

**NOTICE TO BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY
STAKEHOLDERS: ADOPTION OF KING CORPORATE GOVERNANCE CODE
AS RECOMMENDED BEST PRACTICE CORPORATE GOVERNANCE MODEL
FOR BOTSWANA**

1. INTRODUCTION

- 1.1 As the Public may already be aware, the Botswana Accountancy Oversight Authority (BAOA) was established by the Financial Reporting Act, 2010 as the independent oversight body of the accounting and auditing profession; to regulate the reporting of financial matters of Public Interest Entities (PIEs) and the corporate sector; and for matters incidental thereto.
- 1.2 Section 5(g) of the Financial Reporting Act, 2010 sets out one of the principal objectives of the Authority as “to promote high standards of corporate governance and compliance with professional ethics. However, the Act does not provide any further guidance as to what “corporate governance” entails, and how the BAOA should proceed in fulfilling its mandate in that regard.

2. PROCESS FOLLOWED IN ARRIVING AT RECOMMENDED BEST PRACTICE CORPORATE GOVERNANCE MODEL FOR BOTSWANA

- 2.1 BAOA carried out a research to determine the most appropriate corporate governance model for Botswana by examining, among others, various sources of corporate governance practices currently in issue in Botswana; each underpinned by one of the following Corporate Governance Principles:
- a) “apply or explain’ basis, as explained in King 111;
 - b) “Comply or explain” basis, such as in the UK Corporate Governance Code; and
 - c) “Comply or else” basis, such as in the Sarbanes Oxley Act, 2002.
- 2.2 Having carried out the research, BAOA arrived at the conclusion that King 111 would be the most suitable for Botswana, for the following reasons:

- a) the flexibility and all-encompassing nature of its application arising from the “apply or explain” principle, which enables the board of an entity to apply a recommendation of King 111 differently or apply another practice and still achieve the objective of the overarching corporate governance principles of *fairness, accountability, responsibility and transparency*;
- b) many entities listed on the Botswana Stock Exchange have adopted the King Code of Corporate Governance;
- c) PEEPA Guidelines to improve shareholder oversight (corporate governance) over parastatals are practically all accommodated in the King 111;
- d) practically all the principles in the Botswana Code of Corporate Governance, also based on the “apply or explain” basis, are embodied King 111;
- e) foreign subsidiaries of local companies are required to apply the code to the extent prescribed by the holding company and subject to entity-specific foreign legislation;
- f) King 111 clearly differentiates corporate governance principles that must, should, or may, be complied with.
- g) A benchmarking exercise of King 111 against two other principles-based corporate governance systems; the Botswana Code and the UK Code revealed that King 111 is much more encompassing.

2.3 A Corporate Governance Procedures Manual based on King 111 was therefore compiled, and was approved by the BAOA Board for the internal use of BAOA, and is intended to provide guidance regarding:

- a) the corporate governance standards and codes that Public Interest Entities (PIEs) regulated by the Authority are expected to use; and
- b) review programs which the Authority is expected to use to ensure conformance with the recommended corporate governance standards and codes by Public Interest Entities; **or one that achieves similarly high standards of corporate**

governance that include practically all the recommended best practice corporate governance elements and principles, and as required by applicable laws, rules and codes:

3. FUTURE UPDATES

Periodic reviews of the Corporate Governance Reviews Manual by BAOA will be made so that any changes arising from periodic international revisions of the code, such as those arising from the imminent implementation of King IV, for example, are captured.

Stakeholders are kindly advised to adopt and apply the above-mentioned recommended corporate governance code forthwith as may be appropriate; ***or one that achieves similarly high standards of corporate governance that include practically all the recommended best practice corporate governance elements and principles, and as required by applicable laws, rules and codes.***

If you wish to obtain any more information or clarification, please contact either the undersigned or the Director, Technical.

Duncan D Majinda
CHIEF EXECUTIVE OFFICER