



ADDIS ABABA UNIVERSITY
College of Business and Economics
Department of Management
Executive MBA Program

Corporate Governance Practices and Future Direction
In the case of Ethio Life and General Insurance Share Company

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May, 2024
Addis Ababa, Ethiopia

**Corporate Governance Practices and
Future Direction
In the case of Ethio Life and General Insurance Share Company**

**Research Project Submitted to the Department of Management
Executive MBA Program**

**Presented in Partial Fulfillment of the Requirements for the Degree of Executive
Masters of Business Administration**

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May 2024

Declaration

I hereby affirm that the project work titled "Corporate Governance Practices and Future Direction: In the case of Ethio Life and General Insurance Share Company" is entirely my own original work and has not been submitted to any other examination body. I further confirm that all the materials utilized in this project have been appropriately acknowledged. No reproduction or distribution of this study is undertaken without the explicit consent of the author or Addis Ababa University.

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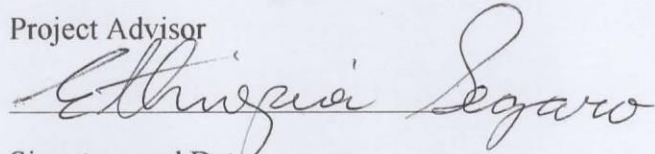

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This is to certify that Nigussie Asfaw Tulema has successfully completed his project work titled "Corporate Governance Practices and Future Direction: A Case Study of Ethio-life and General Insurance." The project meets the necessary criteria and is deemed suitable for submission as a partial fulfillment of the requirements for the Executive Master's Degree in Business Administration (EMBA).

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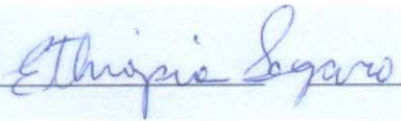


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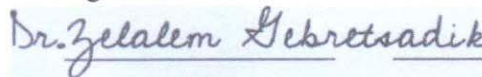
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Table of Contents

Abstract	xi
1. Overview	1
1.2 A Synopsis of CG in Private Insurance Businesses in Ethiopia	2
1.3 Background of the Company	4
1.4 Statement of the Problem.....	5
1.5 Research Questions	7
1.6 The Study's Objectives	8
1.7 Importance of the Research	8
1.8 The Study's Scope	9
1.9 The Study's Limits.....	10
1.10 Study Structure.....	10
2. Review of Literature.....	11
2.1 Overview of Corporate Governance.....	11
2.1.1 <i>Model of Anglo-Americans</i>	15
2.1.2 <i>Model Germany</i>	15
2.1.3 <i>Model Japanese</i>	16
2.1.4 <i>Model of Social Control</i>	16
2.2 Corporate Governance Theories.....	16
2.2.1 <i>Agency Concept</i>	17
2.2.2 <i>Stewardship Concept</i>	17
2.2.3 <i>Stakeholder theory</i>	18
2.2.4 <i>Theory of Resource Dependency</i>	18
2.2.5 <i>The theory of transaction cost economics (TCET)</i>	19
2.3 The Cadbury Report	19
2.3.1. <i>Overview</i>	19
2.3.2. <i>The suggestions made by Cadbury Reports on best practices should be provided.</i>	20
2.4 The Principles of the Organization for Economic Cooperation and Development (OECD).....	21
2.5 Insurance Companies' Regulation Procedures	24
2.6 Corporate Governance Structure.....	26
2.6.1 <i>The board's obligations and rights</i>	26

2.6.2	<i>Managers' obligations and rights</i>	30
2.6.3	<i>The duties and rights of the shareholders</i>	32
2.6.4	<i>Rights and responsibilities of the Stakeholders</i>	34
2.7	Corporate Governance Mechanism	35
2.7.1	<i>Innate Process</i>	35
2.7.2	<i>External Mechanism</i>	36
2.8	Organizational Chart	37
2.8.1	<i>Single vs. Multiple Boards</i>	37
2.8.2	<i>Board Composition</i>	37
2.8.3	<i>Board Independence</i>	39
2.8.4	<i>Board Committee</i>	41
2.8.5	<i>Board Compensation</i>	46
2.9	Conceptual Framework	47
3.	Methods of Research	49
3.1	Research Plan and Methods	49
3.2	Time for Sampling	50
3.3	Mechanisms for Data Collection	50
4.	Data Evaluation	52
4.1	Governance Practices of Ethiopian Private Insurance Companies	52
4.2	Survey Questionnaire Data Analysis	53
4.2.1	<i>Respondents' Profile</i>	54
4.2.2	<i>Responsibility of the Board</i>	56
4.2.3	<i>Audit Function</i>	59
4.2.4	<i>Compositions of the Board</i>	61
4.2.5	<i>Board and Senior Management Remuneration</i>	62
4.2.6	<i>Board of Director's Meetings</i>	64
4.2.7	<i>Information Disclosure Systems</i>	65
4.2.8	<i>Systems to Raise Concerns</i>	68
4.2.9	<i>Performance Measurement/Review</i>	70
4.2.10	<i>Voting at Shareholders Meeting</i>	73
4.2.11	<i>Financial Statements</i>	75
4.2.12	<i>Board Appointments</i>	76
4.2.13	<i>Company/Board Secretary</i>	79
4.2.14	<i>Codes of Ethics</i>	81

4.2.15 Confidentiality	83
4.2.16 Customer Relations	84
4.2.17 Management Practices	86
4.2.18 Social Responsibilities.....	88
4.2.19 Business Relationships	90
4.3 Analysis of Data: Interview	92
4.3.1 on Corporate Governance Materiality for Investee Companies	93
4.3.2 Which Reward System Contributes Positively to Fostering Good Corporate Governance Practice and why	93
4.3.3 Regarding Important Ethical Business Practice Challenges and Opportunities in the Company and the Most Urgent Ethical Issues.....	93
4.3.4 Regarding the Current State of the Economy and its Impact on Businesses Especially Insurances	94
4.3.5 With regard to the implementation of good corporate governance in Ethiopian insurance companies, what steps should the National Bank of Ethiopia (NBE) take?	94
4.3.6 With reference to the Board of Directors' function in relation to Management within the organization	95
4.3.7 About the company's internal controls, risk management, and compliance management	96
4.3.8 Concerning the production of financial statements in accordance with globally recognized accounting standards.....	96
4.3.9 Regarding the scheduling and planning of regular and extraordinary shareholder meetings	97
4.3.10 If there have been any issues in regards to shareholders and their treatment	98
4.3.11 If there have been any shareholder disputes, and if there have been how were they resolved.	99
4.3.12 Regarding any other Comments that he/she would like to Share	99
5. Summary of Findings, Conclusions and Recommendations	101
5.1 Summary of Findings	101
5.2 Conclusions	103
5.3 Recommendations	106
References	116
Annex – 1 Questionnaire	125
Annex – 2 Interview Questions	143

List of Tables

Table 1: Respondents' Profile	54
Table 2: Responsibility of the Board	56
Table 3: Audit Function	59
Table 4: Composition of the Board.....	61
Table 5: Boards and Senior Management Remuneration.....	62
Table 6: Board of director's Meetings	64
Table 7: Information Disclosure Systems	65
Table 8: Systems to Raise Concerns	69
Table 9: Performance Measurement/Review	70
Table 10: Voting at Shareholders Meeting	73
Table 11: Financial Statements	75
Table 12: Board Appointments.....	76
Table 13: Company/Board Secretary	79
Table 14: Codes of Ethics.....	81
Table 15: Confidentiality.....	83
Table 16: Customer Relations	84
Table 17: Management Practices	86
Table 18: Social Responsibilities.....	88
Table 19: Business Relationships	90

ACRONYMS

AI - Artificial Intelligence

BA - Bachelor of Arts

BoD – Board of Directors

CEO - Chief Executive Office

CFO – Chief Financial Officer

CG - Corporate governance

CGQ - Corporate Governance Quality

CSR – Corporate Social Responsibility

CSR - Corporate Social Responsibility

D/CEO – Deputy Chief Executive Officer

DARO - Documents Authentication and Registration Office

Dept. – Department

ECC - Ethiopian Commercial Code

EFRSB - Ethiopian Financial Reporting Standards Board

EliG – Ethio Life and General Insurance

ERM - Enterprise Risk Management

ESG – Environmental Social, and Governance

FDI - Foreign direct investment

G20/OECD - The Group of 20/ Organization for Economic Cooperation and Develop

GEBA - Globalization and Higher Education in Economics and Business Administration

HR – Human Resources

IAS - International Accounting Standards

Ibd - Investment Banking Division

IFRS – International Financial Reporting Standards

IODSA - Institute of Directors South Africa

IOSCO - International Organization of Securities Commission

ISC - Institutional Shareholders' Committee

KPIs - key performance indicators

MBA - Masters of Business Administration

NBE - National Bank of Ethiopia

NCs - Nomination Committees

NEDs - Non-Executive Directors

OECD - Organization for Economic Cooperation and Development

PhD - Doctor of Philosophy

PhD - Doctor of Philosophy

RDT - Resource Dependency Theory

SEC - Securities and Exchange Commission

SR - Social Responsibility

TCET - Transaction cost economics theory

TOR - Terms of Reference

TV – Television

UNESCAP - United Nations: Economic and Social Commission for Asia and the Pacific

Abstract

This study looked at how crucial corporate governance is for giving stakeholders and investors a clear picture of the direction and morality of a corporation. The study's specific goal was to evaluate how corporate governance techniques and principles were being applied in Ethio Life and General Insurance, a corporate entity (ELiG). In order to analyze and interpret the results, the study used a mixed technique that combined the use of qualitative and quantitative data in a descriptive research design. Primary data was gathered from the board of directors, management team, and branch managers of ELiG via questionnaires and interviews. 39 respondents in all were initially found; 38 of them filled out the questionnaires, and 13 members of the management team—including the CEO and Deputy CEOs—participated in in-person interviews. Excel was used to do a thematic analysis of the data. The analysis indicates that ELiG has strong conformity to the corporate governance guidelines provided by the National Bank of Ethiopia (NBE). The study suggests that ELiG create its own comprehensive Corporate Governance guidebook in accordance with NBE's Insurance Corporate Governance Directives No. 188/2020, based on the findings. It is thought that ELiG will gain a number of advantages from the implementation of good corporate governance, such as increased investor confidence, better access to capital, better risk management, talent attraction and retention, stakeholder trust and reputation, regulatory compliance, and long-term sustainability.

Keywords: *Corporate Governance, Regulator, Ethio Life and General Insurance (ELiG)*

1. Overview

1.1 Overview of Corporate Governance

As per the [Global Corporate Governance Forum](#), Sir Adrian Cadbury's 1992 Report on Financial Aspects of Corporate Governance in the United Kingdom offered the most well-known definition of corporate governance, which reads, "Corporate governance is the system by which companies are directed and controlled." To put it another way, corporate governance is the collection of procedures that companies use to run when ownership and management are kept apart. Corporate governance is the framework used to direct and control organizations [Jiang et al. \(2012\)](#). [Jiang](#) claims that it addresses both the duties of the board of directors and their interaction with the shareholders. Directors have a crucial role in providing resources, assessing performance, and offering advice services ([Ntim, 2015](#)).

The methods and processes that regulate an organization's direction and control are referred to as corporate governance, as defined by the Organization for Economic Cooperation and Development ([OECD](#)) in 2004. It includes setting up procedures and guidelines for decision-making as well as distributing rights and obligations among different parties, including the board of directors, managers, shareholders, and stakeholders. Enhancing economic efficiency, boosting investor confidence, and accelerating economic growth all depend heavily on effective company governance. It guarantees an economy runs smoothly by offering the appropriate degree of assurance and trust.

According to a study by [Cosma et al. \(2017\)](#), it was found that in the wake of the 2008 global financial crisis and corporate scandals, the assessment and improvement of corporate governance quality ([CGQ](#)) became crucial. Corporate governance is aimed at facilitating effective monitoring and efficient control of businesses ([Arora & Bodhanwala, 2018](#)). [Arora and Bodhanwala](#) explain that its core principles involve fairness, transparency in operations, and increased disclosures to safeguard the interests of various stakeholders. Corporate governance structures are expected to contribute to better performance by enabling high-quality decision-making ([Goel, 2018](#)). The push for stronger corporate governance requirements emerged as a response to corporate failures and their negative consequences ([Adrian, Wright & Kilgore, 2016](#)). [Bhagat and Bolton \(2019\)](#) state that corporate boards possess the authority to make, or at the very least, approve significant decisions such as investment policies, management

compensation policies, and governance of the board itself. They suggest that board members who have a substantial ownership stake may have the incentive to provide effective monitoring and oversight of these important corporate decisions, making board ownership a reliable indicator of overall good governance.

Corporate governance (CG), according to [Snadeep \(2023\)](#), is the set of policies, procedures, and guidelines that determine how an organization is run. According to [Snadeep](#), corporate governance (CG) entails striking a balance between the interests of a company's numerous stakeholders, including investors, management, consumers, suppliers, financiers, the government, and the community. As a result, there has been a lot of focus on big business corporate governance procedures lately, especially with regard to oversight and management of publicly traded businesses ([Burton et al., 2004](#)).

The study's goal is to investigate how corporate governance makes it possible for the organization to monitor and control operations effectively. In order to protect stakeholder interests, it also examines how corporate governance frameworks improve accountability, transparency, and decision-making inside ELiG. To safeguard each stakeholder's interests, these frameworks try to find a balance between the many parties involved in a business, such as the government, the community, shareholders, management, suppliers, customers, and financiers.

1.2 A Synopsis of CG in Private Insurance Businesses in Ethiopia

There are presently eighteen privately held insurance companies functioning in Ethiopia, according to the National Bank of Ethiopia. Nine of these only provide general insurance products. Furthermore, Ethiopian Reinsurance Share Company is a domestically founded reinsurance company. The fact that Ethiopia's financial sector is still off-limits to international investment means that Ethiopian investors or shareholders own the entirety of all private insurance businesses. Private insurance firms and other financial organizations are subject to regulation by the National Bank of Ethiopia ([NBE](#)). Through the insurance supervision directorate, which reports to the vice-governor, the NBE is able to grant licenses and monitor the activities of these businesses.

According to [Weltej \(2017\)](#), Ethiopian insurance services have a long history dating back to the introduction of modern banking services in 1905. [Weltej](#) claims that at the time, Emperor

Menelik II and a representative of the National Bank of Egypt, which was owned by the British, came to an agreement to establish a new bank in Ethiopia. According to [Weltej](#), contemporary insurance services were also brought to Ethiopia by outsiders and date back to 1905, when the Bank of Abyssinia started handling fire and marine insurance as an agent for a foreign insurance provider. The report goes on to say that in 1954, there were nine insurance companies operating in the nation, all of which were either foreign corporations' subsidiaries or agents, with the exception of Imperial Insurance Company, which was founded in 1951. According to [Weltej](#), there were 33 insurance businesses in 1960, a significant rise from the previous year. He goes on to say that the insurance industry was governed by the rules of the commercial code at the time and was categorized as a trade, just like any other business venture.

[Zelege](#) claims that all private businesses were shut down by the military administration that took over in 1974, four years after the proclamation was passed. Following the nationalization of all insurance businesses, the government assumed ownership and control of these businesses on January 1, 1975, and they amalgamated to form Ethiopian Insurance Corporation, a single entity ([Zelege, 2007](#)). According to this report, Ethiopian Insurance Corporation took over as the exclusive operator in the years after nationalization. The declaration for the licensing and monitoring of the insurance company signaled the start of a new era following the political shift in 1991. Private insurance businesses started to rise as soon as the proclamation was passed in 1994. The National Bank of Ethiopia ([NBE](#)) has increased insurance companies' minimum paid-up capital by a factor of six. Effective September 15, 2022, the updated "Minimum Paid-up Capital for Insurance Company" took the place of the previous level, which was first established in 2013. A general insurance license now requires 400 million birr as opposed to the previous 60 million birr as capital. Additionally, the 15 million birr minimum capital requirement for long-term insurance licenses was raised to 100 million birr. To get a license for both, a corporation must deposit 500 million birr in a closed account; under the previous guideline, this amount was 75 million birr.

A five-year window is provided to current insurance companies whose paid-up capital falls below the new barrier so that they can meet the new minimum threshold by June 30, 2027. But by October 16, 2022, these insurers must provide the NBE with an action plan. According to the [NBE](#) research, just seven of the 18 insurance companies that are currently operating in the nation have capital of more than 500 million birr. In a fierce fight for the small market niche, the

insurance business has been grappling with low market penetration and dropping premiums. Nonetheless, the previous directive is still in effect for upcoming insurance companies through September 15, 2023. This indicates that in the upcoming year, organizers of new insurance companies can obtain a license in accordance with the current directive. The license fee that is needed to obtain a new license and renew an existing one is now being discussed. Although it is still up for debate, a 2000% adjustment to the cost is anticipated. The new directive mandates that insurance companies in the share subscription process submit a final application to NBE within a year of the effective date of the directive if they successfully collect a minimum paid-up capital of 60 million birr for general insurance business, 15 million birr for long-term insurance business, or 75 million birr for both ([AddisBiz.com](https://addisbiz.com), Nov 2, 2022).

1.3 Background of the Company

Ethio-Life Insurance S.C. was established by 117 shareholders with a clear mission to introduce and promote long-term insurance to millions of households. It obtained its license from the National Bank of Ethiopia and began operating in October 2008, focusing on long-term (life) insurance business. Until August 2012, Ethio-Life remained the only specialized company in the Ethiopian insurance industry that solely dealt with life insurance. Recognizing the significant potential and viability of the general insurance market due to the country's rapid economic growth, the shareholders of Ethio-Life decided to expand the company's services by including non-life (general) insurance products in their portfolio. Consequently, the company registered as a composite insurer and started offering innovative life and non-life insurance products from August 2012 onwards. This led to the emergence of the name Ethio Life and General Insurance S.C. As of the 2022/23 Annual Report, ELiG is one of the eighteen insurers in the country, with a paid-up capital of Birr 690 million and a total of 31 branches nationwide. (<https://eliginsurance.com/about/>).

In the 2020/2021 G.C. (2014 E.C.) Insurance Companies in Ethiopia Ranking, ELiG is rated 14th out of 16 insurers at the time. According to <https://addisbiz.com> › tag › ethio-life-g...), this was in terms of assets, gross premiums, capital, profit before and after taxes, and earnings per share (EPS). At the moment, ELiG provides the following products: term life insurance, accident, funeral and critical illness insurance, motor insurance, fire and allied perils, marine hull and cargo insurance, bonds, burglary, engineering, fidelity guarantee, green house/horticulture,

consequential loss, endowment, health insurance, school fee guarantee, travel insurance, and life insurance (<https://et.linkedin.com/company/ethio-life-and-general-insurance>). ELiG employed 255 people on a permanent basis as of June 30, 2023, of which 45% were men and 55% were women. The gender distribution was the same as it was in prior years - in the 2022–2023 reporting period.

1.4 Statement of the Problem

Negash (2008) claims that corporate governance is a novel problem for Ethiopia. He contends that strong corporate governance benefits developing nations economically by drawing in prospective domestic and international investors in addition to enhancing investor trust. Negash claims that share company to be one of the recognized forms of commercial organizations recognized by the Ethiopian Commercial Code. Corporate governance concerns are particularly significant in developing economies, according to McGee (2008), because these nations lack a robust and well-established financial institution infrastructure to handle these matters. According to his research, owners, directors, and corporate managers are beginning to recognize the advantages of having a sound corporate governance structure. Transparency, independent directors, and a distinct audit committee are particularly crucial for boosting share price and facilitating capital acquisition.

As a developing free market economy, Ethiopia should put in place suitable regulations that follow industry best practices for corporate governance in order to draw in and protect investors (Zelalem et al., 2022). As a result, the study will provide insightful information about the corporate governance experiences of ELiG, with useful implications for the senior management groups, the board of directors, and other interested parties. This will improve their understanding of the governance elements that positively affect the performance of the organization, in order for the sector to continue being a dependable and profitable source of support for others, Varaprasad and Rao (2019) contend. ELiG, like all insurance firms, must practice sound corporate governance in order to achieve this goal.

In light of this, my research aims to examine the practicality of these directives and the principles of corporate governance. It will also focus on overseeing business activities to ensure compliance with laws and ethical standards, fostering transparency for shareholders, employees, and other stakeholders, developing corporate strategy, managing compensation and risks, and more. The

research will address several key questions, such as the alignment between business ethics and corporate governance and their significance for effective leadership and the long-term success of both the company and the society. Furthermore, it will explore the relationships between management, boards of directors (BoD), shareholders, employees, and other stakeholders, considering the historical dominance of men in top corporate positions, as highlighted by [Amore and Garofalo in 2021](#). The study will also investigate the gender composition of executive management and board of directors, evaluate the company's adherence to legal, ethical, economic, and philanthropic circumstances, and examine the existence of an audit committee and its reporting on the internal audit function. Additionally, it will assess the composition of the remuneration committee and identify other relevant committees based on the company's corporate governance policy and the National Bank of Ethiopia's corporate governance guidelines for insurance companies. According to the United Nations Economic and Social Commission for Asia and the Pacific ([UNESCAP](#)), good governance encompasses the following characteristics:

1. It is focused on reaching a consensus
2. It is interactive
3. It is responsible
4. It is clear
5. It reacts quickly
6. It is efficient and productive
7. It is inclusive and egalitarian/free, democratic
8. It adheres to the law

[Kanojia and Bhatia \(2021\)](#) assert that effective community governance (CG) ensures the reduction of corruption, consideration of minority perspectives, and inclusion of the most vulnerable members of society in decision-making processes. The findings of their study indicated that efficient CG to meet societal demands for the future. Good governance, according to [Kanojia & Bhatia](#), is the glue that supports ethical corporate practices, which ensures ethical workplace management, market responsibility, environmental stewardship, community involvement, and long-term financial performance. As previously mentioned, there is a gap between what is and isn't in place. At most, the lack of regulations and their lenient enforcement,

as well as the gap between corporate power and corporate accountability, will be covered in this study. Therefore, in order to recognize and describe the following problem statements, it is essential to carefully review Ethio Life and General Insurance (ELiG) company's corporate governance processes.

- ELiG's present corporate governance procedures do not follow accepted global best Practices/ Effective Corporate Governance.
- The performance of the ELiG insurance company is significantly correlated with the current Board's makeup, including committee composition, independence, pay, and structure.
- The corporate governance procedures of ELiG insurance firm are influenced by a number of internal and external factors.
- How well corporate governance practices influence the board's motivation and the ELiG insurance company's performance.
- The alignment of ELiG's corporate governance procedures and ethical standards in terms of how crucial they are to developing effective leadership and guaranteeing the long-term success of the business.

1.5 Research Questions

The research question of the study can be stated as:

1. How do the specific corporate governance mechanisms implemented by ELiG (e.g., board composition, ownership structure, transparency measures) influence its decision-making and operations?
2. What are the types of CG practices prevalent in ELiG in general?
3. How closely do the existing policies of the ELiG board of directors adhere to Internationally recognized corporate governance standards (such as accountability, transparency, and independence) and what are the possible ramifications of any inconsistencies that are found?
4. How can the effectiveness of ELiG's performance system be evaluated?
5. How well does the regulatory authority in charge of ELiG strike a balance between its Position as a helper to ELiG's adherence to corporate governance best practices and its

Monitoring of the company?

6. What particular suggestions may be made to raise the overall performance and efficacy of ELiG's corporate governance framework?

1.6 The Study's Objectives

The study's overall goals

The study's main goal is to offer a thorough method for looking at and assessing ELiG's corporate governance processes, covering things like gender diversity, board makeup, committee membership, and code adherence.

The specific research objectives of the study can be stated as follows:

1. To evaluate the specific corporate governance mechanisms implemented by ELiG (e.g., board composition, ownership structure, transparency measures) and their influence on decision-making and operations.
2. To assess the type of CG practices prevalent in ELiG in general.
3. To assess the alignment of ELiG's board of directors' current practices with globally accepted principles of corporate governance (e.g., independence, accountability, transparency) and explore the potential consequences of any identified gaps.
4. To assess the performance review system of ELiG.
5. To evaluate effectiveness of the regulatory body overseeing ELiG balancing its supervisory role with its role in assisting ELiG's adherence to best practices of corporate governance.
6. To formulate specific recommendations for enhancing the effectiveness of ELiG's corporate governance framework and its overall performance.

1.7 Importance of the Research

The main goals of corporate governance at the firm level are to increase investor confidence, lower risks, improve financial performance, and foster long-term sustainable growth and success.

Therefore, the following are anticipated to be the study's significances to ELiG:

- **Enhanced financial performance:** Implementing Effective Corporate Governance practices is linked to greater profitability, improved return on assets, and higher market

valuations. By increasing oversight and accountability, the company can utilize its resources more efficiently and make better decisions.

- **Decreased risk:** Strong corporate governance mechanisms help mitigating risks such as fraud, mismanagement, and excessive risk-taking. Transparent and comprehensive disclosure practices reduce information imbalances and minimize the potential for managers to engage in opportunistic behavior.
- **Boosted investor confidence:** Robust corporate governance signals investors that a company is well-managed and prioritizes their interests. This fosters increased investment, greater stock liquidity, and lower capital costs for the firm.
- **Improved capital accessibility:** Companies with effective corporate governance are more appealing to both domestic and international investors. This enhances the firm's ability to secure capital from various sources, including debt and equity markets.
- **Enhanced stakeholder relations:** Effective corporate governance practices promote accountability and fairness in interactions with all stakeholders, such as employees, suppliers, customers, and the community. This leads to stronger relationships with stakeholders and better alignment of interests.
- **Increased innovation and adaptability:** Sound governance structures create an environment that encourages innovation, risk-taking, and adaptability to changing market conditions. This enhances firm's long-term competitiveness and sustainability.
- **Compliance and reputation:** Adhering to corporate governance standards and ethical practices helps a firm maintain a positive reputation and avoid legal and regulatory issues. This safeguards the company's brand and goodwill, which are valuable intangible assets.

1.8 The Study's Scope

This study aims to investigate ELiG's current corporate governance situation. Although a wide range of industries and institutions fall under the umbrella of corporate governance ([Abebe Zelalem et al., 2022](#)), this study focuses on the corporate governance practices of Ethio Life and General Insurance S.C. (ELiG), which is largely motivated by wealth maximization and profit-making. [Jebran and Chen \(2020\)](#) have suggested that the primary function of corporate

governance to be to controlling the board's actions. This system of control and monitoring enables the board of directors to oversee management's efforts to maximize shareholder value.

1.9 The Study's Limits

This study used survey questionnaires, interviews, and document reviews as its data collection methods. As a result, the study is subject to the same limitations as these methodologies. In particular, the only goal of this study is to assess whether EliG, a privately held insurance firm, has sound corporate governance or not. In addition, it looks into the relationship between capacity utilization and corporate governance, the presence of audit and compensation committees, the makeup of each committee, and the inclusion of non-executive directors on the board of directors. The survey also looks at the gender diversity ratio in executive bodies and the board of directors. Additionally, it is limited to determining whether the proper board structure—including composition, independence, and committee setup—influences the performance of the company and analyzing EliG's board of directors' current practices in the context of widely recognized corporate governance principles.

1.10 Study Structure

This research is divided into five chapters. An introduction to corporate governance in Ethiopian private insurance companies is covered in the first chapter. A survey of the literature, theories of corporate governance, and an overview of corporate governance are covered in the second chapter. Chapter 3 covers the following topics: research methodology, problem statement, research approach and strategy, timing and sampling, and data collection mechanisms. Chapter 4 covers data analysis, study findings and analysis, and the governance methods of private insurance companies in Ethiopia. Chapter 5 covers Conclusion and Recommendations.

2. Review of Literature

An overview of the composition and workings of corporate governance is given in this chapter. It addresses a number of topics, including the duties and rights of the shareholders, managers, and board. The internal and external company governance procedures are also covered. The chapter examines several aspects of board structure, such as the formation of board subcommittees like the audit, risk management and compliance, and HR affairs committees, as well as the decision between unitary and dual boards, board makeup, and board independence. In order to achieve governance outcomes like an ethical culture, high performance, effective control, and legitimacy, the governing body must exercise ethical and effective leadership, which is what the [Institute of Directors in South Africa](#) defines as corporate governance. It is important to note that corporate governance pertains to the way firms are governed rather than how they are managed ([de Villiers & Dimes, 2020](#)).

2.1 Overview of Corporate Governance

Different people define corporate governance in different ways. The several definitions of CG are initially given in this section, along with the definition that was chosen and the rationale behind it. The broad set of rules, guidelines, and legal precepts that dictate how firms are run, regulated, and controlled is known as corporate governance ([Sivakumar, 2009](#)). Corporate governance, as defined by the Organization for Economic Cooperation and Development ([OECD](#)), is the framework used to direct and regulate business corporations. [Gupta and Mirchandani \(2019\)](#) define corporate governance as the process that calls for openness, responsibility, and excellence from corporate managers. One of the most widely used definitions of corporate governance (CG) was introduced by the [Cadbury Committee](#) in 1992 and is described as "the system by which companies are directed and controlled," per a study by [El Gammal et al. \(2018\)](#). Additionally, [Kanojia and Bhatia \(2021\)](#) assert that by maintaining checks and balances between shareholders and managers, corporate governance to have moderated agency conflict. According to the results of their investigation, this may have contributed to the relationship that has grown between corporate governance and a company's dividend policy. According to [Waddock and Graves \(1997\)](#), as cited in [Sahut et al. \(2019\)](#), CG creates a balance between social and economic goals as well as between those of the individual and the

community. According to the [OECD \(2004\)](#), corporate governance (CG) refers to a system of interactions among a company's board, management, shareholders, and other stakeholders. It is regarded as a crucial component in the financial and non-financial sectors for boosting economic growth and efficiency as well as boosting shareholder trust. Research on corporate governance has a rich and diverse past, having developed from numerous academic fields such as sociology, law, finance, and management ([Payne & Moore, 2022](#)). It is argued in all of these areas that good governance to be crucial for business success because it gives the organization moral and strategic direction ([Payne & Moore, 2022](#)).

[Adolf Berle and Gardiner Means](#) introduced corporate governance as a topic for public policy in 1932. They cited the increased distribution of corporate shares among an increasing number of individuals who, due to their large number, dispersed location, and limited interest, were unable to exert control over the business they controlled. A complete division of ownership and control results in agency cost, or the possibility that managers may act in their own best interests at the expense of the primary or shareholders, as [Adolf Berle and Gardiner Means](#) found ([Tura, 2012](#)). Corporate governance, as defined by the [Institute of Directors in South Africa \(IODSA 2016, p. 20\)](#), is the "exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes: ethical culture, good performance, effective control and legitimacy." It is related to the operation of businesses rather than their management ([de Villiers & Dimes, 2020](#)).

[Sheedy and Gryphon \(2017\)](#) assert that the efficacy of risk governance is contingent upon the implementation of policies and structures as well as their presence, meaning that a subjective component is unavoidable in any evaluation. According to [Sheedy and Gryphon](#), corporate governance (CG) has been increasingly popular in organizations in recent years, and its significance has been emphasized globally. [Sheedy and Gryphon](#) claim that it has even been embraced by nations that do not yet have regulations governing the use of CG in businesses. Because CG supports an organization's operational framework, it has attracted attention from all across the world ([Grantham, 2020](#), as cited in [Garzón Castrillón, 2021](#)). [Grantham \(2020\)](#), as cited in [Garzón Castrillón \(2021\)](#), states that the owners stand to gain from the adoption and application of the Quality Assurance (QA) practice because they are dedicated to utilizing the mechanisms and principles, which in the widest sense equate to an efficient monitoring of a company's operations, especially when the principles of disclosure and transparency are adopted.

All of the controls put in place to safeguard shareholders and investors are together referred to as corporate governance (CG) (Di Vito & Trottier, 2021). Di Vito and Trottier (2021) claim that CG resolves agency conflicts resulting from the possibility of a misalignment between the interests of those shareholders and the management in charge of the company. The academic literature has just lately begun to recognize CG as a separate and systematic field of study (Kumar & Zattoni, 2019, as cited in Pandey et al., 2022). Microeconomics, organizational economics, organizational theory, information theory, law, accounting, finance, management, psychology, sociology, and politics are just a few of the research fields that the field intersects with (Turnbull, 1997, as cited in Pandey et al., 2022). Shehata (2015) reports that several researchers, organizations, and thinkers to have made multiple attempts to define the idea of corporate governance. Shehata argues that these efforts and actions have expanded the concept's definition by incorporating a range of perspectives and arguments. Nonetheless, the Organization for Economic Cooperation and Development's (OECD) definition, which reads as follows: The system by which business enterprises are managed and controlled, is believed to represent the global consensus on the meaning of the phrase (Shehata, 2015). As per Humera Khan's (2011) analysis, corporate governance encompasses a wide range of procedures, norms, guidelines, legal frameworks, and establishments that influence the conduct, management, and oversight of corporations and organizations.

Humera Khan states that the board of directors (BoD) and higher management are usually involved in the CG system's decision-making procedures to guarantee that all choices are in line with the goals of the business and its stakeholders. Furthermore, the CG system incorporates all rules regulating and limiting corporate decision-making (Ahmed, 2009, as cited in HA Almashhadani, M Almashhadani, 2022). Additionally, CG develops the framework that the organization uses to define its objectives and the methods by which they are accomplished and performance is evaluated (HA Almashhadani & M Almashhadani, 2022). According to Humera Khan (2011), the split of ownership and management within organizations and the conflicting interests of managers and shareholders are the reasons why corporate governance became important in modern enterprises.

Singh and Pillai's (2021) recent study defines corporate governance as a management and control framework. They claim that CG offers a monitoring framework for achieving business goals. According to the report, the use of best governance standards has increased investor trust and

increased the firm's worth. According to [Al Nawasiseh et al. \(2021\)](#), citing [Ali and Oudat \(2021b\)](#), corporate governance can be defined as a collection of procedures, norms, guidelines, policies, and establishments that establish the management, administration, and control of a company with the intention of influencing the company's behavior towards its stakeholders, either directly or indirectly. The overarching goals of corporate governance are to safeguard the interests of shareholders and other stakeholders, such as clients, vendors, staff members, and the general public; to guarantee complete transparency and integrity in communication; and to provide all parties with access to full, accurate, and understandable disclosure ([Madhani & M., 2017](#)).

According to [Nedelchev \(2018\)](#), as cited in [Miążek \(2021\)](#), modern corporate governance is studied from a variety of theoretical angles, bringing together knowledge from several academic fields. Numerous definitions of the idea are produced by this interdisciplinary method ([Nedelchev 2018](#), as cited in [Miążek, 2021](#)). According to the research, for a corporate governance system to be effective, managers must be suitably motivated to take stakeholders' interests into account and stakeholders must be informed about the decisions made by management. [Almashhadani \(2022\)](#) underscores that the objective of corporate governance is to achieve equilibrium between the demands of management and shareholders. Corporate governance, according to the [OECD](#), is the process by which boards supervise managers' management of a company and how board members are accountable to both the company and its shareholders. The [OECD](#) claims that this has an impact on how businesses behave with regard to their workers, shareholders, clients, and banks. The integrity and effectiveness of financial markets are supported by sound corporate governance, according to the report. Poor corporate governance, according to the [OECD](#), reduces a company's potential and, in the worst case scenario, can open the door to fraud and financial issues. In conclusion, businesses with sound governance practices typically outperform their competitors and draw in investors who can provide further funding.

A corporate form of business is typically run by a board of directors, whose members are chosen by shareholders, according to [Shirwa and Onuk \(2020\)](#). It is said that the board selects the qualified management to run the company. Additionally, they claim that different nations have various legal frameworks, and that variations in corporate governance models result from these variations.

Citing Paper [Tyari \(n.d.\)](#), corporate governance can be categorized into the following four areas:

1. The German Model
2. The Anglo-American Model
3. The Model from Japan
4. Model of Social Control

2.1.1 Model of Anglo-Americans

The Anglo-American Model of corporate governance acknowledges and prioritizes the interests of shareholders. They are able to choose every member of the Board, which controls how the business is run. Among this model characteristic:

- Being the cornerstone of corporate governance in Britain, Canada, America, Australia, and the Common Wealth Countries, including India, it is also known as the Anglo-Saxon method.
- It is rare for directors to be separate from management
- Professional managers who own very little of the companies oversee them. The division of ownership and management is evident.
- Portfolio investors are institutions such as mutual funds and banks. They just sell their shares in the market and depart when they are unhappy with the performance of the company.
- There are strict regulations prohibiting insider trading and extensive disclosure standards.
- Big investors are discouraged from participating actively in corporate governance, while small investors are safeguarded.

2.1.2 Model Germany

Another name for this is European Model. Employees are thought to be one of the company's most important stakeholders and ought to have the ability to influence the company's management. The term "two-tier board model" refers to the corporate governance that is implemented by means of two boards. The two boards in question are:

1. **Supervisory Board:** Members are chosen by their fellow shareholders. Additionally, workers choose a representative for the Supervisory Board, which typically consists of one-third or half of the Board.

2. **Board of Management or Management Board:** The Management Board is chosen and overseen by the Supervisory Board. The Management Board may be dissolved by the Supervisory Board and reconstituted.

2.1.3 Model Japanese

A large portion of the capital raised by Japanese businesses comes from banks and other financial organizations. Due to their substantial investments in enterprises, banks and other institutions collaborate closely with the management of the company. The President and the Board of Directors are chosen by the major banks in conjunction with the shareholders. This approach takes into account the interests of lenders in addition to that of shareholders.

2.1.4 Model of Social Control

Corporate governance's Social Control Model promotes complete stakeholder representation on the board. This model suggests that the internal control mechanisms of corporate governance would be enhanced by the establishment of a Stakeholders Board, which would be independent of the shareholders-determined Board of Directors. The Stakeholders Board is made up of representatives from a variety business groups, including lenders, major suppliers, employees, and shareholders.

2.2 Corporate Governance Theories

According to [Cosmulese \(2021\)](#), the field of corporate governance is relatively new, and several theories from other fields—such as law, economics, finance, and management—have influenced its growth. Within the fields of corporate governance, this article provides a theoretical overview. In addition to other theories that impact the evolution of corporate governance, such as stewardship, stakeholder, resource dependency, and transaction cost economics theories, his research study presents an overview of the primary theory, or agency theory. The most significant ones, in [Wan Yusoff's \(2012\)](#) opinion are political theory, stewardship theory, social contract theory, agency, stakeholders, and resource dependency theory. According to [Bui and Krajcsák \(2023\)](#), a number of important theories about CG have been produced over time. Here are concise synopses of some of them:

2.2.1 Agency Concept

Assumes that the board's primary responsibilities are internal control and governance, and that external board members are superior to internal directors in managing operations and safeguarding the interests of shareholders (Boyd, 1990; Pearce and Zahra, 1992). According to agency theory, management (the agent) and shareholders (the principal) have a principal-agent relationship, and the agent's interests aren't always the same as the principals'. Therefore, procedures are required to guarantee that managers behave in the shareholders' best interests (Bui & Krajcsák, 2023). The underlying theory is that boards with a higher percentage of independent directors, who are more concerned with the interests of shareholders, are better equipped to oversee management and, as a result, raise the firm's value (Walsh and Steward, 1990; Cohen et al., 2012, as cited in Cosmulese, 2021). Abid, G. Khan, B. Rafiq, Z. and Ahmad, A. (2014), as cited in Cosmulese (2021), noted that one limitation of the framework is that the agent might not put the principal's best interests first. The authors contend that the agent might misuse their power to obtain monetary and non-monetary benefits and might neglect to take the required safety measures to reduce hazards. This agency dilemma is addressed by the principal-agent theory (Eisenhardt, 1989). To maximize shareholder interests and align the interests of principals and agents, these techniques include offering incentives (e.g., equity-based incentives) to management (Filatotchev & Wright, 2011; Jensen & Murphy, 1990), as stated in (Cosmulese, 2021).

2.2.2 Stewardship Concept

Recognizes that there is a relationship based on trust between management and shareholders, which reduces the expenses associated with keeping an eye on and managing management behavior (Abdullah & Valentine, 2009, as cited in Madhani & M. 2017). Stewardship theory supports CEO duality by arguing that a company shouldn't divide its twin responsibilities as chairman and CEO in order to reduce agency expenses. In order to accomplish organizational goals more effectively and efficiently, the CEO duality fosters harmony among the board, management, and shareholders (McGrath, 2009, as cited in Madhani & M. 2017). Bui and Krajcsák (2023) assert that the managerial empowerment inside an organization to be supported by stewardship theory. According to their research, stewardship theory suggests that managers should behave in the best interests of the company and its stakeholders since they serve as

stewards of the enterprise. This idea highlights the value of mutual trust, cooperation, and teamwork between management and shareholders, according to [Bui and Krajcsák \(2023\)](#).

2.2.3 Stakeholder theory

Stakeholder theory holds that information provided by firms should not only reduce information asymmetry ([Jensen 2010](#), as cited in [de Villiers & Dimes, 2020](#)), but also reduce conflicts of interest between various stakeholder groups ([Velte & Gerwanski 2020](#), as cited in [de Villiers & Dimes, 2020](#)). It also considers managers to be accountable to a much broader set of stakeholders than just shareholders. According to stakeholder theory, businesses have a variety of stakeholders to answer to, including suppliers, consumers, workers, and the general public. As such, efficient corporate governance (CG) should take these stakeholders' interests into account as well as shareholders' ([Bui & Krajcsák, 2023](#)).

2.2.4 Theory of Resource Dependency

Explains the selection process for directors and provides evidence that boards with greater network potential lead to higher firm value in this growing relationship-based market ([Ngo et al., 2017](#)). According to [Wan Yusoff \(2012\)](#), the rule of resource reliance asserts that uncertainty will be reduced by the knowledge, expertise, and legitimacy contributions of the directors as well as those of significant stakeholders like as suppliers, buyers, public policy decision makers, and social groupings. Therefore, [Hillman et al. \(2000\)](#), as cited in [Wan Yusoff \(2012\)](#), take into account the potential results of connecting the corporation with external environmental variables and lowering uncertainty diminishing the transaction cost associated with external linkage. According to [Hitt et al. \(2012\)](#), businesses must acquire resources from their surrounds, primarily from other companies. They argue that businesses that own resources held by other businesses have to become interconnected and engage in resource exchange. The authors assert that resources constitute the foundation of a firm's power since they are valuable, rare, hard to replicate, and difficult to replace. They also say that corporations with access to resources are seen as more powerful than their rivals who have not, and that power and resources are strongly related. The authors also point out that a firm's productivity is often damaged by its dependency on other enterprises and that resource scarcity creates uncertainty for organizations. Businesses constantly search for methods to exploit resources in order to ensure their long-term survival,

they conclude. The resource dependency theory looks at the linkages between different facets of organizational behavior or performance and the connections between directors (Pfeffer & Salancik, 1978, as cited in Cosmulese, 2021). This idea supports the nomination of directors to several boards since it allows them to network and receive information in different ways (Hillman et al., 2000, as cited in Wan Yusoff, 2012). Resource dependence theory, according to Bui and Krajcsák (2023), argue that businesses need on outside resources—such as money, labor, and raw materials—to function, and that a company's ability to obtain these resources is impacted by its connections with outside stakeholders. In order to manage these relationships and make sure everything goes as planned, they assert that the organization has effective CG in place.

2.2.5 The theory of transaction cost economics (TCET)

TCET and agency theory, which was adapted from Coarse's 1937 work, are closely linked concepts. His primary argument is that businesses could save expenses by outsourcing some of their work internally rather than relying solely on outside vendors. According to the theory, between the two extremes of governance structure—markets acting as an intervening mechanism, also known as a hybrid or relational mechanism—and in-house production, depending on the costs and hardships of transactions (Williamson, 1975 as cited in Cosmulese, 2021). Transaction cost theory, according to Bui and Krajcsák (2023), suggests that businesses engage in transactions (such employing people or entering into contracts with suppliers) that have costs associated with them that go beyond the transaction's monetary worth, like monitoring and negotiation expenses. Furthermore, they stated that by creating precise transaction rules and procedures, efficient CG was able to reduce these expenses.

2.3 The Cadbury Report

2.3.1. Overview

In December 1992, the Cadbury Committee published their Code of Best Practice. They suggested setting up audit committees, having at least three non-executive directors on the board, and separating the roles of chairman and CEO—all of which were at the time generally regarded as best practices. Furthermore, according to Dedman (2002), the Code encouraged institutional investors to take a more active part in promoting best practices in corporate governance. One of

the most widely used definitions of corporate governance (CG) was presented by the [Cadbury Committee in 1992](#) and is described as "the system by which companies are directed and controlled" ([El Gammal et al., 2018](#)). Corporate governance, according to [Cadbury](#), is the process via which a company is managed, led, overseen, or controlled, as well as the objectives for which it is managed. They claim that ineffective board accountability and lax accounting rules are to blame for company failures. The 14-member [Cadbury Committee, established in 1991](#) by the Stock Exchange, the Financial Reporting Council, and the Accounting Profession, created the 19-point rule of "corporate governance" ([Dedman, 2002](#)).

2.3.2. The suggestions made by Cadbury Reports on best practices should be provided.

The committee, chaired by [Sir Adrian Cadbury](#), deliberated on issues concerning the makeup and responsibilities of the board of directors, improving the value and effectiveness of the audit, and the relationship between the board and shareholders, including the responsibilities of institutional shareholders. The final report, published in December 1992, includes a Code of Best Practice. Among the recommendations put out by the committee to limit the board's jurisdiction were the following ([Dedman, 2002](#)):

- (a) **CEO and Chairman Separation:** The committee voiced concerns regarding the undue concentration of power that results from combining the CEO and chairman posts. They advised that in order to maintain a balance of power and authority, there should be a distinct separation of duties at the top of a business. It is essential to have a strong and independent presence on the board, especially a reputable senior member, if the chairman simultaneously serves as the chief executive.
- (b) **The required bare minimum of non-executive directors:** The report acknowledged the critical role of non-executive directors (NEDs) and recommended that a board should have a sufficient number and quality of NEDs to ensure that their views are given substantial weight when making decisions. All boards should have at least three non-executive directors in order to comply with the report's recommendations regarding the makeup of board subcommittees. One of these directors may serve as the company's chairman, but only if they are not also the executive head.
- (c) **Audit Committees:** The Cadbury Report advised boards to form audit committees with a minimum of three non-executive directors in order to underscore the value of

independent audits. These committees ought to have formal terms of reference that specify their responsibilities and areas of jurisdiction.

- (d) **A greater role for institutional investors:** The Cadbury Report also emphasized the importance of institutional ownership in UK equities and praised the [Institutional Shareholders' Committee \(1992\) report's](#) conclusions, which emphasized the necessity of institutional investors taking a more active role in the market.

2.4 The Principles of the Organization for Economic Cooperation and Development (OECD)

In response to developments in corporate governance, such as corporate crises that further focused governments' attention on enhancing corporate governance procedures, the OECD Principles of Corporate Governance were amended in 2004. The [OECD Principles of Corporate Governance](#), which were initially published in 1999, are now widely acknowledged as an international standard for good corporate governance. They have been accepted as one of the Twelve Essential Standards for Sound Financial Systems by the Financial Stability Forum and are actively utilized by governments, regulators, investors, companies, and stakeholders in both [OECD](#) and [non-OECD](#) nations.

The [OECD Principles](#) were revised in 2004 to take into account the experiences of emerging and developing economies in addition to those of [OECD](#) member nations ([Jesover & Kirkpatrick, 2005](#)). This article demonstrates how the updated Principles continue to be globally relevant by incorporating new insights from [non-OECD](#) nations ([Jesover & Kirkpatrick, 2005](#)). The Organization for Economic Cooperation and Development ([OECD](#)) was one of the first non-governmental organizations to design and define the rules and guidelines that should guide corporations in their pursuit of long-term shareholder value, according to [Fernando, A. \(2013\)](#) in his book *Corporate Governance Principles, Policies and Practices*. He believes that drawing inspiration from the [OECD's](#) principles—which are endorsed by its member nations—is a useful place to start. These principles consist, in short, of the following elements: the key area covered by [OECD](#) principles:

- (a) The foundation of an efficient corporate governance framework is ensured by [OECD](#) Principle 1. In addition to upholding the rule of law, the corporate governance framework should

encourage open and effective markets and clearly define the roles and duties of various regulatory, enforcement, and supervisory bodies. This first principle, as stated by [Demise et al. \(2006\)](#), ensures the foundation for an effective corporate governance framework by stating that the framework should support efficient and transparent markets, align with the legal role, and explicitly state the various regulatory, enforcement, and supervisory authorities' respective responsibilities. According to this theory, the power, moral character, and means necessary for them to carry out their responsibilities in an impartial and professional manner are requested by supervisory, regulatory, and enforcement bodies.

(b) [OECD Principle 2](#): Key ownership functions and shareholder rights. The framework of corporate governance ought to safeguard and enable the shareholders' rights to be exercised.

(c) The fair treatment of shareholders is the third [OECD](#) principle. The fair treatment of all shareholders, particularly minority and foreign owners, should be guaranteed by the corporate governance structure. Every shareholder should be able to seek appropriate compensation for any infringement of their rights.

(d) The role of stakeholders in corporate governance: [OECD Principle 4](#) The framework for corporate governance ought to acknowledge the legal or mutually agreed-upon rights of stakeholders and promote proactive collaboration between corporations and stakeholders in generating income, employment opportunities, and the long-term viability of financially stable businesses.

[Demise et al. \(2006\)](#) state that two clauses have been added to the original form of this fourth principle, which addresses the role of stakeholders in corporate governance:

"Stakeholders' rights should not be violated in order for them to freely voice to the board their concerns about unethical or illegal practices, including individual employees and their representative bodies." "Effective enforcement of creditor rights and an efficient insolvency framework should supplement the corporate governance framework."

[Demise et al. \(2006\)](#) state that the former section deals with whistleblowing, which is a common method used to discover corporate scandals, and the later provision deals with a bankruptcy framework and creditor rights. In their conclusion, they stressed the importance of their role in the event that big businesses like Enron fall.

e) The Fifth [OECD](#) Principle: Transparency and Disclosure. The framework for corporate governance need to guarantee the prompt and precise disclosure of all pertinent information about the organization, including its financial status, operational efficiency, ownership, and governance.

(f) Principle 6 of [OECD](#): The duties assigned to the board the firm's strategic direction, the board's efficient oversight of management, and the board's accountability to the company and shareholders should all be guaranteed by the corporate governance framework. This sixth principle has some updated requirements, according to [Demise et al. \(2006\)](#). The board was supposed to guarantee stakeholders' interests and conformity with applicable law in the original version. However, in the changed version, the board is now expected to uphold high ethical standards, as outlined below:

'Maintaining high ethical standards will benefit the business in the long run by helping to establish its credibility and dependability in both daily operations and longer-term commitments.'

In accordance with [Demise et al. \(2006\)](#), the board plays a crucial role in establishing the ethical culture of a business through both its own deeds and the appointment and supervision of important executives. Additionally, they assert that stakeholders should provide the board with information regarding illicit or unethical activities. They confirmed that the [OECD](#) acknowledged the need for government intervention in corporate governance frameworks to control corporate conduct. [Demise et al.](#) assert, however, that the [OECD](#) is aware that many nations' corporate governance principles mandate that businesses create a code of ethics, some of which are more stringent than the relevant laws.

In conclusion, the Secretary-General of the [OECD](#) stated that trust and integrity are vital to the economy and that it is imperative that they receive the right compensation in order to support business and future success. In order for markets to work properly, he anticipated that the [OECD](#) Principles of Corporate Governance would contribute to the development of a culture of values for moral and professional conduct. The [OECD](#) developed a non-binding principles approach after realizing the need to modify implementation to account for differing legal, economic, and cultural situations ([Demise et al., 2006](#)).

2.5 Insurance Companies' Regulation Procedures

The dictionary definition of regulation is "rule or order issued by an executive authority or regulatory agency of a government and having the force of law". [Klein \(2011\)](#) claims that the current financial crisis and its ripple effects on the world economy have made financial institution regulation, particularly that of insurance firms, more important. Although many observers contend that insurance companies did not significantly contribute to the crisis, [Klein](#) notes that regulators and policymakers are now very interested in the role insurance company's play in the financial sector and their potential susceptibility to systemic risk. The study conducted by [Kochenburger and Salve \(2023\)](#) reveals that insurance is a worldwide industry that is subject to regulation in all jurisdictions. This means that an international comparative analysis of insurance regulation and law is a rich field of study. According to the study, financial and prudential regulation, which makes sure insurers have the financial resources to pay claims that arise years after the policies were written and premiums were collected, and conduct of business regulation, which controls how insurers handle insurance customers from marketing to claims handling, are the two main areas of focus for insurance regulation and consumer protection.

Important Aspects of the Ethiopian Insurance Sector: The National Bank of Ethiopia ([NBE](#)) oversees the regulation of the insurance sector in Ethiopia. As per the [NBE](#) rule, professional indemnity insurance for insurance intermediaries and motor third-party liability insurance are mandatory insurance classes. In Ethiopia, composite insurance is allowed per NBE regulations. Foreign direct investment ([FDI](#)) in the insurance sector is prohibited by Ethiopian law. On the other hand, risks situated in Ethiopia may be cross-border reinsured by unlicensed reinsurance businesses ([GlobalData, Oct. 2021](#)).

An insurance policy is defined as "a contract whereby a person called the insurer, undertakes against payment of one or more premiums to pay to person called the beneficiary, a sum of money where a specified risk materializes" in the Ethiopian Commercial Code, which governs insurance policies. The essential tenets of insurance include the following: Insurable Interest, Indemnity, Maximum Good Faith, and Proximate Cause ([Ethiopian Law Office - Fikadu Asfaw and Associates - Legal Services in Addis Ababa, 2023](#)). As stated by [Fikadu Asfaw and Associates - Legal Services in Addis Ababa, 2023](#), the following ideas are cornerstones of Ethiopian insurance law:

- (a) The Utmost Good Faith Principle - When a person applies for insurance, they typically receive an application form with questions concerning the type of risk. The application will request details on the applicant's age, the property's location, worth, and condition, as well as information about how it is used and maintained. Information on the applicant's age, occupation, and habits, as well as any past medical conditions or accidents, and the parents' health, are all required on a life insurance application. Based on the provided information, the insurer determines whether to accept or reject the application (offer).
- (b) The Principle of Insurable Interest: As per Ethiopia's commercial code, an object may be insured by any interested party for its preservation. Purchasing an insurance policy requires having an insurable interest in either the insured person's life or their possessions. A person's financial investment or interest in another person's life, property, or health is known as an insurable interest. Anybody with an insurable interest in property is somebody who would directly lose money if it were destroyed or damaged. Such a person may have a security interest but need not be the owner. There are several typical groups of events in property insurance that result in insurable.
- (c) The Proximate Cause concept: This idea is based on the cause-and-effect concept, which states that additional research is not necessary after the cause and effect have been determined. Put another way, the causes of causes have no bearing on the law. Laws establish the "causa proxima nonremota spectator" premise. It means that we ought to pay no attention to any distant or remote causes and concentrate exclusively on the immediate reason. The concept can therefore be reduced to the specifics displayed below. The insured peril must directly result from the action of an exempted hazard, even though it may not be the initial cause, unless the policy language specifically specifies otherwise. In line with this policy of insurance Water or smoke damage following a fire is covered because damage resulting directly from an insured danger is covered even if the immediate hazard that caused the damage is not specified in the policy (unless the policy expressly excludes the consequence). As long as the designated peril does not function and its consequences result in loss to the insure, property can be covered even if the identified peril does not actually cause harm to the insured property. For instance, if the insured's building next door catches fire and the only damage he sustains is from smoke

or water, his fire policy will kick in (as long as the initial fire was not brought on by a risk specifically listed as excluded in the policy).

2.6 Corporate Governance Structure

As was previously said, corporate governance is the structure that controls how an organization is managed. The corporate governance framework delineates the protocols and principles for formulating choices concerning the company's operations and the distribution of responsibilities and entitlements among diverse stakeholders, such as the board, management, and shareholders (OECD, 2004). Corporate governance structures, according to Ehikioya's (2009) study evidence from Nigeria, deal with the ownership structure, including the percentage of internal and external block holdings, as well as the makeup of the board of directors, including the number of non-executive directors, board skill, and board size. The report mentions corporate governance practices that address the board's independence as well as potential divisions between the chairman's and CEO's responsibilities. According to his research, having a clear and effective corporate governance system has aided a company in raising capital, luring investments, and fortifying the basis for its success. The ideal corporate governance structure may differ from nation to nation if socially acceptable firm objectives differ (Yoshikawa et al., 2007). It is also possible that the ideal corporate governance structure may be firm- or industry-specific, which would mean that different firms may have different incentives to adopt new practices (Yoshikawa et al., 2007) as cited in Yoshikawa & Rasheed, 2009). Bigger quality corporate governance practices and disclosure in a corporation will result in a bigger dividend payout, according to Kanojia and Bhatia (2021). They claim that the argument that shareholders are better protected under sound corporate governance can be used to support this premise.

2.6.1 The board's obligations and rights

According to the OECD (2004), the board's effective supervision of management, the company's strategic direction, and the board's accountability to the shareholders and the company should all be ensured by the corporate governance framework. The OECD (2004) lists the following as the Board responsibilities:

- a. In the best interests of the business and the shareholders, directors ought to operate in good faith, with complete knowledge, care, and diligence.

- b. The board should treat all shareholders equally when making decisions that may have varied effects on various shareholder groupings.
- c. The board ought to uphold strict moral principles. Stakeholder interests ought to be taken into consideration.
- d. The board ought to carry out a few essential duties, such as:
 - i. Setting performance goals, keeping an eye on execution and overall company performance, reviewing and directing corporate strategy, major plans of action, risk policy, yearly budgets, and business plans; managing significant capital expenditures, acquisitions, and divestitures.
 - ii. Evaluate the efficacy of the organization's governance procedures and adjust as necessary.
 - iii. Choosing, rewarding, keeping an eye on, and replacing important executives as needed, as well as managing succession planning.
 - iv. Linking the compensation of top executives and the board to the company's and its shareholders' long-term interests.
 - v. Making sure the nomination and election procedures for the board are official and open.
 - vi. Keeping an eye out for and controlling possible conflicts of interest among shareholders, directors, and management, including abuse of company property and misuse of related party transactions.
 - vii. Ensuring the accuracy of the company's accounting and financial reporting systems, as well as the independent audit, and that the necessary control mechanisms are in place, including risk management, financial and operational control, and adherence to applicable legal and regulatory requirements.
 - viii. Managing the communications and disclosure process.
- e. The board ought to possess the ability to make impartial, unbiased decisions regarding company matters.
 - i. When there is a possibility of a conflict of interest, boards ought to think about designating a suitable number of non-executive directors who are able to exercise independent judgment to certain functions. Securing the accuracy of financial and non-financial reporting, reviewing related party transactions, nominating directors

and senior executives, and board compensation are a few examples of these important duties.

ii. The board should clearly define and publish the committees' mandate, makeup, and operating procedures as soon as they are formed.

iii. Directors need to be able to successfully dedicate themselves to their duties.

According to [NBE](#), access to timely, accurate, and relevant information is necessary for directors to carry out their duties. The board of directors of insurance businesses is in charge of the following in line with the National Bank of Ethiopia's Licensing & Supervision of Insurance Business corporate governance directive number SIB/42/2015:

a. Considering [NBE](#) guidelines and industry norms, creating and presenting clear guidelines and processes for recommending possible board candidates to the shareholders' meeting for approval.

b. Within 30 working days of a director's departure, the board will appoint a replacement director to take over the role, and the matter will be brought before the next shareholders' meeting for decision-making.

c. Presenting the shareholders' meeting with the proposal for external auditors and their service prices.

d. Selecting and appointing a chief executive officer and other senior executives with integrity to oversee the insurer's operations effectively and efficiently; officials will be fired if found to be unfit or improper.

e. Making sure the insurance company does business ethically and conforms with all relevant rules, regulations, and Endorsing agreements or decisions regarding equity investments pertaining to the purchase and sale of important technologies and fixed assets.

f. Making sure the insurer's directors and/or staff are kept in the dark about the NBE examination report. Taking into account the concerns and instructions from the onsite examination and offsite surveillance reports of the NBE, external auditors, internal audit, and risk management departments.

g. Forming and overseeing the efficient operation of several subcommittees within the board, such as the Audit, Risk, and Compliance, and Human Resources Affairs

committees; these committees are required to report their resolutions to the board at large and have meetings on a monthly basis.

h. Semi-annually evaluating the board, its subcommittees', and each director's effectiveness and presenting the results to the NBE and the annual shareholders' meeting.

i. Maintaining the insurer's continuous capital sufficiency.

j. Ensuring timely registration with the relevant government entity and submitting the minutes of the shareholder meetings to the NBE for approval within 20 working days of the meetings.

k. Preventing conflicts of interest inside the insurance company by putting in place sensible policies that deal with situations in which an individual's actions or interests take precedence over the welfare of the insurer.

l. Examining and approving budgets, yearly company plans rules, procedures, and strategies.

m. Establishing key performance indicators to track performance.

n. Examining and accepting the establishment of accountability for the board of directors and top management personnel, as well as the delegation of authority and clear lines of duty.

o. Examining and endorsing a senior management and board code of conduct.

p. Ensuring that an employee code of conduct is established for the insurer.

q. Approving and successfully overseeing the implementation of a succession plan and human resources development strategy for the CEO and top executive officers.

r. Verifying that an extensive risk management program is implemented by the insurer.

According to [Boyd \(1996\)](#), the Cadbury study suggests the following changes to the board's responsibilities and authority:

- a. The board should oversee the executive management and hold complete authority over the business. Regular meetings should be held by the board.
- b. To ensure a balance of power and authority, there should be a clear separation of responsibilities at the top of the organization. It is essential to have a prominent senior

member on the board that is both independent and strong in situations where the chairman doubles as the CEO.

- c. The composition of the board ought to include both executive and non-executive members who have the knowledge and clout to make a substantial impact on the Board's choices.
- d. To make sure that the board maintains solid control and direction over the company, it should have a documented list of issues that are reserved for its consideration.
- e. If independent expert counsel is required, directors should have a clear procedure in place for doing so, and the company should pay for it.
- f. The company secretary, who answers to the board for making sure that board policies and relevant laws and regulations are followed, should be available to all directors for advice and assistance.
- g. A structured process should be used to choose non-executive directors, and the board as a whole should decide on both the appointment and the process.
- h. The majority of non-executive directors ought to be unaffected by needless intervention and independent of the company's management. They ought to be appointed for a defined period of time, and reappointment ought not to be automatic.

A corporate governance framework should support the rule of law, promote free and open markets, and clearly define the roles and responsibilities of the various regulatory, supervisory, and enforcement bodies, according to [Jesover and Kirkpatrick \(2005\)](#). According to them, a corporate governance structure should guarantee the company's strategic direction, the board's efficient oversight of management, and the board's accountability to the business and shareholders.

2.6.2 Managers' obligations and rights

[Robbins and Coulter \(2006\)](#) define a manager as a someone who oversees a group of workers inside an organization. Managers typically ensure that the organization's decorum and dignity are upheld in addition to getting the work done by the workers. It is said that a manager serves as a liaison between lower management and employees. According to [Fayol \(2016\)](#), a manager's duties often include supervising and directing the work of a team of individuals. Per his research,

a manager's duties should also include organizing and upholding work processes, practices, and policies that support and promote a business unit's people and other resources to perform at their best. A manager's responsibilities include: The four roles that managers now play are planning, organizing, leading, and controlling, according to [Robbins and Coulter \(2006\)](#). According to their research, a manager is a valuable member of the team. They contend that a manager's main responsibility is to oversee the work of all team members and produce the greatest outcomes possible to assure the organization's expansion. According to the [University of Minnesota's Principles of Management \(2010\)](#), managers have a range of tasks and obligations in order to obtain the most performance out of their employees. Their positions and duties consist of:

- **Planning:** Planning is the managerial role that entails establishing goals and choosing a strategy to reach those goals. Managers must anticipate future conditions and be aware of the external factors affecting their organization in order to effectively plan. The process of planning involves a number of steps. The first step in the process is environmental scanning, which basically implies that planners need to know what crucial contingencies their organization is facing from an economic standpoint, as well as from competitors and customers.
- **Organizing:** Developing an organizational framework and assigning human resources to guarantee the achievement of goals constitute the organizing function of management. The framework for coordinating effort is the organizational structure. Creating individual jobs within the organization is another aspect of organizing. Decisions must be made regarding the responsibilities and tasks assigned to each job, as well as how those tasks should be completed. At the organizational level, organizing entails choosing the most effective way to departmentalize, or group, tasks. Organizing at the level of a specific job entails designing each one to make the optimum use of human resources.
- **Leading:** Leading entails using your informal and social networks as a means of motivating people to take action. When managers lead well, their team members will be motivated to work hard to achieve the goals of the organization. The behavioral sciences have greatly advanced our knowledge of this managerial function. Studies on job attitudes and personality traits offer valuable insights into how managers might best guide their subordinates. For instance, this research indicates that managers must first comprehend the personalities, values, attitudes, and emotions of their subordinates in

order to become effective leaders. Research on motivation and motivation theory offers valuable insights on how to motivate employees to work hard and get results. Communication research also provides managers with tips on how to deal with employees in a productive way.

- **Controlling:** Controlling is the management function that ensures performance aligns with established standards. It involves three steps: 1) setting performance standards, 2) comparing actual performance to those standards, and 3) taking corrective action when necessary. Performance standards can be expressed in financial terms like revenue, costs, or profits, or in other measures like units produced, defects, quality, or customer service levels. Managers at all levels engage in controlling to some degree. Controlling is not about manipulating or controlling subordinates' personalities, values, attitudes, or emotions. Rather, it involves the manager ensuring that subordinates' work-related activities contribute to organizational and departmental goals. Effective controlling requires clear plans that establish the performance standards. It also necessitates understanding where responsibility lies for any deviations from the standards. While controlling is often thought of in financial terms, managers must also control production, operations, service delivery, policy compliance, and other activities within the organization.

The book goes on to say that "the management functions of organizing, leading, controlling, and planning are widely regarded as the best ways to classify accumulated knowledge about the study of management, as well as the best ways to describe the manager's job." Managers still carry out these crucial tasks even if their working environments and the resources they have at their disposal have undergone significant change.

2.6.3 The duties and rights of the shareholders

Shareholders in Ethiopian share firms act as residual risk carriers, capital contributors, and share owners (Biresaw, 2023). According to Biresaw, a shareholder's rights are the set of privileges that come with owning all or a portion of the company's shares. According to him, these rights might vary depending on the types of owners, types of shares, and additional contractual rights that might be affixed to shares or derived from various contractual rights. El-Masry and Kama (2013) believe that the rights of shareholders are not universally applicable in legal systems due

to the broad variations in rights across different countries and the fact that they are often not regulated by the same laws. The following summarizes the rights of shareholders and important ownership functions in accordance with the [G20/OECD Principles of Corporate Governance](#):

- Information sent to shareholders and notice of general meetings: Attending general shareholder meetings is regarded as a basic entitlement of shareholders. "Information about the date, time, place, and agenda of general meetings, as well as comprehensive and timely details about the matters to be decided at the meeting, should be provided to shareholders" ([OECD, 2023](#)).
- The right of shareholders to put matters on the agenda and to call a meeting: The degree to which minority shareholders participate in company discussions and decision-making is influenced by their power to call for an extraordinary meeting and put topics on the general meeting's agenda.
- Shareholder voting: The [G20/OECD Principles](#) suggest that shareholders should be able to participate in and cast their votes in general meetings. They also anticipate the possibility of different classes of shares with varying rights attached, such as preference shares that grant a preference over a company's dividends or shares with restricted voting rights. The [G20/OECD Principles](#) emphasize that all shareholders should be treated equally within the same series of a class when there are distinct classes of shares ([Principle II.E](#)).
- Virtual and hybrid shareholder meetings: No matter how shareholder meetings are run, a new recommendation in the [2023 revised G20/OECD Principles of Corporate Governance](#) recognizes the growing importance of remote participation in meetings and the need for legal frameworks to guarantee equal access to information and opportunities for participation for all shareholders. "General shareholder meetings permitting remote shareholder participation should be permitted by jurisdictions as a means to facilitate and reduce the costs to shareholders of participation and engagement," states the new [sub-Principle II.C.3](#). The idea behind this is that these gatherings ought to be organized in a way that guarantees each shareholder fair access to information and participation opportunities."
- Related party transactions: Although related party transactions can result in certain efficiency improvements for businesses, the conflicts of interest they create can raise the

danger of mismanagement, abuse, and unequal treatment of all shareholders. In this situation, regulatory frameworks can operate as safety nets to make sure related party transactions are properly tracked and conducted in the best interests of the business and its shareholders under the right circumstances. For these reasons, with a few very uncommon exceptions—like some transactions involving loans between a firm and its directors—related party transactions are typically allowed.

- The obligations of institutional investors and associated intermediaries: These intermediaries primarily act as profit-maximizing agents, making investments on behalf of their ultimate beneficiaries. The three most significant ones are insurance firms, pension funds, and mutual funds. There are significant differences amongst institutional investors, one of which is their interest and capacity for participating in corporate governance.
- Corporate groups: New proposals to enhance the definition, supervision, and transparency of corporate groups are included in the 2023 revision of the G20/OECD Principles. They acknowledge that, through economies of scale, synergies, and other efficiencies, well-managed company groups operating under suitable corporate governance frameworks can support economic growth and employment, but that, in certain situations, they may be linked to risks of unfair treatment of shareholders and stakeholders. Principle I.H. advises governments to establish precise regulatory frameworks with a workable definition and standards for the efficient supervision of publicly traded firms inside company groupings in order to mitigate such dangers.

2.6.4 Rights and responsibilities of the Stakeholders

Employees, the general public, the media, associated businesses, the government, private regulators, gatekeepers, and outsiders are all considered stakeholders, according to Kumar and Zattoni (2018). Stakeholders participate in corporate governance along the reverse road, according to "The Role of Stakeholders in Corporate Governance: The Reverse Path of Stakeholders' Participation in Corporate Governance" (2022). According to the report, directors and senior executives of companies must consider stakeholder interests when making and carrying out decisions because stakeholder groups have a substantial impact on corporate governance. Since stakeholders monitor and indirectly impact decision-making processes, they

are essential in preventing corporate power abuse, promoting corporate compliance, and supporting directors in making decisions that are both justifiable and lawful when it comes to taking on social responsibility. The actions a firm takes towards any of its stakeholders can signal its trustworthiness and determine to what extent other stakeholders will assume vulnerability and engage in future exchange relationships. [Crane \(2018\)](#) argues that in the information age, stakeholders are becoming more interconnected. A firm's actions towards one stakeholder are visible to others and can affect members of the stakeholder ecosystem.

2.7 Corporate Governance Mechanism

In order to align management and shareholder interests, corporate governance consists of internal and external control systems ([Schäuble, 2019](#)). [Schäuble](#) claims that when we talk about corporate governance mechanisms, we're talking about both market and non-market processes. These include corporate policies and procedures that address two corporate governance issues on the inside as well as the outside: the vertical issue that arises between managers and shareholders, and the horizontal issue that arises between shareholders. He contends that effective corporate governance practices serve to match the interests of different stakeholders, place the right managers in the proper positions, and provide them with the appropriate mix of incentives and restraints. Effective internal decision-making can ensure that competent managers are hired, remain on the job, and perform well. According to [Fernanado, A. \(2013\)](#), corporate governance deals with the requirement that organizations be both managed and governed. His research indicates that the structure and protocols of the board of directors are critical, as are the board's relationships with the company's shareholders, top management, auditors, regulators, and other legitimate stakeholders. According to the report, a company needs strong corporate governance in order to establish and achieve its strategic objectives. His research claims a corporate governance structure to have included control policies and procedures that support the organization in meeting stakeholder demands and achieving its objectives. He concluded by pointing out that a corporate governance structure frequently combining a wide range of internal and external actors.

2.7.1 Innate Process

Results for a variety of internal corporate governance mechanisms, such as ownership concentration, CEO role, board diversity, board independence, board size, board-level

sustainability committee, and disclosure and transparency practices, were obtained from [Ludwig and Sassen's sample of 56 articles \(2022\)](#). Achieving sustainable integration and guiding a business towards sustainability require these tools. They argue that internal controls to be necessary to safeguard an organization against fraud, error, and destruction, and that they are effective tools for preventing losses and achieving organizational goals. According to their research, internal control activities are defined as steps taken to reduce risk. These steps include procedures and guidelines meant to prevent fraud, reduce errors, promote operational effectiveness, and ensure adherence to set rules in order to safeguard resources from loss.

2.7.2 External Mechanism

[Fernando, A. \(2013\)](#) discovered in his study that external control mechanisms to include all elements that are not part of an organization. According to him, these systems are developed to achieve the goals of many organizations, including governments, financial institutions, trade unions, and regulators. [Fernando](#) underlined, following the law and managing debt effectively to be two of these goals. He went on to say that external stakeholders usually impose external processes on organizations in the form of union contracts or legal requirements. [Fernando's](#) research also showed that an independent external audit of a business's financial statements to be a crucial component of the corporate governance framework as a whole. The objectives of internal and external stakeholders are served by the audit. According to the study, audited financial statements and the auditor's report that goes with them are very important for helping regulators, employees, shareholders, and investors evaluate a company's financial performance. [Fernando](#) added that these activities offering perceptions into the organization's internal operations and chances for the future. [Payne and Moore \(2022\)](#) assert that internal corporate governance to be less effective in influencing a company's financial performance than external corporate governance, particularly when it comes to the concentration of institutional ownership and debt holders. According to their research, institutional debt holders and ownership have superior capacities for information understanding, monitoring, exerting pressure, and offering influence. [Payne and Moore](#) conclude by pointing out that a balance between internal and external corporate governance procedures to be a requirement to create good corporate governance.

2.8 Organizational Chart

Board structure is the form and manner of governance that corresponds to a company's intended role, which is typically dictated by the demands of the enterprise (Goergen et al., 2010). Corporate governance principles give the board members a clear framework to work within, which aids in their ability to make wise decisions (Khan et al., 2019). Within the confines of the relevant legal requirements and stock market regulations, public businesses utilize a variety of approaches to board structure and activities (Principles of Corporate Governance, 2016). A board's organizational structure frequently depends on the political and economic climate of the nation in question (Popli & Popli, 2015).

2.8.1 Single vs. Multiple Boards

Board arrangements are divided into dual and unitary board structures by the OECD (2004). According to Tripathi (2013), the organizational framework separates board structures into two categories: Anglo-Saxon countries like the UK, US, Canada, and India are known for their unitary or single tier board systems, which comprise a single board. Germany, Finland, and the Netherlands are known for their dual or two tier board systems, which comprise two distinct boards: a supervisory board and a management board. There is only one kind of structure that works in the Ethiopian situation, and that is the unitary board model, which only benefits non-executive directors. The supervisory organ's Directive No. SIB/46/2018 places restrictions on remuneration and the amount of workers who can serve on the board of insurers and forbids any employee from running for office or being appointed as a director of an insurance firm.

2.8.2. Board Composition

Ganguli and Guha Deb (2021) assert that the percentage of independent directors on the board to be a significant corporate governance variable that is thought to affect the performance of the company. The report notes that the corpus of research on corporate governance, particularly in developed countries, demonstrates that ownership structure and board composition both having varying degrees of impact on a company's ability to succeed and create value for its shareholders. According to Naciti et al. (2021), the board of directors is the most significant governance mechanism in the firm. As such, the membership of the board, including factors such as gender,

age, nationality, and professionalism, is seen as a critical driver of the organization's performance. A study conducted in 2023 by [Ayushi Arvind Kumar and Jariwala](#) discovered a favorable association between business financial performance and corporate board size, composition, policy, and independent committees. According to the study's findings, companies should have selected a sizable board of directors who are effective and knowledgeable about corporate governance in order to improve their corporate financial performance. Additionally, companies should have a board composed of individuals with a wide range of skills and knowledge in order to improve corporate governance. Female representation on committees is probably a more reliable indicator of board gender diversity and is probably going to have a bigger impact on company performance, claiming [Green and HomRoy \(2017\)](#).

According to their research, nomination of female directors to decision-making committees is a source of competitive advantage, and diverse boards benefit from improved skill-to-function matching. As said by [Amin et al. \(2021\)](#), the existence of female directors who come from powerful families is linked to increased business value, while the presence of autonomous female directors is linked to increased profitability. Given this outcome, the research notes that a higher proportion of female members on corporate committees and boards, such as the audit committee, can enforce more stringent supervision and encourage management to adopt tactics that enhance value and performance while catering to the concerns of shareholders. However, [Chatterjee and Nag \(2022\)](#) contend that there was no impact from the requirement to choose a single female director. They discovered that companies with a higher percentage of female directors on their boards perform better and create more economic value.

Regarding the amount and makeup of directors, the following is stated in directives referred to as "Insurance Corporate Governance [Directives No.SIB/48/ 2019](#) (1st Replacement)" in the case of Ethiopian Insurance:

- Insurance needs to have a minimum of nine directors.
- If suitable candidates are available among the shareholders, the board shall be composed of female directors.
- The board may ideally consist of directors who collectively offer a variety of core competencies such as insurance, finance, accounting, management, economics, legal, business administration, auditing, information technology, and investment management.

- The number of non-influential shareholders on an insurer's board must be fewer than these: One-third (1/3) of all the members of the board. These shareholders may separately nominate and elect these directors, provided that they own at least 30% of the insurer's subscribed capital or one-fourth (1/4th) of the board's total members. These shareholders, regardless of the percentage of their ownership in the insurer, must hold less than 30% of the subscribed capital for the directors to be nominated and chosen separately by those shareholders. All shareholders shall nominate and elect two-thirds (2/3rd) or three-fourths (3/4th) of the board members, as the case may be. In the event that an insurer has no significant shareholders at all, sub-articles 5.4.1–5.4.3 shall not be applicable.

2.8.3. Board Independence

The caliber of non-executive (supervisory) board members, or their capacity to efficiently oversee and regulate management without stifling its entrepreneurial spirit, is deemed by [Streger \(2006\)](#) to be a critical component of successful governance. According to his research, the independence and status of the non-executives are crucial to the board's efficacy and caliber. As stated by [Streger](#), it is critical that non-executive directors publicly discuss and firmly maintain well-reasoned opinions, as this is even more important than the formal absence of tangible conflicts of interest. According to [Karim et al. \(2020\)](#), the board of directors' ability to function as a successful management oversight mechanism depends on their independence and non-executive status. In particular, board independence, board size, and institutional ownership are the main corporate governance factors that influence dividend payout in US companies, according to [Kanojia and Bhatia \(2021\)](#). Independent board members have a significant impact on the board's decision-making process, according [OECD Annotation Principle VI.E](#). It claims that they can offer an objective viewpoint to the evaluation of the management's and board's performance. It further argues that they can be extremely important in areas where management, the company, and its shareholders may have conflicting interests, such as CEO compensation, succession planning, corporate control changes, takeover defenses, large acquisitions, and the audit function. The idea suggests that in order for boards to fulfill this crucial function, it would be ideal for them to disclose who they believe:

- Encouraging efficient and transparent markets that uphold the rule of law and explicitly define the roles and duties of regulatory, supervisory, and enforcement authorities;

- Ensuring the fair treatment of all shareholders, who should also have the chance to seek effective remedies for rights violations, as well as safeguarding and promoting the exercise of shareholders' rights.
- Encouraging active collaboration between corporations and stakeholders in generating wealth, jobs, and the sustainability of financially sound enterprises.
- Acknowledging the rights of stakeholders as established by law or through mutual agreements.
- Ensuring timely and accurate disclosure on all material matters regarding the corporation, including its financial situation, performance, ownership, and governance; and
- Ensuring the company's strategic guidance and the efficient oversight of management.

The protection of minority shareholders and board independence in relation to related party transactions were recognized by the [International Organization of Securities Commission \(IOSCO\)](#) as essential components of corporate governance in its technical committee report from [March 2007](#). It states that investor protection is influenced by sound company governance. It concluded by saying that certain international standards, particularly those released by the [Organization for Economic Cooperation and Development \(OECD\)](#), have previously addressed these difficulties. According to [IOSCO \(2007\)](#), a few characteristics that several countries consider ideal for independent board members are as follows:

- Possessing sufficient professional experience
- Being able to use their expertise and experience to improve the company's governance
- Exhibiting honesty and the greatest moral principles
- Possessing good communication abilities
- Having good judgment and a curious mind
- Asking thoughtful questions about the company's plan and helping to put it into action.

Most jurisdictions employ somewhat different versions of the same fundamental set of negative standards in order for board members to be considered "independent," according to [IOSCO \(2007\)](#). They pointed out that five of those factors—relationships with family, employers, business associates, and external auditors—were connected to the board member's relationship with the company or its management. They conclude by pointing out that certain jurisdictions also have time limits on how long a person can be an independent member of a company's board of directors.

2.8.4. Board Committee

[Strenger \(2006\)](#) asserts that current worldwide best practices call for the creation of board committees, particularly those dealing with audit, nomination, and compensation, should include at least a majority of independent members. He contends that these committees allow for in-depth deliberations, guarantee excellent decision-making, and provide appropriate oversight of the financial reporting. He said that the market needed to be given a complete and accurate picture of the goals, responsibilities, and makeup of board committees in order to assess their merits. According to [Strenger](#), such information is especially crucial in the growing number of jurisdictions where boards are forming independent audit committees, which also include committees handling nomination and audit oversight, with the authority to supervise the relationship with the external auditor and act independently in many cases.

The board's overall accountability as well as that of the other members should be evident, according to [OECD \(2008\)](#). According to the [OECD](#), committees tasked with handling private business transactions, for instance, shouldn't be included in the disclosure process. As said by [OECD \(2015\)](#), committees can enhance the board's function when they are used appropriately, taking into account the company's size and the composition of the board. Board committees serve as a means of delegation for boards, enabling the efficient execution of a board's responsibilities through the use of more focused, smaller, autonomous decision-making bodies ([IODSA 2016](#)). The possibility of inefficiencies arising from excessively big boards can be lessened by the number of committees ([Upadhyay et al., 2014](#)). According to their research, audit, risk, nomination, and compensation committees are the primary committees that are frequently examined in this context.

As mentioned above, the National Bank of Ethiopia ([NBE](#)), on June 18, 2019, issued Insurance Corporate Governance Directive [No SIB 48/2019](#), which suggests four core committees for Ethiopian insurance practices: the Audit Sub-Committee, the Risk Management and Compliance Sub-Committee, the Human Resource Affairs Sub-Committee, and the Nomination and Election Committee, which functions as the main standing committee. The primary objectives and responsibilities of each of these subcommittees, as specified in the directive, are listed below:

2.8.4.1. Committee for Nomination and Election

Meritocracy should be the guiding concept in the nomination selection process, according to [Ruigrok et al. \(2006\)](#), as reported in [Diogo et al. \(2020\)](#). The primary goal of the nomination is thought to be improving the caliber of the team and, eventually, the institution's decision-making process. [Magnusdottir et al. \(2023\)](#) assert that corporate boards and nomination committees play a major role in encouraging sustainable practices within organizations, and that sustainability has emerged as a critical business concern in the modern world. They contend that Nomination Committees (NCs) have become crucial tools for maintaining effective or long-lasting governance. Furthermore, they stress that the makeup of NCs can influence board candidates and establish whether the board has the expertise to address sustainability and advance. The Ethiopian "Insurance Corporate Governance Directives [SIB/48/2019](#) (1st Replacement)" by NBE state that the entire process of nominating and electing board directors would be managed by a Nomination and Election Committee. According to [NBE](#), all board nominations and elections must follow the insurer's specified procedure, unless more than half (50%) of the board members:

- a. Are removed either by the National Bank or the ordinary shareholders meeting prior to the end of their terms in office;
- b. Have resigned from their positions on the board;
- c. Are unable to serve on the board for any reason; or
- d. More than 50% of voters reject the nominees that the Nomination and Election Committee has put forth.

Regarding "Nomination and Election Committee," NBE further specifies the following in sub-article 6.1.4 of its Insurance Corporate Governance [Directives No. 188/2020](#): Form a committee for nomination and elections. It must be:

- a. Chosen by and elected by shareholders;
- b. Consisting of a minimum of five members;
- c. Directly accountable ;
- d. Independent of the insurer's board; and
- e. Not holding a seat on the insurer's board.

2.8.4.2 Audit Sub-Committee

The following are the Audit Sub-Committee's primary areas of concentration, as per NBE's rules and regulations:

- i. The aim – The aim of the role is to offer impartial supervision of the insurer's internal control and financial reporting procedures, while also guaranteeing internal checks and balances.
- ii. Organization - The Audit Sub-Committee must have a minimum of three directors. In the area of finance, at least one member must possess knowledge or experience in accounting or auditing.
- iii. Roles and Responsibilities: The Audit Sub-Committee will have the explicit power to look into any matter that falls within its purview, complete access to management information and cooperation, complete discretion to invite any director or executive officer to attend meetings, and access to reasonable resources to help it carry out its duties. It should be possible for the Audit Sub-Committee to acquire independent professional advice as well as complete and unfettered access to information. Among other things, the Audit Sub-Committee has the duty to:
 - a. Guarantee the accuracy and open disclosure of financial statements and ensure their timely publication.
 - a) Supervise the operations of the Internal Audit Unit.
 - b) Evaluate the extent of the internal audit program, internal audit discoveries, and propose actions for management to take.
 - c) Appoint, determine compensation, evaluate performance, and make decisions regarding the transfer and dismissal of the Chief Internal Auditor, as long as the entire board does not object.
 - d) Assess the effectiveness of internal controls and processes for managing risks.
 - e) Suggest the appointment and removal of external auditors.
 - f) Evaluate the impartiality, performance, and independence of external auditors.
 - g) Review the management letter and response from the external auditor.
 - h) Approve the provision of non-audit services by the external auditor.
 - i) Ensure that appropriate checks and balances are in place to prevent non-audit services from interfering with the independent judgment of auditors.
 - j) Regularly review audit findings and ensure that issues are being appropriately and promptly addressed.

k) Examine all transactions involving related parties and keep the board informed about such transactions.

l) Verify compliance with company policies and regulations, including those established by the National Bank, as well as other applicable laws, proclamations, directives, and guidelines.

iv. The subcommittee is mandated to convene at least once a month and provide frequent reports to the entire board, in accordance with Insurance Corporate Governance Directives No. 188/2020 sub-article 6.1.4.

2.8.4.3 Subcommittee on Compliance and Risk Management

In accordance with NBE's policies and guidelines, the Risk Management and Compliance Subcommittee will primarily focus on the following areas:

i. Goal: To supervise senior management's efforts in risk management, including credit, market, liquidity, operational, legal, and other risks, and to make sure the risk management procedure is established and operating as intended.

ii. Composition: Three directors at the very least will make up the Risk Management and Compliance Sub-Committee.

iii. Positions and Duties - The Subcommittee for Risk Management and Compliance bears the following duties, at minimum:

a) Reviewing and recommending risk tolerance limits, strategies, and policies for the board's approval;

b) Evaluating the effectiveness of risk management frameworks and policies in identifying, measuring, monitoring, and controlling risk, as well as the degree to which these are functioning;

c) Making sure systems, infrastructure, and resources are in place for risk management.

d) Making sure that employees in charge of putting risk management systems into place carry out their responsibilities apart from the insurer's risk-taking actions;

e) Examining management's regular reports on risk exposure, risk portfolio composition, and risk management operations.

iv. The subcommittee is mandated to convene at least once a month and provide frequent reports to the entire board, in accordance with Insurance Corporate Governance Directives [No. 188/2020 sub-article 6.1.4](#).

2.8.4.4 Sub-Committee on Human Resource Affairs

The following are the primary areas of attention for the Human Resource Affairs Sub-Committee, as per NBE's rules and regulations:

i. Goal - The Human Resource Affairs Sub-Committee's main goal is to present formal, transparent recommendations regarding the hiring of senior management personnel and the dismissal of those who are incompetent, irresponsible, or careless in their performance of their duties, as well as the insurer's overall benefit and compensation plans.

ii. Composition - Three directors at minimum will make up the Human Resource Affairs Sub-Committee.

iii. Positions and Accountabilities - The Human Resource Affairs Subcommittee is in charge of the following, at the very least. Based on a thorough investigation:

a) Suggesting a framework for hiring and replacing senior management personnel at the insurance company.

b) Advising the entire board on the removal of senior management members who are found to be ineffective, errant, or negligent in carrying out their responsibilities.

c) Recommending and monitoring salaries, benefits, and overall compensation packages (such as bonuses and salary increases) for senior management members at the insurer.

d) Supervising the planning of management succession and evaluating the performance of senior management members.

e) Ensuring that all members of the Nomination and Election Committee receive training on the approved "Procedure for Nomination and Election of Board of Directors (1st Replacement)" and that elected directors receive appropriate induction and ongoing training to stay updated on industry developments.

f) Overseeing any significant changes to the overall benefit structure of the insurer.

g) Addressing disciplinary issues concerning senior management members.

iii. The subcommittee is mandated to convene at least once a month and provide frequent reports to the entire board, as per the Insurance Corporate Governance Directives No. 188/2020 sub-article 6.1.4.

2.8.5. Board Compensation

Regarding board compensation, researchers [Fjirth et al. \(1995\)](#) found a positive relationship between board compensation and firm performance for Norway; similarly, [Andreas et al. \(2012\)](#) found a positive relationship for a sample of 928 German listed companies and were cited in [Pucheta-Martínez & Gallego-Álvarez, 2019\)](#) regarding Germany. According to [Pucheta-Martínez and Gallego-Álvarez \(2019\)](#), [Magnan et al. \(2010\)](#) suggest that board compensation should be sufficiently high to both reward and recruit capable and experienced directors. Additionally, they recommended that this compensation not be so substantial as to compromise their impartiality, independence, and judgment. According to the study, board compensation should not be based on short-term objectives as this could encourage speculative behavior that is at odds with the long-term objectives of firms. Instead, it should be decided transparently and objectively by taking into account the integration of directors' talent and the corporate governance philosophy of a firm. According to [Almarayeh \(2021\)](#), corporate governance practices have drawn increased attention from both developed and developing nations as a result of recent corporate scandals. The board of directors' functions, efficacy, makeup, and diversity are some areas of special significance.

Not only have academics begun to pay considerable attention to gender diversity and board compensation, but governments and civil organizations around the world have as well. The analysis indicates that board compensation and firm performance are positively correlated. Management compensation plans, according to [Jensen and Meckling \(1976\)](#), are made to make sure that all stakeholders in a firm strive to maximize its value and minimize agency costs. In a similar vein, [Andreas et al. \(2012\)](#), cited in [Almarayeh \(2021\)](#), contended that board compensation is an essential corporate governance tool, particularly for businesses with inadequate governance frameworks. Comparably, Article 304 of "Commercial Code of Ethiopia Proclamation No. 1243/2021" specifies the following about directors' compensation.

1. Directors will receive a yearly payment, the amount of which will be determined by a general meeting and covered by general expenses.
2. A regular general meeting of the company may also choose to grant the directors a specified portion of the net profits for a financial year.
3. The share of net profits that directors can receive according to Sub-Article (2) of this clause cannot exceed ten percent of the amount that can be distributed as dividends in that fiscal year.
4. Directors' share of net profits under Sub-Article (2) of this clause can only be paid if dividends have been distributed to the shareholders in that year.
5. The remuneration set for directors will be given as a lump sum, and the board will distribute the amount to the directors as it sees fit.
6. If shareholders representing at least ten percent of the capital request it, the Ministry of Commerce and Industry has the authority to reduce the remuneration given to directors under Sub-Article (2) of this clause if it deems it excessive, taking into account the company's financial position, the salaries and benefits of its employees, and the need to foster a healthy business environment.

2.9 Conceptual Framework

As previously mentioned, CG was founded in response to issues arising from the division of ownership and control. The agency problem, which dealt with the agency theory—the theory most suited for computer graphics—was based on this division. The conceptual framework of this study is covered by both the agency theory and the stakeholder theory, which are the two basic theories utilized when discussing CG and CSR (Denis & McConnell 2003). The need for insurance is growing in a risky society, according to [Globalization and Higher Education in Economics and Business Administration \(GEBA, 2013\)](#). The primary concerns of the insured are the assurance of financial safety and security against a potential loss on a specific event. Corporate governance, often known as compensation for the frequently conflicting interests of stakeholders, is a set of regulations and organizational structures that form the foundation for proper business operation (Du Plessis et al., 2018). Good corporate governance has gained international attention during the past 20 years, and numerous studies have examined its impact

on business performance (Farooq, Ullah, & Kimani, 2016; Ibrahim & Zulkafli, 2016). Ibrahim and Zulkafli (2016) claim that in emerging nations, implementing sound corporate governance practices is crucial for navigating industry competitiveness and economic downturns. Given that Ethiopia is a developing nation, it is assumed that this idea also applies to Ethiopia.

However, the system considers factors related to individual and group behaviors, organizational and decision-making processes, and factors that are typically absent from or scored differently from the previously described rating systems (Cosma et al., 2017). These include the board's original structure, adherence to best practices (CG Code compliance), control culture, diversity in directors' experiences and education, CEO overconfidence and reputational gap, and the relationship between the board and management. A board meeting's average duration, formal market-oriented selection procedure, directors' participation in board debates, and meetings with a single overarching theme or subject are all examples of critical debate. The OECD (2017) lists the following as important updates: group-level related party transactions, disclosure of policies regarding business conduct, ethics, conflicts of interest, and public policy, including social and environmental issues, disclosure of the roles of the CEO and chair, acknowledgment of employee representation, and, encouragement of diversity on boards. The O'Reilly Learning Platform states that there are four main ideas that can be used to clarify and explain corporate governance. These include sociological theory, agency theory, stakeholder theory, and stewardship theory.

3. Methods of Research

3.1 Research Plan and Methods

The study's primary objectives are to collect, look into, analyses, and appraise relevant data about:

- a. The variables influencing ELiG Insurance Company's corporate governance policies.
- b. The effect of ELiG Insurance Company's corporate governance procedures.
- c. The ELiG insurance company's present governance procedures in relation to Internationally recognized corporate governance concepts.
- d. The correlation between the ELiG insurance company's board structure and performance, after which a judgment and suggestion are made.

Data is gathered, arranged, examined, and presented in order to provide recommendations and conclusions. The research design is mostly descriptive in nature, describing corporate governance, identifying issues, and demarcating the population by focusing mainly on privately held insurance company and using representative samples. A mixed-methods strategy is used in the research, combining quantitative and qualitative data. This is consistent with the definition of mixed methods research provided by [Creswell, J. D., and John, W. \(2018\)](#), which calls for the collection, analysis, and integration of both quantitative and qualitative data in a single study or set of studies. [Creswell](#) claims that the fundamental principle of this strategy is to combine the advantages of qualitative and quantitative methodologies to offer a more thorough grasp of the study problem than any methodology could do on its own. Accordingly, the investigation seeks to comprehend the actuality of the topic being studied by gathering information from BoDs and firm personnel, who are also anticipated to have a greater comprehension of the sector. The researcher can obtain a comprehensive understanding of the corporate governance processes and concerns in this privately held insurance company by utilizing a mixed-methods methodology. In order to verify the qualitative data needed for this study, thirty-nine respondents—including branch managers, executives, directors, department managers, and board of directors—were given questionnaires to complete. Following that, thirteen top management staff members were interviewed in-person. Thirty nine respondents (board of directors, executives, directors, Dept. managers, and branch managers) were given questionnaires to complete; and afterwards perform

face-to-face interviews with thirteen top management staff, to substantiate the qualitative data required for this study.

3.2. Time for Sampling

The bulk of participants in this study are employees of the company's management team and Board of Directors (BoD), who collectively bear numerous significant responsibilities (refer to Table 1). It was rather simple to set up meetings with the participants and allot enough time for talks, interviews, and questionnaire completion because the company's CEO expressed a strong interest in the topic. The respondents were given a period of fifteen days to complete the questionnaire, and the majority of them did so by the deadline. A purposive sample, sometimes referred to as judgmental, selective, or subjective sampling, was used among the different sampling techniques that were accessible. Certain traits of the target population are taken into consideration while selecting this kind of non-probability sampling. These individuals are considered well-informed about corporate governance matters, as they hold positions that involve reporting on corporate governance issues.

3.3. Mechanisms for Data Collection

In order to gather information for the analysis, the study used both primary and secondary sources. The most important primary sources were the current chief executive officer, deputy chief executive officers, directors, department managers, branch managers, and board of directors. Surveys and interviews were the primary means of gathering data. Accordingly, the survey questionnaires were distributed through the CEO office to the chosen employees within the company. Each questionnaire contained 108 subjects (questions), which were divided into the following main categories:

1. Background data, which comprised the respondent profiles
2. In charge of the Board
3. Audit committee function
4. Board composition
5. Compensation for the Board and Senior Management
6. The board and board subcommittee meeting
7. Information disclosure policy

8. System to raise concerns
9. Performance measurement/review system
10. Voting at Shareholders Meeting
11. Financial Statements production mechanism
12. Board Appointment system
13. Regarding Company Secretary
14. Code of Ethics
15. Confidentiality
16. Customer Relations
17. Management Practices
18. Corporate Social Responsibility (CSR) and
19. Business Relationships

In the process of gathering data, interviews were used as an additional data collection approach.

Thirteen of the most significant personnel of the organization participated in structured interviews. The interviewees were grouped into three, and half- a- day time was spent with each group from 2:00 pm to 5: pm. This was about nine hours of face-to-face meeting in total.

The twelve probes covered the respondent's comprehension of the meaning and importance of corporate governance for investee companies in general, the reward structure that fosters good corporate governance, the role of the board of directors in relation to management, the process for choosing and compensating the CEO and senior management, internal controls, the risk management and compliance subcommittee, and the protocol for calling and organizing annual and extraordinary shareholder meetings. Finally, they were asked to share their thoughts and recommendations for efficient corporate governance inside their company. Secondary data sources such as Organizational Structure, BoD's Charter, Risk Management program, Strategic plans, and Annual Report for 2023/24, and Insurance Corporate Governance No. SIB/48/2019 (1" Replacement) by NBE were collected and reviewed.

4. Data Evaluation

4.1. Governance Practices of Ethiopian Private Insurance Companies

Proclamation 746/2012- According to the Insurance Business Proclamations by NBE, insurance is defined as an agreement made by an insurer to indemnify another party in exchange for payment known as a premium against damage, destruction, loss, or liability in respect of a specific risk or peril to which the object of the insurance may be exposed, or to pay a sum of money or another valuable item contingent upon the occurrence of a specific event. According to this declaration, it is illegal to operate an insurance company in Ethiopia without first obtaining a license from the NBE, the relevant regulatory body. If a financial company hasn't received a license from the National Bank, it can't use phrases like "insurance," "insurer," or any of its derivatives as part of its name. No insurer may: without the National Bank's prior written consent:

1. Close an existing site or conduct insurance business at a place not allowed by the National Bank;
2. Offer new insurance products;
3. Merge with or purchase the activities of another insurance firm;
4. Transfer all or a large portion of its policies, enter into an agreement to sell or otherwise dispose of its business, whether by merger or other means, or make important changes to its operations;
5. Sell, transfer, or otherwise dispose of all or any portion of its assets, both inside and outside of Ethiopia, unless necessary for the ordinary course of business;
6. Redeem its own stock or lower its capital in any manner other than through operating losses;
7. Amend its memorandum or articles of incorporation.

If the National Bank has reason to believe that the person is conducting insurance business or advertising for insurance in violation of sub-article (1) of this Article, it may demand that all books, minutes, accounts, securities, records, vouchers, and other documents in the person's possession or custody be turned over to it. If someone works in the insurance business without a license, the National Bank can go to the Federal High Court to order that any outstanding

premiums be returned promptly and that the party in question execute their end of the bargain. Within ninety days of the latest day on which all information must be presented in compliance with sub-article (1) of Article 4 of this Proclamation, the National Bank will make a decision about an application to conduct insurance business. The classes of insurance that the license holder is permitted to conduct business in relation to must be specified in any license issued under this proclamation. The National Bank has the authority to issue directives that specify how reinsurance brokers must get licenses. Insurance Corporate Governance Directives No.188/2020 issued by NBE state that corporate governance is essential to preserving the safety and soundness of the financial system overall and the insurance industry specifically. With the ultimate goal of realizing long-term shareholder value as well as customers' and other stakeholders' interests, corporate governance facilitates balanced risk-taking and improves business prudence, prosperity, and corporate accountability. The National Bank of Ethiopia should make sure that insurers are soundly and prudently managed and directed. As a general rule, no director, employee, or insurer may engage in any conflict of interest-related transaction that runs counter to the insurer's own rules, National Bank regulations, or other relevant legal requirements.

4.2. Survey Questionnaire Data Analysis

This section covers the survey questionnaire analysis and findings. The Board of Directors of EliG's insurance company, as well as the Board Secretary, CEO, Deputy CEOs, Directors, Department managers, and Branch managers, provided information for this study using a survey questionnaire (see Annex 1). In addition to the opinion survey questionnaires, twelve thoughtful, open-ended, in-person interview questions (see Annex 2) were included, and the respondents were asked to:

1. Explain the significance of corporate governance for companies overall.
2. Discuss which reward systems positively contribute to fostering good corporate governance practices, and why.
3. Outline the key ethical business practice challenges and opportunities facing the company, as well as the most urgent ethical issues.
4. Share their thoughts on the current state of the economy and its impact on businesses, especially the insurance industry.

5. Recommend what the National Bank of Ethiopia should do to enforce good corporate governance in insurance companies.
6. Describe the role of the Board of Directors versus management, in setting strategy, selecting/compensating the CEO and senior team.
7. Discuss the company's internal controls, risk management, compliance processes, any past issues, and external audit opinions.
8. Explain how the company's financial statements are prepared in line with international accounting standards, and any challenges faced in adapting.
9. Outline the process for preparing and calling annual/extraordinary shareholder meetings.
10. Describe any issues related to shareholder treatment.
11. Discuss any shareholder disputes and how they were resolved.
12. Provide any other comments regarding corporate governance.

4.2.1 Respondents' Profile

The study of the respondents' profiles is the subject of this section of the chapter.

Table 1: Respondents' Profile

#	Table 1: Respondents' Profile								No resp.
1	Age	18 -24	25-34	35-44	45-54	55-64	65 & Above		
			4 (10.50%)	15 (39.50%)	11 (28.90%)	6 (15.80%)	2 (5.30%)		
2	Gender	Male	Female						
		35 (92.10%)	3 (7.90%)						
3	Marital Status	Single	Married	Divorced	Widowed				
		6 (15.80%)	32 (84.20%)						
4	Level of Education	College Diploma	BA Degree	MBA Degree	PhD and Above				No resp.

			20 (52.60%)	17 (44.70%)	1 (2.60%)				
5	Current Position	Board Chairperson	Board Director	Board Secretary	CEO	D/CEO	Dept. Manager	Branch Manager	No resp.
		1 (2.60%)	5 (13.20%)	1 (2.60%)	1 (2.60%)	3 (7.90%)	16 (42.10%)	11 (28.90%)	
		1-3 years	4-6 years	7-9 years	10-12 years	13-15 years	16-18 years	19 and above	No resp.
6	Service Years	6 (15.80%)	7 (18.40%)	3 (7.90%)	4 (10.50%)	2 (5.30%)	1 (2.60%)		15 (39.50%)

Summary

The information presented (see Table: 1) above details the distribution and analysis of a survey given to a certain set of respondents, which included the management team and board members of a business named Ethio Life and General Insurance (ELiG). The following are the main conclusions drawn from the information gathered via the survey questionnaire: Sample Size: The target group received 39 surveys in total. Response Rate: Of the surveys that were sent out, 38 were gathered, yielding a 97.4% return rate. Questionnaire Incompleteness: Out of all the questionnaires, just one was deemed incomplete and was not included in the analysis. Distribution of Gender: Of the participants, 92.1% were men and 7.9% were women. Age Distribution: Approximately 21.1% of the respondents were above 60 years old, 68.4% were between 35 and 54 years old, and 10.5% were between 25 and 34 years old. There were no respondents below 25 years old. Service Years: In terms of the service years, 34.2% of the respondents had served between 1 and 6 years, 18.4% had served between 7 and 12 years, 7.9% had served more than 12 years, and 39.5% did not provide a response or their service years were unknown. Educational Background: 52.6% of the respondents were BA holders, 44.7% were MA holders, and 2.6% were PhD holders. The purpose of the survey was to gather information and opinions on a range of topics pertaining to corporate governance inside the business. The information obtained from the survey questionnaire was analyzed to derive key findings regarding these issues.

4.2.2 Responsibility of the Board

This section of the chapter mostly addresses the respondents' assessments of the board of directors of EliG's accountability. The analysis is accomplished on the BoDs understanding of their responsibility, BoDs level of commitment to their responsibility, whether there is, or no clear and transparent structure of what the BoDs can do and managers and employees do. How much are the rights of shareholders—particularly those of minority shareholders—protected by Ethiopian law? Other factors include the presence of a fraud and corruption policy, the ability of shareholders to speak up or be questioned during general meetings, and the degree of information disclosure and transparency of the business. Additionally verifies that the duties of the board and its subcommittees have been spelt out in detail.

Table 2: Responsibility of the Board

No	Board Responsibilities	Strongly Agree	Agree	Disagree	Strongly Disagree	No Resp.
1	Members of the Board do understand their responsibilities?	20 (52.6%)	18 (47.4%)			
2	Members of the Board are committed to their responsibilities?	20 (52.6%)	18 (47.4%)			
3	There is a transparent and clear structure of responsibility between what, the Board can do, and what managers and employees can do?	24 (63.2%)	14 (36.8%)			
4	The organization ensures that the basic shareholders rights are protected?	30 (79.0%)	8 (21.0)			
5	The organization ensures that minority shareholders' rights are not violated?	23	14		1	

		(60.5%)	(36.8%)		(2.6%)	
6	Your company ensures the independence of the auditors?	29 (76.3%)	8 (21.0%)	1 (2.6%)		
7	Meetings of the Board and sub-committees are regularly held?	20 (52.6%)	16 (42.1%)	2 (5.3%)		
8	Shareholders are informed about annual meetings adequately?	33 (86.8)	5 (13.2)			
9	The organization has a separate Fraud and Corruption Policy?	19 (50.0%)	12 (31.6%)	1 (2.6%)	4 (10.5%)	2 (5.3%)
10	Your company has a companywide training program that teaches every employee the principles of corporate governance and internal control?	13 (34.2%)	12 (31.6%)	12 (31.6%)		1 (2.6%)
11	A minority shareholder who wishes to speak in company's general meetings is often allowed to speak only if he or she is known to side with the board of directors.	6 (15.8%)	6 (15.8%)	8 (21.1%)	18 (47.37%)	
12	Your company ensures equitable treatment of all shareholders, including minority shareholders?	22 (57.9%)	15 (39.5%)	1 (2.6%)		
13	Does the company have Information disclosure and transparency of the company's activities according to Ethiopian legislation?	Yes	No			
		37 (97.4%)				1 (2.6%)

14	Are board members and management staff responsibilities clearly set out in writing?	Yes	No			
		37 (97.4%)	1 (2.6%)			
15	Does the company differentiate between what the board can do, and what managers and employees of the company can do?	To a great extent	To some extent	To very little extent		
		35 (92.1%)	3 (7.9)			
16	Do the Board and the relevant sub-committees have clearly defined roles?	Yes	No			
		38 (100%)				

Summary

According to the survey's findings, questions on respondents' comprehension of their roles within the company were directed towards senior management and boards. The results show that 100.0% of respondents thought the board members understood their responsibilities (see Table 2). Similarly, every single one of them agreed that the board of directors is committed to doing its job. Additionally, every single respondent—all 100 of them—agreed that the responsibility structure between the personnel, managers, and board is transparent and easy to grasp. Regarding the protection of shareholder rights, 100 percent of respondents agreed that the organization ensures that shareholders' basic rights are upheld. According to 97.4% of respondents, the rights of minority shareholders are respected. Likewise, 97.4% of respondents agreed that auditors are objective and unaffected by external factors. 94.7% of respondents agreed that board and board subcommittee meetings should be held on a regular basis. Additionally, 100% of respondents concurred that shareholders receive sufficient information concerning annual meetings. Only 81.6% of respondents, meanwhile, said that the company has a distinct fraud and corruption policy. Regarding internal control and corporate governance training, only 65.8% of respondents

thought that all employees were adequately taught these concepts through a company-wide training program. Regarding minority shareholder participation in general meetings, 68.47% of respondents disagreed that their right to speak should be limited to situations in which they are known to support the board of directors. 97.4% of respondents said that the corporation guarantees that all shareholders, including minority shareholders, are treated fairly. In a similar vein, 97.4% of respondents concurred that the business complies with Ethiopian legal obligations for information disclosure and openness. Moreover, 97.4% of the participants reported that written guidelines properly outline the duties of management personnel and board members. Finally, 92.1% of respondents concurred that the organization's board and pertinent subcommittees have clearly defined functions.

4.2.3 Audit Function

This section of the chapter mostly addresses the respondents' analyses of the EliG audit function. Examine whether the board has an internal auditor, an external auditor, and an audit subcommittee. Examine their roles and the systems that enable them to be carried out in further detail.

Table 3: Audit Function

No	Audit	Yes	No	Not Applicable	No resp.
17	Is there an Audit committee?	34 (89.5%)	2 (5.3%)		2 (5.3%)
18	Is there an external auditor of the company?	37 (97.7%)			1 (2.6%)
19	Is there an independent internal audit function within the company?	38 (100%)			
20	Are there any provisions in the Company's Articles of Association mandating rotation	30 (79.0%)	6 (15.8%)		2 (5.3%)

	of external auditors?				
21	Does the Audit Committee produce a report on the internal audit function?	27 (71.1%)	3 (7.9%)	5 (13.2%)	3 (7.9%)
22	Is it mandatory to prepare an internal audit plan?	38 (100.0%)			
23	Meetings of the Board and sub-committees are regularly held?	To a great extent	To some extent	To a very little extent	
		23 (60.5%)	12 (31.6%)	1 (2.6%)	2 (5.3%)

Summary

The results of the poll indicate that questions regarding the company's audit committee's existence were posed to respondents, including boards and senior management. The results indicate that 89.5% of the participants concurred that the organization has an audit committee. Additionally, 97.7% of the participants concurred that there is an external auditor. Regarding the internal audit function, all respondents (100%) concurred that it is an independent role within the organization. In reference to the external auditor rotation, 79.0% of the participants indicated agreement. Regarding the audit committee's report on the internal audit function, 71.1% of those surveyed were in favor of its presence. Furthermore, every responder (100%) concurred that the organization should create an internal audit plan. Sixty-five percent of respondents said that the frequency of board and subcommittee meetings was sufficient. But according to 31.6% of respondents, the sessions are only sporadically scheduled.

4.2.4 Compositions of the Board

This chapter's portion mostly discusses the respondents' analysis of their responses with reference to ELiG's board composition. Analyze the board's measurements; determine the optimal board size; ascertain the board's rotational mechanism.

Table 4: Composition of the Board

No	Composition of the Board	5	7	10	Other (9)	No resp.
24	What is the size of the board?		1 (2.6%)	7 (18.4%)	28 (73.7%)	2 (5.3%)
25	What do you think should be the ideal size of a board?		9 (23.7%)	5 (13.2%)	13 (34.2%)	11 (28.9%)
26	What is the composition of the Board?	Ex. directors only	Non-ex. directors only	Indep. directors only	Mixed	others
		11 (28.9%)	4 (10.5%)	12 (31.6%)	7 (18.4%)	4 (10.5%)
27	Does the company have any kind of mechanism for rotating board members?	Yes	No			No resp.
		30 (78.9%)	6 (15.8%)			2 (5.3%)
28	How often are board members rotated?	Every one year	Every two years	Every three years	Other	No resp.
				33 (86.8%)	1 (2.6%)	4 (10.5%)

Summary

Based on the results of the poll, boards and senior management were asked questions about the composition and size of the board of directors. The findings show that 73.7% of participants believed there were nine members on the board of directors. When asked what size board was ideal, 34.2% of respondents indicated that nine was the ideal number, followed by 23.7% who said that seven was the ideal number, and 13.2% who stated that ten was the ideal number. Furthermore, of those questioned about the ideal board size, 28.9% were unable to provide an answer. Reactions varied based on the composition of the board. 10.5% of respondents stated that there are only non-executive directors on the board, while 28.9% stated that there are only executive directors. Of the respondents, 31.16% stated that the board consists solely of independent directors, and 18.4% stated that both executive and non-executive directors are on it. Lastly, 10.5% of respondents had no opinion regarding the makeup of the board. In reference to the processes for rotating the board of directors, 78.9% of respondents agreed that the company has mechanisms in place for doing so. Furthermore, 86.8% of respondents said that board members are replaced every three years.

4.2.5 Board and Senior Management Remuneration

The majority of the respondents' response analyses about senior management compensation plans and boards are included in this section of the chapter. Check the existence, composition, and size of the pay committee in addition to whether or not there is a written compensation policy. Moreover, whether the company includes information about its compensation policy in its annual report. The corporation either discloses or does not reveal the salary of each member of the board and senior management.

Table 5: Boards and Senior Management Remuneration

No	Board and Senior Management Remuneration	Yes	No			No resp.
29	Is there a remuneration committee?	23 (60.5%)	8 (21.1%)			7 (18.4%)

		Ex. directors only	Non-ex. directors only	Indep. directors only	Mixed	No resp.
30	What is the composition of the remuneration committee?	15 (39.5%)	3 (7.9%)	7 (18.4%)		13 (34.2%)
31	What is the size of the remuneration committee?	Three directors	Four directors	Five directors	Other	No resp.
		20 (52.6%)		7 (18.4%)		11 (28.9%)
32	Is there a written remuneration policy?	Yes	No			No resp.
		24 (63.2%)	5 (13.2%)			9 (23.7%)
33	Does the company disclose the remuneration policy in the annual report?	21 (55.3%)	8 (21.1%)			9 (23.7%)
34	Does the company disclose remuneration of individual board members and senior management?	25 (65.8%)	5 (13.2%)			8 (21.1%)

Summary

The survey's findings indicate that questions regarding the company's compensation committee were directed towards top management and boards. While 21.1% of respondents said the company does not have a pay committee and 18.4% did not respond, the majority of respondents

(60.5%) said the company does. Respondents who were asked about the make-up of the compensation committee stated that it had different compositions. The majority (39.5%) states that there are only executive directors on the compensation committee; the percentages of non-executive and independent directors are smaller (7.9% and 18.4%, respectively). A significant portion of respondents (34.2%) did not respond when asked about the makeup. In reference to the makeup of the remuneration committee, the majority of respondents (52.6%) indicated that the committee consists of three directors, while a smaller percentage (18.4%) mentioned committees with five directors. A sizeable percentage (28.9%) did not respond when asked about the size, though. With respect to the presence of a written compensation policy, the majority of participants (63.2%) indicated that their organization possesses one. Yet only 23.7% of respondents responded, and 13.2% of respondents stated that they lacked a documented policy. In response to the question of whether their company publishes its compensation policy in the annual report, 55.3% of respondents said that they do. However, 23.7% of respondents did not respond, and 21.1% of respondents stated that their company does not publish the compensation policy in the annual report. Regarding the disclosure of senior management and individual board member compensation, the majority of respondents (65.8%) indicated that their organization complies with this requirement. This degree of openness is thought to be essential for stakeholders to comprehend the organization's executive remuneration structure and evaluate how well it aligns with performance and industry norms.

4.2.6 Board of Director's Meetings

This chapter's main topic of discussion is the respondents' response analysis about board of director meetings. Find out how frequently the board and its subcommittees meet, how many meetings they hold overall, and what the quorum requirements are.

Table 6: Board of director's Meetings

No	Meetings	Yes	No			No resp.
35	Is there a set quota for meetings of the board?	35 (92.1%)				3 (7.9%)

36	How often do board and sub-committees conduct meetings?	Every one month	Every quarter	Twice a year	Others	No resp.
		36 (94.7%)	1 (2.6%)			1 (2.6%)
37	What are the quorum requirements for board and board committees?	Majority	Two third of the members	Other		No resp.
		23 (60.5%)	9 (23.7%)	2 (5.3%)		4 (10.5%)

Summary

Boards of directors and management were questioned regarding the existence of a fixed quota for board meetings, based on the survey's findings. The majority of respondents (92.1%) said that the number of board meetings the company holds is set. A small percentage of respondents (7.9%) did not provide a response. When asked about the frequency of board and sub-committee meetings, the majority of respondents (94.7%) stated that these meetings are conducted every month. A small percentage (2.6%) mentioned that meetings are held every quarter. The remaining 2.6% of respondents did not provide a response regarding the meeting frequency.

4.2.7 Information Disclosure Systems

The primary focus of this section of the chapter is the investigation of EliG's information disclosure systems. Examine the methods used to keep the public updated on firm information. Look for any information disclosure policies that specify what kinds of information are disclosed. Learn more about the information that is disclosed to the board of directors before meetings, the information that can be shared with the public in compliance with the information disclosure policy, and the information that is disclosed to shareholders before the annual general meeting (AGM). Who is in responsibility of recording meeting minutes, and does the company carry out reviews to ensure that decisions taken in meetings are implemented?

Table 7: Information Disclosure Systems

No	Information	Daily newspapers	Website	Others	No resp.
38	How are the public kept informed of company information?	7 (18.4%)	30 (78.9%)		1 (2.6%)
39	Is there an information disclosure policy, which dictates the type of information? That could be disclosed to the public? If the answer is No, please skip Q 40.	Yes	No		
		2 (5.3%)	35 (92.1%)		1 (2.6%)
40	What type of information can be disclosed to the public pursuant to the information disclosure policy?	Company's Annual report	Business contracts	Change in key management position	Others /skipped/
		31 (81.6%)			7 (18.4%)
41	What information is provided to the board of directors in advance of board Meetings?	Agenda, Board Papers, Minutes of previous meetings, office activities/performance doc.		Others	No resp.
		36 (94.7%)			2 (5.3%)
42	What information is revealed to shareholders in advance of the Annual General Meeting (AGM)?	Agenda	Annual Reports	Minutes of previous meetings	Others /skipped/
		35 (92.1%)	1 (2.6%)	2 (5.3%)	

		Managing director	Company secretary	Clerk	Others
43	Who is responsible for recording minutes of meetings?		38 (100.0%)		
44	Are minutes of the previous meeting approved at the following meeting?	Yes	No		
		36 (94.7%)	2 (5.3%)		
45	Is responsibility for action clearly indicated in the minutes?	Yes	No	Not Applicable	No resp.
		37 (97.4%)		1 (2.6%)	
46	Does the company undertake a review to ensure that actions decided at meetings have been taken?	Yes	No	Not Applicable	No resp.
		38 (100%)			
47	<p>In what ways does the company reveal transactions that could potentially create a conflict of interest or that are made by directors or management?</p> <p style="text-align: center;">According to NBE's directives. 20 (52.6%)</p> <p style="text-align: center;">Through annual report. 5 (13.2%)</p> <p style="text-align: center;">Through ad hoc committee. 3 (7.9%)</p>				

	Through company's risk management.
	6 (15.8%)
	No responses
	4 (10.5%)

Summary

According to the survey results, respondents were asked about various aspects of company information disclosure and governance practices. Here are the key findings: 78.9% of respondents agreed that the public is kept informed of company information through the company website. According to 92.1% of respondents, there is no disclosure policy in place that specifies what kinds of information can be made public. As per the information disclosure policy, 81.6% of respondents agreed that the company's annual report is the type of information that is made available to the public. Prior to board meetings, the board of directors receives agendas, board papers, minutes from previous meetings, and office activities/performance documentation, according to 94.7% of respondents. Agendas are disclosed to shareholders ahead of the annual general meeting (AGM), according to 92.1% of respondents. The secretary of the firm or board is in charge of keeping board meeting minutes, according to 100% of respondents. All respondents (100%) affirmed that the company does a review to make sure that decisions made in meetings are followed through on. Responses to the open question concerning the manner in which the company reports transactions by directors or management that are at odds with the company's interests or raise the possibility of conflicts of interest were not uniform. The majority (52.6%) stated that the disclosure of transactions between the company and its shareholders is made in accordance with the directives of the NBE (National Bank of Ethiopia). 13.2% mentioned revealing such transactions through the annual report, and 15.8% mentioned using the company's risk management. 7.9% of respondents did not specifically answer this question.

4.2.8 Systems to Raise Concerns

The study of systems examined the existence of a formal mechanism within the organization for bringing up issues with its stakeholders. If a system was created to address issues, what kind of

review process was followed, how often is it evaluated to determine its efficacy, and who is in charge of doing so? These are the primary areas that we looked into, as shown in the following table.

Table 8: Systems to Raise Concerns

No	Systems to Raise Concerns	Yes	No			No resp/
48	Does the company have an established system to raise concerns? If the answer is No, please skip Q. 49, Q. 50, and Q. 51.	28 (73.7%)	7 (18.4%)			3 (7.9%)
49	What type of system has been established to raise concerns?	Suggestion box, Website, Email			Others	No resp.
		33 (86.8%)				5 (13.2%)
50	Is the system reviewed regularly to ascertain effectiveness?	Yes	No		Others	No resp.
		28 (73.7%)	4 (10.5%)			6 (15.8%)
51	Who is responsible for reviewing the system?	Board of directors	Managing directors	Auditors	Others	No resp.
			28 (73.7%)	3 (7.9%)		7 (18.4%)

Summary

According to the survey results, boards and senior management were asked about the establishment of systems to raise concerns within the company. Here are the findings:

73.7% of respondents indicated that the company has established a system to raise concerns. A smaller percentage of respondents (18.4%) mentioned that there is no system in place, while 7.9% did not provide a response. When asked about the methods or channels available to raise concerns, the majority of respondents (86.8%) reported that the suggestion box, company website, and email were the established methods. However, a smaller portion of respondents (13.2%) did not respond to this question. Regarding the regular review of the system, the majority of respondents (73.7%) indicated that the system is reviewed regularly to ascertain its effectiveness. A smaller number of respondents (15.8%) mentioned that the system is not regularly reviewed, and a small proportion (15.8%) did not provide a response. When asked about the responsibility for reviewing the system, the majority of respondents (73.7%) indicated that the managing directors are responsible for the review. A small number of respondents (7.9%) mentioned that auditors are responsible for the review, while 18.4% did not provide a specific response. Overall, the results indicate that most respondents believe the organization has put in place mechanisms for voicing issues, frequently using email, websites, and suggestion boxes. To make sure these systems are working properly, managing directors frequently evaluate them on a regular basis.

4.2.9 Performance Measurement/Review

This part of the chapter discusses performance measurement or performance review systems of the company, as stated below under Table: 9.

Table 9: Performance Measurement/Review

No	Performance Measurement/Review	Short answers
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52	How is the performance of the board/subcommittees/ management reviewed?	<p>1. As per performance checklist of board reviewed Yearly.</p> <p>25 (81.6%)</p> <p>2. Using evaluation forms for management.</p> <p>4 (10.5%)</p> <p>3. No response.</p> <p>3 (7.9%)</p>				
53	Does the business evaluate the board's and subcommittees' terms of reference? Q. 54 should be skipped if the response is no.	Yes	No			No resp.
		27 (71.1%)	6 (15.8%)			5 (13.2%)
54	How often is the review undertaken?	Annually	Every two years	Others		No resp.
		27 (71.1%)				11 (28.9%)
55	Are there set performance indicators?	Yes	No			No resp.
		29 (76.3%)	4 (10.5%)			5 (13.2%)
56	Are reports produced detailing the Board's/ subcommittees/management's objectives for the year and progress against these objectives?	Yes	No			No resp.
		31 (81.6%)	3 (7.9%)			4 (10.5%)
57	Who evaluates the Board?	Board members themselves	Independent party	External auditor	NBE	No resp.

		16 (42.1%)	3 (7.9%)	5 (13.2%)	8 (21.1%)	6 (15.8%)
58	How often is the review undertaken?	Annually	Semi-annually	Others		No resp.
		30 (78.9%)	2 (5.3%)			6 (15.8%)
59	Does the company benchmark the policies for review of the board against international best Practices? <i>Ex. Recruiting and building a competent board, Aligning strategies with goals, Exercising accountability, Having a high level of ethics and integrity, Defining roles and responsibilities, Managing risk effectively etc.</i>	Yes	No			No resp.
		11 (28.9%)	20 (52.6%)			7 (18.4%)

Summary

The board of directors and management staff were asked about how they evaluate the performance of the board, subcommittees, and management. The majority (81.6%) said they use an annual performance checklist for this purpose. A smaller proportion (10.5%) use evaluation forms. Some (7.9%) did not respond. Regarding the review of the board and subcommittee's terms of reference, most respondents (71.1%) said the company conducts such reviews. A minority (15.8%) said no review occurs. 13.2% did not respond. Most respondents (71.1%) stated the company performs an annual review of the terms of reference. 28.9% did not respond. When asked if the company establishes performance indicators, the majority (76.3%) said yes, while a smaller percentage (10.5%) reported having no such indicators. 13.2% did not respond.

The majority (81.6%) said their company produces reports outlining goals and progress for the Board, subcommittees, or management. A smaller percentage (7.9%) said they do not have such reports. 10.5% did not answer. The respondents were asked who evaluates the board. The survey results show that different entities are involved in evaluating Boards in the company, with 42.1% indicating self-evaluation by Board members, 7.9% mentioning independent parties, 13.2% citing external auditors, and 21.1% involving the National Bank of Ethiopia (NBE). Some did not respond (15.8%). The respondents were asked whether the company benchmarks international best practices for reviewing board policies. According to the survey results, 28.9% of respondents indicated that the company benchmarks its board review policies against international best practices. 52.6% of respondents stated that the company does not benchmark its board review policies in this way. 18.4% of respondents did not provide a response to this question.

4.2.10 Voting at Shareholders Meeting

This section of the chapter addresses voting at shareholders meetings. Topics covered include proxy voting policies and procedures, the availability of absentee voting for shareholders, the process by which resolutions are presented to shareholders for approval, and whether or not separate resolutions are presented for each issue.

Table 10: Voting at Shareholders Meeting

No	Voting at Shareholders Meeting	Yes	No		No resp.
60	Does the company have proxy voting guidelines or rules? (<i>Proxy voting is a form of voting whereby a member of a decision-making body may delegate their voting power to a representative, to enable a vote in absence</i>)	36 (94.7%)			2 (5.3%)
		Yes	No		No resp.

61	Are shareholders allowed to vote in absentia?	11 (28.9%)	24 (63.2)		3 (7.9%)
62	How are resolutions put before shareholders for voting?	<p>Typically during shareholders annual meeting for</p> <p>Voting by the chairman.</p> <p>20 (52.6%)</p> <p>Chairman or any other shareholder may propose at the general meeting the resolution.</p> <p>7 (18.4%)</p> <p>Nonresponses</p> <p>11 (28.9%)</p>			
63	Are there separate resolutions for separate matters?	Yes	No		No resp.
		29 (76.3%)	2 (5.3%)		7 (18.4%)

Summary

According to the data presented, the majority of shareholders (94.7%) are aware of the presence of proxy voting guidelines or rules within the company. A small percentage (5.3%) did not respond to this question. Regarding the option to vote in absentia, the majority of respondents (63.2%) indicated that shareholders do not have the opportunity to vote in absentia. However, 28.9% of respondents stated that shareholders are allowed to vote in absentia. A small percentage (7.9%) did not provide a response. In terms of how resolutions are presented for shareholder voting, the majority of respondents (52.6%) believe that resolutions are typically brought forward by the chairman at annual meetings. Additionally, a notable portion of respondents (18.4%) mentioned that resolutions can be proposed by the chairman or any shareholder at a general meeting. However, a portion of respondents (28.9%) did not specify how resolutions are

put forth. When asked if separate resolutions are presented for different matters, the majority of respondents (76.3%) answered affirmatively, indicating that separate resolutions are indeed presented for separate matters. A small percentage (5.3%) answered "No," while 18.4% did not provide a response to this question.

4.2.11 Financial Statements

The company's systems for processing financial statements are covered in this section of the chapter. Among the crucial questions about the financial statements is how the business keeps its accounting records up to date.

Table 11: Financial Statements

No	Financial Statements	Yes	No			No resp.
64	Does the company apply International Accounting Standards (IAS) in the preparation of financial statements?	37 (97.4%)				1 (2.6%)
65	Are financial statements, balance sheets and profit and loss accounts signed by Chairman, CEO and CFO?	Yes	No			No resp.
		36 (94.7)	1 (2.6%)			1 (2.6%)
66	How does the company maintain accounting records?	Manually	Software/ Application	Excel	Others	No resp.
		3 (7.9%)	27 (71.1%)	6 (15.8%)	2 (5.3%)	

Summary

The information provided shows that 97.4% of respondents to the poll confirmed that the organization prepares financial statements using International Accounting Standards (IAS). Just 2.6% of respondents chose not to answer this question. The Chairman, CEO, and CFO sign the

financial statements, which include balance sheets and profit and loss statements, according to the majority of respondents (94.7%) when asked who signs the financial statements. Merely 2.6% of participants responded negatively, and an additional 2.6% did not provide any information. In terms of how the company maintains its accounting records, the majority of respondents (71.1%) stated that accounting records are maintained using software/applications. A small percentage (7.9%) indicated that accounting records are maintained manually. Additionally, 15.8% reported using Excel, and 5.3% mentioned other methods.

4.2.12 Board Appointments

This section of the chapter addresses the company's procedure for selecting board directors. It covered topics including whether or not the business has a nominations committee in charge of proposing candidates for the board. Check to see if it has a formal nomination policy. Find out who recommends candidates for the board of directors' positions and other positions.

Table 12: Board Appointments

No	Board Appointments	Yes	No			No resp.
67	Does the company have a Nominations Committee, which is responsible for Board nominations? If the answer is No, please skip Q. 68.	37 (97.4%)				1 (2.6%)
68	Does the company have a written nomination policy for board appointments?	Yes	No			No resp.
		34 (89.5%)	1 (2.6%)			3 (7.9%)
69	Who makes recommendations for the appointment of board directors?	Shareholders	Directors	Chairman	Others	No resp.
		35 (92.1%)	2 (5.3%)			1 (2.6%)

70	How does the nomination committee ensure that potential members are suitable to serve on the board?	Based on the requirements set forth in the nomination policy	Through interviews	Others		No resp.
		37 (97.4%)				1 (2.6%)
71	Is the background of the potential board members investigated?	Yes	No			No resp.
		34 (89.5%)	1 (2.6%)			3 (7.9%)
72	How is it ensured that only individuals with the right skills and attitudes are selected?	<ul style="list-style-type: none"> - Because, the election is done based on clear criteria and qualification. Skill assessment and interview as stipulated in the board nomination and election procedure of ELiG. 25 (65.8%) - Based on NBE's guidelines. 5 (13.2%) - Nonresponsive. 5 (13.2%) - Nomination committee tries to have candidates with various skills sets, gender balance, and experiential richness. 3 (7.9%) 				
73	How are members inducted?	<ul style="list-style-type: none"> - Welcome and orientations by outgoing board. Provision of comprehensive set of materials that outlines the company's governance structure by law, process and procedures as well as board training as stipulated by CG of the company's directive. 22 (57.9%) - Nonresponsive. 16 (42.1%) 				

		Yes	No			No resp.
74	Are the board members trained during their term of office? If the answer is No, please skip Q. 75.	33 (86.8%)	2 (5.3%)			3 (7.9%)
75	How does the company ensure that training is suitable or effective?	<ul style="list-style-type: none"> - Through tailored training programs, engaging expert trainers, interactive and participatory approach and also evaluations and feedbacks. 21 (55.3%) - Assesses training against board TOR & job description. 1 (2.6%) - Nonresponsive. 15 (39.5%) - There is no clear measurement to measure effectively. 1 (2.6%) 				

The following details about the company's corporate governance procedures are given based on the survey results: Board of Directors Appointments: Committee for Nominations: The majority of participants (97.4%) attested to the presence of a Nominations Committee that is in charge of proposing candidates for the board. Just 2.6% of respondents chose not to answer this question. Written Nominations Policy: Most participants (89.5%) indicated that the organization has a formalized process for proposing candidates for board positions. Just 2.6% of respondents said they were unaware of any such policy. 7.9% of respondents said they had nothing to say. Board Director Appointment: According to the majority of respondents (92.1%), board directors are recommended by shareholders. Just 5.3% of respondents stated that directors had a role in the suggestions. 2.6% of respondents chose not to reply. Suitability of Potential Board Members: Most respondents (97.4%) said that the nomination policy's requirements are used to determine if a candidate is suitable to serve on the board. 2.6% of respondents did not submit any feedback at all. Background Checks on Prospective Board Members: Most respondents (89.5%) said that their organization does background checks on prospective board members. A tiny percentage of respondents (2.6%) said they don't look into possible board members' backgrounds. 7.9% of respondents, a sizeable percentage, did not reply.

Selecting People with the Correct Skills and Attitudes: Most respondents (65.8%) stated that skill evaluations and interviews are conducted in accordance with the organization's board nomination and election process. A smaller percentage of respondents (13.2%) said that the National Bank of Ethiopia's (NBE) guidelines is used for selection. The nominating committee seeks to nominate people with a variety of skill sets, a gender balance, and a wealth of experience, according to some respondents (7.9%). A significant percentage of participants (13.2%) did not offer a response. The induction process for new board members is described by the majority of respondents (57.9%) as consisting of welcome and orientations by the outgoing board, as well as the provision of comprehensive materials and board training in accordance with the company's Corporate Governance (CG) directives. Of the respondents, a sizable percentage (42.1%) did not respond. Board Member Training: During their term of office, board members receive training, according to a sizable majority of respondents (86.8%). A tiny percentage of respondents (5.3%) said that during their term in office, board members do not receive any training. 7.9% of respondents said they had nothing to say. The suitability and efficacy of training for board members is ensured by the company, according to 55.3% of respondents, through specially designed programs that are in line with the unique needs and requirements of the board members. Just 2.6% of respondents said they evaluated training based on job descriptions and the board's Terms of Reference (TOR). A smaller percentage of respondents (2.6%), however, brought up the lack of a precise metric to evaluate the success of training initiatives. A sizeable fraction of respondents (39.5%) did not respond when asked how businesses guarantee board member training is appropriate and effective.

4.2.13 Company/Board Secretary

This part of the chapter discusses Company/Board Secretary duties and responsibilities as stipulated below in Table: 13. In addition his qualification requirements and clearly designated job areas.

Table 13: Company/Board Secretary

No	Company Secretary	Yes	No			No resp.
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76	Is the company secretary required to have formal qualifications pursuant to the Articles of Association of the Company? If the answer is No, please skip Q. 77.	35 (92.1%)	1 (2.6%)			2 5.3%
77	What kind of qualification is required for Company Secretaries by the Articles of Association?	Degree in Business or related area	Degree in law	Degree in Accounting	Others	No resp.
		16 (42.1%)	16 (42.1%)			6 (15.8%)
78	Are there clearly written down responsibilities for the company secretary?	Yes	No			No resp.
		36 (94.7%)				2 (5.3%)
79	Does he/she hold any other posts in the company or provide any other services to the Company? If the answer is Yes , please state the posts or services provided by the Company Secretary. <u>NB: Yes or (21.1%)</u> Stated that the company/board Secretary have been playing legal advice role to the CEO and other work units of the company.	Yes	No			No resp.
		8 (21.1%)	25 (65.8%)			5 (13.2%)

Summary

Based on the data presented in Table 13 above, the following details about the company's secretary are given:

Formal qualifications are essential for company secretaries. The majority of respondents—the board and management staff—agreed (92.1%) that the company secretary must possess formal qualification in accordance with the firm's articles of association. Requirements for a Company Secretary: Of the respondents, 42.1% stated that a degree in business or a similar field was necessary for becoming a company secretary, while 42.1% stated that a degree in law was necessary. 15.8% of respondents, a sizable portion, did not respond. Written obligations for Company Secretary: A significant proportion of participants (94.7%) indicated that the company secretary had explicit written obligations. Having Other Positions in the Company: Most respondents (65.8%) indicated that the board secretary of the company does not have any other positions within the company. 21.1% of respondents stated that the corporate board secretary has additional responsibilities, such as serving as the CEO's legal advisor and advising other departments inside the company. 13.2% of the participants did not offer a response.

4.2.14 Codes of Ethics

This section of the chapter discusses the company's standards of ethics in the workplace. It determines whether the business has created a documented code of ethics outlining what constitutes morally right and wrong behavior, and whether ethics training is provided on a regular basis to all personnel. To guarantee that programs for the code of ethics are regularly reviewed in light of evolving workplace conditions. Verify whether the business takes the proper disciplinary measures when there is an ethical infraction. More crucially, find out if each employee signed a release indicating receipt and understanding, and if they were all given a formal copy of the company's code of ethics.

Table 14: Codes of Ethics

No	Code of Ethics	Yes	No	I don't know	No resp.
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80	Your company has developed a written code of ethics that outlines what is considered ethical and unethical behavior, and all employees receive regular ethics training.	33 (86.8%)	2 (5.3%)		3 (7.9%)
81	Your company's code of ethics and ethics training programs are routinely reviewed to ensure they keep pace with a changing work environment.	30 (78.9%)	6 (15.8%)		2 (5.3%)
82	When a violation of the code of ethics occurs, the company takes appropriate disciplinary action on a consistent basis.	33 (86.8%)	1 (2.6%)		4 (10.5%)
83	All employees have been given a written copy of your company's code of ethics, and you have obtained a signed release from each employee acknowledging receipt and understanding	36 (94.7%)			2 (5.3%)

Summary

Regarding the company's codes of ethics, the following are the comments given by the management team and board of directors:

Written Ethics Policy and Ethics Education: The vast majority of participants (86.8%) reported that the organization has formulated a documented code of ethics delineating moral and immoral conduct, and every staff member undergoes periodic ethics education. Just 5.3% of respondents denied or said that the business has neither ethics training nor a documented code of ethics. 7.9% of respondents said they had nothing to say. **Evaluation of Ethics Code and Ethics Training Programs:** Most respondents (78.9%) concurred that the organization regularly evaluates its ethics code and ethics training programs to make sure they are still applicable in a changing workplace. 15.8% of respondents disapproved of the regular evaluation of the code of ethics and ethics education initiatives. 5.3% of respondents said they had no response to give. **Disciplinary Action for Ethics Code Violations:** Most respondents (86.8%) said that the organization consistently takes appropriate disciplinary action when ethics code violations occur. The statement "the company does not take appropriate disciplinary action" was only made by one respondent (2.6%). 10.5% of respondents did not submit any feedback at all. Employee

Distribution of Code of Ethics: Nearly all respondents (94.7%) concurred that the company has distributed a written copy of its code of ethics to every employee and that it has gotten a signed release from each employee attesting to its receipt and understanding. Just 5.3% of respondents did not submit any information at all.

4.2.15 Confidentiality

The topic of confidentiality in the workplace is covered in this section of the chapter. It addressed issues such as whether workers who see unethical behavior at work can disclose it without fear of reprisal or retaliation. It also addresses whether or not the business provides employees with a confidential hotline run independently where they can report ethical transgressions. And whether or not staff members have received training on how to handle private information in a discreet manner.

Table 15: Confidentiality

No	Confidentiality	Yes	No	I don't know	No resp.
84	If employees observe unethical conduct on the part of other employees, they can report it without fear of retribution or retaliation.	30 (78.9%)	5 (13.2%)	2 (5.3%)	1 (2.6%)
85	Your company offers an independently administered ethics hotline where employees can report ethics violations in confidence.	23 (60.5%)	11 (28.9%)	2 (5.3%)	2 (5.3%)
86	All employee records are handled in the strictest of confidence.	32 (84.2%)	3 (7.9%)	1 (2.6%)	2 (5.3%)
87	Employees are trained to handle sensitive information in a confidential manner.	30 (78.9%)	5 (13.2%)	1 (2.6%)	2 (5.3%)

Summary

Regarding the company's confidential information/data issue, the following are the answers given by the board of directors and management personnel:

Reporting Immoral Behavior: A good reporting culture is one in which employees can report unethical conduct without fear of reprisals or retaliation, according to the majority of respondents (78.9%). Only a small percentage of respondents (13.2%) voiced worries about possible backlash. 5.3% of respondents expressed uncertainty over the reporting procedure. Just one person (2.6%) didn't answer the questions. **Availability of an independently managed Ethics Hotline:** Most respondents (60.5%) said that the organization allows employees to report ethical transgressions in confidence by calling an independently managed ethics hotline. A sizable percentage of participants (28.9%) mentioned that there was no ethics hotline. 5.3% of respondents were unsure if the hotline was operational. Of the participants, two (5.3%) did not respond. **Personnel Records:** According to the majority of respondents (84.2%), all personnel records are handled with the utmost confidentiality. Just 7.9% of those surveyed said they didn't think all personnel records were kept strictly confidential. Merely 2.6% of the participants expressed their ignorance regarding the confidentiality of personnel records. 5.3% of the respondents, or two, did not reply. **Training on Secret Information Handling:** Most respondents (78.9%) said that employees receive training on how to handle secret information. A noteworthy proportion of participants (13.2%) stated that staff members lack the necessary training to manage confidentially sensitive data. 2.6% of respondents said they were unsure if staff members receive confidential training on handling sensitive data. 5.3%, or two respondents, did not reply.

4.2.16 Customer Relations

The company's interactions with its clients while doing or running its insurance business are covered in this section of the chapter. As a result, we conducted a test to see if the company's marketing and advertising strategies aim to deceive consumers by presenting exaggerated or misleading promises. Whether or not all employees that interact with customers receive training in customer service. Investigated whether or not it is business policy to treat clients with the same decency before, throughout, and after the sales process. Examined whether the business

treats every client equally, taking into account each person's unique qualities, and whether the business is fast to own up to its errors and take prompt corrective action when necessary.

Table 16: Customer Relations

No	Customer Relations	Yes	No		No resp.
88	Your company's advertising and marketing practices do not attempt to mislead customers by making false or unrealistic claims.	37 (97.4%)			1 (2.6%)
89	Customer service training is provided for all members of your company who come in contact with your customer base.	34 (89.5%)	2 (5.3%)		2 (5.3%)
90	Company policy dictates that customers should be treated with the same level of courtesy both during and after the sales process.	35 (92.1%)	1 (2.6%)		2 (5.3%)
91	Your company treats all customers in the same manner, regardless of their individual characteristics.	35 (92.1%)			3 (7.9%)
92	Your company is quick to acknowledge its mistakes and acts swiftly to make things right with the customer.	36 (94.7%)			2 (5.3%)
93	Your company's salespeople are trained as to what constitutes ethical and unethical behavior when dealing with customers and sales prospects.	36 (94.7%)			2 (5.3%)

Summary

According to the management team and board directors' comments about the company's customer relations:

Advertising and Marketing Practices: A significant proportion of participants (96.4%) reported that their organization does not employ deceptive or exaggerated advertising or marketing strategies to mislead consumers. 2.6% of respondents did not submit any information at all. Customer Service Training: According to 89.5% of respondents, all staff members who interact with customers receive customer service training. 5.3% said they have never received training. 5.3% didn't reply. Customer Courtesy Policy: 92.1% of respondents said that treating customers with the same degree of civility before, throughout, and after the sales process is required by corporate policy. In response, 2.6% of participants said that their organization did not abide by this policy. 5.3% didn't reply. Customer Treatment: According to the majority of respondents (92.1%), their business treats every customer equally, irrespective of their unique qualities. 7.9% of those surveyed chose not to reply. Acknowledgment of Errors and Prompt Actions: 94.7% of participants said that their organization is prompt in admitting its errors and taking prompt action to resolve customer issues. 5.3% didn't reply. Salespeople Get Ethical Behavior Training: Most respondents (94.7%) said that their organization provides salespeople with ethical and unethical behavior training regarding how to interact with clients and potential customers. 5.3% of respondents did not reply.

4.2.17 Management Practices

The management techniques of the company are covered in this section of the chapter. Examine whether the company's senior management often discusses the value of ethical behavior in communications with the entire organization and whether or not supervisors are required to step in when they witness unethical, discriminatory, or harassing behavior. Whether or not the organization can quickly identify supervisors who, in their day-to-day operations, embody and exhibit ethical behavior, and so forth

Table 17: Management Practices

No	Management Practices	Yes	No	I don't know	No resp.
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94	Top management in your company routinely addresses the importance of ethical behavior when communicating within the company as a whole.	36 (94.7)			2 (5.3%)
95	Supervisors are expected to intervene when they detect unethical, discriminatory or harassing behavior.	35 (92.1%)	1 (2.6%)		2 (5.3%)
96	You can easily identify supervisors in your company who exemplify/ demonstrate ethical behavior in their daily activities.	33 (86.8%)	2 (5.3%)		3 (7.9%)
97	Supervisors in your company are held accountable for the ethical behavior of their subordinates.	33 (86.8%)	2 (5.3%)		3 (7.9%)
98	Ethical behavior is a key component of your company's formal management training program and new employee orientation.	34 (89.5%)	1 (2.6%)		3 (7.9%)
99	Ethical behavior is part of the criteria used when considering a candidate for promotion into a management role within your company.	34 (89.5%)		1 (2.6%)	3 (7.9%)

Summary

In light of the board directors' and management personnel's comments regarding the company's management practices:

Communication of Ethical Behavior is Important: The great majority of respondents (94.7%) concurred that senior management in their organization regularly discusses the value of moral conduct when interacting with employees across the board. 5.3% of those surveyed did not answer at all. The expectation is for supervisors to step in when they witness unethical, discriminatory, or abusive behavior, according to 92.1% of respondents. This expectation was not shared by 2.6% of respondents. 5.3% did not answer at all. Identification of Supervisors for Intervention: Most respondents (86.8%) said that when unethical, discriminatory, or harassing behavior occurs, supervisors should step in and stop it. 5.3% of participants reported having trouble locating these supervisors. 7.9% didn't answer at all. Supervisor Accountability for Subordinates' Ethical Behavior: According to the majority of respondents (86.8%), supervisors are responsible for their subordinates' ethical behavior. 5.3% of those surveyed thought otherwise. 7.9% of respondents did not reply. Ethical Behavior in official Training and Orientation: According to the majority of respondents (89.5%), official management training programs and new employee orientation at their organization heavily emphasize ethical behavior. Just 2.6% of respondents said otherwise. 7.9% of respondents did not reply. Ethical Behavior as a Promotional Criteria: According to the majority of respondents (89.5%), an important factor in elevating staff members into management positions within their organization is their ethical behavior. Just 2.6% of respondents didn't agree with this statement. 7.9% of respondents did not reply.

4.2.18 Social Responsibilities

This section of the chapter addresses the company's social responsibility. Its commitment to human rights and environmental issues. Determines whether or not social responsibility has been included into its day-to-day operations and workflow. More importantly, whether or whether the business supports its employees' involvement in social and environmental problems

Table 18: Social Responsibilities

No	Social Responsibilities	Yes	No	I don't know	No resp.
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100	Outsiders view your company as a leader in promoting ethical behavior in the workplace, as well as in championing social causes.	29 (76.3%)	4 (10.5%)	1 (2.6%)	4 (10.5%)
101	Social responsibility is an important consideration in your company's long-term decision-making processes.	34 (89.5%)	2 (5.3%)		2 (5.3%)
102	Your company encourages its employees to participate in activities supporting social and environmental causes.	30 (78.9%)	4 (10.5%)	1 (2.6%)	3 (7.9%)
103	Your company regularly provides financial or manpower resources to support activities that benefit the local community.	29 (76.3%)	5 (13.2%)		4 (10.5%)
104	Environmental and human rights concerns are incorporated into the daily activities and Work processes of your company.	28 (73.7%)	5 (13.2%)		5 (13.2%)

Summary

According to the management team and board of directors' comments regarding the company's responsibilities for corporate social responsibility (CSR):

View of the Organization as a Pioneer in Encouraging Moral Conduct and Social Issues: When asked if outsiders saw the company as a leader in fostering moral behavior in the workplace and supporting social issues, the majority of respondents (76.3%) gave a favorable response. Of those surveyed, 10.5% said no. 2.6% of those surveyed were unsure. 10.5% of respondents did not reply. Examining Social Responsibility in Long-Term Decision-Making: The majority of participants (89.5%) attested to the fact that the organization takes social responsibility into

account when making long-term decisions. Of those surveyed, 5.3% replied no. 5.3% of respondents did not reply. Encouraging Employee Involvement in Social and Environmental concerns: Most respondents (78.9%) concurred that the organization supports employee involvement in social and environmental concerns. Of those surveyed, 10.5% said no. 2.6% of respondents said they have no idea. 7.9% of respondents did not reply. Financial and Human Resource assist for Community-Beneficial Activities: The majority of respondents (76.3%) concurred that the organization consistently contributes financial or human resources to assist community-beneficial initiatives. Of those surveyed, 13.2% said no. 10.5% of respondents did not reply. Environmental and Human Rights Concerns Incorporated into Daily operations and Work Processes: The majority of respondents (73.7%) said that their company incorporates environmental and human rights concerns into its daily operations and work processes. 13.2% of those surveyed disagreed with this assertion. 13.2% of respondents did not reply.

4.2.19 Business Relationships

The company's business ties with all of its stakeholders are covered in this section of the chapter. They essentially amount to employees prioritizing their own interests over the company's overall success and its reputation. The National Bank of Ethiopia's involvement in the corporate governance of Ethiopian insurance businesses is of greater significance.

Table 19: Business Relationships

No	Business Relationships	Yes	No	I don't know	No resp.
105	Your company has implemented a policy where employees are discouraged from putting their own interests ahead of the company's well-being, such as accepting gifts from suppliers in exchange for other consideration.	33 (86.8%)	3 (7.9%)		2 (5.3%)

106	Your company has implemented a policy that places a specific limit on the value of gifts employees receive from outside business entities. Your company has implemented a policy that clearly specifies what is considered a conflict of interest.	21 (55.3%)	12 (31.6%)	1 (2.6%)	4 (10.5%)
107	Do you think your company is a trustworthy company? (Rely mostly on trust, loyalty, and communication).	37 (97.4%)			1 (2.6%)
108	What is the role of National Bank of Ethiopia in the Corporate Governance of insurance companies in Ethiopia?	<ul style="list-style-type: none"> - Regulatory, licensing & approval, board composition & independence, risk mgt & internal control, formal reporting and disclosure, supervision and enforcement. 25 (65.8%) - They give overall direction 5 (13.2%) - Providing directives regarding CG 3 (7.9%) - Nonresponsive 5 (13.2%) 			

Summary

According to the management team and board directors' comments regarding the company's business relationships:

Discourage Workers from Sacrificing Company Well-Being for Personal Interests: The majority of respondents (86.8%) concurred that the business has put in place a policy discouraging staff members from prioritizing their own interests over the success of the firm, such as receiving gifts from suppliers in exchange for other benefits. No, 7.9% of those surveyed said. 5.3% of respondents did not reply.

Particular Cap on the Worth of Presents Received from Outside Business Entities: The majority of participants (55.3%) confirmed that the organization has put in place a policy that establishes a particular cap on the amount of gifts that staff members may receive from outside businesses. 31.6% of those surveyed disagreed. 2.6% of respondents said they have no idea. receiving presents from vendors in return for more benefits. 10.5% of respondents did not reply.

Company Trustworthiness: The majority of respondents (97.4%) said that they thought the company was trustworthy. There was only one respondent (2.6%) who remained silent.

The National Bank of Ethiopia's Role in Corporate Governance for Insurance Companies: The majority of respondents (65.8%) indicated that the NBE is involved in formal reporting and disclosure, supervision, enforcement, risk management and internal control, board composition and independence, licensing and approval, and regulatory functions. According to 21.1% of respondents, NBE offers general guidance, including instructions. 13.2% of respondents did not reply.

4.3 Analysis of Data: Interview

As stated above, data was also gathered through interviews in addition to document reviews and survey questionnaire administration. Formal, open-ended interviews were conducted with thirteen members of management, including the CEO and two deputy CEOs. They were chosen on the basis of their expertise and knowledge, as well as the characteristics mentioned in the research study title. The majority of the interview questions focused on corporate governance (CG) issues, including why it matters to investee companies, reward systems that promote CG (see Annex 2), opportunities and challenges that ethical business practices present for the organization, and how internal controls, risk management, and compliance are managed.

4.3.1 on Corporate Governance Materiality for Investee Companies

Majority of the management staff ascertained that corporate governance to have a significant importance for investee companies as it plays a crucial role in enhancing accountability, protecting shareholder rights, managing risks, promoting long-term sustainability, and improving access to capital. They assured that by adhering to good governance practices, companies can attract and retain shareholders, foster trust among stakeholders, and drive value creation for all involved. Most of the management staff agreed, a strong corporate governance framework to benefit the internal stability and reputation of the company, and also help in minimizing risks, attracting new customers, and ensuring sustainable economic growth. They have also specified the necessity of proper corporate governance practices, which ought to produce knowledgeable upper management, efficient resource management, and goal alignment that meets the interests of all parties involved. In their final point, they stated that corporate governance to be essential to the overall prosperity and viability of investee enterprises.

4.3.2 Which Reward System Contributes Positively to Fostering Good Corporate Governance Practice and why

The interviewees identified various components of a reward system that contribute positively to fostering good corporate governance practices, such as performance-based rewards, share ownership, non-financial incentives, transparency, equal treatment of employees, conflict of interest avoidance, customer satisfaction and confidence, fair management of employees, development opportunities, financial incentives, equal employment opportunities, and positive thinking. They argue that, these factors help align the interests of management and the company, encourage long-term thinking, and reward ethical behavior and performance, ultimately leading to better corporate governance within an organization

4.3.3 Regarding Important Ethical Business Practice Challenges and Opportunities in the Company and the Most Urgent Ethical Issues

The interviewees identified various ethical challenges and opportunities within their company. Challenges included maintaining integrity, compliance with regulations, and addressing unethical practices in pricing and underwriting. Opportunities highlighted transparency, professionalism, and compliance with ethical standards. The most urgent ethical issues were integrity, transparent

claims settlement, ethical sales practices, anti-fraud measures, and responsible underwriting. While minor ethical issues were reported, there were no major urgent ethical issues in the company. Emphasizing integrity, loyalty, accountability, and adherence to ethical policies were seen as key priorities to address ethical challenges and capitalize on opportunities for ethical business practices.

4.3.4 Regarding the Current State of the Economy and its Impact on Businesses Especially Insurances

The responses highlight the significant challenges faced by the insurance sector in Ethiopia due to various economic and political factors. The economy is experiencing inflation, economic recession, lack of investment (both local and foreign direct), scarcity of foreign currency, political instability, and a decline in import and export activities. The interviewees claim these factors to have led to decreased investment, reduced customer satisfaction, lower premium volumes, increased claim severities, and overall limited profitability for insurance companies. They say the tough economic conditions and lack of stability in the country have negatively impacted businesses, including the insurance sector, with customers opting for minimum coverage due to financial hardships. The replies generally convey a sense of difficulty and anxiety about the state of the insurance sector in Ethiopia.

4.3.5 With regard to the implementation of good corporate governance in Ethiopian insurance companies, what steps should the National Bank of Ethiopia (NBE) take?

According to the people who were interviewed, the National Bank of Ethiopia (NBE) is essential in making sure Ethiopian insurance businesses follow strong corporate governance practices. While some respondents think that in order to promote a culture of good governance, NBE needs to provide clearer guidelines, effectively monitor compliance, and work with industry stakeholders. Others propose that NBE concentrate on creating and enforcing comprehensive corporate governance guidelines that are specific to the Ethiopian market, bolstering board independence and expertise, setting up workshops and training sessions for executives and directors, and making sure that regulations are regularly reviewed and updated in accordance with global best practices. Concerns have been raised by certain responders regarding the professionalism of NBE, the lack of assistance and training, the antiquated laws and regulations, and the requirement for more robust monitoring and follow-up procedures. In order to

successfully supervise the insurance business, there are also demands on NBE to set rates for various insurance products, keep a close eye on the market, mandate training for top management and boards of directors, and make investments in staff competency development. Although everyone agrees that NBE can make a big difference in the corporate governance of Ethiopian insurance businesses, there are still certain areas that require improvement in order to guarantee that good governance standards are effectively enforced. Interviewees identified several critical areas for improvement, including tighter oversight, training, revisions to regulations, and monitoring. In summary, they stated that NBE's proactive engagement and dedication to raising corporate governance standards in the insurance sector to be critical to the industry's long-term growth and development.

4.3.6 With reference to the Board of Directors' function in relation to Management within the organization

The majority of interviewees indicated that the Board of Directors' responsibilities within the organization include supervising, counseling, and directing the management team's strategic course. They claim to oversee risk management, evaluate financial performance, define the overall strategic direction of the business, and make decisions that will lead to long-term success. They go on to add that the Board works with senior management and outside advisors to develop the company's purpose, vision, and values. In addition, the Board, through particular committees within the Board, is in charge of choosing and paying the CEO and senior management. They stressed that cooperation between the Board, management, outside consultants, and particular committees is a necessary part of the strategic planning process. Ad hoc committees established inside the Board oversaw the CEO and senior management remuneration and selection process. They verified that decisions are finalized only after receiving permission from the relevant regulatory bodies and the whole Board. In conclusion, they stated that the Board of Directors collaborates closely with management to guarantee the success of the company by means of efficient strategic planning and decision-making. They also stated that the board was crucial in choosing and paying top leadership, guaranteeing that they were in line with the objectives and core values of the business.

4.3.7 About the company's internal controls, risk management, and compliance management

The majority of the management team stated that the organization uses specialized departments like Risk and Compliance and Audit and Inspection, both of which report to the Board of Directors, to handle internal controls, risk management, and compliance. They contend that these divisions are essential to maintaining financial reporting, controlling risks, assuring legal and regulatory compliance, and guaranteeing the accuracy of operations. Concerning a few major issues that were brought to light during the previous three years, it was determined that these included inadequate controls that resulted in fraud and errors, difficulties correctly recognizing and evaluating risks, trouble adhering to changing regulations, a lack of awareness among employees regarding controls, and a lack of skilled workers that hampered the implementation of controls. They claimed that despite these difficulties, the company's commitment to policies and standards has resulted in qualified statements from external auditors. The company's internal control strength has contributed to maintaining a clean external audit report, they continued, adding that the company has generally tight controls and monitoring, with no negative or disclaimer comments from external auditors due to strong adherence to rules and standards. Committees were assigned to supervise different aspects of control, with reports being forwarded to the Board for appropriate action when needed. They claimed that maintaining control and guaranteeing compliance inside the organization are important responsibilities of audit units, risk management and compliance. In conclusion, they said that despite certain difficulties, the company's commitment to upholding strict internal controls and compliance procedures has assisted in averting serious issues and preserving a positive external audit opinion. They contend that maintaining a focus on bolstering internal controls, risk management, and compliance is crucial to the long-term survival of their business.

4.3.8 Concerning the production of financial statements in accordance with globally recognized accounting standards

The majority of the management team stated that by using the International Financial Reporting Standards, the company compiles its financial statements in compliance with globally accepted accounting standards (IFRS). They also mentioned how important it is for the Ethiopian Financial Reporting Standards Board (EFRSB) to establish and carry out accounting standards in

the nation. According to them, the adoption of IFRS has presented several challenges, including a lack of awareness among stakeholders, the need to align legal and regulatory frameworks, the complexity of technical implementation, and the collection and reporting of additional data that was not previously captured. They sighted various strategies to have been implemented to overcome these challenges:

- Conducting assessments of existing systems and processes to ensure compliance with IFRS requirements
- Developing a communication plan to keep stakeholders informed and providing training sessions
- Involving relevant professionals in IFRS training
- Engaging international consultants with IFRS expertise for technical support

They also denoted the company to have encountered resistance from employees and accountants in adapting to IFRS. To address this resistance, they said, the company focused on continuous training, workshops, recognition, and motivating factors to facilitate the transition to IFRS. They noted to have a plan to potentially move to IFRS-17 in the future, with ongoing challenges and hurdles in data conversion and system modifications. They finished by saying , the company has made progress in overcoming challenges related to the adoption of IFRS, with a focus on education, stakeholder engagement, and technical support. Collaboration with industry associations and external consultants has been instrumental in navigating the complexities of international accounting standards and ensuring compliance with regulatory requirements.

4.3.9 Regarding the scheduling and planning of regular and extraordinary shareholder meetings

The management team provided the following summary of how Annual and Extraordinary Shareholder Meetings are conducted:

i. Notice and Agenda Distribution: The Board of Directors sets the meeting's date, time, and location and publishes a formal notice in widely read newspapers, on radio, and on television. The Boards of Directors create the agenda items, which are formally communicated to the shareholders 24 days before the meetings. New agenda items can be proposed to the BoDs by shareholders who hold five percent of the subscribed shares.

ii. Supporting Materials and Proxy Participation:

Supporting materials are provided to the shareholders on the date of the meetings. Shareholders unable to attend can appoint a proxy to represent them by completing a proxy form or submitting a proxy letter registered and authenticated by the relevant government organ.

iii. Questioning and Participation:

Shareholders can ask questions during a designated time at the meetings by raising their hands or indicating their desire to ask a question. The board chairperson calls on each person in turn, allowing them to ask their question directly.

iv. Dissemination of Meeting Results:

The process involves minute preparation to accurately capture key discussion points, resolutions, or decisions made during the meetings. The minutes are typically reviewed and approved by the [NBE](#) and finally registered by Documents Authentication and Registration Office (DARO). Follow-up actions assigned during the meeting are implemented and progress reports shared through subsequent meetings. They emphasized how crucial it is to remember that all of the aforementioned procedures were carried out in compliance with the standards, directives, and laws established by the National Bank of Ethiopia (NBE) in order to guarantee openness, adherence, and efficient shareholder communication.

4.3.10 If there have been any issues in regards to shareholders and their treatment

In the interviews conducted regarding issues related to shareholders and their treatment, the majority of the responses indicated that there have been no significant issues or concerns in this area. Most individuals stated that there have not been any major conflicts or complaints from shareholders regarding their treatment within the company. However, one respondent noted that some shareholders have requested special services or compensation outside the established rates and standards, which the company does not accept. In summary, although there might be a few little complaints or demands from stockholders, the business usually keeps a cordial and equitable relationship with them. Maintaining a positive relationship with shareholders requires open communication as well as a dedication to justice and respect.

4.3.11 If there have been any shareholder disputes, and if there have been how were they resolved.

Based on the responses provided regarding shareholder disputes, it is evident that there have been no reported instances of shareholder disputes within the company thus far. The unanimous agreement among the respondents indicates that the company to have been successful in maintaining harmonious relationships with its shareholders, thereby preventing any conflicts or disagreements from arising. They argue by saying, this positive outcome suggests that the company's communication and conflict resolution strategies are effective in addressing any potential concerns or issues before they escalate into disputes. They added that the commitment to transparency, fairness, and proactive engagement with shareholders to have seemed contributed to the absence of disputes within the organization. Ultimately, they confirmed, the absence of shareholder issues testifying to the company's sound governance procedures and capacity to cultivate a collaborative and cooperative atmosphere with its shareholders. They say, in moving forward, it will be important for the company to continue prioritizing open communication and addressing any emerging issues promptly to sustain existing favorable relationship with its shareholders.

4.3.12 Regarding any other Comments that he/she would like to Share

The additional comments provided by the respondents offer valuable insights and suggestions for enhancing various aspects of the company's operations. Several key themes emerge from these comments:

- i. Corporate Governance:** The significance of putting in place a corporate governance policy within the organization is emphasized. According to the respondents, implementing such a policy will guarantee that the business runs morally and successfully as well as enhance shareholder perception and corporate management.
- ii. Monitoring and Focus Areas:** Suggestions are made for the company to actively monitor issues such as unhealthy competition, unfair practices, and the need to focus more on insurances, given the nature of the business. These recommendations highlight the importance of staying vigilant and addressing potential challenges in the industry.
- iii. Succession Planning and Employee Training:** The significance of implementing a succession plan and educating staff members on corporate governance is also emphasized by the

respondents. They contend that taking these steps can support an organizational culture of moral decision-making and guarantee the succession of leadership.

iv. **Appreciation and Expectations:** The respondents express gratitude for the research process and emphasize the depth and value of the questionnaire used in the interviews. There is a shared expectation that the outcome of the research will be valuable to the company and contribute to its success. In general, the feedback from the participants highlights the significance of proactive tactics such as putting in place a Corporate Governance Policy, keeping an eye on important areas of emphasis, and allocating resources towards succession planning and staff training in order to improve the overall performance and standing of the business. They claimed that it is evident that the organization's stakeholders are committed to its advancement and success, and their input offers insightful recommendations for future directions for expansion and development.

5. Summary of Findings, Conclusions and Recommendations

5.1 Summary of Findings

The analysis of the feedback from the document review, survey, and interview questions revealed a number of significant issues and possible future paths. It is noteworthy that the particular pivotal concerns and forthcoming trajectory shall be contingent upon the circumstances and discoveries of the undertaken investigation. As such, it is imperative that the research and recommendations be tailored to the particular conditions of the organization. Examine the feedback and information gathered from the document evaluation, survey, and interview questions to find recurrent themes, trends, and concerns in the answers.

Findings:

- The National Bank of Ethiopia (NBE) plays a critical role in enforcing good corporate governance in insurance companies in Ethiopia. However NBE needs to provide clearer guidelines, monitor compliance effectively, and collaborate with industry stakeholders to foster a culture of good governance.
- The NBE should prioritize the continuous review and updating of the existing corporate governance guidelines to ensure alignment with the current regulatory framework and business practices in the Ethiopian market context. Strengthening board independence and expertise, organizing training programs and workshops for directors and executives, and ensuring regular review and updating of regulations based on international best practices, like OECD principles, and Cadbury report.
- There is a growing demand for the NBE to take the following actions in order to enhance its regulation of the insurance sector:
 - a. Establish minimum premium rates for various insurance products, similar to the existing practice for motor vehicles.
 - b. Conduct rigorous monitoring of the industry to ensure compliance with regulations.
 - c. Incorporate obligatory educational initiatives for senior executives and boards of directors to augment their comprehension of regulatory obligations.

- d. Ensure invest in staff development initiatives to enhance their competency and effectiveness in regulating the insurance sector.
- It is advisable to give all management staff thorough training on corporate governance principles in order to develop successful corporate governance practices. Additionally, it's critical to educate staff members on the value of corporate social responsibility (CSR). A wealth of research has demonstrated that companies are embracing corporate social responsibility (CSR) as a way to make a good effect and develop a great brand image for their organization.
 - Develop more precise methods for measuring the impact of training and standardized procedures for skill evaluations. Possess a training package that includes the information and abilities needed for people to function well in the workplace, defined in competence units (which are the specifications for knowledge and abilities and how those abilities are applied to the expected performance standards).
 - Emphasize the need of regular meetings between the board and its subcommittees.
 - The requirement to put in place an external auditor rotation policy, which would rotate audit firms on a regular basis following a legally mandated timeline.
 - To instill in each employee the value of maintaining safe record keeping/storage/, particularly those pertaining to customers and finances, both on and off site as a backup, in order to protect the company's data from risks such as cyber-attacks, natural disasters, or other unfavorable circumstances.
 - The current board remuneration system is deemed ineffective, underscoring the necessity for a thorough review of [NBE's](#) directive pertaining to this matter.
 - Clearly established perceptible system for raising concerns by the employees and other stakeholders.
 - Establish benchmark policies that enable the evaluation of the board against international best practices while ensuring compatibility with the rules and regulations set by [NBE](#).
 - A critical step in the process is communicating and comprehending the board evaluation's findings:
Step 1: Present the evaluation's findings to the board as a whole (if earlier assessments were carried out, compare the findings).

Step 2: Draft an action plan to deal with the evaluation's findings. The action plan that is prepared need to sufficiently pinpoint areas that want improvement, provide actions and timetables, and allot resources for overseeing the plan's execution. The board's yearly work plan ought to include the elements from the action plan.

Step 3: Evaluate the developed action plan on a regular basis.

Step 4: Make sure to check or include a question in the subsequent review to determine whether the earlier issues were sufficiently resolved or not.

- Enforcement of positive reporting culture where employees feel comfortable reporting unethical conduct, the need for ethics hotlines to enhance transparency, the importance of maintaining strict confidentiality in employee records management, and the significance of continuous training on confidentiality.
- Ethics training: Putting each corporate member in a position to comprehend, internalize, and contribute to the corporate mission achievement through a conscious orientation of their own choices and everyday behavior is just as important as providing information to staff members about decisions made by the company's management ([Ethics Training, n.d.](#)).

5.2 Conclusions

Examining ELiG Company's corporate governance (CG) procedures and trends is the study's main goal. Establishing structures and procedures that guarantee accountability, transparency, and moral behavior inside an organization is included in governance, which comprises all the procedures, practices, and policies that aid in directing businesses in the proper path ([Zaman et al., 2023](#)). Accordingly, and in light of the research findings, it is possible to deduce the following points in order to provide a thorough explanation and finish the study's general conclusion:

- i. ELiG has 1400+ shareholders who elect a 9-member board. The board oversees the company, has defined charters, and operates within the law. Three subcommittees handle specific responsibilities. The board develops policies, strategic plans, and appoints executives. A risk management framework is in place, with Internal Audit and Risk management and Compliance reporting to the board. The board avoids interfering in day-to-day operations. Roles and responsibilities are defined by the

National Bank of Ethiopia. Transparent shareholder engagement occurs during the Annual General Assembly. The company is preparing a disclosure policy for stakeholder engagement. Compliance is reviewed by Internal Audit and the Audit, Risk management and Compliance subcommittees quarterly. In summary, ELiG exhibits structured governance, risk management, and transparency in stakeholder engagement.

- ii. The study confirmed that there is a clear role, streamlined decision-making and effective oversight which contributes to operational efficiency within ELiG. This suggests that resources are used efficiently, procedures are optimized, and overall operations of the organization are well-coordinated. Operational procedures successfully incorporate risk identification, evaluation, and mitigation techniques. In order to maintain operational stability, the board and management are essential in monitoring operational risks and putting risk management frameworks into place. The corporate governance processes of the company guarantee adherence to legal and regulatory mandates by [NBE](#). The way that ELiG operates complies with both industry and legal requirements. To guarantee compliance, systems of accountability, reporting, and internal controls are in place. Governance methods promote accountability and healthy financial performance by facilitating compliance with legal and regulatory obligations and industry standards. Overall, these governance mechanisms positively influence decision-making, risk management, financial performance, and organizational efficiency in ELiG.
- iii. ELiG's governance framework demonstrates clarity and comprehensiveness, as confirmed by the review. The board of directors successfully carries out its governance duties because it is independent, competent, and diversified. The board of directors is diverse, skilled, and independent, effectively fulfilling its governance responsibilities. However, some governance policies and procedures lack periodic updates, identified as a weakness. Risk management is integrated into decision-making and operational activities, with proper identification, assessment, and mitigation performed by the Risk management and Compliance Service. The company demonstrates transparency and disclosure, adhering to legal requirements by

- NBE.** As a result, stakeholder confidence remains strong, and no weaknesses impacting stakeholders are observed.
- iv. The board of directors (BoD) in ELiG is assessed as effective in fulfilling its governance responsibilities. The BoD's effectiveness is evident in their frequency and agenda items of board meetings, decision-making processes, strategic oversight, risk management, and engagement. Overall, the BoD's performance is considered strength in ELiG's corporate governance.
 - v. The BoD of ELiG demonstrates adherence to the **NBE's** principles of CG. It has clear roles and responsibilities, a defined governance structure, and effective decision-making processes. The board is diverse, independent, and possesses the necessary skills. The Board provides strategic oversight, engage in risk management, and maintain regular board meetings. Transparency, disclosure, and compliance with legal requirements are also observed. Overall, ELiG's BoD practices are aligned with **NBE's** insurance corporate governance directives.
 - vi. ELiG exhibits adherence to legal and regulatory mandates. The business operates in accordance with legal requirements and industry norms. To guarantee compliance, systems of accountability and reporting, internal controls are in place. In general, ELiG demonstrates a dedication to fulfilling its compliance duties.
 - vii. The regulatory authority, the National Bank of Ethiopia (**NBE**), is good at keeping an eye on and assisting ELiG with its corporate governance programs. **NBE** monitors the business's operations, makes sure that all regulations are followed, and sends out the required feedback on a regular basis. Furthermore, **NBE's** on- and off-site oversights contribute to the preservation of accountability, openness, and conformity to industry norms. In general, **NBE's** supervisory role helps ELiG operate efficiently.

An evaluation of ELiG's CG practice reveals efficient oversight, defined roles and duties, and the incorporation of risk management into day-to-day operations. The board of directors successfully carries out its governance duties because it is independent, competent, and diversified. Transparency in financial reporting and communication is upheld, as is adherence to legal and regulatory standards.

5.3 Recommendations

In conclusion, ELiG's future course should place a high priority on putting Effective Corporate Governance best practices into practice. Recruitment, nomination, and election of effective, diverse (including gender diversity within the company) board directors are some of these practices. Effective corporate governance raises the value of equity holders by better aligning management and shareholder incentives; claim [Larcker and Tayan \(2020\)](#). [Oladimeji et al. \(2021\)](#) add that by clearly outlining the interests of managers and shareholders, an Effective Corporate Governance framework removes the conflict of ownership and control. Effective Corporate Governance has a favorable and considerable impact on employees' job satisfaction, according to research by [Karyatun et al. \(2023\)](#). It is said that increased exposure to competent corporate governance boosts job happiness.

According to [Komath et al. \(2023\)](#), it is clear that efficient use of limited resources, ensuring that resources flow to highly efficient sectors, increasing managers' attention to firm performance, and maintaining firms' compliance with laws and regulations all play important roles in Effective Corporate Governance. Effective Corporate Governance can lessen information asymmetry, and organizations with an efficient degree of corporate governance are likely to have lower cost of equity, claim [Salehi et al. \(2023\)](#). Giving them access to good company governance should encourage external parties and lower the cost of equity.

The study conducted by [Dawood et al. \(2023\)](#), emphasized the significance of Effective Corporate Governance in facilitating economic growth within a liberalized market. The researchers argued that a robust corporate governance framework to have enabled the smooth inflow of both domestic and foreign capital, thereby promoting greater economic prosperity. They further asserted that such a framework to have enhanced investor confidence and fostered goodwill, while simultaneously ensuring transparency, fairness, commitment, and responsibility in business practices.

The following list of 11 Effective Corporate Governance best practices, with brief explanations, is provided by [\(A Modern Governance Company | Diligent Corporation, n.d.\)](#):

i. Recruit effective and diverse board directors

The paper suggests that when approaching board director nominees, it is essential to communicate clear expectations regarding their time commitment and the specific talents they can bring to the board. Board recruiters should thoroughly assess candidates, taking into consideration their skills, abilities, and potential conflicts of interest. Furthermore, the paper emphasizes that diversity on the board extends beyond gender representation. It suggests considering factors such as age, ethnicity, and tenure on the board to ensure a broader range of perspectives and experiences among board members. By embracing diversity in these various dimensions, boards can enhance their effectiveness and decision-making processes.

ii. Establish board composition

In today's corporate governance landscape, there is a growing emphasis on board diversity and independence. This shift is driven by the recognition that boards are tasked with addressing highly complex and technical issues. By incorporating a variety of perspectives around the board table, organizations can foster effective decision-making. Therefore, the makeup of the board is quite important. As a result, the majority of experts in governance support having a majority of independent directors on boards. One way to guarantee impartiality and objectivity in board meetings and decision-making procedures is through independence. Board membership should be balanced to ensure that members have all the knowledge and expertise needed to make wise business decisions. Board director trust is essential because it allows for constructive dialogue to occur even in the midst of protracted arguments and conflicting viewpoints. A yearly self-evaluation by the board, its committees, and the directors themselves is necessary to identify areas for improvement and to address areas of development. These assessments aid in determining each person's advantages and disadvantages, enabling focused efforts to improve the efficacy and performance of the board.

iii. Onboard all directors

Board directors must be well-prepared for their first board meeting in order to make sure they get off to a good start. It is highly recommended by effective corporate governance best practices for firms to institute a formalized board director orientation procedure. Board orientations can be rigorous training seminars or casual conversations, among other formats. In any case, the orientation process should provide new board directors with access to important information. This means providing them with an overview of the organization's history and key

accomplishments in addition to a detailed summary of the board's policies and procedures. It is also imperative to acquaint newly appointed board directors with their legal and fiduciary obligations. To make sure they know what is expected of them, they should be given a copy outlining their roles and obligations as board directors. Apart from the previously specified details, it is advantageous for newly appointed board directors to obtain current versions of the yearly strategy plan, financial statements, and meeting minutes. They are better able to comprehend the organization's long-term goals, previous conversations, and financial status as a result. Corporations may provide new board directors with the tools and information they need to contribute right away by organizing an extensive orientation program.

iv. Foster effective presentations

In recent years, boards' responsibilities have grown dramatically and now cover a wide range of subjects. Boards are faced with increasingly demanding workloads and proportionately larger board agendas due to a variety of factors, including the [Securities and Exchange Commission's \(SEC\)](#) proposed [Environmental, Social, and Governance \(ESG\)](#) standards and the increased attention on cyber security. Presenting well is more important for directors and functional leaders as board agendas continue to expand. These presentations are essential in guaranteeing that supervision and reporting duties are completed without oversight or misunderstanding. To optimize the use of time and enhance the effectiveness of boardroom presentations, boards can implement corporate governance best practices. By adopting these practices, boards can support functional leaders and directors in delivering concise and impactful presentations. These practices may include providing clear guidelines on the format and content of presentations, emphasizing the importance of relevant and timely information, and encouraging interactive discussions during presentations. Additionally, boards can establish mechanisms for pre-meeting information sharing and advance review, allowing directors to come prepared and engage in meaningful discussions during the board meetings. By implementing corporate governance best practices related to boardroom presentations, boards can ensure that the limited time available in board meetings is maximized, enabling efficient decision-making and oversight across a broad range of critical areas.

v. Match objectives and strategies

Boards should coordinate their risk management initiatives and plans with the objectives of the organization as a key component of corporate governance best practices. This means identifying

and evaluating different types of risk by utilizing all available resources, including human skills and other instruments. Establishing the company's risk tolerance and risk profile requires cooperation from the board and consideration of both short- and long-term viewpoints. Moreover, the board bears the job of guaranteeing that the organization possesses a suitable framework and procedures to oversee and alleviate hazards as needed. Board directors are expected to regularly supervise risk management or enterprise risk management (ERM) initiatives as part of this practice. To analyze and visualize risks, this may entail using tools like a risk register, heat map (a graphical representation of data where values are shown by color), or other frameworks. In addition, the board will supervise suggested risk reductions and guarantee that the company has sufficient resources and procedures in place to deal with hazards that have been identified.

vi. Hold directors accountable

Accountability holds a significant position in corporate governance best practices, as highlighted by numerous scandals that have garnered media attention. To uphold accountability, boards must establish robust internal controls and engage in regular monitoring to ensure their effectiveness. A key component of corporate governance is making sure that reporting systems are accurate, transparent, and have the right checks and balances. Having quantifiable performance measurements or key performance indicators (KPIs), that have been approved by the management and board is thought to be best practice. Clear insights into the performance of the organization should be provided to stakeholders through the transparent reporting of these measures. Evaluating the disclosure policies of the board and the degree of openness it upholds in both internal and stakeholder contacts are crucial. The compensation of nominees to the board is likewise subject to accountability in corporate governance. A crucial factor is striking a balance between paying highly qualified board members appropriately and preventing conflicts of interest. Board committees are typically better suited to supervise and manage board director compensation, making sure it is competitive, equitable, and in line with the organization's objectives and output.

Rather than being decided by a special board committee, NBE usually decides on board compensation in Ethiopia. Actually, it is intended for the NBE to have a major influence on determining and controlling the compensation policies for financial institution board

members. The NBE's participation guarantees that board compensation complies with legal requirements and fosters accountability and openness in the sector.

Boards may improve transparency, fortify their governance structure, and keep stakeholders' trust by following these accountability-focused best practices. Boards can take on their oversight responsibilities in risk management with effectiveness by implementing these best practices. They offer a methodical way to recognize, assess, and reduce risks while guaranteeing that they are in line with the objectives and strategic direction of the business.

vii. Place a strong emphasis on morality and integrity

When it comes to public speaking engagements, board directors act as the company's spokespersons and spokesmen. When speaking on behalf of the company, board directors must always keep their fiduciary responsibilities in mind in the context of good corporate governance. Those that exhibit a high degree of ethics, honesty, and integrity in their speech, deeds, and interpersonal connections make the greatest candidates for board seats. Best practices for corporate governance lay a strong emphasis on fostering an environment where morality, honesty, and decency are valued highly. Boards should create three crucial policies to uphold and strengthen these values: a whistleblower policy, a code of conduct for business, and a conflict of interest policy. To ensure that board directors are compelled to disclose any conflicts of interest and refrain from voting on subjects in whom they have a personal stake, it is imperative that a clear and explicit conflict of interest policy be in place. This policy aids in preserving the impartiality and integrity of board decisions. A code of business conduct that outlines the expected moral standards and conduct for board members and staff should also be implemented by board. The organization as a whole can adhere to integrity and moral behavior by following this code of conduct. Boards should also set up guidelines and practices for reporting noncompliance and for whistleblowing. Through these channels, people can report any unethical activity, malfeasance (wrongful or unlawful), or policy and regulation infractions without worrying about facing consequences. Boards can establish a governance framework that encourages honesty, openness, and moral behavior across the company by putting these policies into practice. These actions support the company's reputation and foster confidence among stakeholders.

viii. Specify duties and positions

The separation of the CEO and board chair duties is a fundamental component of corporate governance best practices. This division guarantees a precise demarcation between the CEO's executive duties and the board's leadership and supervision roles. It is easier to preserve independence, responsibility, and efficient checks and balances inside the company when these positions are kept apart. It is crucial that all board directors have clear job descriptions that specify their individual tasks and responsibilities, in addition to keeping the CEO and chair of the board separate. Each director can use these descriptions as a point of reference to better understand their responsibilities and make valuable contributions to board debates and decision-making. Owing to the intricacy and scope of duties, boards frequently assign committees specific responsibilities. These committees, which include the audit, compensation, nominating and governance, and other special committees as needed, are essential to certain facets of governance. To maintain good governance procedures and the proper discharge of duties, cooperation between the board of directors and its committees is crucial. Organizations can cultivate a governance framework that supports accountability, openness, and efficient decision-making by following these best practices. It makes it possible for board directors to work together, assign duties and responsibilities to committees, and divide up tasks appropriately, all of which improve governance results.

ix. Produce accurate financial reports

Thorough and accurate financial reporting is not only a legal requirement but also a fundamental aspect of effective corporate governance. Boards rely heavily on financial reports to understand the organization's financial performance in the present and for planning purposes in the future. Monthly financial reports that give the board insight into the organization's financial developments and an explanation of those changes are regarded as best practices in corporate governance. These reports should be clear, concise, and easily understandable, allowing even new board members to extract actionable information. While monthly financial reports generally provide high-level overviews, it is important for accounting teams to be prepared to provide more specific and detailed data as requested by the board. This allows board members to delve deeper into financial matters and make informed decisions. By consistently providing comprehensive and accessible financial reports, organizations can enhance transparency, enable effective financial oversight, and support strategic decision-making by the board. This procedure

improves corporate governance by guaranteeing that the board obtains the data required to carry out its fiduciary duties.

x. Communicate effectively with shareholders

It is true that there has been a rise in shareholder activism in recent years, and good corporate governance recognizes the significance of comprehending and taking into account the opinions of shareholders, especially when it comes to Environmental, Social, and Governance (ESG) issues. It is seen as best practice to interact with shareholders, hear out their issues, and support their viewpoint rather than stifling shareholder activism. In preparation for proxy season, when shareholders have the opportunity to express their views through voting, it is important for boards to proactively identify and respond to shareholder concerns. By monitoring activist investors and anticipating potential areas of discontent, boards can work with their teams to craft response strategies well in advance of issuing proxy statements. This proactive approach helps organizations better understand their shareholders, address concerns, and foster a collaborative and productive environment for the annual meeting and beyond. Creating a culture of proactive engagement with shareholders helps build trust and transparency, enabling a more constructive dialogue between the board and shareholders. Boards can show their dedication to good corporate governance and coordinating the organization's strategies with shareholder expectations by actively listening to shareholder complaints and acting accordingly. In general, the organization and its shareholders gain from a more inclusive and accountable corporate governance structure that is fostered by incorporating shareholder opinions and actively engaging with shareholders.

xi. Utilize technology, including artificial intelligence (AI)

In order to stay ahead of the curve and successfully negotiate the shifting terrain of corporate governance, boards must take into account the integration of generative artificial intelligence (AI) and other emerging technologies into board and company operations. Boards and management should first work together to set up training programs that teach directors about generative AI and other pertinent technologies. Board members must be well-versed in the hazards involved with AI as well as its operation. They will be able to create sensible policies and make well-informed decisions about the incorporation of AI into governance thanks to this education. Boards cannot effectively set rules or make choices about technology they do not

understand; therefore rigorous training is an excellent practice. A variety of topics should be covered in training sessions, such as how AI works, possible hazards like adding inaccurate information to corporate property or using terminology that is protected by copyright, and advantages and difficulties unique to their sector. Establishing precise norms and procedures for AI is crucial for efficient corporate governance, in addition to training. Boards should decide who will be in charge of the AI model, when it will be developed and implemented, and what risk control procedures must be followed. Compliance, security, and data privacy are all taken into account. Boards can guarantee the efficient, secure, and alignment of AI integration with the organization's objectives and values by taking proactive measures to address these elements. With this approach to corporate governance, boards are able to effectively manage the potential and dangers connected with evolving technology, keep informed, and make educated choices. Adopting these best practices can help the organization improve its governance frameworks, encourage ethical behavior, accountability, and openness, and eventually increase stakeholder trust.

The following suggestions are essential for developing a strong and successful corporate governance framework in ELiG, based on the study findings highlighting the relevance of Effective Corporate Governance Best Practices:

1. **Prioritize regular updates:** ELiG should give priority to regularly updating its governance policies and procedures to address any identified gaps and ensure their ongoing effectiveness.
2. **Promote stakeholder engagement:** ELiG ought to work to make it easier for the Board of Directors (BoD) and stakeholders/shareholders to interact more. Increasing openness and engagement at the Annual General Assembly and other pertinent communication channels will help achieve this.
3. **Foster a culture of continuous improvement:** By regularly reviewing and improving corporate governance procedures, the Company should foster a culture of continuous improvement. These procedures ought to follow widely recognized guidelines and investigate newly developed best practices in the insurance sector.
4. **Promote board diversity:** ELiG should make persistent efforts to promote diversity within the BoD. By ensuring a broad range of skills, perspectives, and experiences on the

board, the company can enhance decision-making processes and improve governance effectiveness.

5. **Embrace technological advancements:** The Company should embrace technological advancements that are currently in the implementation stage. These advancements can be leveraged to improve operational efficiency, enhance risk management, and streamline reporting processes. By embracing technology, ELiG can ensure that its corporate governance practices keep pace with evolving industry trends.
6. **Create an effective corporate governance framework:** In accordance with the regulatory guidelines, ELiG must create an Effective Corporate Governance framework. This entails putting in place a set of policies, procedures, and guidelines that direct the management, board of directors, and other stakeholders' actions and behaviors.
7. **Introduce ethics training:** The Company should have a procedure for ethics training whereby staff members receive instruction and training on moral standards, values, and ethical guidelines for the workplace.
8. **Preserve a secure system for keeping records:** Maintaining the confidentiality, availability, and integrity of sensitive information, such as financial records and customer data, depends on the company's capacity to retain safe records. In order to ensure compliance with legal and regulatory requirements and safeguard data from unauthorized access, loss, or damage, ELiG should put more suitable security measures in place.
9. **Board member nominations and inductions:** The Company should have well-structured processes and policies in place to identify and select individuals with the right skills, qualifications, and experience to serve on the board. Induction programs should provide new board members with an understanding of their roles, responsibilities, and the organization's strategic objectives.
10. **Promote corporate governance awareness:** ELiG should make sure that all workers, including management personnel and board members, are well-versed in the duties, procedures, and tenets of sound corporate governance.
11. **Align corporate social responsibility (CSR) practices with core values:** ELiG should make sure that its CSR practices are in line with its core values, stakeholder expectations, and the particular social and environmental challenges that are pertinent to its business operations. ELiG can show that it is committed to sustainable and ethical business

practices, improve its company image, and have a good social impact by incorporating CSR practices into its daily operations.

12. **Create an ethics hotline:** Also referred to as a whistleblower hotline, an ethics hotline allows employees to anonymously report concerns or unethical behavior to management. Employees can report ethical standards infractions to an ethics hotline in a secure and private manner, enabling organizations to take immediate action and stop additional harm.

In summary, ELiG should focus on developing an Effective Corporate Governance framework by: updating policies and procedures to ensure strong governance standards; engaging key stakeholders to understand their needs and concerns; continually improving governance practices through regular reviews and updates; promoting board diversity to bring varied perspectives; adopting modern governance-enabling technologies; aligning corporate social responsibility (CSR) efforts with governance principles; providing ethics training for board members and employees; implementing robust record-keeping and data security processes; conducting thorough onboarding for new board members; raising awareness of corporate governance best practices across the organization; establishing an ethics hotline for reporting any issues. By implementing these multifaceted governance frameworks, ELiG can enhance compliance, transparency, and overall effectiveness of its corporate governance practices.

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Annex – 1 Questionnaire

ADDIS ABABA UNIVERSITY
College of Business and Economics
Department of Management, Executive MBA Program
Research Title: Corporate Governance Practices and Future Direction
In the case of Ethio Life and General Insurance Share Company
Survey Questionnaire

Respondents

i) Age:

- 18-24 years old
 25-34 „ „
 35-44 „ „
 45-54 „ „
 55-64 „ „
 65+ „ „

ii) Sex:

- Female
 Male

iii) Marital Status:

- Single
 Married
 Divorced
 Widowed

iv) Level of Education:

- College diploma
 Bachelor's degree
 Master's degree
 PhD or higher

v) Position in the current organization :

• **Board of Directors**

- Board Chairperson
 „ Director
 Company Secretary

- **Management Team**

- Chief Executive Officer
- D/ Chief Executive Officer
- Manager Department
- Branch Manager

vi) **When did you start working in this organization:**

Responsibility of the Board

1. Members of the Board do understand their responsibilities?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

2. Members of the Board are committed to their responsibilities?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

3. There is a transparent and clear structure of responsibility between what, the Board can do, and what managers and employees can do?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

4. The organization ensures that the basic shareholders rights are protected?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

5. The organization ensures that minority shareholders' rights are not violated?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

6. Your company ensures the independence of the auditors?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

7. Meetings of the Board and sub-committees are regularly held?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

8. Shareholders are informed about annual meetings adequately?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

9. The organization has a separate Fraud and Corruption Policy?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

10. Your company has a companywide training program that teaches every employee the principles of corporate governance and internal control?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

11. A minority shareholder who wishes to speak in company's general meetings is often allowed to speak only if he or she is known to side with the board of directors.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

12. Your company ensures equitable treatment of all shareholders, including minority shareholders?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

13. Does the company have Information disclosure and transparency of the company's activities according to Ethiopian legislation?

- Yes
- No

14. Are board members and management staff responsibilities clearly set out in writing?

- Yes
- No

If no please state the reasons for omitting to do so.

.....

.....

.....

15. Does the company differentiate between what the board can do, and what managers and employees of the company can do?

- To a great extent
- To some extent
-

To a very little extent

16. Do the Board and the relevant sub-committees have clearly defined roles?

Yes

No

Audit

17. Is there an Audit committee?

Yes

No

Not Applicable

18. Is there an external auditor of the company?

Yes

No

Not Applicable

19. Is there an independent internal audit function within the company?

Yes

No

Not Applicable

20. Are there any provisions in the Company's Articles of Association mandating rotation of external auditors?

Yes

No

Not Applicable

21. Does the Audit Committee produce a report on the internal audit function?

Yes

No

Not Applicable

22. Is it mandatory to prepare an internal audit plan?

Yes

No

Not Applicable

23. Is the internal audit plan reviewed on an annual basis?

- To a great extent
- To some extent
- To a very little extent

Composition of the Board

24. What is the size of the board?

- 5
- 7
- 10
- Other

25. What do you think should be the ideal size of a board?

26. What is the composition of the Board?

- Executive directors only
- Non-executive directors only
- Independent directors only
- Mix of all the above
- Others

27. Does the company have any kind of mechanism for rotating board members? If the answer is No, please skip Q. 28.

- Yes
- No

28. How often are board members rotated?

- Every one year
- Every two years
- Every three years
- Other

Board and Senior Management Remuneration

29. Is there a remuneration committee?

- Yes
- No

30. What is the composition of the remuneration committee?

- Executive directors only

- Non-executive directors only
- Independent directors only
- Mixed
- Others

31. What is the size of the remuneration committee?

- 3 directors
- 4 directors
- 5 directors
- Others

32. Is there a written remuneration policy?

- Yes
- No

33. Does the company disclose the remuneration policy in the annual report?

- Yes
- No

34. Does the company disclose remuneration of individual board members and senior management?

- Yes
- No

Meetings

35. Is there a set quota for meetings of the board?

- Yes
- No

36. How often do board and sub-committees conduct meetings?

- Every one month
- Every quarter
- Twice a year
- Others

37. What are the quorum requirements for board and board committees?

- Majority
- Two third of the members
-

Other.....

Information

38. How are the public kept informed of company information?

- Daily newspapers
- Website
- Others.....

39. Is there an information disclosure policy, which dictates the type of information that could be disclosed to the public? If the answer is No, please skip Q 40.

- Yes
- No

40. What type of information can be disclosed to the public pursuant to the information disclosure policy?

- Company's success stories
- Business contracts
- Change in key management position
- Others

41. What information is provided to the board of directors in advance of board Meetings?

- Agenda
- Board papers
- Minutes of previous meetings
- Others

42. What information is revealed to shareholders in advance of the Annual General Meeting (AGM)?

- Agenda
- Annual Reports
- Minutes of previous meetings
- Others

43. Who is responsible for recording minutes of meetings?

- Managing director
- Company secretary
- Clerk
-

Others

44. Are minutes of the previous meeting approved at the following meeting?

Yes

No

45. Is responsibility for action clearly indicated in the minutes?

Yes

No

Not Applicable

46. Does the company undertake a review to ensure that actions decided at meetings have been taken?

Yes

No

Not Applicable

47. How does the company disclose transactions made by directors or management that conflicts with the interests of the company or that has the potential for conflicts of interest?

.....
.....
.....

System to Raise Concerns

48. Does the company have an established system to raise concerns? If the answer is No, please skip Q. 49, Q. 50, and Q. 51.

Yes

No

49. What type of system has been established to raise concerns?

Suggestion box

Website

Email

Others.....

50. Is the system reviewed regularly to ascertain effectiveness?

Yes

No

51. Who is responsible for reviewing the system?

Board of directors

Managing directors

Auditors

Others.....

Performance Measurement/Review

52. How is the performance of the board/ subcommittees/ management reviewed?

.....
.....
.....
.....

53. Does the company undertake a review of terms of reference of Board, sub-Committees? If the answer is No, please skip Q. 54.

Yes

No

54. How often is the review undertaken?

Annually

Every two years

Others.....

55. Are there set performance indicators?

Yes

No

56. Are reports produced detailing the Board's/subcommittees/management's objectives for the year and progress against these objectives?

Yes

No

57. Who evaluates the Board?

- Board members themselves
- Independent party
- External auditor
- National Bank of Ethiopia/NBE**

58. How often is the review undertaken?

- Annually
- Semi-annually
- Others.....

59. Does the company benchmark the policies for review of the board against international best Practices? Ex. Recruiting and building a competent board, Aligning strategies with goals, Exercising accountability, Having a high level of ethics and integrity, Defining roles and responsibilities, Managing risk effectively etc.

- Yes
- No

Voting at Shareholders Meeting

60. Does the company have proxy voting guidelines or rules? (Proxy voting is a form of voting whereby a member of a decision-making body may delegate their voting power to a representative, to enable a vote in absence)

- Yes
- No

61. Are shareholders allowed to vote in absentia?

- Yes
- No

62. How are resolutions put before shareholders for voting?

.....

63. Are there separate resolutions for separate matters?

- Yes
- No

Financial Statements

64. Does the company apply International Accounting Standards (IAS) in the preparation of financial statements?

- Yes
- No

65. Are financial statements, balance sheets and profit and loss accounts signed by Chairman, CEO and CFO?

- Yes
- No

66. How does the company maintain accounting records?

- Manually
- Software/ Application
- Excel
- Others.....

Board Appointment

67. Does the company have a Nominations Committee, which is responsible for Board nominations? If the answer is No, please skip Q. 68.

- Yes
- No

68. Does the company have a written nomination policy for board appointments?

- Yes
- No

69. Who makes recommendations for the appointment of board directors?

- Shareholders
- Directors
- Chairman
- Others.....

70. How does the nomination committee ensure that potential members are suitable to serve on the board?

- Based on the requirements set forth in the nomination policy
- Through interviews
- Others.....

71. Is the background of the potential board members investigated?

Yes

No

72. How is it ensured that only individuals with the right skills and attitudes are selected?

.....
.....
.....

73. How are members inducted?

.....
.....

74. Are the board members trained during their term of office? If the answer is No, please skip Q. 75.

Yes

No

75. How does the company ensure that training is suitable or effective?

.....
.....
.....

Company Secretary

76. Is the company secretary required to have formal qualifications pursuant to the Articles of Association of the Company? If the answer is No, please skip Q. 77.

Yes

No

77. What kind of qualification is required for Company Secretaries by the Articles of Association?

Degree in Business or related area

Degree in law

Degree in Accounting

Others

78. Are there clearly written down responsibilities for the company secretary?

- Yes
- No

79. Does he/she hold any other posts in the company or provide any other services to the Company? If the answer is Yes, please state the posts or services provided by the Company Secretary

- Yes.....
- No

Codes of Ethics

80. Your company has developed a written code of ethics that outlines what is considered ethical and unethical behavior, and all employees receive regular ethics training.

- Yes
- No
- I don't know

81. Your company's code of ethics and ethics training programs are routinely reviewed to ensure they keep pace with a changing work environment.

- Yes
- No
- I don't know

82. When a violation of the code of ethics occurs, the company takes appropriate disciplinary action on a consistent basis.

- Yes
- No
- I don't know

83. All employees have been given a written copy of your company's code of ethics, and you have obtained a signed release from each employee acknowledging receipt and understanding

- Yes
- No
- I don't know

Confidentiality

84. If employees observe unethical conduct on the part of other employees, they can report it without fear of retribution or retaliation.

- Yes

- No
- I don't know

85. Your company offers an independently administered ethics hotline where employees can report ethics violations in confidence.

- Yes
- No
- I don't know

86. All employee records are handled in the strictest of confidence.

- Yes
- No
- I don't know

87. Employees are trained to handle sensitive information in a confidential manner.

- Yes
- No
- I don't know

Customer Relations

88. Your company's advertising and marketing practices do not attempt to mislead customers by making false or unrealistic claims.

- Yes
- No

89. Customer service training is provided for all members of your company who come in contact with your customer base.

- Yes
- NO

90. Company policy dictates that customers should be treated with the same level of courtesy both during and after the sales process.

- Yes
- NO

91. Your company treats all customers in the same manner, regardless of their individual characteristics.

- Yes
- NO

92. Your company is quick to acknowledge its mistakes and acts swiftly to make things right with the customer.

Yes

NO

93. Your company's salespeople are trained as to what constitutes ethical and unethical behavior when dealing with customers and sales prospects.

Yes

NO

Management Practices

94. Top management in your company routinely addresses the importance of ethical behavior when communicating within the company as a whole.

Yes

NO

I don't know

95. Supervisors are expected to intervene when they detect unethical, discriminatory or harassing behavior.

Yes

NO

I don't know

96. You can easily identify supervisors in your company who exemplify/ demonstrate ethical behavior in their daily activities.

Yes

NO

I don't know

97. Supervisors in your company are held accountable for the ethical behavior of their subordinates.

Yes

NO

I don't know

98. Ethical behavior is a key component of your company's formal management training program and new employee orientation.

Yes

NO

I don't know

99. Ethical behavior is part of the criteria used when considering a candidate for promotion into a management role within your company.

Yes

NO

I don't know

Social Responsibility

100. Outsiders view your company as a leader in promoting ethical behavior in the workplace, as well as in championing social causes.

Yes

NO

I don't know

101. Social responsibility is an important consideration in your company's long-term decision-making processes.

Yes

NO

I don't know

102. Your company encourages its employees to participate in activities supporting social and environmental causes.

Yes

NO

I don't know

103. Your company regularly provides financial or manpower resources to support activities that benefit the local community.

Yes

NO

I don't know

104. Environmental and human rights concerns are incorporated into the daily activities and Work processes of your company.

Yes

NO

I don't know

Business Relationships

105. Your company has implemented a policy where employees are discouraged from putting their own interests ahead of the company's well-being, such as accepting gifts from suppliers in exchange for other consideration.

- Yes
- NO
- I don't know

106. Your company has implemented a policy that places a specific limit on the value of gifts employees receive from outside business entities. Your company has implemented a policy that clearly specifies what is considered a conflict of interest.

- Yes
- NO
- I don't know

107. Do you think your company is a trustworthy company? (Rely mostly on trust, loyalty, and communication).

- Yes
- NO
- I don't know

108. What is the role of National Bank of Ethiopia in the Corporate Governance of insurance companies in Ethiopia?

Thank

you so much for your time in completing our survey. It is greatly appreciated, as we will use your feedback to create better corporate governance. We appreciate your answers to this survey!

Annex – 2 Interview Questions

ADDIS ABABA UNIVERSITY
Department of Management, Executive MBA Program
Corporate Governance Practices and Future Direction
Interview Questions, for ELiG top Management

1. How does corporate governance matter for investee Companies in general? Can you please explain ...?
2. In Your opinion, which reward system contributes positively to fostering good corporate governance practice? Why?
3. What are the ethical business practice challenges and opportunities important in your company?
 - *In Your opinion, what are the most urgent ethical issues in your company today?*
4. What are your thoughts on the current state of the economy and its impact on businesses, especially insurances?
5. In Your opinion, what should the National Bank of Ethiopia (NBE) do, in the enforcement of good corporate governance in insurance companies of Ethiopia?
6. What is the role of Board of Directors vis-à-vis management in your company?
 - a. How about setting strategy and vision of the company, who is involved in this? How is the process managed?
 - b. How about Selection and compensation of the CEO and senior management, who is involved in this? How is the process managed?
7. How are the internal controls, risk management and compliance managed in this company? Were there any significant problems reported in internal controls, risk management and compliance in the past 3 years? Please explain?
 - *Has the external auditor ever issued a Qualified, Adverse, or Disclaimer of Opinion on the financial statements of your company? Why?*
8. How are the financial statements prepared in keeping with internationally recognized accounting standards?
 - a. Can you please discuss if there have been any challenges faced in the process of adopting to the new international accounting standard?
 - b. How did your company overcome these challenges?

9. How is the preparation and calling of annual and extraordinary shareholders meetings conducted?
 - *How is the notice provided?*
 - *How and when is agenda communicated?*
 - *How is the proposing of new agenda items conducted?*
 - *How are supporting materials provided?*
 - *How is the participation of proxy conducted?*
 - *How are questions asked?*
 - *How is the dissemination of the results of the meeting conducted?*
10. Have there been any issues in regards to shareholders and their treatment?
11. Have there been any shareholder disputes? If yes, how were the disputes resolved?
12. Any other comments that you would like to share?

Thanks a lot for your cooperation!