

## **GOVERNANCE OF BOAD**

The corporate governance principles adopted by BOAD are based, inter alia, on transparent operations and accounts, a stringent control system, an independent external control system, an efficient information system (ISO 27001 certified), constant updating of staff knowledge and a decision-making process based on the participation and accountability of staff. The Bank implements a result and performance-based management, with a system of management by objectives. For continuous improvement, management tools and procedures are regularly updated to ensure their continued conformity with the Bank's activities and international best practices.

BOAD has been rated investment grade since 2016 by Moody's and Fitch rating agencies, which have periodically reviewed these ratings.

The Bank's governance structure and its control and risk management system are presented below.

### **A. GOVERNANCE STRUCTURE**

BOAD's governance structure involves the governing bodies and the internal management bodies.

#### **1. Governing bodies**

##### **1.1 The Conference of Heads of State and Government**

The Conference of Heads of State and Government is primarily responsible for defining WAEMU's broad policy guidelines. It is composed of all the Heads of State and convenes once every year. In 2021, it held one (1) ordinary meeting.

##### **1.2 The Council of Ministers**

The WAMU Council of Ministers is responsible for the "senior management and control" of the Bank. In this capacity, it is mandated, inter alia, to: i) approve the broad guidelines and strategies of the Bank, ii) issue directives to the Board of Directors as part of powers conferred to the latter, iii) appoint the Bank President and fix his remuneration, iv) appoint the External Auditor and fix his compensation, and v) approve the Bank's accounts. The Council of Ministers is the body authorized to amend the Bank's Articles of Association.

It is composed of two ministers from each WAMU member country with a single vote expressed by the Minister of Finance.

In 2021, the Council of Ministers held its four (4) ordinary meetings and three (3) extraordinary meetings.

##### **1.3 The Board of Directors**

The Board of Directors approves the increase/decrease of the capital, the investment in the capital of companies or institutions and the loans that may be granted by the Bank; approves the Bank's borrowings and the agreements relating to non-repayable loans; sets the general rules for the use of the Bank's available funds and adopts as well the annual accounts and activity report.

It is made up of:

- the President of the Bank who serves as Chairman,
- two (2) directors appointed by each member country of the Union,
- the Governor of the Central Bank of West African States (BCEAO) or his representative,

- the representatives of category B shareholders B<sup>1</sup>, in proportion to the amount of capital subscribed by them, their number not exceeding half of the representatives of category A shareholders.

The composition of the Board of Directors as at 31 December 2021 is shown in Annex 2 of the Bank's annual report

During the year, the Board held seven (7) ordinary meetings. It further held one (1) meeting by in-home consultation.

#### **1.4 The Board Committees**

##### **- The Audit Committee**

The Audit Committee was established in 2005. Its composition, appointment and term of office of its members are governed by the provisions of Article 20 of the BOAD's Articles of Association.

The Audit Committee's mission is to assist the Board of Directors in assessing (i) the integrity of the financial statements, accounting, financial reporting, as well as the effectiveness and relevance of the institution's information policies and procedures; (ii) soundness of the internal control system set up by Management to address financial and accounting issues and their effective implementation; (iii) the independence, competence and performance of the institution's External Auditor; (iv) the institution's risk assessment and management capacity. Its operation is governed by a charter approved by the Board in December 2005 and updated in September 2020.

The Committee is composed of four members, two of whom are representatives of WAMU member countries, one representative of the Governor of BCEAO and one representative of non-regional shareholders. The Audit Committee members' term of office is two (2) years, except for the representative of BCEAO who enjoys a permanent term.

The Audit Committee holds three (3) ordinary meetings annually. During the year under review, it examined : the Bank's financial statements as at 31/12/2020, the interim accounts as at 30/6/2021, the reports of the External Auditor, the situation of the portfolio, the interim financial statements as at 30/9/2021, the renewal of the external auditor's term of office, the review of the internal audit charter, the update of the internal audit quality assurance and improvement programme, the Corporate Controller's memo on the Bank's internal control, the 2021 activity report and the draft 2022 internal audit activity programme, status of the follow-up of the Audit Committee's recommendations and the status of the follow-up of implementation of the External Auditor's recommendations. Its works have been regularly reported on to the Board of Directors.

##### **- The Credit committee**

The Credit Committee reviews, on behalf of the Board of Directors, loan applications involving amounts not exceeding XOF5 billion, the urgency of which is incompatible with the decision deadlines in relation to the following ordinary meeting of the Board of Directors. It reports to the Board of Directors on the results of its proceedings.

The Committee is composed of six (6) directors appointed from among Board members as follows:

- the President of BOAD acting as Chairperson,
- the Governor of BCEAO or his representative,
- three (3) directors appointed by category A shareholders,
- one (1) director appointed by category B shareholders.

Their tenure is two (2) years non-renewable.

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<sup>1</sup> The Bank's shareholders other than the WAEMU member countries and BCEAO, which are the category A shareholders.

The operating procedures of the Committee shall be specified by a decision of the Board of Directors.

In 2021, the Committee held no meetings.

- **The CSR Committee**

The CSR Committee monitors the implementation of the CSR strategy and policy and the screening of CSR issues.

The Committee is composed of five (5) members appointed by the Board of Directors as follows:

- the Governor of BCEAO or his representative (permanent member);
- the directors who are nationals of member countries;
- the directors appointed by non-regional shareholders.

The Committee's term of office is two (2) years, renewable once. Its operating procedures are specified by a decision of the Board of Directors.

During 2021, the Committee held one meeting.

## **2. Internal management bodies**

### **2.1 The President's Office**

The Bank is managed by a President assisted by 2 Vice-Presidents. The President is appointed by the Council of Ministers of the Union for a renewable term of six (6) years, and the Vice-Presidents, by the Board of Directors, for a renewable term of five (5) years.

### **2.2 The Bank's organizational units**

The current organization chart of the Bank includes the President's Office, two Vice-Presidents, departments subdivided into domains. The Bank is represented by a Resident Mission in each of the seven (7) member countries of the Union, excluding Togo which hosts the headquarters.

### **2.3 Permanent task forces**

The decision-making process is collegial and participatory. As such, permanent internal task forces assist the Presidency or the Managers in the decision-making process. The main task forces include:

- ***the Executive Committee (COMEX)***: it includes the President of BOAD, the Vice-Presidents, the Special Advisor to the President, the Chief of Staff. It defines the Bank's strategic directions and ensures the compliance of the Bank's activities with its strategy. The Government meets weekly and as often as necessary;
- ***the Management Committee (CODIR)***: it brings together the President of BOAD, the Vice-Presidents, the Special Advisor to the President, the Chief of Staff, the Departmental Directors and the Chief Economist. It is a decision-making body whose purpose is to ensure collective decision-making. It convenes fortnightly and as often as necessary;
- ***the Approval Committee (CAG)***: it is responsible for the pre-screening of the ex-ante risk as regards private sector operations. In addition to economic and financial aspects, the Committee pays special attention to financial security (AML/CFT) related to the promoters and shareholders of projects to be financed.
- ***the Commitments Committee (CE)***: examines and makes recommendations on all items to be submitted to the Bank's decision-making bodies;

- *the Treasury Committee*: its duties include monitoring compliance with the liquidity policy and proposing guidelines in terms of security, liquidity and profitability of investments;
- *the Investment Committee*: its mandate is to examine proposals on interbank transactions for the acquisition of financial securities;
- *the Management Committee for projects in difficulties*: reviews projects experiencing difficulties and makes proposals to the Presidency;
- *the Internal Control Committee*: makes recommendations to the President on all matters relating to control, internal governance and operational risk management;
- *the Employment and Career Management Committee (COGEC)*: the COGEC assists the President in taking decisions on human resources issues;
- *the Information Systems Strategy Committee*: its task is to validate the Bank's strategic directions and define its information system orientations and priorities;
- *the Assets/Liabilities Management (ALM Committee)* which monitors the Bank's exposure to market risks;
- *the Decision-making Committee on Business Continuity Plan (BCP)*, which is responsible for managing possible crises and taking decisions relating thereto, and the BCP Executive Committee, which is responsible for coordinating the various business recovery teams;
- *the Steering Committee for the Bank's ISO 27001 Certification*: it is in charge of ensuring the involvement of all the Bank's organizational units in the process of maintaining the operational condition of the IT security system (ISMS) certification;
- *the Ethics Committee* responsible for ensuring understanding and application of the values and principles set out in the Code of Ethics;
- *the Occupational Health and Safety Committee (CHSST)*;
- *the Joint Consultative Committee (CCM)* which provides a framework for social dialogue between the Bank's senior management and staff.
- *CSR (Corporate Social Responsibility) Executive and Steering Committees* responsible for the Bank's CSR policy.

## B. RISK CONTROL AND MANAGEMENT

### 1. Financial statements

Article 45 paragraph 1 of BOAD's Articles of Association states that: "The Bank's operations shall be executed and accounted for in compliance with commercial and banking rules and practices".

Paragraph 2 of the same article specifies that the recording of its operations "shall be carried out in accordance with international accounting standards, as decided by the Board of Directors".

Since 2010, the Bank's financial statements are presented in compliance with the IAS/IFRS international accounting standards. They are audited and certified each year by the External Auditor, an internationally renowned firm. The Bank presents interim financial information as at 30 June and annual financial statements as at 31 December of each year.

The financial statements for 2020 received unqualified opinion from the External Auditor.

### 2. BOAD's control environment

The control environment at BOAD is characterized by:

- strong institutional governance which reflects the commitment of governing bodies to control through their supervisory and regulatory role: Council of Ministers, Board of Directors, Audit Committee;

- a vision and a strategy formalized in a strategic plan (plan Djoliba 2021-2025);
- basic texts that specify the Bank's missions and objectives, its mode of governance and its resources, with formalized procedures in all areas of activity;
- internal management based on an organization regularly adjusted to the changes in the institution, a collegial and participatory decision-making process, a financial and operational planning system with a performance measurement system, a management system based on results and performance, a strengthened control system, a financial steering system which is being set up, a secure information system (ISO 27001 certified), etc.

### **3. The risk assessment and management process**

The overall risk management system is being upgraded. The current risk management process is carried out at three levels: counterparty risk, market risk and operational risk.

#### **3.1 Counterparty risk assessment and management**

The Bank's rules of engagement and procedures for project identification, appraisal, approval and supervision allow for rigorous risk analysis and selection to maintain portfolio quality.

In addition, starting from 2011, the Bank has implemented an ex-ante assessment of counterparties to be financed, with the issuance of a second opinion, the objective of which is to provide an independent analysis and opinion on credit requests, with a view to strengthening risk selection ex-ante.

Counterparty risk is managed through an anticipatory approach at the level of the commitment and risk structure. Risk analysis and rating of the Bank's entire portfolio (commercial and non-commercial) is carried out at least once a year.

In the context of credit risk management, the Bank has put in place a methodology and provisioning parameters in line with international standards: membership of the GEM's consortium of development finance institutions (EIB, AfDB, World Bank, etc.) pooling their risk management experience; application of IFRS 9. In addition, the risk appetite framework (identification and governance of major risks) associated with an economic capital model has been completed and approved by the Council of Ministers.

#### **3.2 Market risk management: assets and liabilities management**

Market risks are managed as part of the assets and liabilities management system, which is managed by an ALM Committee. The committee convenes once a quarter to assess the Bank's exposure to foreign exchange and interest rate risks and to evaluate the adequacy of resources and uses.

#### **3.3 Operational risk management**

An operational risk management system based on Basel rules has been put in place through risk mapping. The purpose is to ensure continuous improvement of the internal control system and control of the Bank's operations.

With regard to IT risks, in particular, the Bank has an information system security policy, an IT security management system and an IT recovery plan. The Bank's information system was ISO 27001-2013 certified as at January 2017. This certification was confirmed by successive monitoring audits in 2020.

In addition, the Bank has put in place an operational and periodically tested business continuity plan (BCP).

#### **4. The financial management system**

A financial management system is being set up to strengthen the coordination of the structures involved in managing the Bank's activities and, in particular, in taking management decisions.

#### **5. The control mechanisms and bodies**

The Bank's internal control system comprises internal and external control mechanisms and bodies.

##### **5.1 The internal system: control of compliance, regularity and performance**

The first-level control performed by the organizational units is supported by the control functions, which provide assistance at all management levels by ensuring, on the one hand, regular and independent verification of the financial accounts and operational and administrative activities and, on the other hand, assistance to structures in controlling the risks associated with operations. The control mechanisms are the following:

- **financial control** which ensures a prior control of the conformity and regularity of commitments relating to the procurement of goods and services, personnel costs, documentation of any outflow of funds as part of banking transactions, operations, etc;
- **contract control**, to check compliance with BOAD's guidelines and procedures for the procurement of goods, services and works under operations financed by the Bank;
- **management control**, which monitors and measures performance at the level of organizational units and at Bank level as a whole by means of periodic management charts and analysis notes;
- **internal audit**, responsible for ex-post control of all areas of Bank activities: internal processes, Resident Missions and projects under implementation.
- **ex-post evaluation of projects**, which is responsible for project monitoring and evaluation, performance audits and impact assessments of Bank-financed projects in accordance with the Cooperation Group's ex-post evaluation practices.

##### **5.2 External control bodies**

The Bank's accounts are audited by an appointed External Auditor following an international call for tenders, by the WAMU Council of Ministers, from among internationally renowned firms. In addition to auditing the interim accounts as at 30 June and the annual accounts as at 31 December of each year, the External Auditor conducts an annual review of internal control and makes recommendations for improvement. The current External Auditor is KPMG Togo appointed for a three (3)-year term, spanning from 2019 to 2021.

The External Auditor's term of office was renewed for a three-year period from 2022 to 2024 following a conclusive assessment in compliance with its appointment procedure.

The services of the External Auditor are subject to an evaluation presented to the Bank Audit Committee.

Specific and targeted management audits are entrusted to internationally renowned firms when required.

#### **6. The Code of Ethics**

The Bank's Staff Code of Ethics was adopted in 2012. In addition, five (5) corporate values have been formalized and endorsed by Senior Management. These values must be promoted and

complied with by all staff: professionalism, team spirit, loyalty, discipline and integrity.

An Ethics Committee, set up in 2012, receives and investigates complaints and allegations relating to compliance with the Bank's Code of Ethics and the values on which the institution operates. The Committee's operating principles are designed to preserve and protect the identity of whistleblowers.

The Code of Ethics applicable to the Bank's President and Vice-President was adopted in 2013 by the Council of Ministers, in compliance with the Additional Act 02/2012CCE/UEMOA dated 6 June 2012 of the WAEMU Conference of Heads of State and Government.

A charter applicable to BOAD Board Directors, in lieu of a code of ethics, was adopted by the Board of Directors in 2014.

## **7. Preventing and combating corruption and fraud**

The Bank has a policy for preventing and combating corruption and fraud. The system for preventing and combating fraud and corruption includes dedicated bodies responsible for complaints, investigations, sanctions and appeals. It has whistleblowing channels (hotline, website, e-mail, etc.) and a whistleblower protection policy.

An anti-corruption and fraud unit has been set up and operates with fraud specialists. An Ethics Committee ensures application of the Code of Ethics to the staff.

The Bank's commitment to fighting fraud and corruption is also reflected in the relevant provisions of the procedures governing its activities and operations: rules of procedure for the procurement of goods, services and works financed by a loan from the Bank, directives relating to the procedures for BOAD loan disbursement, etc. In particular, the Staff Regulations provide for sanctions relating to certain offences including breach of professional secrecy, receipt of prohibited remuneration, fraud or attempted fraud, breach of trust or attempted breach of trust and corruption or attempted corruption.

In 2021, the Bank initiated a study to update its policy on preventing and combating fraud and corruption.

## **8. Prevention and anti-money laundering (AML)**

BOAD has put in place measures to prevent the use of its funds for money laundering and terrorist financing purposes. To this end, it has developed since 2006 and kept up to date, internal procedures and regulatory texts with a view to, on the one hand, responding to the recommendations of the Financial Action Task Force (FATF) and directive No. 02/2015/CM/UEMOA of 2 July 2015 on the fight against money laundering and terrorist financing in the WAEMU member countries and, on the other hand, to provide reasonable assurance on the level of financial security in the process of financing the Bank's activities. The task is led by a Financial Security Officer. The latter's analysis fact sheets submitted to the Approval Committee contribute to a better selection of ex-ante risks, as regards private projects, before their eligibility to the portfolio.

## **9. Environmental and social governance**

BOAD's environmental and social strategy seeks to ensure greater efficiency and transparency of its operations in the execution of its mission, while reinforcing its sustainable development goals. In this context, the Bank has adopted a number of rules and texts including:

- an environmental and social policy and its implementation guidelines,
- a compliance audit policy,
- a grievance policy.

BOAD is accredited by: i) the Adaptation Fund (AF) in 2011 & second accreditation in 2016; ii) the Global Environment Facility (GEF) in 2015; iii) the Green Climate Fund (GCF) in 2016. It joined the initiative for climate action in financial institutions in 2017, together with AFD, World Bank, AfDB and 33 other financial institutions, in the context of the Paris Agreement on climate change and the 17 SDGs.

### **10. Staff capacity building**

Emphasis is placed on capacity building through a three-year training and human resources development plan with a constantly increasing budget. This plan, which is consistent with the Bank's strategic plan, addresses training needs at three (3) levels: strategic, operational and individual. The right of all staff to training is enshrined in the basic regulations governing the staff. A forward-looking job and career management plan is implemented and evaluated annually.

### **11. Staff representation**

The Bank's commitment to promoting social dialogue and conflict resolution is reflected in the Staff Regulations and Rules. Staff representation is ensured, in compliance with Article 43 of the Staff Regulations, by the Joint Consultative Committee composed of all categories of staff. The Committee provides a framework for social dialogue between the Bank Senior Management and the staff. It shall also act as a conciliation or appeal body in accordance with the relevant provisions of Article 43 of the Staff Regulations and the Conciliation Rules which govern dispute settlement between the Bank and its employees with respect to employment conditions.

The basic texts governing staff (Staff Regulations and Rules, Conciliation Rules) are regularly updated to better reflect changes in the Bank's environment. These texts were reviewed in January 2016 and January 2018, then in 2021.

### **12. Staff health**

The Bank has put in place a sound health policy for its staff: payment of medical expenses, medical evacuation, annual medical check-ups, awareness-raising and vaccination campaigns, annual screening for some diseases including cancer, HIV/AIDS, hepatitis, cardiovascular diseases, etc.

### **13. The delegation of power**

The regulations governing the organization and operation of BOAD require each head of an organizational unit to delegate to his or her deputy or to the heads of the subordinate units (divisions), sufficient responsibilities and the necessary authority for the execution of their function.