1. Purpose of Corporate Governance

Corporate Governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital.

Corporate Governance helps to:

- Enhance corporate performance;
- Provide strategic direction and well-articulated corporate strategies;
- Provide a mechanism for benchmarking of accountability;
- Assist in detection & prevention of fraud, dishonest practices and unethical behavior;
- Improve decision making processes and enhance efficiency of business operations;
- Ensure that companies have well defined policies, procedures and processes for risk management and control;
- Provide guidance on the activities of Board of Directors, Board Committees and other relevant governance groups within companies; and
- Enhance reputation through increased transparency and accountability.

2. What is Corporate Governance

"Corporate Governance is concerned with holding a balance between economic and social goals and between individual and communal goals. The aim is to align as nearly as possible the interests of individuals, corporations and society."

Sir Adrian Cadbury, Corporate Governance overview 1996, World Bank Report

"Corporate Governance is an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity."

Gabrielle O'Donovan – 2003, Author of "The Corporate Culture Handbook"

Corporate Governance relates to the relationships between Management, Board of Directors, Controlling Shareholders, Minority Shareholders and other Stakeholders.
Corporate Governance focuses on three key elements: Direction, Control and Relationships.

- **Direction**
  Refers to decisions that relate to setting the overall strategic direction of companies such as:
  - Long-term strategic decisions;
  - Large scale investment decisions;
  - Succession planning and appointment of key personnel such as Chairman, CEO, Board of Directors;
  - Mergers and acquisitions.
- **Control**
  Refers to all actions necessary to oversee the management performance and follow up on the implementation of the strategic decisions set above.
- **Relationships**
  Refers to interactions among the Shareholders, Directors of the Board and Management.

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An important element of any good Corporate Governance structure is a clear definition of the role, duties, rights and expectations of each of the governing bodies.

3. Importance of Corporate Governance

The importance of Corporate Governance lies in its contribution to business prosperity and accountability. Good governance instills investor confidence. Investment decisions taken by the local and international investors are impacted by governance practices. As markets compete to attract capital from world over, companies are gauged by the investors using factors that demonstrate sustainable track record. In order for companies to compete globally, they have to follow enhanced Corporate Governance standards. This is a major factor towards making capital markets transparent, protecting rights of minority shareholders and attracting / retaining foreign investment.

Improved Corporate Governance practices also increase access to markets and lower the cost of capital which encourages new investments, boosts economic growth and provides employment opportunities. Businesses that operate more efficiently tend to allocate and manage resources more sustainably. Better stakeholder relationships help companies address environmental protection, social and labor issues.

Sound Corporate Governance makes companies stronger, more efficient & accountable and supports implementation of good environmental and social practices. Developing countries require achieving these goals by putting in place, Corporate Governance practices that allow businesses to mitigate risk, safeguard against mismanagement, and attract investment & capital that fuels their growth.

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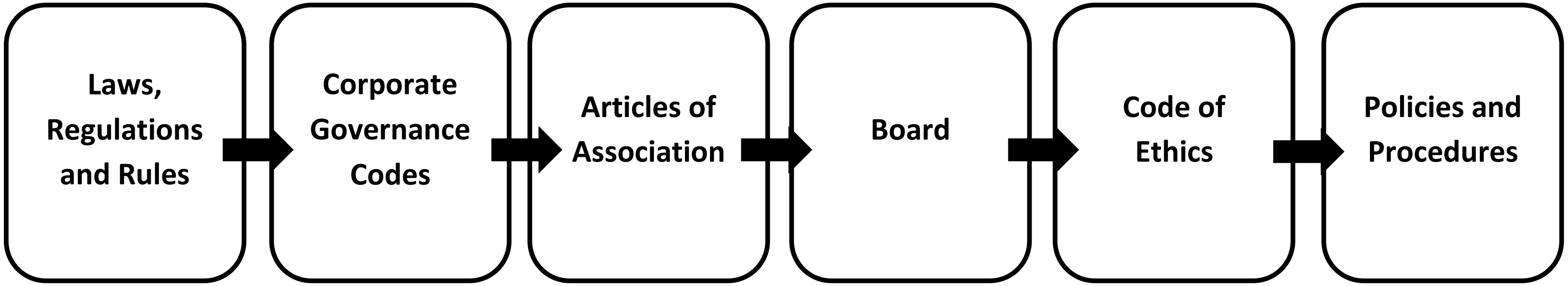
4. Corporate Governance Framework

Corporate Governance framework may simply be represented as follows:



The framework revolves around:

- Inclusive Approach
- Internal Audit (Risk Based)
- Responsible Investment
- Alternative Dispute Resolution
- Remuneration Policies
- Reputation
- Supply Chain Conduct & Monitoring
- IT Governance and Security
- Greater Transparency
- Board Evaluation
- Stakeholder Relationships
- Risk Management
- Greater Expectation from Shareholders
- Sustainability, Integrated Thinking and Reporting

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5. Pillars of Corporate Governance (RAFT)

Corporate Governance framework shall support and promote the following four (4) pillars of governance as a good practice followed in industry:

- **Responsibility**
  Demonstrate a behavior that sets, promotes & implements right culture, values and tone.

- **Accountability**
  Ensure that Management is accountable to the Board and the Board is accountable to the Shareholders.

- **Fairness and Integrity**
  Consistently apply moral and ethical standards to protect Stakeholders interests.

- **Transparency**
  Ensure timely and accurate disclosure on all material issues including information relating to financial, non-financial and operational matters.

6. Key Elements of Effective Corporate Governance

The following represent five (5) key elements of an effective Corporate Governance system:

- Good board practices
- Effective control processes
- Transparent disclosure
- Well defined shareholder rights
- Board commitment

7. Benefits of Adopting Good Corporate Governance Practices

Among numerous other benefits, following are achieved as a result of adopting good corporate governance practices:

- Improved access to external financing
- Enhanced firm valuation
- Improved shareholders performance
- Reduced risk of crisis and scandals
- Stakeholder satisfaction
- Compliance with law and reduced litigation
- Transparency
- Enhanced reputation

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8. Corporate Governance (CG) Officer

The Board shall be the custodian of and primarily responsible for ensuring that the company follows good CG practices. To assist the Board in its role as CG custodian, the company shall appoint a Corporate Governance (CG) Officer from the Senior Management cadre to ensure corporate governance code effective implementation and compliance with regulatory framework. This activity shall be carried out by the incumbent in addition to his regular functional responsibility with formal reporting on a quarterly basis. The results shall be reported to the CEO and communicated to the Board.

The Corporate Governance (CG) Officer shall have legal or business qualification (as LLM or MBA from a recognized university) with relevant experience in policy making, management consulting, regulatory compliance, performance management having worked collaboratively with stakeholders and the Board in ensuring good corporate governance. Preferred skills for the position would include:

- Strong analytical and problem solving skills.
- Demonstrated ability to analyze and interpret business and regulatory information and advice.
- Ability to communicate effectively with individuals up, down and across the organization.
- Experience of conducting investigatory interviews.
- Good judgment and ability to handle confidential business matters in a fair and consistent manner.
- Strong relationship management and experience in dealing with senior management.

Corporate Governance (CG) Officer shall possess high ethical standards with good people skills and strong attention to detail for success of the activity.

9. Enablers for Good Corporate Governance

Following are enablers of effective corporate governance:

- **Leadership**
- **Strategy**
- **Organizational structure & culture**
- **Business plan**
- **Systems & processes**
- **Creative risk management**
- **Enterprise resource management system**
- **Customer orientation**
- **Change management**
- **Budgeting**

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- **Learning Transformation**
- **Communication**
- **Continuous improvement**

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