

BOAD'S GOVERNANCE

The corporate governance principles adopted by BOAD are based, among other things, on transparency of operations and accounts, a stringent control system, independence of the 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. With a view to continuous improvement, management tools and procedures are regularly updated to ensure their continued compliance with the Bank's activities and international best practice.

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

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 States 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 holds one meeting every year. **In 2023**, it held one (1) ordinary meeting and two (02) extraordinary meetings.

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 to, inter alia: i) approve the broad guidelines and strategies of the Bank, ii) issue directives to the Board of Directors within the framework of the latter's powers, iii) appoint the President of the Bank and fix his remuneration, iv) appoint the Auditor and determine 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 2023**, the Council of Ministers held its four (4) ordinary meetings and two (2) extraordinary meetings and two (2) home consultation procedures.

1.3 The Board of Directors

The Board of Directors approves the increase or decrease of the capital, the investment in the capital of companies or institutions and the loans that may be granted by the Bank, approved the Bank's borrowings and the agreements relating to non-repayable loans, set the general rules for the use of the Bank's available funds, adopts the Bank's 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 Western African States (BECEAO) or his representative
- The representatives of class B Shareholders, in proportion to the amount of capital subscribed by them, their number not exceeding half of the representatives class A shareholders

The composition of the Board of Directors as at 31 December 2023 is shown in Annex 2 of the Bank's annual report

During the year, the Board held seven (6) ordinary meetings. It further held three (3) meeting by home consultation.

1.4 The Board Committees

- The Audit Committee

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 the 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 mandate.

The Audit Committee holds three (3) ordinary meetings annually. During the year under review, it examined: the financial statements of the Bank as at 31/12/2022, the interim accounts as at 30/6/2023, the reports of the external auditor, the situation of the portfolio, the interim financial statements as at 30/9/2023, the comptroller general's note on the Bank's internal control, the 2023 activity report and the draft 2024 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 to the Board of Directors.

- 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 next 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 the members of the Board of Directors as follows:

- The President of BOAD acting as Chairman,
- The Governor of BCEAO or his representative,
- Three Directors appointed by category A Shareholder,
- one (01) Director appointed by category B Shareholder.

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

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

In 2023, the Committee held no meetings.

- The CSR Committee

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

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

- The Governor or his representative (permanent member);
- Two (2) directors who are nationals of member countries
- Two 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.

In 2023, 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 Bank's organizational units

The current organization chart of the Bank includes the President's office, two Vice-Presidents positions, departments subdivided into sections. The Bank is represented by a Resident Mission (RM) 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 and the Chief of staff. It defines the Bank's strategic guidelines 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 Department Directors and the Chief Economist. It is a decision-making body whose purpose is to ensure collective decision making. The CODIR meets fortnightly and as often as necessary:
- ***The Approval Committee (CAG)***: it is responsible for the pre-screening of the risk at entry, as regards private sector operations. In addition to economic and financial aspects, the committee pays particular attention to financial security (AML/CFT) related to the promoters and shareholders of the projects to be financed.

- ***The Commitment Committee (CE)***: examines and makes recommendations on all items to be submitted to the Bank's decision-making bodies;
- ***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 project encountering difficulties***: reviews projects experiencing difficulties and makes proposals to the Presidency;
- ***Internal Control Committee***: makes recommendations to the President on all matters relating to control, internal governance and operational risk management;
- ***Employment and Career Management Project (COGEC)***: The COGEC assists the President in taking decisions on human resources issues
- ***Information Systems Strategy Committee (CSSI)***: its task is to validate the Bank's strategic guidelines and define its information system orientations and priorities;
- ***Assets/Liability Management (ALM Committee)*** which monitors the Bank's exposure to market risks;
- ***Decision-making Committee- BCP (Business Continuity Plan)***, which is responsible for managing possible crises and taking decisions relating to them, and the BCP Executive Committee who is responsible for coordinating the various business recovery teams;
- ***The Steering Committee for the Bank's certification to the ISO 27001 standard***: 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 the staff.
- ***CSR (Corporate Social Responsibility)*** Executive and Steering Committees responsible for the Bank's CSR policy

B. RISK CONTROL MANAGEMENT

1. Financial Statements

Article 45 paragraph 1 of BOAD's Articles of Association states that: "The operations of the Bank 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 2022 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 the 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 (2021-2025 plan Djoliba);
- 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. 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 set up a methodology and provisioning parameters in line with international standards: membership of the GEM's consortium of development finance institutions (EIB, AfDB, WB, etc.) pooling their risk management experience; application of the IFRS 9 standard. 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 : Asset and Liability management

Market risks are managed as part of the asset and liability management system, which is managed by an ALM Committee. The committee meets 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 (OR) modelled on the 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 certified ISO 27001 - 2013 as at January 2017. This certification was confirmed by successive surveillance 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 steering 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, de regularity and performance

The first-level control performed by the organizational units is supported by the control functions, which provide assistance at all levels of management 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 the structures in controlling the risks associated with operations. The control mechanisms are the following:

- **The financial control** which ensures a priori control of the compliance and regularity of commitments relating to the procurement of goods and services, personnel costs, justification of any outflow of funds as part of banking transactions, operations, etc.
- **The contract control** to check compliance with BOAD's directives and procedures for the procurement of goods, services and works under operations financed by the Bank;
- **The management control** which monitors and measures performance at the level of the organizational units and at the Bank's global level by means of periodic management charts and analysis notes;
- **Internal audit** responsible for ex-post control of all areas of the Bank's activities: internal processes, Resident Missions and projects under implementation.

- the investigation department, which is responsible for investigating allegations of prohibited practices (fraud, corruption, etc.) and carrying out related investigations.
- **Project's post-evaluation** which is responsible for project monitoring and evaluation, performance audits and impact assessments of Bank-financed projects in accordance with the Cooperation Group's post-evaluation practices.

5.2 External bodies control

The Bank's accounts are audited by an appointed External Auditor (CAC) 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 to strengthen it. The current External Auditor is the audit firm 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 evaluation in compliance with its appointment procedure.

The services of the External Auditor are subject to an evaluation presented to the Bank's 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 the Senior Management. These values must be promoted and complied with by all staff: Integrity, agility, social and environmental responsibility, excellence and professionalism, promoting good collaboration.

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 02/2012CCCE/UEMOA dated 6 June 2012 of the WAEMU Conference of Heads of State and Government.

A charter applicable to BOAD's 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's 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.

The Bank is in the process of updating its sanctions system to bring it into line with international standards (applicable standards, rules, international and regional conventions) and best practice.

8. Prevention and anti-money laundering (LAB)

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 (FSO). The financial security officer's analysis sheets submitted to the Project Approval Committee contribute to a better selection of risks at entry, 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
- A compliance audit policy
- A grievance policy

BOAD is accredited by: i) the Adaptation Fund (AF) - 2011 & second accreditation - 2016; ii) the Global Environment Facility (GEF) - 2015; iii) the Green Climate Fund (GCF) - 2016. It joined the initiative for climate action in financial institutions in 2017, together with the 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 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 (JCC) composed of all categories of staff. The JCC provides a framework for social dialogue between the Bank's 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 the settlement of disputes 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 the 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.