and strategic direction by defining the frameworks, standards and plans that establish the scope or spheres within which judgement is exercised, decisions are made and actions are taken
Related Party Transactions	This refers to any deals, agreements, or arrangements between a company and its related parties. Related parties include individuals or entities that have a close relationship with the company, such as significant shareholders, key management personnel, subsidiaries, associates, or family members of these individuals.
Responsibility	Taking ownership of a duty, obligation or liability
Risk	Risk is about the uncertainty of events, including the likelihood of such events occurring and their effect, both positive and negative, on the achievement of the organisation's objectives. Risk includes uncertain events with a potential positive effect on the organisation (i.e., opportunities) not being captured or not materialising.
Shareholder	The holder of a share issued by a company and who is entered as such in the certificated or uncertificated securities register, as the case may be" as defined in any relevant legislation. Depending on context, references to shareholders in King IV may also apply to the members of non-profit companies.
Stakeholder	Those groups or individuals that can reasonably be expected to be significantly affected by an Organisation's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the Organisation to create value over time."

"Internal stakeholders" are directly affiliated with the organisation and include its governing body, management, employees and shareholders.

"External stakeholders" could include trade unions, civil society organisations, government, customers and consumers.

Internal stakeholders are always material stakeholders, but external stakeholders may or may not be material.

Strategy

The setting of the organisation's short, medium and long-term direction towards realising its core purpose and values.

Subsidiary

It is a company that is controlled by another company, known as the parent company or holding company. Control is typically achieved through the parent company owning more than 50% of the subsidiary's voting stock. This control allows the parent company to influence the subsidiary's operations, policies, and strategic decisions.

Sustainability

Sustainability is the ultimate, long-term goal of sustainable development.

Sustainable Development

In general, "development that meets the needs of the present without compromising the ability of future generations to meet their needs"

At the level of organisations' participation in sustainable development, it means organisations intentionally interacting with, and responding to, the opportunities and challenges presented by the dynamic system of the triple context in which the organisation operates and the capitals that the organisation uses and affects, with the aim to achieve the creation of value over time. Sustainable development is not confined to individual matters, such as the economic viability of the organisation, the natural environment or corporate social responsibility. Rather, it refers to an integrated approach that includes these and other considerations as represented by the triple context (see also "triple context") and the capitals (see also "capitals").

ACRONYMS

AfCFTA	Africa Continental Free Trade Area
AGM	Annual General Meeting
APRM	African Peer Review Mechanism
AU	African Union
CEO	Chief Executive Officer
ESG	Environmental, Social and Governance
NGO	Non-governmental organisation
NPO	Non-profit organisation
SME	Small and medium enterprise
STC	Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration

CHAPTER

2

SETTING THE SCENE
INTRODUCTION

CHAPTER 2 – SETTING THE SCENE

INTRODUCTION

1.1. The need for Good Corporate Governance in Africa

The definition of corporate governance in Africa has evolved from the narrow perspective of a system in which companies are managed for the exclusive benefit of shareholders to one that includes the interests of stakeholders and where the business organization is considered as a good corporate citizen. This new approach is the central focus of the King IV Report on Corporate Governance and has been the guiding principle of the APRM. Indeed, according to the APRM, corporate governance has five objectives:

- to promote and create a favourable environment and an effective regulatory framework for structures and other Commercial entities;
- to ensure good management and accountability of organisations;
- to promote ethical conduct within organisations;
- to ensure that organisations treat stakeholders in a just and equitable manner; and
- to ensure that organisations operate as good corporate citizens.

While the shareholder-oriented model of corporate governance is based on market assessments, i.e., the economic and financial logic, the position taken by APRM and the one expressed in the African Union Agenda 2063 is that particular importance must be accorded to the social logic, which recommends a more open, qualitative and inclusive approach, consistent with African values of *Ubuntu*. *Ubuntu*, called various terms across the continent, is a way of life that constitutes, among other things, the basis of the values of sharing, free access, generosity, otherness, solidarity, distributive justice, protection of the poorest and human dignity. It is within this context and spirit that, over and above the protection of the interests of the organisation, particular attention must be paid to the interests of the broader spectrum of stakeholders, without whom, the existence of an organisation is meaningless.

Through its principles and business practices the African Principles and Guidelines on Corporate Governance, are intended to help different types of businesses and enterprises across the continent to achieve two objectives:

1. To improve the way business organisations and enterprises are governed; and
2. To ensure that business organisations espouse the African values of Ubuntu and play a meaningful role in the socio-economic development of their host countries.

These African Principles are rooted in the recognition that the private sector is the engine of sustainable development, and that good corporate governance is a prerequisite for the development of a private sector capable of playing its role in society.

These Principles were developed after extensive research and consultations in Africa, including findings from 26 country reviews in which the APRM examined the level of compliance with national corporate governance standards over the past 20 years. The findings showed that only 21 out of 55 AU Member States have frameworks or codes of corporate governance. They also showed that most of these codes are largely borrowed from existing global standards in the business environments of developed countries and economies. Consequently, these Codes and frameworks tend to be far removed from the realities of Africa's business environments and socio-cultural contexts. These codes are not very useful or relevant to the private sector in Africa, which is largely made up of Small, Medium and Micro Enterprises (SMEs) and the informal sectors

To address these corporate governance challenges and shortcomings and to ensure that African Corporate Governance Principles reflect African realities, we asked the following questions regarding the private sector in Africa:

(i) What are the characteristics of the private sector in Africa?
(ii) What should be the expected conduct and governance policies that regulate an enterprise within a developing economy in Africa?
(iii) What is the role of a business enterprise in a developing economy?
(iv) How should corporate governance influence private sector development?
(v) What values guide the conduct of all Africans?

From the responses, we determined that there is an urgent need to adopt the best practices of corporate governance in the world whilst simultaneously adapting them to suit the philosophies that underpin life in Africa and meet the needs of the Continent as outlined in the African Union Agenda 2063, "The Africa We Want". We also determined that Corporate Governance standards, rules and practices in Africa must:

(i) Develop and empower large businesses, SMEs, the informal sector and family-owned businesses in addition to addressing the governance of large businesses;

(ii) Encourage governance practices that promote transparency, accountability, protection of shareholders and funding opportunities for all businesses;
(iii) Recognize that businesses play a fundamental role in the development and improvement of the livelihoods of local communities; and
(iv) Embrace the values of Ubuntu.

These Principles apply to all forms of business organisation. However, the approaches on how to apply them are likely to differ depending on whether the organisation is a listed firm, a Small to Medium and Micro Enterprises (SMEs), State-Owned Enterprise (SOE), family business or the informal sector. This document makes suggestions on how these principles can be applied in the different forms of business.

1.2. Importance of Good Corporate Governance in Africa

There is increasing awareness that businesses and the private sector can play a crucial role in mitigating some of the socio-political and economic challenges including the poverty and inequality still plaguing African countries today. However, the private sector landscape in many African countries, mostly composed of informal sector businesses, and non-listed SMEs, is itself characterised by several governance and leadership shortcomings that stagnate their growth and impede their ability to contribute significantly to addressing these challenges. Again, stock exchanges, that are meant to help the few listed firms to raise capital and provide general guidance on corporate governance, are relatively small and illiquid most of the times. SOEs, though poorly governed, still dominate African markets. There is, therefore, a great need for good corporate governance.

Academics, practitioners and policymakers all agree that well governed companies deliver better economic performance and long-term sustainability. It is also widely recognised that good corporate governance enhances corporate responsibility and improves the reputation of companies. Most importantly, it is widely recognized that good corporate governance attracts both domestic investment and greater inflows of foreign direct investment.

Corrigan (2014) states that corporate governance is historically associated with the protection of investors and creation of funding opportunities, but doubts the relevance of the same view in the context of African countries where capital markets – outside particular enclaves – are small. Thus, rather than focussing exclusively on financial or economic growth, corporate governance should also be based on socio-economic development. As such, African corporate governance systems should identify and embrace the best practices in the world while remaining cognisant and respectful of the particularities of the African business community and society. The development of corporate governance codes and principles in Africa requires refining and adapting the dominant paradigm to suit the needs of the continent, taking into account the current continental integration initiative, the Africa Continental Free Trade Area (AfCFTA).

1.3. Current State of Corporate Governance in Africa

Up to the 1990s, most African countries did not attach particular importance to corporate governance. However, due to the pressures of globalisation, States and civil society organisations started recognizing the importance of putting in place regulatory frameworks to ensure effective corporate management. Initially, these efforts were limited to the adoption of codes on good corporate governance and to measures to ensure international credibility in accounting and audit practices. This option, as pointed out above, was arguably linked to the need to attract foreign direct investment from foreign multinational companies. The push for effective management also came from private investors calling for improvement in the business climate on the continent. Consequently, transparency and accountability in corporate management became prerequisites for the good management of businesses, at least officially.

Indeed, some countries in Africa have heeded the call to improve corporate governance and have carried out the necessary reforms, even though they are still facing a number of challenges in this regard. However, many African countries are yet to adopt codes of corporate governance. The general picture on the continent shows that:

- Most countries lack effective regulatory and institutional frameworks to enforce good corporate governance standards;
- Many countries lack skilled personnel to enforce regulations to improve corporate governance;
- There is a shortage of skilled and qualified staff within organizations to take Board roles, particularly the role of independent directors. This challenge, while not relevant to businesses in the informal sector, it is critical in SOEs;
- Public awareness on matters of corporate governance is poor in many countries probably due to the fact that the concept itself is still in its infancy on the continent;
- The corporate governance frameworks, including corporate governance codes, in some African countries are largely inspired by Western and/or international corporate governance standards and principles. However, these standards, applicable to the commercial environments of developed countries, do not always take into account the realities of the commercial environments of African countries which have varying levels of development;
- In the informal sector, there are virtually no corporate governance standards or practices. Even in relatively larger family businesses, the issue of succession is often poorly managed. Many family SMEs fail once the visionary leader, in most cases the founder, stops being actively involved in the business.

1.4. Methodology

a. The first step was to determine the state of corporate governance on the continent through desk research. This involved an extensive review of existing literature, including peer-reviewed journals, APRM country reports as well as the World Bank and Transparency International data on the extent to which codes of corporate governance have been adopted and the extent to which these codes strike a balance between global standards and local values. This was followed by both qualitative and quantitative analyses. Findings from the desk research generated questions that were then used in the second part of the project which entailed country visits.

b. The second step involved semi-structured interviews to collect further data in fourteen African countries, including three in the Maghreb (Morocco, Algeria and Egypt), five in West Africa (Côte d'Ivoire, Ghana, Niger, Nigeria, Senegal), three in Southern Africa (South Africa, Mauritius and Mozambique), two in East Africa (Kenya and Ethiopia) and one in Central Africa (Cameroon). APRM officers and identified staff members in selected countries worked in collaboration with consultants to identify the key informant interviewees. In addition to this, four key target groups who play an important and interconnected partnership role in national corporate governance were targeted as interviewees:
   - Chief Executive Officers or those ranking as such in both listed and non-listed companies including SOEs, NGOs and family businesses;
   - Government officials involved in company regulation;
   - Professional bodies such as the Institute of Directors, organised business groups and Chambers of Commerce; and
   - Representatives of the informal and SME sectors.

c. The third step was drafting the report. This was done by three consultants under a lead consultant.

d. The fourth step was the APRM and Technical Validation. This included presentation of the draft document, engagement and feedback from APRM structures, APRM national offices and relevant national stakeholders including national policymakers, business leaders, academia, stock exchanges, business organisation representatives.

e. The fifth step was validation at the level of the African Union. In this regard, several presentations and reviews were made by the Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration. Following three revisions of the draft, the final endorsement was made by the Ministers Finance that serve in the STC.

f. The final step of the project was presentation to the Executive Council of the African Union which approved the African Principles and recommended implementation of the African Principles in Member States.

CHAPTER

3

A SUMMARY GUIDE - AFRICAN PRINCIPLES AND CORPORATE GOVERNANCE

CHAPTER 3 - A SUMMARY GUIDE - AFRICAN PRINCIPLES AND CORPORATE GOVERNANCE

African Principles and Guidelines for Business Practices

The African Principles and Guidelines on Corporate Governance should apply to all types of Business organisation, though with specific suggestions or guidelines on how they should apply to each business type. By providing broad Principles with supporting Guidance, the intention of the African Guidelines is to move beyond a 'tick box' approach, providing an opportunity for each type of business organization to apply the principles in a manner consistent with its specific circumstance, size and stage of growth. These principles were informed by respondents and are consistent with the African Union Agenda 2063 for '*The Africa We Want*'.

The identification of appropriate corporate governance principles should not be seen as an end in itself, but as the beginning of a process. Mechanisms to implement the identified principles must be put in place and governments must be sensitized on the crucial role they have to play in developing a good business ecosystem.

National governments and legislative bodies play a pivotal role in fostering a strong corporate governance culture. Competent government bodies should oversee the implementation and enforcement of corporate governance standards. They should also launch nationwide awareness campaigns to educate stakeholders on the importance of governance in reducing corruption and protecting stakeholder rights.

To enhance transparency and accountability, the principles should be based on the "*comply or explain*" rule. This requires business organisations to either comply with governance principles or explain why they cannot, providing detailed reports on their governance practices and future plans. These reports should be published on the company's website and included in the annual report.

	PRINCIPLES	GENERAL GUIDANCE
1	**A Shared purpose** An effective Business Organisation is guided by a shared purpose, which ensures that its operating strategy, vision, mission, values, and organisational culture add value to the society, and respects the diverse interests of the people around where it operates**.**	Purpose is the reason for which something is done or created or for which something exists. The main purpose of a business is to add value to society in ways that do not harm the economy and the natural environment. Business organisations in Africa, whether owned by locals or foreigners, should contribute to Africa's sustainable development, considering that their raison d'etre is to improve the welfare of stakeholders and society. They are, in turn, profitably rewarded for the value they create in society. To improve profitability and financial performance, these entities are better off operating with a clear shared purpose. With a clearly defined purpose, they will find it easier to articulate their business models, strategies, practices, and approaches to risks, while taking into consideration their local contexts
	Business organisation should be **inclusive**, recognising their stakeholders' uniqueness, and create a sense of **common social identity** among them.	The notion of stakeholders in Africa takes into consideration factors like tribal/ethnic groups, gender, religious and racial groups that play a role as employees, suppliers, customers, and members of the community in which businesses operate. Fair treatment and inclusion of all stakeholders is therefore important. For this reason, the abilities of individuals from diverse ethnic or tribal groups should be fully recognised and appropriately utilised and their voices and perspectives should be fully heard and incorporated in organisational structures and decisions. Business entities must also endeavour to advance gender and age diversity at all levels. Board of Directors of Listed, Large unlisted and Medium size business organisations must be constituted by at least 50% of women representation
	Business organisations should have a sense of **place** and **belonging**.	Businesses operating in Africa, both domestic and foreign, should embrace their host communities and work to develop them as they would their own homes. In this regard these entities must respect local customs and culture, and embrace them as their own. Consistent with Agenda 2063, this suggests investing in their host communities, empowering them and participating in projects and decision-making processes that improve conditions for their stakeholders and the community as a whole.
	Businesses should build and maintain **trust** with their stakeholders.	Purpose-led organisations build trust through their corporate culture, and create an image that is trusted by the various stakeholders. Factors that build this trust include high levels of enforcement of a code of ethics, integrity and honesty, the perceived skill and competence of stakeholders, and the value that the organisation creates
2	**A clear governance framework** An effective business organisation is guided by a **clear governance framework.**	Regardless of size, every business should have some governance framework that clearly identifies the responsibilities of the various stakeholders, including the Board where applicable, employees and management. In the most basic form, this could be a simple document that defines the 'rules of the game', specifying what has to be done and by who within each organisation, taking into consideration the level of knowledge, skills and experience, as well as diversity and independence to discharge governance responsibilities objectively and effectively (e.g., the Board or committees, where appropriate). Roles and responsibilities should be complementary and not fragmented or duplicated, and the organisation should ensure that there is no undue reliance on or dominance by any single member.
	Accountability and transparency	Regardless of size or nature of business, all organisations should have levels of accountability be able to report on their actions in a transparent manner. For example, employees should be answerable to their managers, who in turn report to the Board. The Board itself must fulfil its oversight and accountability obligations to all relevant

	PRINCIPLES	GENERAL GUIDANCE
	Business organisation should have governance structures that ensure **accountability and transparency**.	stakeholders, including shareholders. Such clarity in an organisation's governance framework safeguards transparency and ensures high standards of conduct. Actors are likely to behave appropriately if they are monitored or have to account for their actions. The business entity must constantly assess itself, its committees, executive members, and individual members to ensure strict compliance with principles of ethics, transparency and accountability and to promote continued improvement and efficiency. There must be equal access to information, which must be communicated in a manner that is understandable to the recipients.
	Regular financial reporting system Business entities must have an effective and regular **financial reporting system**.	To ensure financial transparency and operational efficiency, business organisations must establish and maintain an effective and regular financial reporting system. This system should be designed to capture and present accurate financial data, and provide clear insights into the company's fiscal health and performance. By adhering to a consistent reporting schedule, organisations can promptly identify financial trends, address potential issues, and make informed strategic decisions. Regular financial reporting not only enhances internal management and planning but also builds trust with investors, regulatory bodies, and other stakeholders, and underscores the company's commitment to accountability and sound financial governance.
	Long-term sustainability Businesses should ensure their **long-term sustainability** by identifying opportunities to create and preserve value.	To secure long-term sustainability, business organisations must proactively identify and seize opportunities to create and preserve value. This involves a strategic approach that not only focuses on immediate gains but also considers the enduring impact of business decisions. By fostering innovation, investing in sustainable practices, and optimising resource utilisation, companies can build resilience against market fluctuations and environmental challenges. Moreover, engaging stakeholders in these efforts ensures that the organisation's vision for sustainability is shared and supported across all levels. This commitment to sustainable development not only enhances the company's reputation and competitiveness but also contributes to the overall well-being of the community and environment, ensuring lasting success and growth.
3	**A comprehensive and proactive risk management framework** An effective business organization should establish a **comprehensive and proactive risk management framework** that identifies, assesses, mitigates, monitors, and reports on risks across all levels and functions.	In a rapidly evolving business landscape, organisations must adopt a robust and forward-thinking risk management framework to safeguard their interests and ensure sustainable growth. This comprehensive framework should be designed to identify all potential threats, assess their impact, and develop effective mitigation strategies. By implementing continuous monitoring systems and maintaining transparent reporting mechanisms, businesses can stay ahead of risks and adapt swiftly to changing circumstances. Such a proactive approach not only protects the organisation from unforeseen disruptions but also enhances decision-making processes, fosters resilience, and upholds the trust of stakeholders and clients alike.
4	**Authentic and inclusive leadership and decision-making processes** An effective business organisation develops and promotes authentic and inclusive leadership and decision-making processes, and commits to rational and ethical business practices.	*Businesses make important decisions every day, and good leadership, which* is the art of motivating people to act towards achieving a shared purpose or goal, is needed to implement them. Leaders should be aware of the impact their decisions have on others. They should present themselves as authentic, conscientious, ethical, honest and inclusive. They should have high moral standards and act in ways that are consistent with their internalised values. They must also have the requisite skill and expertise to lead effectively.

	PRINCIPLES	GENERAL GUIDANCE
5	**Disclosure and Transparency** An effective business organisation should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company**.**	In the pursuit of operational excellence and stakeholder trust, a business organisation must prioritise timely and accurate disclosure of all material matters concerning its operations. This encompasses comprehensive transparency regarding the financial situation, performance metrics, ownership structure, and governance practices of the company. By committing to such open communication, the organisation ensures that stakeholders can make informed decisions based on up to date and reliable information. This level of accountability not only fosters confidence among investors, employees, and customers, it also reinforces the organisation's reputation for integrity and ethical management, ultimately contributing to its long-term success and stability.
6	**Effective stakeholder relationships** An effective business organisation promotes **effective stakeholder relationships** that are aligned to the company's purpose. The organisation's leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and considers their views when taking decisions**.**	Developing healthy stakeholder relationships is necessary for the business organization to achieve its purpose or goals. Constant dialogue with and fair treatment of stakeholders helps the organisation to understand the effects of its policies and practices. Democratic decision-making processes and respect for participants' views is essential in stakeholder engagements. Businesses should identify and prioritise stakeholder relationships especially with regard for those affected by its operations as well as decisions that are integral to its ability to generate and preserve value. The power and interests of stakeholders vary and depend on the nature of the decisions or practices of the business organisation at any given time. These organisations should, therefore, be in a position to map these regularly. Stakeholder interests include those of employees, customers, suppliers, national and local governments, and others that may be specific to individual companies or sectors such as regulators, governments, pensioners, creditors and community groups and includes diverse tribal/ethnic, gender and racial groups. For many Business entities in Africa, employees make up the largest group of stakeholders and their treatment as stakeholders and as human beings should be taken seriously. Boards of Directors of Listed, Large unlisted and Medium size companies must constitute a Public Policy Committee which will advise the company on matters that impact wider communities and stakeholders engagements of the entity
7	**Respect of human rights** Business organisation should **respect human rights** wherever they operate, regardless of their size or industry.	This is a must for business entities. The African Charter on Human and Peoples Rights sets standards and establishes the groundwork for the promotion and protection of human rights in Africa. All business organisations must be conversant with, observe, respect and report on the provisions of the Charter as well as those of the African Charter on the Rights and Welfare of the Child. These organisations must therefore know the actual or potential impacts of their actions, prevent and mitigate abuses, and address such impacts. In other words, companies must act as responsible corporate citizens and know and show that they respect human rights in all their operations.
	Avoid unfair labour practices Business organisation should not engage in unfair labour practices.	Discrimination in respect to recruitment, promotion and wages are examples of unfair labour practices. Article 16 of the African Charter on Human and Peoples Rights Charter provides that "*Every individual shall have the right to work under equitable and satisfactory conditions and shall receive equal pay for equal work whatever the size or industry of the business organisation.*"

	PRINCIPLES	GENERAL GUIDANCE
	Avoidance of child labour Business organisations should not engage child labour.	The African Charter on Human and Peoples Rights Charter prohibits child marriage, child labour and child abuse, whatever the size or industry of the business organisation. Businesses are also obliged to observe existing international standards for Business and Human Rights as espoused in the UN Guiding Principles on Business and Human Rights.
8	**Environmental impact** Business organisation should consider the **environmental impact** of their operations**.**	Business organisations should operate and engage in initiatives that demonstrate environmental responsibility. This suggests that their purpose, strategies and operations are all outcomes of a sustainable approach. Businesses are urged to interpret the concept of respect for environment as a call to embrace sustainability in the broadest sense and to incorporate the elements of the five SDGs 2030 overarching themes: People, Planet, Prosperity, Peace and Partnerships into their reporting on Respect for Environment.
9	**Leverage networked technologies** Business organisation should **leverage networked technologies** to facilitate economic exchange, transfer information, connect people and generate value effectively and efficiently	Technological advancements present tremendous opportunities for businesses though they also create threats because of the, sometimes, disruptive nature of innovation. This will enable the business to assess and keep track of the impact of technological advances. Organisations must develop a framework that ensures that the organisation's Information Technology infrastructure supports and enables the achievement of corporate strategies and objectives through technological innovation and application to generate value effectively and efficiently.
10	**Commitment to African integration** Business organisation should be **committed to African integration**.	An African business organization should promote Africa's continental and regional integration agenda for the continent's sustainable and resilient development. Cross-border co-operation should be enhanced within the context of the African Continental Free Trade Area Agreement. Regional co-operation is becoming increasingly relevant for corporate governance, notably where companies are active in many jurisdictions for both listed and unlisted entities, as they seek multiple stock market listings on exchanges in different jurisdictions.

CHAPTER

4

SECTORAL AND OTHER APPENDICES

APPENDIX A

Principles and Recommended Practices for Multinational Enterprises and Listed Business organisations

	PRINCIPLES	SUGGESTED PRACTICES
1	**A shared purpose** An effective multinational enterprise or listed business is guided by a **shared purpose**, ensuring that its operating strategy, vision, mission, values, and organisational culture add value to the society and respect the diverse interests of people**.**	Beyond the idea of making profit, a multinational enterprise or listed business should consider the extent to which it is meeting the societal and development needs of its host country. For example, reducing youth unemployment or providing safe, fit for purpose and affordable products and services. The business should ensure that the interests and vision of its employees, the board, and management are aligned with its shared purpose.
	An effective multinational enterprise or listed business should be **inclusive**, recognise its stakeholders' uniqueness and create a sense of **common social identity** among them.	The business should emphasise the importance of working together to achieve a common purpose. Shared economic growth is associated with good governance. Inclusion and development are complementary processes. It should: • Communicate with and treat all employees fairly and with respect; • Recognise the value of diversity by including all employees in decision-making processes; • Introduce and implement employee share ownership programmes; • Introduce and implement broad-based community ownership scheme programmes; • Embrace racial, ethnic and cultural diversity at Board and management levels; and • Establish a corporate social responsibility programme. • Ensure that the Board of Directors of Listed, Large unlisted and Medium size business organisations has at least 50% of women representation
	A multinational enterprise or listed business should have a sense of **place** and **belonging**.	
	It should build and maintain **trust** with their stakeholders.	The business should: • Pay taxes; • Develop its host community, including developing local talent;

	PRINCIPLES	SUGGESTED PRACTICES
		• Establish (have a plan on) how to engage with stakeholders in the community; • Show interest, and participate in issues that affect the community (e.g., sponsoring local events such as sports); • Recruit and integrate a significant number of local employees in executive and senior management; • Set targets for participation of locals, women and people with disabilities at Board, executive management, senior management, middle management, junior management levels; • Develop an anti-corruption policy and a Code of Ethics and Business Conduct that specify the commitments or ethical standards of the organisation in relation to its stakeholder groups (employees, customers, public, media, state, suppliers, regulators); • Ensure that everyone in the organisation complies with the code of conduct; • Review the code of conduct regularly to ensure it remains relevant; • Deliver on your promises in a timely and professional manner; • Hire competent and professional people in a transparent manner, free from conflict of interests; and • Establish a Public Policy Committee of the Board to oversee the organisation's efforts and to ensure that issues are placed on the agenda of each Board meeting.
2	**A clear governance framework** An effective multinational enterprise or listed business is guided by **a clear governance framework.**	It should: • Where necessary, refer to the Memorandum and Articles of Association or other incorporation documents of the organisation; • Comply with all applicable corporate governance codes, including all relevant listing requirements; • Comply with relevant national legislation and regulations; • Separate roles of CEO and Chairperson of the Board; • Make effective use of the Board and its specialised committees; • Appoint and make use of independent directors; • Ensure a clear division of responsibilities at the head of the company between the Board and the management of the company's business; • Promote and ensure diversity of Board representation, including labour representation, women, people with disabilities, ethnic diversity; and • Promote gender balance and gender representation at Board and all management levels.

	PRINCIPLES	SUGGESTED PRACTICES
	A multinational enterprise or listed business should have governance structures that ensure **accountability and transparency**.	It should: • Report material short, medium and long term financial and non-financial information for the benefit of stakeholders; • Establish transparent policies for reporting misconduct and unethical practices including on unfair treatment of workers; • Establish a clear chain of command for reporting purposes; • Ensure the organisation undergoes regular audit checks; • Ensure that all stakeholders have equal access to information; and • Disseminate information through various channels (company website, newsletters, annual reports). • Establish an Audit Committee of the Board to oversee the organisation's efforts and ensure that relevant issues are placed on the Agenda of each Board meeting
	A multinational enterprise or listed business should have an effective and regular **financial reporting system**.	It should: • Prepare financial reports according to national or internationally recognised standards at least annually; and • Make financial and annual reports publicly available through the company website.
	A multinational enterprise or listed business should ensure its **long-term survival** by identifying opportunities to create and preserve value**.**	It should: • Regularly review potential, strengths, weaknesses, opportunities, threats and risks; • Use analytical tools such as SWOT analysis; • Engage strategy and governance consultants for the purpose of identifying opportunities.
3	**A comprehensive and proactive risk management framework** A multinational enterprise or listed business should **establish a comprehensive and proactive risk management framework** that identifies, assesses, mitigates, monitors, and reports on risks across all levels and functions**.**	It should: • Implement robust internal control systems tailored to the multinational company's operations and risk profile; • Define clear roles and responsibilities for risk management within the organization; • Establish policies, procedures, and guidelines to govern financial reporting, operational processes, and compliance with regulations; • Conduct regular internal audits and assessments to monitor adherence to controls, and identify potential vulnerabilities; • Put in place a whistleblowing mechanism; • Engage external auditors, advisors, and consultants to provide independent oversight and expertise in risk management; • Hire reputable auditing firms to conduct external audits of financial statements, internal controls, and compliance with regulatory requirements

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Foster a culture of risk awareness and accountability at board and executive levels;
Establish risk committees or task forces to oversee risk management strategies, monitor key risks, and report to stakeholders on risk-related matters;
Rotate external auditors regularly;
Promote a culture of continuous improvement in risk management practices;
Conduct regular reviews and post-mortems to evaluate the effectiveness of mitigation efforts and adapt strategies in response to changing business environments and emerging threats;
Provide ongoing education and training programmes for employees at all levels to enhance awareness of risk management principles, policies, and procedures;
Empower employees to contribute to risk identification, assessment, and mitigation efforts within their respective roles and functions.

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<tr><td>4</td><td>Authentic and Inclusive leadership and decision-making processes

An effective multinational enterprise or listed business develops and promotes inclusive leadership and decision-making processes, committing to rational and ethical business practices.</td><td>
It should strive to establish an effective Board, with a combination of skills, experience and knowledge that allows objective thought, open discussion and provides constructive criticisms and advice to achieve effective decision-making. It should determine the size and composition of the Board based on the scale and complexity of the organisation’s operations.

The board should:

Establish appropriate board committees to effectively discharge its duties, including Audit and Risk Committees;
Establish an Ethics and Integrity Committee to oversee and promote ethics at all levels of the organisation, including anti-bribery and anti-corruption policies and initiatives within the organisations and with external stakeholders;
Adhere to all procurement laws, especially public procurement procedures, regulations and rules, both in the letter and the spirit. Where public procurement rules do not exist, the organisation should engage in transparent procurement practices, always considering fair private and public value for money.

Directors on the Board should:

Receive induction on joining the Board and continuous board level training from appropriately qualified institutions; and
Regularly update and refresh their skills and knowledge pertaining to matters of organisation’s business.

Multinational and listed businesses must:

Commit to skills development initiatives of employees - including bursaries, internships, learnerships, apprenticeships and work integrated learning;
Support and strengthen skills development initiatives to contribute to the achievement of the country's social development goals to enrich the creation of decent jobs and sustainable livelihoods;

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	PRINCIPLES	SUGGESTED PRACTICES
		• Make sure that directors understand their responsibilities and liabilities; • Consider maintaining a conflict of Interest and related party transactions register, to be signed by the principal officers annually; • Establish a culture that rewards honesty and discourages bribery and corruption at all levels of the organisation; • Make use of Board evaluations to ensure dynamic and effective Board decision-making and to review its composition; and • Recognise and respect the rights of minority shareholders; • Develop and implement formal gender diversity policies that set clear objectives for increasing the representation of women in governance roles; • Recognise and respect the rights and contribution of female employees.
5	**Disclosure and Transparency** An effective multinational enterprise or listed business should ensure that timely and accurate **disclosure** is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.	• Publish detailed annual and quarterly financial reports that adhere to international accounting standards and local regulations; • Ensure these reports include comprehensive information on financial performance, strategic goals, ESG metrics and risk factors; • Utilize multiple communication platforms such as corporate websites, press releases, and investor calls to disseminate information; • Schedule regular updates and Question and Answer sessions with investors and analysts to maintain open communication and transparency; • Provide detailed disclosures on corporate governance structures, including board composition, independence, and activities; • Publish governance reports that include information on board meetings, committee activities, and executive compensation; • Maintain transparency regarding risk management practices and regulatory compliance; • Disclose gender diversity statistics and efforts to improve diversity in their annual reports.
6	**Effective Stakeholder relationships** An effective multinational enterprise or listed business promotes **effective stakeholder relationships** that are aligned to the company's purpose. The organisation's	Alignment of incentives is not only limited to executives but extends to employees too and is primarily shaped by the remuneration policy. Levels of remuneration should be sufficient to attract, retain and motivate executives and non-executives of the quality required to run the organisation successfully. Multinational business organisations (including local subsidiaries) and listed entities must:

	PRINCIPLES	SUGGESTED PRACTICES
	leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, suppliers, local enterprises and having regard to their views when taking decisions.	• Establish local enterprise and supplier development programmes to contribute to local job creation and the creation of sustainable local micro- enterprises that are able to meet requirements of big firm purchases; • Adopt a policy on preferential local procurement from local SMEs, entrepreneurs and women owned businesses and undertake to buy goods and services from local suppliers; • Adopt a policy on procurement of services from local professional services firms. • Ensure that the levels of remuneration are sufficient to care for employees such that they remain motivated and healthy to contribute to the success of the organisation; • Put in place policies and procedures to share knowledge with Business organisations in the same location or within the supply chain; • Promote the employment of local labour skills, development and technology; and • Demonstrate through its report of the Public Policy Committee how it has factored the community needs into its business and report on the implementation of Internal policies outlined above. • Establish a Public Policy Committee of the Board which will have oversight of engagement with stakeholders of the company including the local and national government and company's environmental, social and governance commitments
7	**Respect of human rights** Should **respect human rights** wherever they operate and whatever their size or industry.	Multinational or listed entities should: • Understand, respect and comply with national and international legislation on human rights; • Comply with the Global Compact Principles which hold that "Businesses should support and respect the protection of internationally proclaimed human rights" and that businesses should "Ensure they are not complicit in Human Rights abuses; • Put in place policies and procedures to implement national human rights legislation and regulations; • Comply with the African Union's specification of human rights in Agenda 2063 and the African Charter on Human and Peoples Rights; and • Comply with the provisions of UN Guiding Principles on Business and Human Rights.
	A multinational enterprise or listed business should not engage in unfair labour practices.	In order to abstain from unfair labour practices a multinational enterprise or listed business should: • Not discriminate in respect of employment opportunities, promotion and payment of wages; • Establish a Public Policy Sub-Committee to assist the Board regarding public policy matters that have a potential impact on the business; • Comply with national legislation on labour practices; and • Comply with the Global Compact Principles on labour practices.

	PRINCIPLES	SUGGESTED PRACTICES
	A multinational enterprise or listed business should not engage child labour.	Should comply with national legislation on child labour.
8	**Environmental impact** A multinational enterprise or listed business should consider the **environmental impact** of its operations.	Businesses should: • Understand their environment well and comply with international and national laws and regulations on the protection of the environment • Adopt Environmental Policy to demonstrate commitment to environmental impact; • Use environmentally-friendly inputs and technology; • Avoid wasteful approaches in their operations; • Encourage and advise organisations in their supply chains to adopt environmentally-friendly approaches in their operations; and • Report on practices that considerably affect the environment and the adherence to the Environmental Policy through the Public Policy Committee of the Board.
9	**Leverage networked technologies** A multinational enterprise or listed business should **leverage networked technologies** to facilitate economic exchange, transfer information, connect people and generate value effectively and efficiently	In order to incorporate technological advances: • Multinational or listed entities should develop an IT capacity development strategy; • Boards and top management must ensure the organisation adapts to technological advances; These businesses should: • Develop and champion a clear reward system for innovation; • Ensure that the Board or a member of the Board is knowledgeable about data security, and the reputational risk associated with inappropriate data protection. The Technology and Innovation Committee should: • Report to the Board on data security and reputational risks; • Ensure that the company management team and board of directors have the requisite expertise and innovative mindset to help the company to navigate the complexities and the impact of artificial intelligence (AI); • Ensure continuous training of the board and management to allow directors to acquire the relevant knowledge, skills and experience to deal with the challenges from AI; and • Ensure that the company appoints a Chief Technology Officer or Chief Information Officer.

	PRINCIPLES	SUGGESTED PRACTICES
10	**Commitment to African integration**. A multinational enterprise or listed business should be **committed to African integration**.	These entities should: • Promote trade across African borders; • Promote the establishment and strengthening of regional value chains and the procurement of services, skills and goods from across the Continent; • Promote regional economic clusters to enhance the competitiveness of African firms; • Promote movement of company personnel across borders to different trading sites to build capacity in other African countries; • Respect the laws and regulations of the different countries and engage with regulators to achieve policy coherence in line with the objectives and goals of regional integration under the AfCFTA; • Actively engage in regional trade agreements and initiatives aimed at promoting economic integration within Africa; • Invest in, understand, and make use of trading arrangements such as the African Continental Free Trade Area (AfCFTA) • Participate in forums and working groups that discuss trade policy harmonization, tariff reductions, and regulatory cooperation across African markets; • Offer training programmes, mentorship opportunities, and technical assistance to local entrepreneurs and small businesses; • Participate in educational workshops, seminars, and industry-specific training sessions that contribute to the professional development and empowerment of the African workforce.

APPENDIX B

Principles and Recommended Practices for Large Unlisted Business organisations

<table>
<tr><th></th><th>PRINCIPLES</th><th>SUGGESTED PRACTICES</th></tr>
<tr><td rowspan="4">1</td><td>A shared purpose

n effective large unlisted business is guided by a shared purpose, ensuring that its operating strategy, vision, mission, values, and organisational culture add value to the society and respects the diverse interests of people.</td><td rowspan="4">Beyond the idea of making profits, the business organisations should:
Consider the extent to which it is meeting societal needs. For example, reducing unemployment or providing affordable products to society; and
Ensure that the interests and vision of employees, the Board and management are aligned for the sake of achieving a shared purpose.
They should emphasise the importance of working together for the achievement of a common purpose through:
Communicating with and treating all employees fairly and with respect;
Recognising the value of diversity by including all employees in decision-making processes;
Ensure that the Board of Directors of Listed, Large unlisted and Medium size business organisations has at least 50% of women representation; and
Embracing racial, gender, ethnic and cultural diversity at employee and supervisory levels.
To establish and maintain trust with stakeholders, they should:
Pay all taxes that are due;
Use part of the retained profits to develop the host community, including developing local talent;
Establish (have a plan on) ways to engage with stakeholders in the community;
Establish a corporate social responsibility programme;
Set targets for participation of women at board, executive management, senior management, middle management, junior management levels and employees with disabilities;
Develop an anti-corruption policy and a code of ethics and business conduct that specifies commitments or ethical standards that the organisation adopts in relation to its stakeholder groups (employees, customers, public, media, state, suppliers, regulators);
Provide training and create awareness for staff on the developed code of conduct;
Ensure that everyone in the organisation complies with the code of conduct;
Review the code of conduct regularly to ensure it remains relevant.</td></tr>
<tr><td>Large unlisted business organisations should be inclusive, recognise their stakeholders' uniqueness and create a sense of common social identity among them.</td></tr>
<tr><td>They should have a sense of place and belonging.</td></tr>
<tr><td>They should establish and maintain trust with their stakeholders.</td></tr>
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	PRINCIPLES	SUGGESTED PRACTICES
		Generally, as a rule, they should strive to: • Be guided by purpose; • Deliver on the business promises in a timely and professional manner; and • Hire competent and professional people in a manner that is transparent and free from any conflict of interests.
2	A **clear governance framework** An effective large unlisted business is guided by a **clear governance framework.**	It should: • Where necessary, refer to the Memorandum and Articles of Association or other incorporation documents of the Business Organisation; • Comply with all applicable corporate governance codes, including all other regulatory requirements; • Comply with relevant national legislation and regulations; • Consult the company secretary for guidance on compliance issues; • Make effective use of the specialised committees or advisor/consultants of the Board; and • Ensure a clear division of responsibilities at the head of the company between the Board and the management of the company's business.
	They should have governance structures that ensure **accountability and transparency**.	They should: • Promote and ensure diversity of Board representation, including labour representation, women, people with disabilities, ethnic diversity; • Promote gender balance and gender representation at Board and at all management levels; • Separate roles of CEO and Chairperson of the Board; • Appoint independent directors; • Establish a clear chain of command for reporting purposes; • Ensure that the organisation undergoes regular audit checks; • Report material financial and non-financial information for the benefit of stakeholders; • Establish transparent policies for reporting misconduct and unethical practices including on unfair treatment of workers; • Ensure that all stakeholders have equal access to information; and • Disseminate information through various channels (company website, newsletters, annual reports).

	PRINCIPLES	SUGGESTED PRACTICES
	Large unlisted businesses should have an effective **financial reporting system** that should be used on a regular basis.	They should: • Prepare financial reports according to national or international standards at least once a year; • Make financial reports and annual reports publicly available through the company website; and • Organise an open day, leverage industry associations, or establish other medium to communicate with the community and stakeholders.
	Large unlisted businesses should ensure their **long-term survival** by identifying opportunities to create and preserve value.	They should: • Regularly review potential, strengths, weaknesses, opportunities, threats (SWOT) and risks; • Use analytical tools such as SWOT analysis, PESTLE analysis; • Engage consultants for the purpose of identifying opportunities.
3	**A comprehensive and proactive risk management framework** Large unlisted businesses should establish a comprehensive and proactive risk management framework that identifies, assesses, mitigates, monitors, and reports on risks across all levels and functions**.**	• Implement robust internal control systems tailored to the multinational company's operations and risk profile; • Define clear roles and responsibilities for risk management within the organization; • Establish policies, procedures, and guidelines to govern financial reporting, operational processes, and compliance with regulations; • Conduct regular internal audits and assessments to monitor adherence to controls, and identify potential vulnerabilities; • Put in place a whistleblowing mechanism. • Engage external auditors, advisors, and consultants to provide independent oversight and expertise in risk management; • Hire reputable auditing firms to conduct external audits of financial statements, internal controls, and compliance with regulatory requirements; • Foster a culture of risk awareness and accountability at the board and executive levels; • Establish risk committees or task forces to oversee risk management strategies, monitor key risks, and report to stakeholders on risk-related matters; • Rotate external auditors regularly; • Promote a culture of continuous improvement in risk management practices; • Conduct regular reviews and post-mortems to evaluate the effectiveness of mitigation efforts and adapt strategies in response to changing business environments and emerging threats;

	PRINCIPLES	SUGGESTED PRACTICES
		• Provide ongoing education and training programmes for employees at all levels to enhance awareness of risk management principles, policies, and procedures; • Empower employees to contribute to risk identification, assessment, and mitigation efforts within their respective roles and functions.
4	**Authentic and inclusive leadership** An effective large unlisted business develops and promotes authentic and **inclusive leadership and decision-making processes**, committing to rational and ethical business practices.	It should: • Establish an effective Board with a combination of skills, experience and knowledge that allows objective thought, open discussion and provides constructive criticisms and advice to achieve effective decision-making; • Determine the size and composition of the Board based on the scale and complexity of the organisation's operations; • Ensure that the Board establishes appropriate Board committees in order to effectively discharge its duties, including an Audit and Risk Committee; • Ensure that directors understand their responsibilities and liabilities; and • Adhere to all procurement laws, especially public procurement procedures, regulations and rules, both in the letter and the spirit. Where public procurement rules do not exist, organisations are to engage in transparent procurement practices always considering fair private and public value for money. The Established Ethics and Integrity Committee must: • Oversee and promote ethics at all levels of the organisation, including anti-bribery and anti-corruption policies and initiatives within the organisations and with external stakeholders. Large business organisations must: • Commit to skills development initiatives of employees - including bursaries, internships, learnerships, apprenticeships and work integrated learning; • To the extent possible, support and strengthen skills development initiatives to contribute to the achievement of the country's social development goals to create decent jobs and sustainable livelihoods; • Ensure that directors receive induction on joining the Board and that they regularly update and refresh the skills and knowledge relevant to the organisation's business, and undertake continuous Board training from appropriately qualified institutions; • Consider maintaining a conflict of Interest and related party transactions register, to be signed by the principal officers annually; • Promote a culture that rewards honesty and discourages bribery and corruption at all levels of the organisation. Make use of Board evaluations to ensure dynamic and effective Board decision-making; and • Recognise and respect the rights of minority shareholders.

	PRINCIPLES	SUGGESTED PRACTICES
5	**Disclosure and Transparency** An effective large unlisted business should ensure that timely and accurate **disclosure** is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company**.**	It should: • Produce detailed financial statements that provide a clear view of the company's financial health and ESG metrics; • Publish annual and semi-annual financial reports, including balance sheets, income statements, and cash flow statements. Share these reports with key stakeholders such as investors, creditors, and major customers; • Provide transparency on the company's governance structures and practices; • Regularly update stakeholders on the composition of the board of directors, executive team, and their respective roles and responsibilities. Disclose information about board meetings, decisions made, and key governance policies; • Communicate regularly about the company's performance and strategic direction. • Hold quarterly or semi-annual meetings with major stakeholders, including investors, employees, and partners, to discuss business performance, strategic initiatives, and future plans. Provide detailed performance reports and strategic updates during these meetings; • Maintain transparency regarding risk management practices and regulatory compliance; • Disclose gender diversity statistics and efforts to improve diversity in annual reports.
6	**Effective stakeholder relationships** An effective large unlisted business promotes **effective stakeholder relationships** that are aligned with the company's purpose. The organisation's leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and considering their views when taking decisions**.**	Alignment of incentives is not only limited to executives but extends to employees too and is primarily shaped by the remuneration policy. It should: • Ensure that levels of remuneration are sufficient to attract, retain and motivate executives and non-executives of the quality required to run organisation successfully; • Ensure that the levels of remuneration are sufficient for employees to remain motivated and healthy enough to contribute to the success of the organisation; • Respect human rights; • Put in place policies and procedures to share knowledge with other business organisations in the same location or within the supply chain; • Promote and use local labour skills, development and technology; • Adopt and implement a policy on preferential procurement from local SMEs, entrepreneurs and women owned businesses – Buy goods and services from local suppliers;

	PRINCIPLES	SUGGESTED PRACTICES
		• Adopt and implement a policy on procurement of services from local professional services firms; and • Demonstrate through its report of the Public Policy Committee on how it has factored the community needs and implemented the internal policies outlined above.
7	**Respect of human rights** Large unlisted businesses should **respect human rights** wherever they operate and whatever their size or industry	They should: • Understand and comply with national and international legislation on human rights; • Comply with the Global Compact principles of human rights; • Comply with the African Union's specification of human rights in Agenda 2063; • Put in place policies and procedures to implement national human rights legislation and regulations; • Comply with the provisions of UN Guiding Principles on Business and Human Rights; and • Not discriminate in respect of employment opportunities, promotion and payment of fair wages. Boards must establish a Public Policy Sub-Committee to assist it in regard to public policy matters that have a potential impact on the business
	Large unlisted businesses should **not engage in unfair labour practices**.	They should comply with: • National legislation on labour practices; and • The Global Compact principles on labour practices.
	Large unlisted businesses should not engage child labour.	They should comply with national legislation on child labour.
8	**Environmental impact** Large unlisted businesses should consider the **environmental impact** of their operations.	They should: • Understand their environment well; • Use environmentally-friendly inputs and technology; • Avoid wasteful approaches in the operations; • Encourage and advise organisations in the supply chains to adopt environmentally-friendly approaches in their operations; and • Report on practices that considerably affect the environment through the Public Policy Sub-Committee of the Board.

	PRINCIPLES	SUGGESTED PRACTICES
9	**Leverage networked technologies** Large unlisted businesses should **leverage networked technologies** to facilitate economic exchange, transfer information, connect people and generate value effectively and efficiently.	They should • Develop an IT Capacity Development strategy; • Ensure that the Business Organisation adapts to technological advances; • Develop and champion a clear reward system for innovation within the business; • Ensure that the board or member of the board is knowledgeable about data security, reputational risk associated with inappropriate data protection. The Technology and Innovation Committee should: • Report to the Board on data security and reputational risk; • Ensure that the company management team and Board have the expertise and innovative mindset necessary to enable the organization to navigate the complexities and challenges of artificial intelligence (AI); and • Ensure continuous training of the Board and management to enable directors to acquire the relevant knowledge, skills and experience to deal with the issues arising from AI . The company should appoint a Chief Technology Officer or Chief Information Officer.
10	**Commitment to African integration** Large unlisted businesses should be **committed to African integration.**	They should: • Promote trade across African borders; • Establish and strengthen regional value chains and procure services, skills and goods from across the Continent; • Promote regional economic clusters to enhance the competitiveness of African firms; • Promote movement of company personnel across borders to different trading sites to build the capacity in other African countries; • Respect the laws and regulations of the different countries and engage with regulators to achieve policy coherence in line with the objectives and goals of regional integration under the AfCFTA; • Invest in, understand, and make use of, trading arrangements such as the African Continental Free Trade Area (AfCFTA); • Participate in forums and working groups that discuss trade policy harmonization, tariff reductions, and regulatory cooperation across African markets; • Offer training programmes, mentorship opportunities, and technical assistance to local entrepreneurs and small businesses. • Participate in educational workshops, seminars, and industry-specific training sessions that contribute to the professional development and empowerment of African workforce.

APPENDIX C

Principles and Recommended Practices for SMEs

SMEs in Africa range from start-up to small to medium size enterprises. Governance practices will therefore vary depending on the stage of growth and size of the business at a given point. According to Almona, Dr Chinyere in Corporate Governance for Small and Medium-Sized Businesses in African Economies, SMEs "*need to grow and mature into practices that are relevant for their stage of growth*". The proposed practices below take into consideration that corporate governance practices for SMEs must be applied gradually in line with their growth and development.

	PRINCIPLES	SUGGESTED PRACTICES
1	**A shared purpose** An effective SME is guided by a **shared purpose**, ensuring that its operating strategy, vision, mission, values, and organisational culture adds value to the society and respect the diverse interests of people	**START-UP**: • The vision of the founder must consider that beyond the idea of making profits, the business organisation should consider the extent to which it will be meeting societal needs. The vision must therefore reflect this principle; and • This vision must be documented as soon as possible. **SMALL**: • Ensure that the interest and activities of the enterprise remain aligned with the vision of the owner. **MEDIUM**: • Ensure that the interest, activities and vision of the owner, employees, the Board and management are aligned with the shared purpose.
	SMEs should be **inclusive**, recognise their stakeholders' uniqueness and create a sense of **common social identity** among them.	**SMALL**: • Emphasize the importance of working together for the achievement of a common purpose; and • Communicate with and treat all employees fairly and with respect. **MEDIUM**: • Recognise the value of diversity by including all employees in decision-making processes; • Embrace racial, ethnic and cultural diversity at employee and supervisory levels; • Set targets for participation of women and employees with disabilities at Board and at all levels of management.

	PRINCIPLES	SUGGESTED PRACTICES
	SMEs should have a sense of **place** and **belonging**.	**START-UP, SMALL AND MEDIUM BUSINESSES** Should • Pay all taxes; and • Deliver on the business promises in a timely and professional manner.
	SMEs should establish and maintain **trust** with their stakeholders.	**SMALL AND MEDIUM BUSINESSES** To build and maintain trust with stakeholders, Businesses should: • Pay all taxes; • Establish (have a plan on) ways to engage with stakeholders in the community; • Develop an anti-corruption policy and a code of ethics and business conduct; • Develop a code of conduct/ethics that specifies commitments or ethical standards that the organisation adopts in relation to its stakeholder groups (employees, customers, public, media, state, suppliers, regulators); • Provide training and create awareness for staff on the developed code of conduct; • Ensure that everyone in the organisation complies with the code of conduct; • Review the code of conduct regularly to ensure its continued relevance; • Be guided by purpose; • Deliver on the business promises in a timely and professional manner; and • Hire competent and professional people in a manner that is transparent and free from conflict of interests.
2	**A clear governance framework** An effective SME is guided by a **clear governance framework.**	**START-UP**: • Secure and engage a business mentor or informal advisor; • Develop a strategy and business plan; • Leverage the services of government SMEs agencies and Chambers of Commerce; • Open business accounts; • Separate business bank accounts from that of the owners.
	SMEs should have governance structures that ensure **accountability and transparency**.	
	SMEs should have an effective **financial reporting system** that should be used on a regular basis.	

	PRINCIPLES	SUGGESTED PRACTICES
	SMEs should ensure their **long-term survival** by identifying opportunities to create and preserve value.	**SMALL SIZE**: • Rely on articles of association or other incorporation documents of the Business Organisation; • Refine business structure or organigrams as the Business Organisation grows; • Refine their business plan; • Create a budget and establish authority limits; • Prepare financial statements; • Make key decisions with senior management; • Continue to engage the services of a mentor and an informal advisor; • Regularly review potentials, strengths, weaknesses, opportunities, threats (SWOT) and risks; • Use analytical tools such as SWOT analysis, PESTLE analysis; • Engage consultants for the purpose of identifying opportunities and risks; and • Develop standard policies and HR procedures. **MIEDIUM BUSINESS ORGANISATION**: A Medium business organisation should: • Where necessary, refer to its Memorandum and Articles of Association or other incorporation documents; • Comply with all applicable corporate governance codes for SMEs, including all other regulatory requirements; • Draft a firm corporate action plan and appoint a champion for Corporate Governance; • Comply with relevant national legislation and regulations; • Consult the company secretary (or the corporate governance advisor/champion) for guidance on compliance issues; • Make effective use of the specialised committees or advisor/consultants of the Board. At this stage, the Board must have an independent member; • Ensure a clear division of responsibilities at the head of the company between the Board and the management of the company's business; • Establish a clear chain of command for reporting purposes; • Ensure that the organisation undergoes regular audit checks; • Report material financial and non-financial information for the benefit of stakeholders;

	PRINCIPLES	SUGGESTED PRACTICES
		• Establish transparent policies for reporting misconduct and unethical practices including on unfair treatment of workers; • Ensure that all stakeholders have equal access to information; • Disseminate information through various channels (company websites, newsletters, annual reports); • Prepare financial reports according to national or internationally recognised standards at least once a year; • Make financial reports publicly available through the company website, and annual reports; • Organise an open day, leverage industry associations, or establish other mediums to communicate with the community and stakeholders; • Regularly review potentials, strengths, weaknesses, opportunities, threats (SWOT) and risks; • Use analytical tools such as SWOT analysis, PESTLE analysis; • Engage consultants for the purpose of identifying opportunities and risks; and • Put in place effective control mechanisms including internal audit and whistleblowing.
3	**A proactive risk management framework** SMEs should establish a comprehensive and proactive **risk management framework** that identifies, assesses, mitigates, monitors, and reports on risks across all levels and functions.	**START-UP AND SMALL SIZE** • Develop and document policies and procedures for financial management, operational processes, and compliance with legal and regulatory requirements; • Engage with external mentors and/or advisors, or industry experts to conduct periodic risk assessments, or reviews; • Utilize external resources for specialized knowledge in areas such as legal compliance, cybersecurity, insurance, and crisis management; • Collaborate with industry associations and networks to access best practices and benchmark against peers; • Continuously monitor external factors that could impact business operations and adjust risk management strategies accordingly. SMEs should: • Establish and maintain robust internal control systems tailored to the size and complexity of the business operations; • Define clear roles and responsibilities for risk management within the organization; • Develop and document policies and procedures for financial management, operational processes, and compliance with legal and regulatory requirements;

	PRINCIPLES	SUGGESTED PRACTICES
		• Conduct regular internal audits and reviews to assess the effectiveness of controls, and identify areas for improvement; • Engage with external consultants, mentors advisors, or industry experts to conduct periodic risk assessments, audits, or reviews; • Utilize external resources for specialized knowledge in areas such as legal compliance, cybersecurity, insurance, and crisis management; • Collaborate with industry associations and networks to access best practices and benchmark against peers; • Leverage technology solutions to enhance risk management processes and decision-making; • Implement risk management software, cloud-based platforms, or data analytics tools to automate and streamline risk assessment, monitoring, and reporting; • Use predictive analytics and scenario planning to anticipate and mitigate potential risks. Invest in cybersecurity measures to protect sensitive data and mitigate digital threats associated with online operations and information management; • Provide training and awareness programmes for employees on risk identification, mitigation strategies, and crisis response protocols; • Encourage a culture of risk awareness and accountability across the organization; • Maintain agility and adaptability to respond to changing market conditions, economic fluctuations, and regulatory changes; • Continuously monitor external factors that could impact business operations and adjust risk management strategies accordingly.
4	**Inclusive leadership and decision-making processes** An effective SME develops and promotes authentic and **inclusive leadership and decision-making processes**, and commits to rational and ethical business practices**.**	**START-UP BUSINESS ORGANISATION** A start-up should: • Secure and engage a business mentor or informal advisor; and • Document the key decisions of the owner. **SMALL BUSINESS ORGANISATION** At this stage, small business organisations should: • Formalise the appointment of the Board, starting small, in proportion to the size of the Business Organisation;

	PRINCIPLES	SUGGESTED PRACTICES
		• Document Minutes of meetings of the Board; • Clearly set divisions of roles and responsibilities between management and the Board; • Develop anti-corruption policies and codes of ethics for staff, management and Board members to sign; and • Develop business continuity plans. **MEDIUM BUSINESS ORGANISATION** In a medium business organisation should: • Include at least one independent member in the Board with a combination of skills, experience and knowledge that allows objective thought and open discussion and provides constructive criticisms and advice for effective decision-making; • Put in place human resource policies to attract and recruit talent in key operational roles; • Adjust and refine limits on Authority as the business organisation grows; • Determine the size and composition of the Board based on the scale and complexity of the organisation's operations; • Establish appropriate committees in order to enable the Board to effectively discharge its duties; • Establish an Ethics and Integrity Committee to oversee and promote ethics at all levels of the organisation, including anti-corruption policies and initiatives within the organisations and with external stakeholders; • Provide induction for Directors and a Board pack on joining the Board; • Ensure that directors understand their responsibilities and liabilities; • Provide opportunities for directors to regularly update and refresh their skills and knowledge relevant to the organisation's business; • Consider setting up a conflict of interest and related party transactions register, to be signed by the principal officers annually; • Promote a culture that rewards honesty and discourages bribery and corruption at all levels of the organisation. It should make use of Board evaluations to ensure dynamic and effective Board decision-making; • Recognise and respect the rights of minority shareholders; • Leverage and sign up for government run and Listed Business Organisation offered skills development initiatives of employees - including bursaries, internships, learnerships, apprenticeships and work integrated learning; and

	PRINCIPLES	SUGGESTED PRACTICES
		• Participate and sign up for the enterprise development initiatives offered by government and local governments and listed entities.
5	**Disclosure and Transparency** An effective SME should ensure that timely and accurate **disclosure** is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.	• Maintain and share basic financial statements to provide a clear picture of the company's financial health; • Produce annual and quarterly financial reports, including income statements, balance sheets, and cash flow statements. Share these reports with key stakeholders such as investors, lenders, and significant partners; • Regularly communicate the company's operational performance and strategic goals; • Hold periodic meetings (monthly or quarterly) with stakeholders, including employees, investors, and key partners, to discuss business performance, upcoming initiatives, and progress towards strategic objectives. Provide performance summaries and updates during these meetings; • Clearly disclose the ownership structure and governance practices; • Maintain up-to-date records of ownership and share these with relevant stakeholders; • Disclose information about the management team, including roles and responsibilities, to ensure transparency in governance; • Establish open lines of communication with stakeholders to build trust and transparency; • Create formal and informal channels for regular updates and feedback, such as newsletters, email updates, and town hall meetings; • Encourage stakeholder feedback and address any concerns promptly.
6	**Effective stakeholder relationships** An effective SME promotes **effective stakeholder relationships** that are aligned with the company's **purpose**. The organisation's leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and considers their views when taking decisions.	• SMEs should: • Provide incentives not only to executives but also to employees. Such incentives must be shaped primarily by the remuneration policy; • Ensure that the levels of remuneration are enough to attract, retain and motivate executives and non-executives of the quality required to run the organisation successfully; • Ensure that this remuneration is enough to sustain employees and motivate them to contribute to the success of the organisation; • Respect human rights; • Put in place policies and procedures to share knowledge with business organisations in the same location or within the supply chain; and

	PRINCIPLES	SUGGESTED PRACTICES
		• Promote and use local labour skills and technology.
7	**Respect of human rights** SMEs should **respect human rights** wherever they operate and whatever their size or industry.	**START-UP AND SMALL ORGANISATION** • National and international legislation on human rights; • National legislation on labour practices. **MEDIUM SIZE ORGANISATION** They should comply with: • National and international legislation on human rights; • Global Compact principles of human rights; • The African Union's specification on human rights in Agenda 2063; and • National legislation on labour practices.
	SMEs should not engage in unfair labour practices.	They should comply with the Global Compact principles on labour practices.
	SMEs should not engage child labour.	Business organisations should comply with national legislation on child labour.
8	**Environmental impact** SMEs should consider the **environmental impact** of their operations	Business organisations should: • Understand the environment in which they operate well; • Use environmentally-friendly inputs and technology; • Avoid wasteful approaches in the operations; • Encourage and advise organisations in the supply chains to adopt environmentally-friendly approaches in the operations; and • Report on practices that considerably affect the environment.
9	**Leverage networked technologies** SMEs should **leverage networked technologies** to facilitate economic exchange, transfer information, connect people and generate value effectively and efficiently**.**	**START-UP AND SMALL ORGANISATION** • Invest in a website and an online media presence; • Invests in basic IT infrastructure – laptop and mobile phones; SMEs should: • Develop its own IT capacity development strategy;

	PRINCIPLES	SUGGESTED PRACTICES
		• Invest in a website and an online media presence; • Invests in basic IT infrastructure – laptop and mobile phones; • Engage all employees on and reward them for innovation; • Ensure that all employees acquire training on data security and the reputational risk associated with inappropriate data protection; and • Ensure continuous training to enable the Board and management to deal with the issues that arise with the advent of AI.
10	**Commitment to African integration** SMEs should be **committed to African integration.**	• Promote trade across African borders; • Establish partnerships with local suppliers, distributors, and service providers to strengthen supply chain resilience and support local economies; • Collaborate with local businesses to identify opportunities for joint ventures and collaborative projects that promote mutual growth and integration. • Promote regional economic clusters to enhance the competitiveness of African firms; • Promote movement of company staff across borders to different trading sites to build the capacity in other African countries; • Respect the laws and regulations of the different countries and engage with regulators to achieve policy coherence in line with the objectives and goals of regional integration under the AfCFTA; • Join local chambers of commerce, business associations, and trade promotion organizations that facilitate networking, information sharing, and collaboration across African countries; • Attend trade fairs, exhibitions, and conferences focused on regional integration and economic cooperation.

APPENDIX D

Principles and Recommended Practices for Family Business Organisations

	PRINCIPLES	SUGGESTED PRACTICES
1	**A shared purpose** An effective family business organisation is guided by a **shared purpose**, ensuring that its operating strategy, vision, mission, values, and organisational culture add value to the society and respect the diverse interests of people	Family business organisations should: • Develop a statement of vision, mission and core values for the family business; • Communicate the mission, vision and values to all employees and family members; • Develop a five-year strategy document for the business, consistent with the business purpose; • Emphasise the importance of working together as a family and employees to achieve a common purpose; • Communicate with and treat all family members (involved in the business) and employees fairly and with respect; • Recognise the value of different viewpoints in decision-making processes; • Pay all taxes; The organisation should: • Use part of its retained profits to develop its host community, including developing local talent; • Keep its working environment clean and safe for everyone; • Deliver on its promises in a timely and professional manner; and • Be honest and fair about its dealings with clients and employees.
	Family business organisations should be **inclusive**, recognising their stakeholders' uniqueness and creating a sense of **common social identity** among them.	
	Family business organisations should have a sense of **place** and **belonging**.	
	Family business organisations should build and maintain **trust** with their stakeholders.	
2	**A clear governance framework** An effective family business organisation is guided by a **clear governance framework.**	It should: • Adopt articles of association and any other relevant policies deemed necessary to provide a minimum structure to regulate the distribution of tasks; • Set up an advisory Board; • Engage professional management while the family can retain effective strategic oversight and control; • Make a clear distinction between non-family and family issues in the context of the business; • Establish the role and responsibilities of the founder(s); • Clearly specify other family members' roles with mechanisms that ensure non-interference;

	PRINCIPLES	SUGGESTED PRACTICES
		• Ensure that family members who have multiple roles are able to adjust their behaviour and communication in their various roles; • As the business grows, take in outside-of-the-family expertise, clearly define the roles and responsibilities of family and non-family members; • Put in place mechanisms for resolving governance-related disputes between family members themselves and between family and non-family members.
	Family business organisations should have governance structures that ensure **accountability and transparency**.	Family business organisations should: • Hire a part-time accountant to check their financial record; and • Hold an annual meeting which brings all family members together to update each other on how the business is performing. This would also allow the business to benefit from the viewpoints of family members who are not directly or formally involved in the governance of the business.
	Family business organisations should have an effective **financial reporting system** that should be used on a regular basis.	Family business organisations should: • Prepare financial reports according to national standard, at least annually; • Make financial reports available to family members and any other relevant stakeholders; • Make sure processes are in place for tax payments, records and filing; • Ensure that they have controls on cash management; and • Put in place policies and practices to allow the business to detect errors, prevent mistakes, identify fraud and ensure the reliability of financial reports.
	Family business organisations should ensure their **long-term survival** by identifying opportunities to create and preserve value.	They should: • Engage consultants for the purpose of identifying opportunities and risks; • Consider succession planning - the process of identifying and developing people within an organisation to fill key business leadership positions in the future or to replace key persons in the event of sudden absence; • Consider ownership succession - identify the family member who will take over as the owner of the business in the event of the current holder retiring, getting incapacitated or his/her demise; and • Identify core functions needed for further growth.
3	**A comprehensive and proactive risk management framework** Family business organisations should establish	• Develop and implement clear governance structures and policies tailored to the unique dynamics of family businesses;

	PRINCIPLES	SUGGESTED PRACTICES
	a **comprehensive and proactive risk management framework** that identifies, assesses, mitigates, monitors, and reports on risks across all levels and functions**.**	• Define roles and responsibilities within the family and business governance; • Establish a family council or advisory board to oversee strategic decision-making, risk management, and succession planning; • Separate family and business interests to minimize conflicts and ensure transparency in decision-making processes; • Hire qualified managers or executives with expertise in risk management, finance, and governance. • Implement formal policies and procedures for financial management, operational controls, and compliance with regulatory requirements; • Conduct regular audits and reviews to assess adherence to policies, and identify potential risks. • Allocate resources across multiple business lines, industries, or geographic regions to spread risk and capitalize on growth opportunities; • Monitor market trends and economic conditions to adjust investment strategies and mitigate financial risks • Seek professional advice from financial advisors or consultants to optimize investment portfolios and manage risk exposure effectively; • Develop a comprehensive succession plan to ensure continuity and leadership transition in the family business; • Invest in training and development programs to groom next-generation leaders and prepare them to manage risks and challenges effectively; • Maintain flexibility and adaptability to respond to market changes, competitive pressures, and regulatory developments; • Monitor industry trends and consumer behaviour to anticipate risks and opportunities, and adjust business strategies accordingly.
4	**Inclusive leadership and decision-making processes** An effective family business organisation develops and promotes authentic and **inclusive leadership and decision-making processes**, and commits to rational and ethical business practices**.**	As the business grows, the founding owners should: • Start to delegate some responsibilities to capable members of the organisation; • Consider succession planning – the process of identifying and developing people within the organisation to fill key leadership positions in the future or to replace key persons in the event of sudden absence; • Start a gradual shift towards more inclusive management and longer-term strategic thinking; • Develop a business strategy;

	PRINCIPLES	SUGGESTED PRACTICES
		• Hire *qualified* people and not *available* people for key functions; • Move to formal ways of communication; and • Consult with key personnel before making important decisions.
5	**Disclosure and Transparency** An effective family business organisation should ensure that timely and accurate **disclosure** is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company**.**	• Maintain and share detailed financial statements with family members and key stakeholders; • Produce annual and quarterly financial reports, including income statements, balance sheets, and cash flow statements. Share these reports with family members, investors, and any external advisors; • Clearly disclose the ownership structure and succession plans within the family business; • Maintain up-to-date records of ownership and shareholding among family members. Develop and communicate a formal succession plan that outlines the process for transitioning ownership and leadership roles; • Establish and disclose a clear governance framework for the family business; • Develop a family charter or constitution that defines governance structures, roles, and responsibilities. Hold regular family meetings to discuss governance issues, make decisions, and document outcomes; • Foster open communication channels with family members and other stakeholders; • Organize regular family council meetings or assemblies to discuss business performance, strategic direction, and any concerns. Use newsletters or internal reports to keep everyone informed about key developments; • Develop and communicate a code of ethics and compliance policies. Regularly update family members and stakeholders on compliance status and any changes in regulatory requirements; • Provide regular updates on business performance and strategic initiatives. • Hold quarterly or semi-annual meetings to discuss business performance, key performance indicators (KPIs), and strategic goals. Share performance summaries and strategic updates during these meetings.
6	**Effective stakeholder relationships** An effective family business organisation promotes **effective stakeholder relationships** that are aligned to the company's purpose. The organisation's leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and considers their views when taking decisions**.**	Business organisations should: • Consult and involve employees and family members; • Communicate to employees any changes that affect them, whether as individuals or collectively; • Develop a process of periodic discussions with managers to assess the efficiency of employee practices; and • Develop an employee/workers' manual that describes issues pertaining to employees including their rights.

	PRINCIPLES	SUGGESTED PRACTICES
7	**Respect human rights** Family business organisations should **respect human rights** wherever they operate and whatever their size or industry.	Business Organisations should: • Understand national and international legislation on human rights; • Comply with the Global Compact principles of human rights; and • Comply with the African Union's specification of human rights in Agenda 2063.
	Family business organisations should not engage in unfair labour practices.	They should: • Comply with national legislation on labour practices; and • Comply with the Global Compact principles on labour practices.
	Family business organisations should **not engage child labour**.	They should comply with national legislation on child labour.
8	**Environmental impact** Family business organisations should consider the **environmental impact** of their operations.	They should: • Understand their environment; • Use environmentally-friendly inputs and technology; • Avoid wasteful approaches in its operations; and • Encourage and advise organisations in their supply chains to adopt environmentally-friendly approaches in their operations.
9	**Leverage networked technologies** Family business organisations should **leverage networked technologies** to facilitate economic exchange, transfer information, connect people and generate value effectively and efficiently**.**	They should: • Develop an IT capacity development strategy; • Invest in a website and an online media presence; • Invest in basic IT infrastructure – laptop and mobile phone; • Engage all employees on and reward them for innovation; • Ensure that all employees acquire training on data security, reputational risk associated with inappropriate data protection; and • Ensure continuous training of the Board and management to enable them to deal with the issues arising from AI.

	PRINCIPLES	SUGGESTED PRACTICES
10	**Commitment to African integration** Family business organisations should be **committed to African integration.**	• Promote trade across African borders; • Establish and strengthen regional value chains and procure services, skills and goods from across the Continent; • Promote regional economic clusters to enhance the competitiveness of African firms; • Promote movement of company staff across borders to different trading sites to build the capacity in other African countries; • Respect the laws and regulations of the different countries and engage with regulators to achieve policy coherence in line with the objectives and goals of regional integration under the AfCFTA • Identify strategic opportunities for market entry or expansion in African countries; • Establish subsidiaries, joint ventures, or partnerships with local businesses to leverage local knowledge and resources; • Create job opportunities for local communities by hiring and training local employees; • Develop training programs, apprenticeships, and internship opportunities to enhance skills development and promote career advancement among the African workforce; • Allocate resources and participate in CSR projects focused on education, healthcare, environmental sustainability, and community development in African regions where the business operates; • Partner with local NGOs, community organizations, and government agencies to address pressing social issues and contribute to sustainable development goals.

APPENDIX E

Principles and Recommended Practices for the Informal Sector

<table>
<tr><th></th><th>PRINCIPLES</th><th>SUGGESTED PRACTICES</th></tr>
<tr><td rowspan="4">1</td><td>A shared purpose
An effective informal sector business organisation is guided by a shared purpose, ensuring that its operating strategy, vision, mission, values, and organisational culture add value to the society and respect the diverse interests of people</td><td rowspan="4">An informal sector business should:
• Constantly remember why it is in business and think about how its operations affect those around it;
• Establish how the business activities can help it to meet its key objectives – family basic needs, school fees, rent, clothing, food etc.;
• Be fair and considerate to those who assist in the business;
• Be fair and fulfil the expectations of the informal apprenticeship systems;
• Acknowledge the views and wellbeing of employees and apprentices (these could relate to pension or employee benefit schemes);
• Consider being a part of business and trade associations, or local government schemes;
• Pay local rates;
• Keep the working environment clean and safe for everyone;
• Deliver on its promises in a timely and professional manner; and
• Be honest and fair about dealings with clients.</td></tr>
<tr><td>Informal sector business organisations should be inclusive, recognising their stakeholders' uniqueness and creating a sense of common social identity among them.</td></tr>
<tr><td>Informal sector business organisations should have a sense of place and belonging.</td></tr>
<tr><td>Informal sector business organisations should
Establish and maintain trust with stakeholders</td></tr>
<tr><td>2</td><td>A clear governance framework
An effective informal sector business organisation is guided by a clear governance framework.</td><td>It should:
• Comply with the legislation of the relevant local authority and the national legislation;
• Understand the legal requirements and expectations of the government, including what the government has put in place to support the growth and development of informal entities (such as incentives, tax exemptions, business opportunities); and
• Follow the guidance by advisors, consultants and mentors – to understand what the government has put in place to support the growth and development of informal entities (such as incentives, tax exemptions, business opportunities).</td></tr>
</table>

	PRINCIPLES	SUGGESTED PRACTICES
	Informal sector business organisations should have governance structures that ensure **accountability and transparency**.	They should: • Follow the guidance and recommendations made by relevant trade or business associations; • Follow the guidance provided by relevant government ministries or agencies; and • Consider how to relate with suppliers and customers in the conduct of the business.
	Informal sector business organisations should have an effective and regular **financial reporting system**.	They should comply with disclosure requirements and conduct specified by relevant trade or business associations.
	Informal sector business organisations should ensure their **long-term survival** by identifying opportunities to create and preserve value.	They should: • Anticipate the event of losing a salient supplier or buyer; • Identify the business' key stakeholders whose contribution determines the survival of the business; • Consider changes in government (local and central) policies, regulations and laws. Such changes may bring opportunities or threats to the trader's revenue stream; • Be aware of changes in trade associations' policies; • Avoid over-reliance on one person whether that is in management or a supplier; • Check regularly that its products or services are not substandard; • Practice basic book-keeping and cash flow management; • Check regularly that it does not run out of cash to order new supplies; • Ensure that cash sources and bank accounts of the business are separate from those of the owner; and • Have at least a basic understanding of regulatory requirements and compliance.
3	**A risk management framework** Informal sector business organisations should establish a comprehensive and proactive **risk management framework** that identifies, assesses, mitigates, monitors, and reports on risks across all levels and functions.	• Engage with local business associations, cooperatives, and community groups to build a support network; • Share knowledge and resources on risk management practices, market trends, and regulatory changes; • Create informal agreements and mutual aid pacts to support each other during crises, such as pooled savings or emergency funds. • Implement basic financial and operational controls to enhance business stability and reduce risks; • Maintain simple but effective financial records, including income and expense tracking; • Use basic accounting tools or mobile apps to monitor cash flow and financial health;

	PRINCIPLES	SUGGESTED PRACTICES
		• Establish clear procedures for inventory management, procurement, and sales to minimize operational disruptions and losses; • Participate in local workshops, training programmes, and mentorship schemes offered by NGOs, government agencies, or community organizations; • Focus on developing essential skills such as financial literacy, basic accounting, business planning, and crisis management; • Encourage employees or family members involved in the business to undergo training to build a more knowledgeable and capable workforce.
4	**Inclusive leadership and decision-making processes** An effective informal sector business organisation develops and promotes authentic and **inclusive leadership and decision-making processes**, committing to rational and ethical business practices**.**	It should: • Develop mechanisms for incorporating external advice; • Develop personal leadership skills through attending trade association meetings and learning from mentors; • Develop financial and IT literacy; and • Draw decision-making approaches from the mistakes or successes of the past. This means the organization should keep a record of key events in its operations.
5	**Disclosure and Transparency** An effective informal sector business organisation should ensure that timely and accurate **disclosure** is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the Business Organisation**.**	• Maintain simple yet accurate financial records to track income, expenses, and profits; • Use basic accounting tools or software, or even a ledger book, to document all financial transactions. Share these records with key stakeholders such as business partners, suppliers, and community leaders; • Provide regular updates on business performance and key activities; • Clearly define and communicate the roles and responsibilities of each member involved in the business; • Create simple documents or agreements that outline each member's duties and share these with all involved parties; • Establish open lines of communication with all stakeholders to build trust and transparency; • Use informal meetings, word-of-mouth, or community boards to update stakeholders on business developments, solicit feedback, and address any concerns promptly; • Keep records of important business practices and transactions to ensure transparency; • Document agreements with suppliers, customers, and partners, and maintain records of major transactions. Share these documents with relevant stakeholders when needed.

	PRINCIPLES	SUGGESTED PRACTICES
6	**Effective stakeholder relationships** An effective informal sector business organisation promotes **effective stakeholder relationships** that are aligned to the company's purpose. The organisation's leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions**.**	It should: • Develop a habit of discussing informally with clients or members of the community about what they expect from their services or products; • Have open discussions with people who work for or help them; and • Consider how to relate with suppliers and customers in the conduct of the business.
7	**Respect of human rights** Informal sector business organisations should **respect human rights** wherever they operate and whatever their size or industry.	They should comply with national law on human rights.
	Informal sector business organisations should not engage in unfair labour practices.	They should treat your workers, apprentices or assistants fairly.
	Informal sector business organisations should not engage in child labour.	They should comply with national laws on child labour.
8	Informal sector business organisations should **consider the environmental impact** of their operations**.**	They should: • Use resources such as water or energy responsibly; • Keep the place where you work clean; and • Dispose of waste in a responsible manner.
9	**Leverage networked technologies** Informal sector business organisations should **leverage networked technologies** to facilitate economic exchange, transfer information, connect people and generate value effectively and efficiently.	They should: • Develop an IT Capacity Development strategy; • Invest in a Website and an online media presence; • Invests in basic IT infrastructure – laptop and mobile phone; • Engage all employees on and reward them for innovation; • Ensure that all employees acquire training on data security, reputational risk associated with inappropriate data protection; and • Ensure continuous training of the board and management to deal with the issues arising from AI.

	PRINCIPLES	SUGGESTED PRACTICES
10	**Commitment to African integration** Informal sector business should be **committed to African integration.**	• Participate in local trade networks and markets within African countries; • Engage with local markets, trade fairs, and community events to showcase products and services; • Network with other informal businesses and suppliers to explore collaboration opportunities and expand market reach within the region; • Establish partnerships with local farmers, artisans, and small-scale manufacturers to strengthen supply chains and support local economies; • Encourage fair trade practices and ethical sourcing principles to promote economic empowerment and sustainability; • Collaborate with local authorities, industry associations, and advocacy groups to influence policies that support inclusive growth and facilitate market access for informal businesses; • Respect the laws and regulations of the different countries and engage with regulators to achieve policy coherence in line with objectives and goals of regional integration under the AfCFTA.

APPENDIX F

Principles and Recommended Practices for NGOs

	PRINCIPLES	SUGGESTED PRACTICES
1	**A shared purpose** An effective NGO is guided by a **shared purpose**, ensuring that its operating strategy, values, and organisational culture, align with the shared purpose**.**	NGOs should: • Clearly define the purpose of the NGO, which must be consistent with African values, in the founding document; • Display vision, purpose and values of the organisation in the offices, on its website (if applicable) and in the organisation's literature, pamphlets, and other documentation, including its strategic plans, annual reports and newsletters; • Ensure that resources and activities are devoted to promoting the organisation's public benefit purpose and not to advance personal agendas (e.g. private profit, political candidacy or capital, individual reputation or any other self-benefits); • Ensure that any significant change of purpose results from a formal decision, following consultation with members, donors and the beneficiary community; • Ensure that any change to the purpose must be in accordance with the relevant laws and regulations of the country; • Emphasise the importance of working together for the achievement of a common purpose; • Communicate with and treat all employees and beneficiaries fairly and with respect; • As far as possible, recognise the value of diversity by including all employees and beneficiaries in decision-making processes; • Ensure that Board members and all people who represent or act on behalf of the organisation act honestly, refraining from unethical acts such as theft, corruption, lying or deceit; • Remain true to the purpose and do not get involved in unrelated causes, however, good; • Ensure that Board members or people who represent or act on behalf of the organisation avoid conflict of interest; • Ensure that, where necessary, Board members declare conflicts of interest. This may be the case of community-based organisations, where community members are not only beneficiaries but often also serve on the organisation's executive committee; and • Avoid appointment of relatives or friends as employees of an NGO, or as paid consultants or service providers.
	NGOs should be **inclusive**, recognising their stakeholders' uniqueness and creating a sense of **common social identity** among them.	
	NGOs should have a sense of **place** and **belonging**.	
	NGOs should establish and maintain **trust** with their stakeholders.	

	PRINCIPLES	SUGGESTED PRACTICES
2	**A clear governance framework** An effective NGO is guided by a **clear governance framework.**	NGOs should: • Separate the roles of the Chief Executive and Chairperson of the Board; and • Recruit board members with knowledge, skills and time, considering other forms of diversity.
	NGOs should have governance structures that ensure **accountability and transparency**.	NGOs should: • Ensure that there is effective and transparent financial reporting; • Disclose and publish the sources of finance, staffing policies and how the budget was used; and • Publish audited annual financial statements.
	NGOs should have an effective and regular **financial reporting system**.	NGOs should ensure that they have adequate financial systems and controls.
	NGOs should ensure their **long-term survival** by identifying opportunities to create and preserve value.	NGOs should: • Ensure that the organisation remains adequately funded to be in a position to meet its anticipated costs and commitments to employees and beneficiaries; • Maintain a good reputation in the community and with the rest of the stakeholders; and • Appoint a special committee charged with responsibility for risk.
3	**A proactive risk management framework** NGOs should establish a comprehensive and proactive **risk management framework** that identifies, assesses, mitigates, monitors, and reports on risks across all levels and functions**.**	• Develop and implement clear governance structures and oversight mechanisms within the NGO; • Establish a governance framework that defines roles, responsibilities, and decision-making processes; • Formulate policies and procedures for financial management, project oversight, and compliance with regulatory requirements; • Ensure transparency and accountability in all organizational activities through regular audits, reviews, and reporting to stakeholders. • Conduct comprehensive risk assessments to identify and prioritize potential risks faced by the NGO; • Engage stakeholders, including staff, volunteers and beneficiaries in the risk assessment process;

	PRINCIPLES	SUGGESTED PRACTICES
		• Evaluate risks related to programme implementation, financial management, cybersecurity, safety and security of personnel, and reputational risks; • Develop risk management plans that include mitigation strategies, contingency plans, and monitoring mechanisms to address identified risks effectively; • Invest in capacity building and training programmes to enhance staff and volunteer skills in risk management: - Provide training on risk identification, assessment methodologies, and crisis response protocols; - Equip staff with knowledge of legal and regulatory requirements relevant to NGO operations; - Foster a culture of risk awareness and proactive risk management among employees and volunteers through workshops, seminars, and ongoing professional development opportunities; • Form alliances with peer organizations, local NGOs, community groups, and government agencies to share resources, expertise, and best practices in risk management; • Collaborate on joint initiatives and information-sharing networks to address common challenges and leverage collective strengths; • Monitor political, economic, social, and environmental factors that may impact NGO operations and programs; • Stay informed about local contexts and cultural sensitivities in regions where the NGO operates to mitigate operational risks and ensure program relevance and effectiveness; • Regularly evaluate the effectiveness of risk management strategies and adapt approaches based on lessons learned and changing circumstances; • Conduct post-project evaluations, impact assessments, and reviews to assess the success of risk mitigation efforts and improve future planning.
4	**Authentic and inclusive leadership and decision-making processes** An effective NGO develops and promotes authentic and **inclusive leadership** and decision-making processes, committing to rational and ethical business practices**.**	NGOs should: • Ensure that Board members have knowledge, skills and time to be effective in their role; The Board should: • Ensure that the vision, purpose, and values of the organisation are clearly defined and instilled throughout the organisation;

	PRINCIPLES	SUGGESTED PRACTICES
		• Encourage initiative, including income generation; • Hold managers to account; • Provide management with the resources they need to implement the organisation's common vision and strategy. • Be guided by the organisation's purpose in decisions of the Board and management; • Ensure that its decision-making is informed by knowledge, research, and a participative process; and • Ensure that decisions are made independently and impartially, without undue influence from any particular constituency or interest group.
5	**Disclosure and Transparency** An effective NGO should ensure that timely and accurate **disclosure** is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the NGO**.**	• Create a policy that outlines what information should be disclosed, to whom, and how frequently; • Produce detailed financial statements to provide transparency on financial health and spending; • Publish annual financial reports that include income, expenses, and balance sheet information. Share these reports with donors, partners, beneficiaries, and regulatory authorities; • Provide regular updates on project progress, outcomes achieved, and challenges faced. Use impact assessments and case studies to demonstrate effectiveness and transparency in achieving organizational goals; • Disclose information on governance structures, leadership, and decision-making processes; • Publish governance documents such as organizational bylaws, board composition, and roles of key personnel; • Hold annual general meetings (AGMs) or stakeholder meetings to discuss governance matters and solicit feedback; • Develop and communicate a code of ethics and conduct for staff, volunteers, and partners.
6	**Effective stakeholder relationships** An effective NGO promotes **effective stakeholder relationships** that are aligned to the company's purpose. The organisation's leadership is responsible for overseeing meaningful engagement with stakeholders, including the workforce, considering their views when taking decisions**.**	NGOs should: • Always be fair in relationships with other organisations, and in programmes and activities, including with the selection of beneficiaries, and equal access to services and support; • Demonstrate a clear commitment to democratic processes involving wide-range consultation and feedback when conducting its affairs and in its relationships with each of its stakeholders; • Ensure that employees are fairly treated, adequately represented, and appropriately consulted; and that a culture of participatory decision making is encouraged throughout the organisation; • Ensure that beneficiaries and communities are valued, respected, treated with dignity and given the opportunity to have a say on the quality of services they receive; and • Provide fair remuneration and employment conditions to employees.

	PRINCIPLES	SUGGESTED PRACTICES
7	**Respect of human rights** NGOs should **respect human rights** wherever they operate and whatever their size or industry**.**	NGOs should: • Understand national and international legislation on human rights; • Comply with the Global Compact principles of human rights; and • Comply with the African Union's specification of human rights in Agenda 2063.
	NGOs should **not engage in unfair labour practices**.	NGOs should comply with: • national legislation on labour practices; • the Global Compact principles on labour practices NGOs should comply with.
	NGOs should not engage in child labour.	NGOs should comply with national legislation on child labour.
8	**Environmental impact** NGOs should consider the **environmental impact** of their operations**.**	NGOs should: • Understand the environment well; • Avoid wasteful approaches in your operations; • Be aware of the organisation's environmental impact, acting responsibly to minimise negative effects; and • Comply with relevant laws and regulations.
9	**Leverage networked technologies** NGOs should **leverage networked technologies** to facilitate economic exchange, transfer information, connect people and generate value effectively and efficiently**.**	NGOs should: • Develop an IT Capacity Development strategy within the organisation; • Invest in a Website and an online media presence; • Invests in basic IT infrastructure – laptop and mobile phone; • Engage all employees on and reward them for innovation; • Ensure that all employees acquire training on data security and reputational risk associated with inappropriate data protection; and • Ensure continuous training of the Board and management to deal with the issues arising from AI

	PRINCIPLES	SUGGESTED PRACTICES
		• Harness technology and digital tools to enhance program delivery, data collection, and monitoring in the country; • Invest in digital literacy initiatives, mobile platforms, and information and communication technology (ICT) infrastructure to bridge digital divides and empower marginalized communities.
10	**Commitment to African integration** NGOs should be **committed to African integration**.	• Form partnerships and collaborate with local NGOs, community-based organizations, and governmental agencies across African countries; • Establish joint initiatives and projects that address regional challenges such as healthcare, education, poverty alleviation, and environmental sustainability; • Foster collaboration through shared resources, expertise, and networks to maximize impact and promote integration; • Advocate for policies and regulations that promote regional integration, social justice, and human rights across African countries; • Engage in advocacy campaigns, policy dialogues, and grassroots mobilization efforts to influence decision-makers and promote legislative frameworks that support cross-border cooperation, equitable development, and protection of vulnerable populations; • Provide technical assistance, workshops, and mentoring to local NGOs and community leaders to enhance organizational effectiveness, governance practices, and project management skills; • Share best practices, research findings, and innovative solutions through workshops, conferences, and online platforms to foster learning and collaboration across the region.

APPENDIX G

Policy recommendations on the roles of the State to improve the business climate

To demonstrate their commitment to improve the business climate and enhance African corporate governance, Governments should:

- Ensure the relevance, consistency and effectiveness of the legal and regulatory framework governing corporate governance and the business world;
- Streamline and simplify all procedures, particularly those relating to the creation or transfer of businesses;
- Put in place an institutional architecture to develop corporate governance;
- Reform corporate governance in a gradual and phased manner while leaving room for the actors concerned to take into account the specificities of the companies in question and their particular contexts;
- Work with regulatory bodies and executing agencies that are relatively independent of both the executive power and economic actors, while preserving the consistency of State action;
- Promote the use of digital technology in the interactions of economic agents to simplify procedures, facilitate better information exchange and improve business continuity concerning goods or services for the benefit of consumers;
- Ensure the consistency, readability and control of international cooperation programmes aimed at developing entrepreneurship and enterprises;
- Ensure proper representation of private sector actors and establish a permanent framework for dialogue and consultation between the State and the national and foreign private sector;
- Put in place policies and structures to promote and regulate free competition and make it a source of innovation and progress;
- Improve all the infrastructure necessary for mobility and production (urban, rural, road, port, rail, airport, telecommunications, etc.), develop logistics and lower transaction costs;
- Take into account the spatial and territorial dimension as well as historical trajectories and experiences in the definition of business development policies;
- Make public procurement governance a lever for the development of national and local enterprises;
- Link banking sector performance to greater financial inclusion and better financing of the economy;

- Put monetary policy and Central Bank independence at the service of economic and financial development;
- Put in place a relevant regulatory framework, institutions, system and strategies to check corruption;
- Cope with different types of anti-competition practices and situations of monopoly or unfair competition;
- Adapt labour legislation to universal workers' rights and the particular interests of enterprises;
- Ensure the protection of trade union freedoms and the development of good trade union governance;
- Encourage enterprises to improve working conditions, promote decent work and occupational safety and health;
- Promote and defend consumer rights; and
- Develop fiscal citizenship and make taxation a development and regional integration tool.
- Generalize the use of governance codes that are based on international standards and African Union principles while taking into account national specificities. Such guides should be regularly evaluated and updated in a participatory manner;
- Improve the quality of accounting and financial information and develop professions relating to control, auditing and evaluation (chartered accountant, auditor, etc.);
- Reinforce the obligations to communicate to the general public and transmit information to stakeholders and ensure the transparency of economic and financial transactions;
- Safeguard the rights of all shareholders and, in particular, those of minority shareholders in Company laws and regulations of the country. Such respect for rights should be one of the main goals of the financial market regulator. In particular, it presupposes equitable access to information and the proper Organisation of shareholders' meetings.

1.1. **Recommendations for large non-listed companies and SMEs**

To improve implementation of governance guidelines by large companies and African SMEs the State should:

Support the development of national enterprises by reconciling competitiveness, equity in terms of access to resources and sustainability, while taking care to guard against rent-seeking tendencies;

- Support the emergence of "national champions without undermining the principle of free competition";
- Attract foreign investors likely to create a knock-on effect on the rest of the economy while avoiding any form of social, fiscal or environmental dumping;
- Diversify the conditions and possibilities of financing enterprises;
- Put in place a legal framework and incentives to promote democracy and strengthen participatory mechanisms within companies;
- Promote citizenship and corporate social responsibility by establishing a normative framework and a strategy to promote CSR.

1.2. **Recommendations for family businesses**

To improve implementation of corporate governance guidelines by family businesses, the State should:

- Pay particular attention to the specificities of family businesses in order to consolidate transparency in their activities;
- Direct leaders towards training structures on entrepreneurship, management and business management;
- Promote national enterprises by allocating a share of public procurement contracts to them.

1.3. **Recommendations for the informal sector**

To improve implementation by the informal sector of the Corporate Governance Guidelines the State should:

- Coordinate all its policies to establish an entrepreneurial eco-system that promotes entrepreneurship and consolidates the entrepreneurial culture;
- Adopt a pedagogical and incentive approach to help informal sector enterprises develop their management techniques, to convince them and support them in the gradual formalization of their activities, within the framework of a global vision of the economic fabric that balances social and economic imperatives;
- Develop a relatively detailed knowledge of the informal sector, so as to understand its operating logic, offer it local services (particularly in terms of training) and strike a balance between the social considerations that justify support for the informal sector and the economic considerations relating to the protection of SMEs in the formal sector from unfair competition.

1.4. Recommendations for NGOs

Governments should:

- Create an environment for fostering NGO activity. For NGOs to fulfil their purpose, there is a need for an environment in which voluntary associations can organize themselves without unnecessary obstruction from the State. Such space also requires a government that is using its power to facilitate development and encourage popular participation of civic leaders;
- Facilitate registration, regulation and coordination of NGOs. Coordination is necessary as it avoids duplication and ensures that NGO work fits in with the government's own development plan or emergency policies, ensuring the judicious use of funds to meet the most urgent needs;
- Adopt relevant legislation that addresses NGO accountability and transparency;
- Develop the capacity to monitor NGO operations, including full disclosure of their sources of funding, accounting practices and fair treatment of their staff;
- Put in place an efficient system of approving NGO proposals to allow the latter to implement projects in a timely manner.

APPENDIX H

List of participants at the validation meeting

	Organisations	Country of Origin
1.	Moroccan Institute of Directors	Kingdom of Morocco
2.	Moroccan Capital Market Authority	Kingdom of Morocco
3.	Internal Audit of Bank Al Maghrib	Kingdom of Morocco
4.	BMCI Bank	Kingdom of Morocco
5.	Ethic Commission and Good Governance	Kingdom of Morocco
6.	African Peer Review Mechanism	United Kingdom
7.	African Peer Review Mechanism	Republic of Tunisia
8.	African Peer Review Mechanism	Republic of Senegal
9.	African Corporate Governance Network	Federal Republic of Nigeria
10.	Institute of Directors Nigeria	Federal Republic of Nigeria
11.	Advisory Group - Kenya	Republic of Kenya
12.	Institute of Directors - Kenya	Republic of Kenya

13.	Advisory Group – Congo	Republic of the Congo
14.	New Partnership for Africa's Development (NEPAD)	Republic of the Congo
15.	Advisory Group - Cote d'Ivoire	Republic of Cote d'Ivoire
16.	L'Institut National des Administrateurs de Cote d'Ivoire	Republic of Cote d'Ivoire
17.	Advisory Group- Nigeria	Federal Republic of Nigeria
18.	The African Development Bank-Strategic Partner	Republic of South Africa
19.	The UN Global Compact	United States of America
20.	The African Union Commission on Economic Affairs	Federal Republic of Ethiopia
21.	Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA)	Federal Republic of Ethiopia
22.	Ethiopian Institute of Corporate Governance	Federal Republic of Ethiopia
23.	Bourse Régionale des Valeurs Mobilières (BRVM)	Republic of Cote d'Ivoire
24.	COWI	Republic of Mozambique
25.	Deloitte	Republic of Senegal
26.	Agence pour la promotion des investissements et grands travaux (APIX).	Republic of Senegal
27.	Ordre national des Experts comptables et Comptables agréent du Sénégal (ONECCA)	Republic of Senegal

28.	Institute of Directors- Mozambique	Republic of Mozambique
29.	Bolsa de Valores de Moçambique (BVM)	Republic of Mozambique
30.	African Peer Review Mechanism	People's Democratic Republic of Algeria
31.	South African Chamber of Commerce and Industry	Republic of South Africa
32.	Black Business Council	Republic of South Africa
33.	The Good Governance Academy	Republic of South Africa
34.	Business Unity South Africa (BUSA)	Republic of South Africa
35.	Corporate Governance Framework Research Institute	Republic of South Africa
36.	Johannesburg Stock Exchange (JSE)	Republic of South Africa
37.	Development Bank of Southern Africa (DBSA)	Republic of South Africa
38.	New Partnership for Africa's Development (NEPAD) Business Foundation	Republic of South Africa
39.	Department of International Relations and Cooperation	Republic of South Africa
40.	African Union International Trade and Economic Development	Republic of South Africa
41.	Institute of Directors - Ghana	Republic of Ghana
42.	National Board for Small Scale Industries	Republic of Ghana

43.	Ghana National Chamber of Commerce & Industry	Republic of Ghana
44.	Treasury Register Office	United Republic of Tanzania
45.	Uganda Chapter for Corporate Social Responsibility Initiatives (UCCSRI)	Republic of Uganda
46.	Institute of Corporate Governance of Uganda	Republic of Uganda
47.	Dynamic Concepts Ltd Corporate Governance Consulting	Republic of Zambia
48.	Institute of Directors Zambia	Republic of Zambia
49.	Ministry of Financial Services and Good Governance	Republic of Mauritius
50.	Mauritius Institute of Directors	Republic of Mauritius
51.	Law Reform Commission	Republic of Mauritius
52.	Economic Development Board	Republic of Mauritius
53.	Ministry of Industrialisation, Trade & SME Development	Republic of Namibia
54.	Ministry of Public Enterprises	Republic of Namibia
55.	Ministry of Public Enterprises	Republic of Namibia
56.	Namibia Institute of Corporate Governance (NICG)	Republic of Namibia

57.	Public Enterprises Evaluation and Privatisation Agency (PEEPA)	Republic of Botswana
58.	Circle for Economic Foresight and Economic Intelligence	Republic of Chad
59.	Public Enterprise Unit (PEU)	The Kingdom of Eswatini
60.	Afrexim Bank	Arab Republic of Egypt
61.	Egyptian Institute of Directors	Arab Republic of Egypt
62.	Public Enterprise Monitoring Commission (PEMC)	Republic of Seychelles
63.	Institute of Management of Assets and State Participations (IGAPE)	Republic of Angola
64.	L'Institut Arabe des Chefs d'Entreprise	Republic of Tunisia

APPENDIX I

Decision of the Executive Council

"EXECUTIVE COUNCIL Forty-Second Ordinary Session 15 - 16 February 2023 Addis Ababa, Ethiopia EX.CL/Dec.1189-1216(XLII) EX.CL/Decl.1(XLII)

TAKES NOTE of the Reports and the Declarations of the Fifth (5th) Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration held on 21 and 22 July 2022 in Lusaka, Zambia, in a hybrid format;

COMMENDS the STC for the recommendations endorsed on the critical theme of "Improving Africa's access to capital: debt management and the rising influence of credit rating agencies" in light of the current global economic environment and the urgent need to secure adequate financing for Africa's inclusive growth and sustainable development;

FURTHER ADOPTS the African Principles and Guidelines on the Corporate Governance and requests the African Peer Review Mechanism Secretariat and the African Union Commission to assist the Member States in their implementation".

APRM African Peer Review Mechanism | An Institution of the African Union

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