

CORPORATE GOVERNANCE IN AFRICA: THE ROLE OF CAPITAL MARKET REGULATION

By

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Abstract: *The objective of this paper is to focus attention on the contribution that effective capital market regulation can make to sound corporate governance practices in listed companies in Africa. The paper presents a general specification of the characteristics of a sound corporate governance system, which are then translated into the corporate governance requirements for a publicly listed company. We survey the state of capital market development in Africa, with a focus on the special characteristics of capital markets in Africa with respect to the regulatory environment and market operations. Case studies of Egypt, Ghana, Mauritius and Kenya are presented with a focus on stock exchange governance requirements.*

INTRODUCTION

The convergence of global economies towards market-based systems has put the modern corporation in the centre of economies around the world. It is becoming increasingly recognized that companies should be managed to reflect the interests of society at large rather than for purely private interests. Corporate governance has been defined in terms of arrangements for protecting the interests of all stakeholders of the firm. For the purposes of this paper, we will use a definition of corporate governance, which may be too narrow for some, but most appropriate from a financial markets perspective. This definition of corporate governance in this context has been put succinctly by Shleifer and Vishny¹:

¹ Andrei Schleifer and Robert W. Vishny, "A Survey of Corporate Governance", a manuscript prepared for the Nobel symposium on Law and Finance," Stockholm, 30-37 (June 1995)

Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a stream of return on their investment. How do the suppliers of finance get managers to return some of the profits to them? How do they make sure that managers do not steal the capital they supply or divert it to other uses? How do suppliers of finance control managers?

The significance of corporate governance is linked to the provision of external equity finance. External equity provides three advantages:

- 1) Outside investors can diversify their investments and thereby eliminate some of the risk, thus enabling the firm to raise equity capital from them at a lower cost.
- 2) Outside investors can set their own level of risk by the way they form their portfolio and are not therefore concerned to limit the riskiness of the firm's investment choices
- 3) The supply of equity capital is enlarged far beyond the resources of the founders of the firm.

The modern corporation using outside equity finance has a large number of shareholders who are portfolio investors with no interest in the control of the firm. However, individual investors place their own capital at risk while fund managers carry fiduciary responsibilities of accountability to underlying beneficiaries. In the ideal setting, investors contribute capital to a firm and managers manage the firm in the interest of investors for a fee. The problem of corporate governance arises because of the separation of management and ownership. The so-called "principal-agent" problem is reflected in management pursuing activities that may be detrimental to the interest of the shareholders of the firm. The agency problem can usually be mitigated only through protections offered by good corporate governance. Corporate governance, in the context of companies that operate in financial markets, can therefore be described as the process by which investors attempt to minimize the transaction costs and agency costs associated with investing with a firm.

The manner in which external equity is distributed has far reaching implications for corporate governance. One possibility is that there may be broad ownership of the firm's voting shares. This implies an active secondary market in which the performance of the firm is constantly being evaluated. But that also means dispersed ownership among many small holders, making it difficult for the shareholders to act in concert.

A second possibility is that there may be a majority, or at least controlling, shareholder, such as the founder and his family or associates, or a multinational parent, coupled with outsider ownership of the remainder of the shares. This means that the controlling shareholder will determine the firm's investment policy and there will only be a partial separation between ownership and control. The

outside investors cannot use voting power, even ignoring collective action problems, to discipline the controlling owner. Corporate governance in this context is an issue mainly for minority shareholders. While shareholders potentially can still exert control through the board to protect their interests, they face formidable difficulties (in terms of transaction costs and inadequate incentives) in acting together and actually doing so.

For governance to be effective in a public company, there must be a real possibility for shareholders to hire and fire managers through established governance arrangements such as the annual general meeting and the board of directors. In practice the annual general meeting is diluted by two factors:

- 1) The cost of participation is high for all shareholders.
- 2) Most investors are portfolio investors who vote with their money, i.e. they would rather sell their shares and invest in another company rather than get involved in a costly effort to monitor management.

This means that as far as the annual general meeting is concerned, management has a built-in advantage.

The capacity of a typical board of directors to discipline management and keep them responsive to shareholders is also diluted by a number of factors:

- 1) Most individuals who serve as directors cannot spend much time on their fiduciary duties, partly because of commitments and partly because many of them serve on boards of several companies. One study in the United States found that the average director spends 92 hours a year on board meetings and preparation.
- 2) Even those directors who spend time trying to understand the internal workings of a firm are limited by their lack of expertise on many issues.
- 3) Although directors may be outsiders, they may not be independent in so far as the company's chief executive officer has a major say on who serves on the board. In some cases, CEOs try to pack the board with executive directors who are loyal to him/her.
- 4) The CEOs of other companies are the favoured choice for directors, leading to a potential conflict of interest when CEOs sit on each other's boards.
- 5) Most directors only hold small or token stakes in the equity of their companies, making it difficult for them to share a common interest with shareholders.

The net effect of these factors is that the board of directors often fails in its assigned role, which is to act in the best interest of the company and to be accountable to the shareholders for their own and the company's performance.

In practice, the CEO sets the agenda and controls the information and the search for consensus at board meetings generally overwhelms any attempts at confrontation.

ACHIEVING EFFECTIVE CORPORATE GOVERNANCE IN FINANCIAL MARKET-BASED GOVERNANCE SYSTEMS

Discipline in modern corporations is induced by both internal and external factors as illustrated in Figure 1. Internally, effective governance systems are reflected in a set of relationships among the key players in a corporation. Typically, these would be reflected in the Companies Law and the regulations of the company. However, additional requirements may be imposed by securities laws and listing requirements of stock exchanges. Internal arrangements differ according to the ownership structure of the company. For a publicly-owned company with dispersed ownership, the manner of selection of board members is important. For closely held companies with a controlling shareholder, the governance issue revolves around the need to prevent the controlling shareholder from extracting excessive benefits from the corporation at the expense of the minority shareholders.

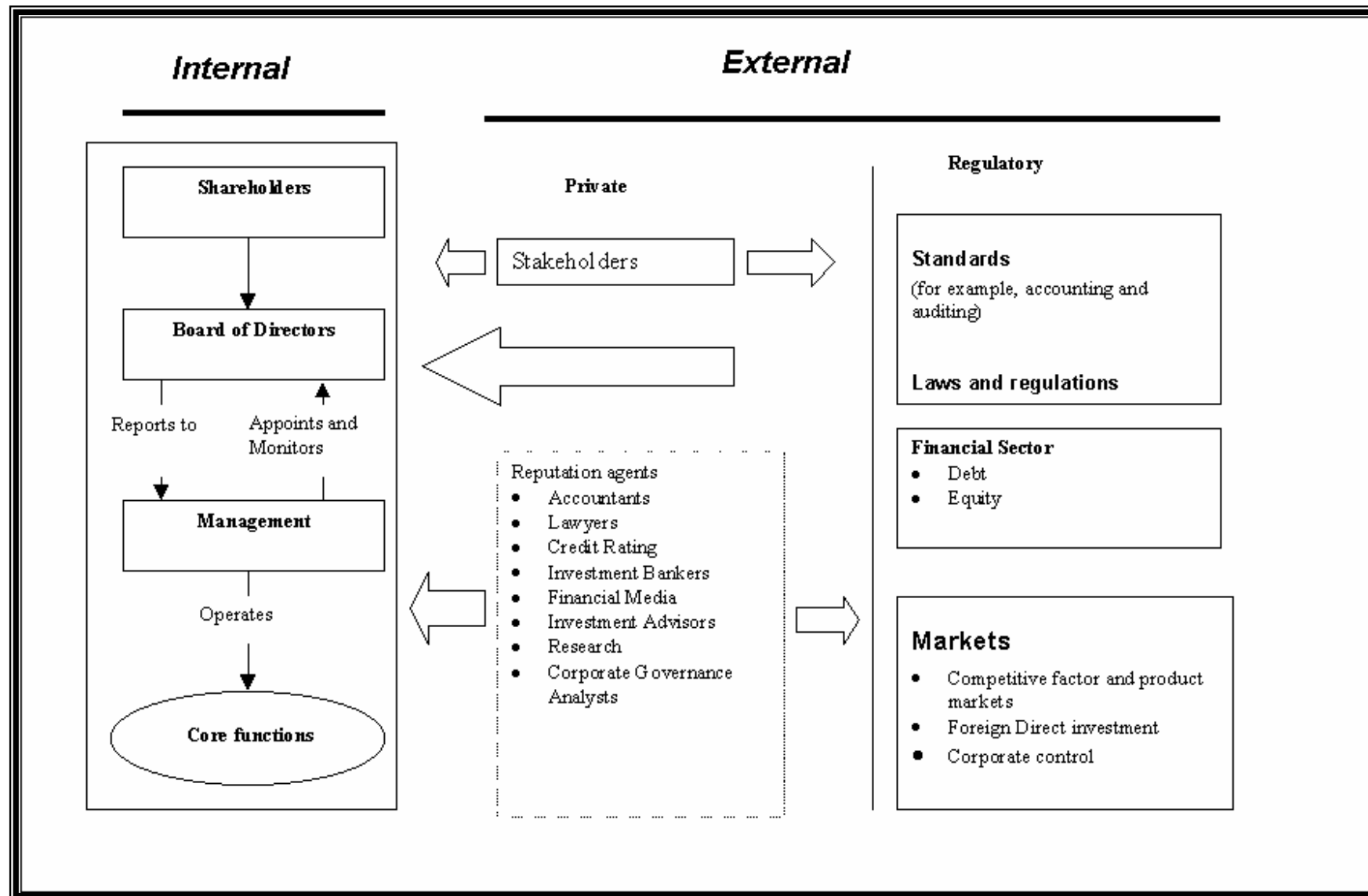
The external drivers of good corporate governance are laws, rules and institutions that provide a competitive playing field and discipline the behaviour of insiders, whether managers or shareholders. Experience in developed market economies indicates that the legal framework for competition policy, the legal framework for enforcing shareholders rights, systems for accounting and auditing, a well-regulated financial system, the bankruptcy system and the market for corporate control are among the institutions that discipline corporations. Some discipline over management is also achieved through the threat, and occasionally the reality, of proxy contests and hostile takeovers. With efficient capital markets, companies that are perceived to have poor corporate governance are punished in the market place with low share prices.

Public companies have a wider range of opportunities open to them than private companies. They may offer their shares to the public and their shares may be traded on the stock market. These offer benefits in terms of greater access to finance. But this comes at a price in the form of more rigorous regulatory obligations. These tougher demands affect every one connected with the company: the company itself, its directors, its shareholders and its advisers. For these the Companies Law in most countries have additional provisions that apply to public companies which do not apply to private companies. The overriding policy is to build in special safeguards for investors.

Our focus in this paper is on external drivers of corporate governance reflected in the manner in which the regulatory framework of stock exchanges support sound corporate governance in listed companies. The regulatory framework of

stock exchanges usually comprises a set of rules reflected in:

- 1) The Companies Law
- 2) The governing law of the regulatory agency



3) The listing rules of the stock exchange

In the typical case, the provision of the Companies Law provides the starting point for regulating capital markets. Regulatory agencies and stock exchanges do not reenact the provisions in the Companies Law but tend to introduce additional and more detailed rules.

AFRICAN STOCK MARKETS

In advanced economies, widely held public companies represent a significant part of the corporate sector. This is much less so in African economies. More commonly, we have a dominance of state enterprises (even with privatization) or closely held family-owned and managed companies. Key statistics on African stock exchanges is presented in Table 1. South Africa, with the most developed market economy has 668 listed companies with a market capitalization that constitutes 145% of GDP. Egypt has a market capitalization of \$26 billion and 1,151 listed companies although in relation to GDP, the size of the market is relatively small. The remaining capital markets are relatively small. Nigeria, with 195 listed companies has a market capitalization that is only 14.6 % of GDP. Others such as Zambia, Tanzania and Uganda have even fewer listings and market capitalizations that are insignificant relative to GDP. By contrast, in advanced economies, stock markets have a much larger presence in the economy. Market capitalization to GDP is 156% in the United Kingdom and 137% in Singapore. It is worth pointing out that the larger the size of the stock exchange relative to GDP, the higher the leverage of the stock exchange with respect to corporate governance.

Table 1: Key Statistics of African Stock Markets

| COUNTRY | Market Capitalization 2002 (US\$ millions) | Market Cap/GDP | No. of Listed Companies (2002) |
|---------------------------|---|-----------------------|---------------------------------------|
| Algeria | 145 | 0.3% | 3 |
| Botswana | 1,717 | 31.9% | 19 |
| Cote d'Ivoire | 1,329 | 14.2% | 38 |
| Egypt | 26,245 | 26.6% | 1,151 |
| Ghana | 382 | 7.4% | 24 |
| Kenya | 1,676 | 16.2% | 50 |
| Malawi | 107 | 6.1% | 8 |
| Mauritius | 1,324 | 30.2% | 40 |
| Morocco | 8,319 | 24.9% | 56 |
| Namibia | 201 | 5.8% | 13 |
| Nigeria | 5,989 | 14.6% | 195 |
| South Africa | 182,616 | 145.1% | 472 |
| Swaziland | 146 | 11.6% | 5 |
| Tanzania | 695 | 7.4% | 5 |
| Tunisia | 1,810 | 9.3% | 46 |
| Uganda | 52 | 0.9% | 3 |
| Zambia | 231 | 8.8% | 11 |
| Zimbabwe | 11,689 | 158.1% | 77 |
| Total Africa | 244,673 | | 2,216 |
| 2001 Comparative Analysis | | | |
| Africa | 195,202 | | |
| All Emerging Markets | 2,572,064 | | |
| Developed Markets | 25,242,554 | | |
| World Total | 27,818,618 | | |
| Africa/Emerging Markets | 7.59% | | |
| Africa/World | 0.70% | | |

Source: African Stock Markets Handbook, UNDP, 2003; Emerging Markets Factbook, Standard & Poor, 2002

In addition to the small sizes of markets, African capital markets face some well-known shortcomings that include:

- Limited listings and illiquidity
- Low investor confidence
- Gaps and insufficiencies of legal framework
- Unsupportive macroeconomic policies.

In many countries, the majority of listed companies are subsidiaries of foreign multinationals, with a minority of the shares with a small local float for domestic investors. For example, of the 24 companies listed on the Ghana Stock Exchange, 12 companies are foreign-controlled with the control block as high as 72% in some cases. Public investors in this situation cannot use voting power and there is no effective market for corporate control because of the limited float.

CORPORATE GOVERNANCE REGULATION ON AFRICAN STOCK MARKETS

Experience in other countries indicate that the development of capital market mechanisms for improving corporate governance requires the following:

- 1) Corporate Governance Codes in the listing requirements of stock exchanges. For example, in the U.K., the London Stock Exchange has Combined Code, which imposes restrictions beyond those that are imposed by law. A breach of the Combined Code is a violation of the Listing Rules.
- 2) The rules of the market are important in inducing improved corporate governance. In a free market for corporate control underperforming companies become targets for acquisition by investors who believe that they can add more value by acquiring control. A free market for corporate control supports effective corporate governance. This means that stock exchanges should promote efficient markets for corporate control by establishing a framework for mergers, acquisitions and buyouts.
- 3) Efficient, transparent and liquid securities markets provide effective price signals, punishing underperforming companies and rewarding good performers.
- 4) A growing and efficient capital market is usually accompanied by a well developed “reputation industry”. These are industries that provide monitoring services for the corporate sector and include accountants, lawyers, investment bankers and financial analysts, company secretaries and the media.

In less developed markets such as those in Africa, the problems of market inefficiency and illiquidity reduces the effectiveness of market-based discipline through pricing and an active market for corporate control. Nevertheless, regulators and stock exchanges have adopted some far-reaching regulatory requirements to promote sound corporate governance.

On the basis of the above described capital market mechanisms for promoting corporate governance, we have undertaken an empirical review of the listing

regulations of 4 stock exchanges in Africa. The exchanges selected for review are:

- Egypt
- Ghana
- Mauritius
- Kenya

Brief descriptions of each stock exchange and its governing laws are presented in Appendix Table 1.

The objective of the analysis was to identify the extent to which the listing requirements of stock exchanges in Africa reflect generally accepted norms of sound corporate governance. The variables considered in the analysis were:

- 1) Board composition and structure
- 2) Governance disclosures
- 3) Financial accounting disclosures
- 4) Timeliness of disclosures
- 5) Penalties and sanctions

A few caveats are necessary at this point.

- 1) The factors evaluated do not exhaust the aspects of corporate governance that could be regulated through capital market regulation. The review focused on the most common areas of regulation although the absence of key components of corporate governance in listing rules has been noted.
- 2) In most countries, there are important corporate governance requirements in force through company law. For the most part, the corporate governance provision in company law is not reenacted by the regulatory regime of the stock exchange. Important areas usually covered in company law include annual general meetings and rules for the protection of minority interests.

The details of the review are presented in Appendix Table 2.

BOARD COMPOSITION AND STRUCTURE

There are significant disparities in regulatory requirements for board composition and structure:

- Kenya seems to have the most rigorous rules, with regulatory requirements for one-third of the board members to be non-executive and mandatory retirement of board members after three years. In addition, an individual cannot serve as a director of more than 5 listed companies and as chairman of more than two companies

- Audit committees are required in Egypt, Ghana and Kenya

- Only Egypt requires a board to have a Nominating Committee

GOVERNANCE DISCLOSURES

Governance disclosures are mandatory disclosures about the relationship between a company and its directors. The key findings are as follows:

- Egypt has the most comprehensive disclosure regime, requiring disclosure of the qualifications and experience of board members, all contracts between the company, related party transactions and all ownership of 5% or more of the shares of a company.

- Ghana requires disclosure of contracts with board members although the disclosure is in the annual report rather than immediate. There is no requirement for disclosure of contracts with related parties²

- Mauritius does not require a mandatory disclosure of details of directors or contracts with directors. Contracts with related parties are not automatically disclosed but reported to the Listing Committee of the Stock Exchange, which may require disclosure at its discretion.

- Kenya's disclosure requirements covers related party transactions

- In all cases except Kenya, there are requirements to disclose significant shareownership by directors.

- Kenya also requires companies to state in the Annual Report whether they are in compliance with the governance guidelines of the regulatory authority (the capital Markets Authority)

FINANCIAL ACCOUNTING DISCLOSURES

The requirements for financial accounting disclosures are similar for the countries sampled:

- All markets require semi-annual and annual audited accounts

² One possibility is that while the stock exchange rules may not require disclosure in relation to related parties, the accounting standards may require such a disclosure. We have not undertaken a verification of accounting standards with respect to disclosure of third party transactions.

- Only Egypt requires quarterly accounts
- Mauritius requires companies to issue Preliminary Annual Accounts within 3 months of the end of the fiscal year
- Ghana does not specify accounting and auditing standards in its listing rules. Kenya, Mauritius require International Accounting Standards while Egypt requires Egypt Generally Accepted Accounting Principles

TIMELINESS OF DISCLOSURES

- Semiannual accounts are usually required within 3 months of the reporting date although Kenya only allows 60 days
- There is a wider variation with respect to the timeliness of annual reporting. Ghana and Mauritius allow up to 6 months while Egypt and Kenya allow 3 and 4 months respectively.

PENALTIES AND SANCTIONS

- In all cases, stock exchanges reserve the right to suspend or delist a company for violating listing rules
- Egypt and Kenya have schedules of fines for violations while Ghana and Mauritius do not use fines
- In the case of Mauritius, violations are first referred to the regulatory authority before a decision is made on suspension or delisting

OTHER RULES

- All markets have insider trading rules
- The Ghana Stock Exchange has extensive rules on takeovers designed to protect minority shareholders; in Kenya, the regulatory authority has promulgated takeover rules.

THE CHALLENGE OF ENFORCEMENT

Rules on corporate governance are a good starting point in promoting sound corporate governance in Africa but they are not credible unless they are applied effectively. For this to happen, regulators must have sufficient authority and resources. Our review of the regulatory framework for capital markets indicates that in most cases, reasonable regulations have been put in place to achieve the key objectives of corporate governance, particularly in the areas of board composition and disclosures. However, the effectiveness of these rules depend on the ability of the regulatory agencies to enforce, that is, to execute a process that

provides restitution when the rules are broken. Anecdotal evidence indicates that enforcement of rules and regulations is increasingly challenged by weak judiciary systems making it difficult to obtain convictions when rules are violated. Thus, securities regulators can work hard to administer the law, identifying violators but the normal process of enforcement may not be equipped to apply the new laws.

Enforcement of laws via courts assumes that:

- 1) Courts have resources to handle cases in a timely way and that
- 2) Judges understand securities markets and new legal concepts well enough to enforce the law.

The judiciary in many countries is plagued with weaknesses that include:

- Politicization and lack of independence
- Corruption and low remuneration
- Too few judges, staff and lawyers
- Weak calendar management
- Sanctions not specified or limited
- Ideology
- Ignorance of law, markets.

In the absence of a strong judiciary system, the alternative is reliance on markets. Rules of the market rely on extensive disclosure to achieve transparency. This requires deep capital markets with efficient price discovery based on information disclosed as a result of the rules of the market. Even in this case, courts are still needed to enforce the rules of disclosure.

In summary, the regulatory framework will be ineffective unless there is an enforcement regime that works. The effectiveness of enforcement determines regulators success in achieving disclosure and transparency. The varying degrees of enforceability of rules in different countries suggest that laws and regulations that exist in one jurisdiction may not necessarily be effective in another country.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The issue of corporate governance arises because in order for modern companies to grow, they need to raise external equity finance. Corporate governance provides the needed assurances to outside investors to provide the

capital to firms that they do not control.

Capital markets support corporate governance by providing the discipline that holds the excesses of controlling managers in check. Efficient pricing punishes companies with poor governance with low share prices. In addition, proxy contests, takeovers and buyouts provide an environment in which the control of companies can be bought and sold, allowing non-performing managers to be replaced. The rules of the market place as reflected in listing requirements of stock exchanges and the opportunity for control to be bought and sold would provide a disciplinary force.

Africa's capital markets are relatively undeveloped and the vast majority of companies do not rely on external equity finance. However, the companies listed on stock exchanges are usually very high profile companies and therefore could provide leadership to the entire corporate sector in corporate governance. Our survey of four African capital markets indicated as follows:

- 1) Reasonable rules are in place to promote sound corporate governance.
- 2) There is a significant variation of rules across markets

However, the effective application of the rules is likely to be challenge for African capital market regulators because of limited resources and weak judiciary systems.

We conclude that with respect to African capital markets, inadequate corporate governance is not a consequence of lack of reasonable rules for supporting corporate governance. In addition to the problem of enforcement, there are important mechanisms in the market that can reinforce the effectiveness of governance promoting rules. These include efficient pricing, a market for corporate control that allows companies with weak governance to be taken over and the presence of large institutional shareholders with the clout to lead shareholder efforts to discipline corporate management.

A number of recommendations flow from the above analysis

- 1) The significant variations in corporate governance regimes suggest that there is a need for some minimum benchmarks. In this regard, efforts by the stock exchanges of the SADC and the East African Community to harmonize listing regulations should be commended and supported by the Pan African Consultative Forum on Corporate Governance. Other regional economic communities that are lagging behind in harmonization should be encouraged to accelerate their efforts.
- 2) Caution is required in introducing rules into African markets because of the wide variations in enforcement capability. Rules should as much as possible be matched with the ability to enforce.

- 3) With respect to enforcement, the following possibilities exist:
- a) *The Tribunal Approach*: The Hong Kong Securities Commission uses the tribunal approach. A high court judge and two skilled practitioners constitute the tribunal. The full time judge sits for 2-3 years and practitioners vary by case. The tribunal does not hear criminal cases but decisions can be appealed to first level appellate courts. The tribunal approach may also work for stock exchanges. It has the advantage of being close to practitioners in a situation where the exchange is already leading market development.
 - b) *Educational Solution*: The Cairo and Alexandria stock Exchanges provide courses for judges and prosecutors to help them understand financial markets.
- 4) Stock exchanges should consider remedies that could be deployed without the intervention of policymakers. The following possibilities could be considered:
- a) *The “name and shame” approach*: This involves publicizing the names of companies that fail to publish annual accounts on time, insider dealing cases and failure to observe listing and other stock exchange rules. The threat of publicity may scare enough directors to insist on regulatory compliance.
 - b) On the Johannesburg Stock Exchange, all directors, starting from 1 September 2003, will sign a declaration assuming personal obligation for compliance with the listing rules at the risk of personal liability. Directors are also required to complete a “fit and proper” declaration that is not validated by the regulator but is made public. This can cause considerable embarrassment where false declarations have been made.
 - c) Various mandatory disclosures associated with attendance at board and committee meetings, personal biographical details when standing for re-election.
 - d) Disclosure of the award and exercise of executive stock options
 - e) Mandatory director training and induction. This is required in India and Malaysia. New Zealand is putting in place an accreditation process for new directors of listed companies

**APPENDIX TABLE 1: REGULATORY PROFILE OF EGYPT, GHANA, KENYA,
MAURITIUS**

| | Market Regulator | Governing Law | Brief History |
|------------------|------------------------------------|-------------------------------|--|
| Egypt | Capital Markets Authority | Capital Market Law | The Alexandria Stock Exchange was established in 1888 while the Cairo Stock Exchange was established in 1903. Both exchanges remained active through the early 1900s with a noticeable decline in the late 1950s owing to central planning and socialist policies adopted then, However the trend was reversed in the 1990s as the government adopted free market policies |
| Ghana | Securities and Exchange Commission | Securities Industry Law, 1993 | The Ghana Stock Exchange (GSE) was incorporated in 1989. Trading on the GSE commenced in November 1990. |
| Kenya | Capital Markets Authority | Capital Markets Authority Act | The Nairobi Stock exchange was formed as an association in 1954. A new law was enacted in 1989 creating a regulator and two years later the NSE was established as a company under the Companies Act. |
| Mauritius | Financial services Commission | Stock Exchange Act (1988) | The Stock Exchange of Mauritius (SEM) was incorporated in 1989 as a private limited liability company and operates two markets: the Official Market and the Over-the-Counter (OTC) market.. The stock exchange was opened to foreign investors following the lifting of exchange controls in 1994. |

Source: African Stockmarkets Handbook, UNDP, 2003

**APPENDIX TABLE 2: SUMMARY OF REVIEW OF CORPORATE GOVERNANCE
REGULATION**

| | EGYPT (Cairo & Alexandria) | GHANA | MAURITIUS | KENYA |
|---|---------------------------------------|----------------------------------|--|-------------------|
| <i>BOARD COMPOSITION AND STRUCTURE</i> | | | | |
| Nominating Committee | Y | N | N | N |
| Audit Committee | Y | Y (must be confirmed at listing) | N | Y |
| Executive/Non Executive | N | N | Stock exchange may require up to 50% non-executive directors if there is a controlling shareholder | 1/3 non-executive |
| Rotation of Directors | | Provided for in Companies Code | | 3 Years |

| | EGYPT (Cairo & Alexandria) | GHANA | MAURITIUS | KENYA |
|---|---------------------------------------|----------------------------|--|--|
| Other Requirements | | | | Directorship limited to 5 listed companies (2 listed companies for chairman) |
| <i>GOVERNANCE DISCLOSURES</i> | | | | |
| Particulars of board member (Qualifications and experience) | Y | N | N | N |
| Contracts between company and directors or shareholder | Y | Disclosed in annual report | N | N |
| Contracts with related parties | Y | N | Notification of Listing Committee of the Stock Exchange; Requirement for public disclosure is at the discretion of Listing Committee | Y |

| | EGYPT (Cairo & Alexandria) | GHANA | MAURITIUS | KENYA |
|--|---------------------------------------|---|--|--|
| Shareownership | 5% or more | 1) interest of each director in company 2) names of substantial shareholders and the number of shares held 3) State of % holding of 20 largest shareholders | 1) Direct and indirect interests of each director and CEO in equity and debt securities of issuer 2) Name of each person other than a director or chief executive who is directly interested in 5% or more of the nominal value of any class of shares. | 1) Every person who holds or acquires 3% or more of the issuer's ordinary shares 2) 10 largest shareholders and the number of shares held |
| Other | | | | Whether company is in compliance with governance Guidelines of regulatory authority |
| <i>FINANCIAL ACCOUNTING DISCLOSURES</i> | | | | |
| Quarterly Financial statements | Y | N | N | N |
| Semi-annual | Y | Y | Y | Y |
| Preliminary Annual | N | N | Y | N |

| | EGYPT (Cairo & Alexandria) | GHANA | MAURITIUS | KENYA |
|---|---|---|--|-----------------------------------|
| Audited Annual | Y | Y | Y | Y |
| Accounting/Auditing Standard | Egyptian Generally Accepted Accounting Principles (EGAAP). EGAAP follows International Accounting Standards, with few exceptions Auditing Standards | Not specified in Listing Rules. | Mauritius Accounting and Auditing Standards and International Accounting Standards | International Accounting Standard |
| <i>TIMELINESS OF DISCLOSURES</i> | | | | |
| Quarterly | Quarterly account within 45 days after their issuance | N/A | N/A | N/A |
| Semiannual | Quarterly account within 45 days after their issuance | No later than 3 months after half-Yearly period | No later than 3 months after half-Yearly period | Within 60 days of reporting date |
| Preliminary Annual | N/A | N/A | Within 3 months of end of fiscal year | N/A |

| | EGYPT (Cairo & Alexandria) | GHANA | MAURITIUS | KENYA |
|---------------------------------------|---------------------------------------|--|--|--|
| Annual | Within 3 months of fiscal year-end | Within 6 months after end of fiscal year | Within 6 months after end of fiscal year | Within 4 months of the close of financial year |
| <i>PENALTIES AND SANCTIONS</i> | | | | |

| | EGYPT (Cairo & Alexandria) | GHANA | MAURITIUS | KENYA |
|--|--|--|--|---|
| | <p>1. Penalty of LE 5000 if issuer Failed to disclose information that results in loss to investors:</p> <p>2. LE 500 per day within 5 days of failure to publish financial statements and LE 100 for each day subsequent and; possible delisting for delay exceeding 30days</p> | <p>None. Cancel reserves right to cancel a listing</p> | <ul style="list-style-type: none"> ■ Censure ■ Public censure ■ Referral to regulatory authority ■ Suspension or withdrawal from official list | <p>1. Late Submission of Audited Annual Accounts: Penalty of Kshs 50,000 payable for failing to comply within 30 days from the due date; penalty accrues at the rate of Kshs 2,000 per day for a maximum of 30 days. Issuer may be suspended thereafter</p> <p>2. Late submission of Semi Annual Accounts: Penalty of Kshs 10,000 payable for failing to comply within 30 days from the due date; penalty accrues at the rate of Kshs 1,000 per day for a maximum of 30 days. Issuer may be suspended thereafter.</p> <p>3. Late notification of material Information: Letter of censure; Fine of Kshs 10,000 after 7 days and thereafter Kshs 1,000 per day until public announcement; suspension of listing after 10 days; restoration of trading privileges subject to fine of Kshs 25,000.</p> |

| | EGYPT (Cairo & Alexandria) | GHANA | MAURITIUS | KENYA |
|--|---------------------------------------|---|--------------------------------|---|
| OTHER RULES | | | | |
| Takeover Rules | | 15% or more – Notify Exchange 25% or more – Mandatory offer to all shareholders | No specific takeover rules. | The Capital Markets (Take- Overs And Mergers) Regulations, 2002 |
| Insider Trading Rules | Y | Y | Y | Y |
| Mandatory Regulatory Agency Governance Codes | N | Guideline Only | N | Mandatory |
| <p>Y = Yes N = No N/A Not Applicable Sources of Data: Cairo & Alexandria Stock Exchange Listing Rules (www.egyptse.com/listingrules.asp) Nairobi Stock Exchange Listing Manual, 2000 The Listing Rules, Stock Exchange of Mauritius Limited Listing Rules, Ghana Stock Exchange</p> | | | | |