



**The Evolution of the Corporate Governance Framework in the Zambian Banking Sector:
A King IV Report Comparison**

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ABSTRACT

This dissertation examines the corporate governance framework applicable to Zambia's banking sector and assesses the extent to which Zambia's existing regulatory regime aligns with internationally recognised governance standards. Through a comparative analysis of Zambia's legislative and regulatory instruments against the King IV Report on Corporate Governance for South Africa, the study identifies structural and functional governance gaps. The primary legislative instruments examined include the Banking and Financial Services Act No. 7 of 2017, the Bank of Zambia Corporate Governance Directives of 2016, the Companies Act No. 10 of 2017, the Securities Act No. 41 of 2016, and the National Corporate Governance Code of 2025. The research adopts a qualitative, documentary methodology and draws on institutional, agency, and stakeholder theories as its analytical framework. The study finds that Zambia's banking governance framework is predominantly compliance-based and rule-driven, with significant gaps in risk governance expertise, stakeholder inclusivity, ethical leadership, and integrated reporting. While the National Corporate Governance Code of 2025 represents a step towards a principles-based approach, it has not yet been operationalised in the banking sector. The dissertation argues that a hybrid governance model, combining the regulatory rigour of Zambia's statutory framework with the outcomes-based principles of King IV, contextually adapted to Zambia's institutional realities, offers the most viable pathway for governance reform. The study contributes to the limited body of comparative governance scholarship focusing on Zambia's banking sector and offers targeted, actionable recommendations for regulators, policymakers, and banking institutions.

TABLE OF STATUTES

1. Bank of Zambia Corporate Governance Directives, Gazette Notice No. 237 of 2016.
2. Banking and Financial Services Act No. 7 of 2017.
3. Companies Act No. 10 of 2017.
4. National Corporate Governance Code (Government of the Republic of Zambia 2025).
5. Securities Act No. 41 of 2016.
6. Bank of Zambia Corporate Governance Directives (Amendment), Gazette Notice No. 556 of 2017.
7. Banking and Financial Services (Capital Adequacy) Rules, Statutory Instrument No. 62 of 2025.
8. Banking and Financial Services (Green Loans) Guidelines, Gazette Notice No. 1349 of 2023.

CHAPTER ONE

1.1.Introduction

This dissertation examines the corporate governance framework applicable to Zambia's banking sector, with particular focus on the extent to which Zambia's existing regulatory regime aligns with internationally recognised corporate governance standards. The study undertakes a comparative analysis between Zambia's legislative and regulatory instruments and the King IV Report on Corporate Governance for South Africa, which has emerged as one of the most influential contemporary governance codes, particularly in African and emerging-market contexts. The rationale for this research arises from the recognition of the inadequacy in Zambia's governance framework when compared against international best practices. Despite legislative developments after the 2008 financial crisis, including the Banking and Financial Services Act (BFSA) 2017¹ and the 2016 Bank of Zambia Corporate Governance Directives,² significant governance gaps continue to persist. These include a limited focus on risk governance expertise, weak mechanisms for stakeholder engagement, and a lack of focus on sustainability and ethical considerations.

1.2.Background to the Study

Corporate governance has become a vital part of modern market economies, providing the essential framework for setting corporate objectives, monitoring performance, and maintaining accountability and transparency to shareholders and other stakeholders. Despite the significance of corporate governance in modern-day discourse, there is no single, generally accepted definition of what constitutes 'corporate governance.' One pioneer and champion of corporate governance, Sir Adrian Cadbury, defined corporate governance as a system by which companies are directed and controlled.³ One weakness of Cadbury's traditional definition is that it concentrates solely on a company's direction and control, overlooking other elements such as stakeholder engagement and ethical considerations.

In response to this recognised weakness in the classical definition, other scholars have adopted a broader definition that reflects the evolution of corporate governance elements. Consequently,

¹Banking and Financial Services Act No. 7 of 2017.

²Bank of Zambia, Corporate Governance Directives for Banks and Financial Institutions (Bank of Zambia 2016).

³Adrian Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance (Gee 1992) para 2.5.

Tricker defines corporate governance as the exercise of power over corporate entities. It covers the activities of the Board and its relationships with those managing the enterprise, with stakeholders or members, and with external auditors, regulators, and other legitimate stakeholders.⁴ Similarly, corporate governance has also been defined as the 'process of controlling management, taking into account the interests of stakeholders, aiming at ensuring responsible behaviour, with the ultimate goal of achieving maximum efficiency.'⁵ The most widely accepted definition of corporate governance is embodied in the OECD Principles of Corporate Governance. The OECD principles define corporate governance as a set of relationships among a company's management, board, shareholders, and stakeholders. Corporate governance also provides the structure and systems through which the company is directed, and its objectives are set, and the means of attaining those objectives and monitoring performance are determined.⁶

The King IV Report, unlike the other definitions above, has given an even broader definition of corporate governance. It defines corporate governance as the exercise of ethical and effective leadership by the governing body to achieve the following governance outcomes: ethical culture, good performance, effective control, and legitimacy.⁷ The definition of corporate governance articulated in the King Report IV explicitly incorporates the element of ethical culture, a dimension absent from the conceptualisations outlined above. It suffices to note that the working definition of corporate governance in the initial King Report, published in 1994, was adopted from the Cadbury Report,⁸ and has evolved to include other aspects.

As the scope of its definition has broadened, the importance of organisations adhering to the principles of corporate governance has become increasingly recognised, highlighting the growing understanding that sustainable management of companies and entities fundamentally depends on effective corporate governance frameworks. The Enron scandal emphasises that corporate minds

⁴Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (3rd edition, OUP 2015) 4.

⁵Jean Jacques Du Plessis, Anil Hargovan, and Mirko Bagaric, *Principles of Contemporary Corporate Governance*, 2nd ed (Cambridge University Press 2011) 2.

⁶Organisation for Economic Co-operation and Development, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 6.

⁷Institute of Directors in South Africa, *King IV Report on Corporate Governance for South Africa* (IoDSA 2016) 20.

⁸The Mervyn King Committee on Corporate Governance, *King Report on Corporate Governance for South Africa 1994* (IoD 1994) 1; Adrian Cadbury (n 19).

must install a creatively transformed corporate world. In the post-Enron era, corporate governance has become a buzzword in the corporate world, redefining the agency problem to address issues of integrity, culpability, transparency, and disclosure.⁹ The need to mitigate the causes of fraudulent and dishonest conduct by individuals charged with managing and running companies, such as inadequate board oversight, has prompted a global consensus to strengthen corporate governance frameworks.

The banking sector occupies a vital, overarching role in this discussion, and given its key role in financial intermediation, the quality of corporate governance in financial institutions has significant, far-reaching effects on the broader economy. The global economic crisis of 2008 marked a turning point for corporate governance in financial institutions, as the collapse of major banks, including Lehman Brothers, exposed profound weaknesses in board oversight, risk governance, and ethical conduct, prompting calls for enhanced corporate governance in the financial sector. Lehman's failure resulted in part from significant problems in its corporate governance, including deficiencies in risk management, exacerbated by executive and trader compensation based predominantly on short-term profits.¹⁰ The need to enhance corporate governance requirements has led regulators worldwide to issue various standards, such as the Basel III framework issued by the Bank for International Settlements. The King Report IV on Corporate Governance for South Africa has emerged as one of the most influential contemporary governance codes, particularly in African and emerging-market contexts. The King Report IV adopts a principles-based, outcomes-oriented framework centred on ethical leadership, stakeholder inclusivity, integrated reporting, technology governance, and sustainable value creation.¹¹ The approach taken by the King IV Report differs from the approach in Zambia, which primarily focuses on compliance with prudential requirements.

⁹Muhammed Zakir Hossain, Latul Hasan and Mohammad Hasibul Hasan, 'Corporate Governance as a Global Phenomenon: Evolution, Theoretical Foundations, and Practical Implications' (2024) 13 Journal of Financial Risk Management 342, 345.

¹⁰The Financial Crisis Inquiry Commission, The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States (US Government Publishing Office 2011) 343.

¹¹Institute of Directors in South Africa (n 23) 20-22.

The Bank of Zambia has sought to enhance corporate governance practices in Zambia's banking sector. This is evidenced by initiatives such as the 2016 Corporate Governance Directives and the 2017 enactment of the Banking and Financial Services Act (BFSA), which is the primary legislative framework governing banking activities in Zambia. The BFSA delineates responsibilities for prudential oversight, including licensing, capital adequacy, risk management, and standards for appointing bank directors and senior officers. In addition, legislation such as the Companies Act¹² complements the BFSA by outlining governance duties for directors and officers in Section 106. The Securities Act¹³ also complements the corporate governance framework by addressing disclosure, market conduct, and investor protection requirements. Similarly, the Lusaka Stock Exchange (LuSE) Corporate Governance Code¹⁴ oversees the corporate governance of listed entities, including listed banks.

The statutes and subsidiary legislation outlined above primarily focus on ensuring banking system stability through compliance. However, they tend to be less comprehensive in their coverage of broader governance principles, including risk culture, ethical leadership, board diversity, and stakeholder engagement. Thus, despite efforts to strengthen financial regulation, Zambia still faces significant governance gaps compared to international best practices. Key issues include a limited focus on risk governance expertise, weak mechanisms for stakeholder engagement, and minimal integration of sustainability and ethics into the strategy. Premised on these concerns, this research undertakes a thorough examination of the evolution of corporate governance in Zambia's banking sector through a comparative analysis with the King IV Report. The King IV Report's emphasis on proportionality and contextualisation makes it especially relevant for jurisdictions such as Zambia, where banks operate in an evolving regulatory landscape shaped by developmental priorities and institutional constraints. Proportionality means that the practices recommended in the Report should be applied in a manner and to the extent that is proportionate to the organisation's size, resources, operational complexity, and stakeholder landscape, among other factors.¹⁵

¹²Companies Act 2017 (No 10 of 2017).

¹³Securities Act 2016 (No 41 of 2016).

¹⁴Lusaka Stock Exchange, LuSE Corporate Governance Code (LuSE 2005).

¹⁵Institute of Directors in South Africa (n 23) 37.

The study aims to systematically identify these gaps and assess how current legislation and regulatory instruments promote governance excellence and strong Board oversight. By analysing the alignment between Zambia's regulatory regime and the principles articulated in the King IV Report, particularly those related to ethical leadership, integrated risk management, stakeholder inclusivity, and transparent reporting, the research seeks to highlight discrepancies that weaken sound banking governance. Ultimately, the study aims to contribute to building a more resilient, transparent, and ethically principled banking sector that supports sustainable national development while reducing systemic financial risks.

1.3.Statement of the Problem

The 2008 financial crisis exposed significant shortcomings in corporate governance within the global banking sector, notably characterised by excessive risk-taking and inadequate oversight by boards of directors. In response, a global reform agenda was initiated to strengthen governance practices and mitigate the likelihood of future crises. Despite these international efforts, the banking industry in Zambia has been slow to adopt these best practices, even amidst limited regulatory reforms. This study aims to identify discrepancies between Zambia's existing corporate governance framework and the principles outlined in the King IV Report, taking into account developments since 2008. The ultimate objective is to propose targeted recommendations to bridge this gap and facilitate alignment with globally recognised governance standards. Specifically, while existing studies have examined Zambia's banking governance framework in isolation, none has undertaken a systematic, theme-by-theme comparison of this framework against the King IV principles. This leaves a gap in knowledge regarding the precise areas of convergence and divergence between Zambia's statutory and regulatory governance regime and an internationally recognised best-practice standard, a gap which this study seeks to address.

1.4.Purpose and Objectives of the Study

The primary objective of this research is to conduct a rigorous and scholarly examination of the corporate governance framework governing Zambia's banking sector, within the broader context of post-2008 global financial reforms. The study seeks to identify and analyse the structural and functional discrepancies between Zambia's existing governance architecture and the internationally recognised principles articulated in the King IV Report. Through this comparative

assessment, the research aims to develop a contextually appropriate and implementable framework that enhances governance quality, promotes effective risk oversight, and strengthens the resilience of Zambia's banking sector against systemic vulnerabilities. To achieve this purpose, the research will be guided by the following specific objectives:

- i. To discuss and critically scrutinise the current laws, regulations, and regulatory instruments that govern corporate governance in Zambia's banking sector.
- ii. To evaluate the effectiveness of Zambia's existing governance framework in promoting risk-sensitive management practices, ethical leadership, and accountable board oversight.
- iii. To compare Zambia's corporate governance framework with King IV, with emphasis on risk governance, ethical culture, stakeholder inclusivity, and transparent reporting.
- iv. To formulate targeted, actionable recommendations to address governance gaps and align Zambia's framework with contemporary international standards.

1.5. Research Questions

The following are the specific research questions:

- i. How do Zambia's banking laws provide a foundation for effective risk management and board oversight in the post-2008 financial environment?
- ii. To what extent does formal structural conformity with banking legislation mask persistent substantive deficiencies?
- iii. What are the principal divergences between Zambia's corporate governance framework for banks and the King IV principles?
- iv. Which targeted, actionable recommendations would address governance gaps and align Zambia's framework with contemporary international standards?

1.6. Significance of the Study

This study is significant because it provides a comprehensive, contextually grounded analysis of corporate governance in Zambia's banking sector, highlighting both structural and practical gaps in the current regulatory framework. Through examining the alignment between Zambian banking governance and the internationally recognised principles of the King IV Report, the research offers insights into how governance practices can be strengthened to mitigate systemic risks, enhance ethical leadership, and promote transparency and accountability. The findings will inform

policymakers, regulators, and banking institutions on targeted reforms necessary to reinforce board oversight, risk management, and stakeholder engagement. Ultimately, the study will contribute to the development of a more resilient, transparent, and trustworthy banking sector that supports Zambia's broader economic growth objectives and enhances investor confidence in an increasingly interconnected global financial system.

1.7.Scope and Limitations of the Study

This research focuses on a critical analysis of the formal and operational corporate governance framework within Zambia's banking sector. The study focuses on key legislation, including the Banking and Financial Services Act No. 7 of 2017, and on supervisory guidelines issued by the Bank of Zambia. It compares this framework against the King IV Report on Corporate Governance, an internationally recognised benchmark for identifying governance gaps, evaluating the adequacy of existing structures, and informing the development of a contextually appropriate model for Zambia.

1.8.Research Methodology

This study adopts a qualitative research methodology, using documentary analysis of primary and secondary sources. Primary sources include Zambian statutes and regulations governing banking governance, such as the Banking and Financial Services Act, the Bank of Zambia Corporate Governance Directives, the National Corporate Governance Code,¹⁶ the Companies Act,¹⁷ the Securities Act No. 41 of 2016, and other complementary legislation. Secondary sources include the King IV Report on Corporate Governance for South Africa, scholarly books, journal articles, dissertations, policy reports, and reputable online resources.

1.9.Literature Review

1.9.1. Theoretical Perspectives

Corporate governance literature frequently draws on multiple theories to establish a contextual framework for subsequent analysis. Notable theories include agency theory, which posits a division between shareholders and company agents and characterises agents as self-interested in

¹⁶National Corporate Governance Code (Government of the Republic of Zambia 2025).

¹⁷Act No. 10 of 2017.

amassing wealth at shareholders' expense; and stakeholder theory, which views shareholders as one of many internal and external stakeholders whose interests the firm balances.¹⁸ In other words, agency theory posits that corporate governance emerged from the agency problem that arose when ownership of the company became separated from control.¹⁹ In addition, the alternative theoretical framework (institutional theory) focuses on the influences of political, legal, sociological, and cultural contexts.²⁰

By way of illustration, Adegbite used institutional theory in his paper to show that, in Nigeria, good governance hinges on context-specific antecedents rather than the blind adoption of external norms.²¹ By contrast, stakeholder theory aligns with the King IV Report's insistence on broad inclusivity, while agency theory is often employed in quantitative research, such as in evaluating corporate performance.²² Critical perspectives on corporate governance caution that much of its rhetoric, such as the King IV Report's lofty language about ethics and legitimacy, may obscure persistent power imbalances, and they question whether conventional Western-centric codes truly fit markets like Zambia's. For instance, Adegbite's 2012 paper argues that, in emerging economies such as Nigeria, the banking sector often requires stronger state oversight, thereby challenging the assertion that bank self-regulation suffices to ensure good corporate governance.²³

Theories of corporate governance are relevant to this research, as they provide a framework for interpreting the similarities and differences between the King Report IV and Zambian banking-sector corporate governance legislation.

¹⁸Zondwayo Banda, 'Corporate Governance Structures: The Performance of Zambian Listed Companies' (PhD diss, University of the Free State, 2019) 39-49.

¹⁹Gert J Rossouw, Annéle van der Watt and Deon P Malan, 'Corporate Governance in South Africa' (2002) 37 *Journal of Business Ethics* 289, 289.

²⁰David Gindis and Eva Micheler, 'Institutional Theory for Corporate Law: An Invitation' (2024) 24 *Journal of Corporate Law Studies* 417.

²¹Emmanuel Adegbite, 'Good Corporate Governance in Nigeria: Antecedents, Propositions and Peculiarities' (2015) 24 *International Business Review* 319, 319–30.

²²Saleh FA Khatib and others, 'Corporate Governance in Malaysia: A Systemic Literature Review and Research Agenda' (working paper, Universiti Teknologi Malaysia 2019) 10.

²³Emmanuel Adegbite, 'Corporate Governance in the Nigerian Banking Industry: Towards Governmental Engagement' (2012) 7 *International Journal of Business Governance and Ethics* 209, 209-31.

1.9.2. Review of Doctrinal and Empirical Studies on Corporate Governance

Building directly on these theoretical concerns, several scholars have examined the specific *enforcement and regulatory environment in Zambia*. Chipokota Mwanawasa (2016) conducts a doctrinal and institutional analysis of Zambia's corporate governance enforcement landscape, focusing on statutory, regulatory, and institutional mechanisms. She argues that although Zambia has adopted internationally influenced governance frameworks such as the Companies Act, Lusaka Securities Exchange (LuSE) rules, and sectoral regulators, the regulatory system suffers from weak enforcement, fragmented institutional mandates, and a compliance culture shaped more by form than substance.²⁴ She critiques the existing corporate governance framework as inadequate on two counts. Firstly, most governance requirements apply primarily to publicly listed companies. Secondly, the enforcement mechanisms are insufficient.²⁵

Mwanawasa demonstrates that Zambia's enforcement architecture is reactive rather than proactive and advocates for stronger legal and regulatory frameworks to promote good governance.²⁶ She argues that poor compliance can only be alleviated by enforcing existing legislation and directives, rather than introducing additional legislation on corporate governance.²⁷ Further, her analysis shows that Zambia's young and relatively small economy presents additional constraints, particularly in balancing investor attraction with the need to impose governance safeguards. She observes that in this context, reliance on voluntary or market-driven governance models is unsuitable because Zambia does not yet have a sufficiently mature environment to entrust compliance to market discipline.²⁸ Consequently, she argues that a mandatory, legally enforced regulatory framework would yield more effective results than the current self-regulatory approach.²⁹ To support her recommendations, she undertakes a comparative assessment of models from the OECD, the United Kingdom, South Africa, and the United States, concluding that Zambia should develop an organically adapted system, rather than copying and pasting or uncritically adopting foreign best-practice codes.³⁰

²⁴Chipokota Mwanawasa, 'A Case Analysis of the Viability of the Current Regulation and Enforcement Mechanisms of Corporate Governance in Zambia' (LLM diss, University of Cape Town 2016) 35, 54.

²⁵*ibid* 48; 54.

²⁶*ibid* 16.

²⁷*ibid* 35.

²⁸*ibid* 9.

²⁹*ibid*.

³⁰*ibid* 8; 55-60.

This dissertation largely aligns with Mwanawasa's assessment, finding that Zambia's corporate governance framework, particularly in the banking sector, remains highly dependent on legal rules yet suffers from weak enforcement, regulatory overlap, and under-resourced oversight. Her critique reinforces this dissertation's argument that King IV's principles cannot simply be adopted without institutional reform. However, this dissertation diverges slightly from Mwanawasa's more state-centric emphasis. While Mwanawasa advocates more vigorous statutory and regulatory enforcement, the present study argues for a hybrid approach that combines strengthened regulatory oversight with outcome-based governance principles drawn from King IV.

Kadidja Banda's research sought to determine whether the law on companies was adequate, particularly with respect to corporate governance.³¹ She found in her research that the *Zambian Companies Act, Cap 388*, was based on the *United Kingdom Companies Act of 1948*, and that all company law principles derive from the English common law. Although English law has evolved through legislative changes, the *Zambian Act* and company law principles remained unchanged.³² She concluded by recommending the codification of directors' duties in the *Companies Act*.³³

This research agrees with Banda insofar as Zambia has been slow to adopt best practices in corporate governance. However, the focus of this paper is broader, as it is not limited to the *Companies Act*. At the same time, this paper focuses on the banking sector, whereas Banda's paper examined companies as a whole in Zambia. It suffices to mention that Banda's paper was done in 2013, before the enactment of the current *Act No. 10 of 2017*. Thus some of her findings may have been overtaken by the enactment of the new *Act*. For instance, she concluded that the directors' duties were not listed in the *Companies Act*.³⁴ However, in the 2017 *Act*, the duties of directors are spelt out under Part VII, and in particular Sections 86 and 106.

³¹Kadidja Banda, 'The Enhancement of Corporate Governance in Zambia through Company Law Reform' (LLB diss, University of Zambia 2013) iv.

³²*ibid* 32.

³³*ibid* 44.

³⁴*ibid* 32.

Shifting from legislative analysis to the experiential dimension of governance, Chanda, Burton and Dunne (2017) offer an empirical portrait of how corporate governance is perceived and practised on the ground in Zambia by interviewing 24 stakeholders, including politicians, regulators, executives, academicians, and consultants.³⁵ They find that understanding of corporate governance in Zambia is at an embryonic stage and that deeply embedded corruption among elites blocks progress.³⁶ Institutional forces in Zambia are highly isomorphic, so root-and-branch change in structures and attitudes is needed.³⁷ In short, they conclude that Zambia's elite-driven system has created cynicism about reform, given that while there is a growing pan-African awareness of good governance, many doubt it will materialise without wholesale reform of power structures.³⁸

This dissertation concurs with Chanda et al.'s findings about the Zambian context, highlighting the importance of reform. They stress the necessity for a comprehensive, society-wide approach to change.³⁹ However, this dissertation's focus is more applied, as it examines specific frameworks, including the BFSA, the Companies Act, the directives, and the King IV Report, to identify existing and necessary concrete reforms. Consequently, this dissertation complements rather than contradicts Chanda et al.

The empirical realities documented in Zambia resonate strongly with Emmanuel Adegbite's (2015) institutional analysis of corporate governance in Nigeria, another sub-Saharan African jurisdiction that shares parallel governance challenges. Adegbite's influential study uses institutional theory to analyse corporate governance in Nigeria. He argues that in weak-governance settings, one must identify context-specific drivers of good governance practices. Based on triangulated methods, he presents nine antecedents of good corporate governance in Nigeria and shows how each must be understood, articulated, and harnessed, considering Nigeria's unique culture and institutions.⁴⁰ His key conclusion is that good governance in an emerging market cannot be copied from the West.

³⁵Shikaputo Chanda, Bruce Burton and Theresa Dunne, 'The Nature and Potential of Corporate Governance in Developing Countries: Zambian Perceptions' (2017) 30 Accounting, Auditing & Accountability Journal 1257.

³⁶ibid 1257-1258.

³⁷ibid 1257.

³⁸ibid 1277-1280.

³⁹ibid 1258.

⁴⁰Emmanuel Adegbite, 'Good Corporate Governance in Nigeria: Antecedents, Propositions and Peculiarities' (2015) 24 International Business Review 319.

Instead, emerging states must apply earlier frameworks to considerations of local efficiency and legitimacy.⁴¹

This dissertation largely aligns with Adegbite's approach and argues that Zambia should not adopt King IV mechanically but should interpret its principles in line with the Zambian context and corporate tradition. Other scholars have also concluded that the interplay among governance, legal frameworks, environmental dynamics, and regulatory structures underscores the need for continuous adaptation and innovation to address persistent challenges and foster a more robust, resilient governance framework that supports sustainable objectives across diverse sectors, especially in the banking industry.⁴² Thus, in line with Adegbite's finding that agency theory alone is inadequate in Africa, this dissertation argues that the BFSA 2017 and the Companies Act 2017 must be understood through the lens of institutional theory. It supports the view that local corporate and regulatory bodies play a significant role in ensuring good corporate governance. Moreover, it further explores how the King IV outcome-based focus on ethics might be rooted in local enforcement mechanisms.

Extending the institutional perspective to the wider sub-Saharan regulatory landscape, Nakpodia, Adegbite and Amaeshi (2018) offer a systematic analysis of the interplay between rule-based and principle-based governance frameworks. They analyse corporate governance regulation in Nigeria as a case study of sub-Saharan Africa.⁴³ Drawing on institutional theory, they distinguish between principle-based frameworks, such as the King Report, and rule-based approaches. Their key finding is that neither purely rules-based nor purely principles-based approaches work in Nigeria. Instead, Nigeria needs an integrated system that combines both methods and includes multi-stakeholder co-regulation involving government, markets, and civil society.⁴⁴ In other words, they conclude that effective corporate governance in weak economies requires hybrid solutions. This could include strict laws to compensate for weak market discipline, and adaptable codes that permit local laws to be enforced by a broad coalition of actors.

⁴¹ibid 319-330.

⁴²Kawa Wali, Kees van Paridon and Bnar Kareem Darwish, 'Strengthening Banking Sector Governance: Challenges and Solutions' (2023) 9 Future Business Journal 95.

⁴³Franklin Nakpodia, Emmanuel Adegbite, Kenneth Amaeshi and others, 'Neither Principles Nor Rules: Making Corporate Governance Work in Sub-Saharan Africa' (2018) 151 Journal of Business Ethics 391.

⁴⁴ibid 400-404.

This dissertation aligns with Nakpodia et al.'s hybrid perspective insofar as Zambia should adopt a hybrid of the rules-based and principles-based approaches. Zambia, like Nigeria, maintains both a voluntary code culture with principles similar to the King IV Report and formal regulations, as set out in legislation such as the Companies Act, the BFSI, and the Bank of Zambia Directives. This dissertation similarly emphasises that integrating these approaches is crucial, as legislation such as the Bank of Zambia Corporate Governance Directives⁴⁵ requires a bank's board of directors to establish an independent risk management function, while King IV's principles, such as stakeholder inclusion,⁴⁶ add ethical guidance. However, given Zambia's weak corporate governance framework, this paper advocates a rules-based approach across all key aspects of corporate governance.

In addition, Nakpodia et al. advocate co-regulation, and this research similarly identifies scope for improved cooperation between regulators and banks. Nonetheless, there are small divergences: whereas they focus on Nigeria, this dissertation's case suggests that Zambia's financial regulators have historically been weaker, indicating an even greater need for institutional strengthening. Overall, this dissertation's findings suggest that a blended, participatory approach is the most practical path for Zambian corporate banking governance.

While the foregoing studies concentrate on the content and context of governance regulation, Khatib and colleagues provide a broader methodological stock-take of corporate governance research trends, using Malaysia as an illustrative case from an emerging market. They provide a systematic review of corporate governance research in Malaysia.⁴⁷ They find a sharp increase in Malaysian corporate governance studies in the 2000s, with a primary focus on the impact of governance on firm outcomes.⁴⁸ Notably, they report that most research papers addressed the outcomes of certain corporate governance characteristics, while far fewer explored the antecedents or contextual factors.⁴⁹ Empirical results in Malaysia are mixed, and the literature is dominated by

⁴⁵Bank of Zambia Corporate Governance Directives, Gazette Notice No 237 of 2016, paragraph 14.0.

⁴⁶Institute of Directors in South Africa (n 23) 25–26.

⁴⁷Saleh FA Khatib, Dewi F Abdullah, Ahmed Elamer and Sami A Hazaea, 'The Development of Corporate Governance Literature in Malaysia: A Systematic Literature Review and Research Agenda' (2022) 22 Corporate Governance 1026.

⁴⁸*ibid* 1.

⁴⁹*ibid* 26.

quantitative methods and by agency and resource-dependency theoretical lenses.⁵⁰ Khatib et al. conclude that future work should broaden research methods and examine the cultural dimensions of corporate governance.⁵¹

This dissertation partially agrees with Khatib et al.'s characterisation and notes that much research on corporate governance emphasises performance linkages, often without normative assessment, making a review of the regulatory frameworks themselves valuable. However, unlike their trend analysis, this dissertation focuses not on performance outcomes but on governance processes, legislation, and codes. In fact, the Khatib study highlights a gap that can be addressed, as its findings reveal the need for research that examines the origins and development of corporate governance rules in a specific context.

This dissertation also agrees with their critique that theory application has been narrow, as this paper's approach integrates stakeholder and institutional perspectives, going beyond the agency-resource dependency lens prevalent in quantitative studies. In sum, while Khatib et al. stress how corporate governance research is typically organised, this dissertation adopts a complementary approach by examining the content of governance codes, including the King IV Report and local directives and legislation, rather than focusing solely on stock returns. This means the dissertation partly diverges in emphasis, while their call for a qualitative, culture-focused study is echoed in this dissertation's emphasis on language and ethics, consistent with King IV's values.

Finally, the most recent empirical contribution, by Agha and Ashogbon (2025), returns the focus to board-level governance and firm value, cautioning against conflating formal compliance with substantive oversight quality. They investigate how voluntary internal board governance disclosures influence firm value in Nigeria and South Africa, which are both emerging markets in Africa. The study employs an unbalanced panel comprising 1,040 firm-year observations drawn from 104 listed companies. It examines five board attributes: board size, board meeting frequency, board gender diversity, audit committee meeting frequency, and board independence.⁵² The

⁵⁰ibid 5.

⁵¹ibid 5; 12; 26.

⁵²Emmanuel Agha and Folorunsho O Ashogbon, 'Board Governance and Firm Value in Emerging Markets' (2025) 22 *Corporate Ownership & Control* 94, 96.

authors employ a dynamic panel estimator and assess robustness using Dynamic OLS (DOLS).⁵³ Their principal findings indicate that board size has a positive and statistically significant effect on firm value, whereas audit committee meeting frequency has a statistically significant negative effect.⁵⁴ Other board attributes yield mixed results. On this basis, the authors argue that regulators and market actors must look beyond formal compliance with governance codes and instead focus on board competencies, capacity, and the substantive quality of oversight.⁵⁵

This dissertation partly aligns with Agha and Ashogbon's empirical insights but with a more cautious interpretive framework for the Zambian banking sector. It concurs with their central warning that formal adherence to governance codes does not guarantee effective oversight or enhanced firm value.⁵⁶ However, their inference that larger boards increase firm value may not be directly applicable to Zambia's banking environment, where ownership structures, regulatory pressures, and external disciplinary mechanisms differ meaningfully. Moreover, the negative association between audit-committee meeting frequency and firm value may reflect reactive increases in audit activity during periods of stress, rather than any causal impairment of firm value. Thus, this dissertation draws on their findings as empirical support and supplements them with a doctrinal and comparative analysis of Zambia's statutory regime, the Bank of Zambia Directives, and the King IV outcomes-based governance model.⁵⁷

1.10. Chapter Outline

Chapter One introduces the study by outlining the background, the statement of the problem, the research objectives, the questions, the significance, the scope, the limitations, the methodology, and a review of relevant literature. Chapter Two will critically examine the current legal and regulatory instruments governing corporate governance in Zambia's banking sector, highlighting their structure and practical application. Chapter Three will provide a comparative analysis of the King IV Report, focusing on its principles and their relevance to the Zambian context. Chapter Four will assess the alignment and gaps between Zambia's framework and King IV, drawing on case studies and empirical insights. Finally, Chapter Five will synthesise the findings, present

⁵³ibid 97.

⁵⁴ibid 104-106.

⁵⁵ibid 106.

⁵⁶ibid 106.

⁵⁷ibid 104-106.

conclusions, and offer targeted recommendations for strengthening governance in Zambia's banking sector.

1.11. Conclusion

In summary, Chapter One has established the context and rationale for examining the evolution of corporate governance in Zambia's banking sector. It has identified the need for a more robust and contextually appropriate governance framework, particularly in light of international developments and the principles articulated in the King IV Report. The chapter has set out the research objectives, questions, and methodology, and has reviewed key theoretical and empirical contributions. This foundation paves the way for a critical analysis of Zambia's current regulatory landscape and its potential for reform in subsequent chapters.

CHAPTER TWO

ZAMBIA'S BANKING GOVERNANCE FRAMEWORK IN THE POST-2008 ERA: A CRITICAL ANALYSIS OF THE LEGISLATIVE AND REGULATORY RESPONSE TO SYSTEMIC BANKING GOVERNANCE FAILURES

2.1.Introduction

The 2008 global financial crisis showed, with sharp clarity, the consequences of failures in corporate governance within banking institutions. An unprecedented number of financial institutions have collapsed or been bailed out by governments worldwide since the onset of the global financial crisis in 2007. Many observers attribute these events to failures in corporate governance, such as lax board oversight and flawed executive compensation practices that encouraged aggressive risk-taking.⁵⁸ It is precisely this reality that underpins Hopt's observation that *“banks are special, and so is the corporate governance of banks and other financial institutions as compared with the general corporate governance of non-banks.”*⁵⁹ Given the foregoing, bank governance should not be regarded merely as an internal matter, as its implications reach well beyond shareholders to include depositors, regulators, and the broader public. It is against this backdrop that this chapter addresses the first research question: how do Zambia's banking laws and regulations, principally the Banking and Financial Services Act⁶⁰ (BFSA) and the Bank of Zambia Corporate Governance Directives of 2016,⁶¹ (2016 Directives), provide a foundation for effective risk management and board oversight in the post-2008 financial environment?

The chapter first establishes the conceptual foundations of banking regulation, then undertakes a structured, critical analysis of the BFSA and the 2016 Directives, supplemented by the key complementary legislation of general application, the Companies Act.⁶² It concludes by identifying the most significant gaps in the existing framework when assessed against post-crisis international best practice, establishing the analytical foundation for Chapter Three's empirical assessment of how actual governance practices in Zambian banks align with these regulatory requirements.

⁵⁸ D. Erkens, M. Hung and P. Matos, 'Corporate Governance in the 2007-2008 Financial Crisis: Evidence from Financial Institutions Worldwide' (2012) 18 Journal of Corporate Finance 389, 389

⁵⁹ KJ Hopt, 'Corporate Governance of Banks and Financial Institutions: Economic Theory, Supervisory Practice, Evidence and Policy' (2021) 22 European Business Organisation Law Review 13, 13.

⁶⁰ Act No. 7 of 2017

⁶¹ Gazette Notice No. 237 of 2016

⁶² Act No. 10 of 2017

2.2.The Conceptual and Historical Foundations of Banking Regulation

2.2.1. The Distinctive Character of Banking and the Lessons of 2008

Banking is fundamentally distinct from other commercial enterprises because of structural characteristics that render it uniquely fragile yet systemically vital. A primary source of this fragility is maturity transformation: banks fund long-term, illiquid assets with short-term, withdrawable deposits.⁶³ This structural mismatch, combined with high leverage ratios and significant information asymmetry, exposes banking institutions to bank runs and systemic contagion.⁶⁴ As de Haan and Vlahu observe, the three defining characteristics that make banks special are regulation itself, banks' capital structure, and the complexity and opacity of their operations.⁶⁵ These inherent vulnerabilities make banks particularly susceptible to governance failures, as catastrophically demonstrated during the 2008 financial crisis. The Financial Crisis Inquiry Commission found that Lehman's failure, in part, resulted from significant problems in its corporate governance.⁶⁶ As the Basel Committee affirmed in its 2015 Guidelines, effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole.⁶⁷

2.2.2. Theoretical Framework

This study adopts the public interest theory of regulation as its primary theoretical lens, consistent with Ediagbonya's advocacy that this theory best serves the interests of all stakeholders in the banking context.⁶⁸ The public interest theory asserts that the common good (even if contestable) is the rationale for regulation and its consequences.⁶⁹ This orientation aligns with the objectives

⁶³X Vives, *Competition and Stability in Banking: The Role of Regulation and Competition Policy* (Princeton University Press, 2016) 37–39; J de Haan and R Vlahu, 'Corporate Governance of Banks: A Survey' (2016) 30(2) *Journal of Economic Surveys* 228, 229–230.

⁶⁴J de Haan and R Vlahu, 'Corporate Governance of Banks: A Survey' (2016) 30(2) *Journal of Economic Surveys* 228, 230.

⁶⁵*ibid* 229.

⁶⁶Financial Crisis Inquiry Commission, *The Financial Crisis Inquiry Report* (US Government Publishing Office 2011) 343.

⁶⁷Basel Committee on Banking Supervision, *Corporate Governance Principles for Banks* (Bank for International Settlements, July 2015) 3.

⁶⁸V Ediagbonya, *Corporate Governance in Africa* (Routledge 2024) ch 2.

⁶⁹Avshalom Ginosar, 'Public-Interest Institutionalism: A Positive Perspective on Regulation,' *Administration & Society* 46, no. 3 (2014): 301.

of Zambian banking regulation and accords with King IV's emphasis on stakeholder inclusivity and legitimacy as core governance outcomes.⁷⁰

Institutional theory provides a complementary analytical lens, directing attention to how political, legal, and cultural contexts shape governance outcomes. As Nakpodia, Adegbite, Amaeshi, and Owolabi demonstrate, good governance in emerging markets must be understood in terms of context-specific antecedents rather than through the uncritical adoption of foreign models developed in structurally different institutional environments.⁷¹ Therefore, the effectiveness of Zambia's legislative response to the global financial crisis cannot be assessed solely by reference to formal legislation; it must also be evaluated against the institutional backdrop within which those provisions operate.

2.3.The Banking and Financial Services Act: Zambia's Primary Post-Crisis Legislative Response

The BFSA constitutes Zambia's principal legislative framework governing banking regulation and represents the most significant statutory development in banking governance in the post-2008 period. Although enacted nearly a decade after the global financial crisis, the BFSA embodies fundamental aspects of the post-crisis reform consensus by elevating corporate governance from a marginal regulatory issue to a clearly defined statutory objective.

2.3.1. Board Responsibilities and Composition

Section 32 of the BFSA delineates a framework of directors' responsibilities that draws upon two distinct sources, integrating traditional corporate governance functions with specialised prudential obligations. The provision requires directors to run the business in a safe and responsible way. This standard goes beyond merely following the law, emphasising the importance of prudent practices essential to the institution's overall safety and the system's stability. This provision directly embodies the consensus reached after the 2008 financial crisis, namely that directors'

⁷⁰Institute of Directors in Southern Africa (IoDSA), King IV Report on Corporate Governance for South Africa (IoDSA 2016) 20.

⁷¹F Nakpodia, E Adegbite, K Amaeshi and A Owolabi, 'Neither Principles Nor Rules: Making Corporate Governance Work in Sub-Saharan Africa' (2018) 151(2) Journal of Business Ethics 391, 392–393.

prudential responsibilities require explicit legislative codification rather than reliance on market disciplinary mechanisms.⁷²

Notwithstanding this foundational alignment, the BFSA's articulation of board responsibilities remains notably under-theorised when assessed against post-crisis standards. The Basel Committee's Principle 1 articulates that the board bears overall responsibility for approving and overseeing management's implementation of the bank's strategic objectives, governance framework, and corporate culture.⁷³ Measured against King IV's comprehensive paradigm, which links board performance to sustainable value creation and ethical leadership, the BFSA's conception of board responsibility is comparatively narrow.⁷⁴ There is no requirement in the BFSA for the board to consider stakeholder interests beyond those of shareholders, nor any affirmative obligation to foster ethical culture as a primary governance outcome.

Section 34 establishes stringent qualification standards, with disqualifying criteria encompassing bankruptcy, criminal convictions for fraud or dishonesty, mental incapacity, prior suspension under the Act, and association with failed institutions. Similarly, international fitness and propriety standards cover probity, integrity, reputation, competence, capability, and financial soundness, broadly consistent with the Basel Committee's post-crisis guidance.⁷⁵ Section 35 stipulates that non-executive directors shall constitute the majority of board members. However, the provision is notably silent on the precise definition of non-executive status and does not specify a mandatory number of truly independent directors essential for effective oversight.

2.3.2. Individual Accountability and Disclosure

Section 36 imposes a duty on each director to promptly report to the Bank of Zambia if they suspect the institution may not remain a going concern or may fall short of capital adequacy requirements. This personal accountability mechanism is a direct response to a critical post-2008 finding that

⁷² H. Kim, "Financial Regulation and Supervision in Corporate Governance of Banks," *Journal of Corporation Law* 41, no. 3 (2016): 717.

⁷³ Basel Committee on Banking Supervision (n 6) Principle 1, 9.

⁷⁴ IoDSA (n 8) 40–41.

⁷⁵ Basel Committee on Banking Supervision (n 6) Principle 2, 13–14.

collective board procedures had been used to diffuse individual responsibility and prevent timely regulatory escalation of material concerns.⁷⁶

Sections 37 and 38 address the disclosure of interests and insider abuse, respectively, requiring directors to annually declare material interests and to abstain from participating in relevant matters, while Section 42 requires all financial service providers to establish corporate governance charters that translate statutory requirements into institution-specific policies. These provisions align closely with international best practice standards, most notably Principle 2 of the Basel Committee on Banking Supervision's 2015 Corporate Governance Principles for Banks, which similarly mandates that directors avoid conflicts of interest and that boards adopt formal governance frameworks tailored to each institution's risk profile and complexity. The King IV Report reinforces this architecture through Principle 7, which requires governing bodies to comprise members with the requisite competence and to disclose interests that may compromise independent judgment, and through Principle 13, which calls for the governing body to govern compliance with applicable laws in a manner that supports the organisation's ethical and strategic objectives.

Given the foregoing, sections 37, 38, and 42 could be said to reflect a convergence between domestic statutory design and these internationally recognised frameworks, signalling a legislative intent not merely to impose minimum procedural obligations on directors but to embed a culture of proactive, institution-specific governance accountability within the financial services sector.

2.3.3. Assessment of the BFSa

The BFSa constitutes a significant, albeit incomplete, legislative response to the post-2008 reform consensus on banking governance. Its primary contribution lies in the statutory codification of directors' prudential responsibilities in Section 32, the personal accountability mechanism established in Section 36, and the disclosure and conflict-of-interest regime articulated in Sections 37 and 38. These provisions deliberately diverge from reliance on market disciplinary mechanisms and collective board procedures, which the global financial crisis revealed as inadequate.

⁷⁶Parliamentary Commission on Banking Standards, 'Changing banking for good': Report of the Parliamentary Commission on Banking Standards (HL Paper 27-I, HC 175-I, 2013) <https://publications.parliament.uk/pa/jt201314/jtselect/jtpcb/27/2703.htm>

Furthermore, Section 42's requirement for institution-specific corporate governance charters underscores legislative intent to embed governance accountability at the institutional level, rather than restrict it to abstract statutory mandates.

Nonetheless, the overall framework of the BFSA falls short of the comprehensive standards articulated post-crisis by entities such as the Basel Committee and the Institute of Directors of South Africa. Specifically, Section 32's conception of corporate board responsibility remains narrowly construed, lacking an affirmative obligation to consider stakeholder interests or foster an ethical culture. Similarly, Section 35's mandate for a majority of non-executive directors is undermined by the absence of explicit independence criteria. Moreover, the fitness and propriety criteria outlined in Section 34, while broadly aligned with international guidance, do not fully encompass the qualitative dimensions of competence and integrity demanded by post-crisis reforms. Collectively, the BFSA occupies a transitional position, advancing beyond pre-crisis minimalism yet falling short of the integrated, principle-based governance architecture that international best practices endorse.

2.4. The Bank of Zambia Corporate Governance Directives, 2016

The 2016 Directives constitute the most operationally granular articulation of governance obligations applicable to Zambian banking institutions. Grounded in the recognition that banks occupy a position of special trust in the national economy and that governance weaknesses at financial institutions can transmit systemic problems throughout the broader economy, the Directives complement and substantially elaborate upon the BFSA, translating its broad statutory principles into operationally specific standards organised across twenty-one substantive principles and their associated directives. Their application extends to all banks and financial institutions operating in Zambia and regulated by the Bank of Zambia.

2.4.1. Board Composition, Independence and Structural Separation

The 2016 Directives substantially advance the BFSA's treatment of board independence, a dimension of post-crisis governance reform that has attracted sustained scholarly and regulatory attention. Principle IV mandates that the majority of board members be non-executive directors, of whom independent directors must themselves constitute the majority, a quantifiable threshold

that directly confronts the pre-crisis failure of affiliated non-executive directors whose formally independent designation concealed material relationships with management. This requirement accords with the Basel Committee's Principle 2, which identifies independent directors as essential to the board's capacity to exercise effective oversight of management and to challenge management assumptions on a properly informed basis.

Unlike the BFSa which has no definition, clause 3.0 of the Directives specifies that an independent non-executive director is one who is not nominated by or affiliated to a controlling shareholder, has not been employed by the institution in any executive capacity within the preceding three financial years, is not a member of the immediate family of any such former executive, is not a professional adviser to the institution, and is free from any business or other relationship that could be seen to materially interfere with the capacity to act in an independent manner. Directive 6.3 imposes a cumulative six-year tenure limit on non-executive directors, reinforcing the structural imperative of board renewal and directly mitigating the entrenchment risks that characterised the boards of several pre-crisis institutions.

Principle II reinforces structural oversight by mandating the separation of the Chairperson and Chief Executive Officer roles, with the Chairperson required to be a non-executive director. This structural demarcation guards against the concentration of executive and supervisory authority in a single individual, a configuration that has been identified as having materially contributed to governance dysfunction at several pre-crisis financial institutions.

2.4.2. Board Committees and the Evaluation Framework

A key lesson from the 2008 financial crisis is that strong bank governance requires dedicated, specialised oversight by the board, rather than relying on broad, general discussions by the entire board. The Directives address this lesson through a comprehensive, mandatory committee architecture. Principle V requires each board to establish, at a minimum, an Audit Committee, a Risk Management Committee, a Loans Committee, and a Nominations and Remuneration Committee, each composed entirely of non-executive directors, chaired by an independent non-executive director, and governed by a written charter that sets out its role, schedule of meetings, and delegated responsibilities.

The 2016 Directives further provide that the Board Risk Committee must be constituted with a majority of independent non-executive directors possessing appropriate risk management expertise, and is charged with overseeing the implementation of the risk management framework, reviewing the institution's risk appetite and tolerance limits, and overseeing the dedicated risk management function, an architecture that directly embodies the Basel Committee's Principle 6 recognition that the unique structural fragility of banking institutions demands continuous, specialised board-level risk oversight.

Principle VII establishes a systematic framework for the annual evaluation of the board, a practice widely acknowledged in governance literature as vital to maintaining an effective board composition and conduct. Specifically, Directive 11.1 mandates that each board assesses the diversity of technical skills, expertise, and experience among its members through peer review or self-evaluation. Directive 11.3 further outlines the key areas to be examined, including the board's composition and independence, performance relative to its objectives and charter, effectiveness in managing and overseeing material risks, compliance with regulatory requirements, and responsiveness to shareholder and stakeholder concerns. The findings must be reviewed and discussed by the entire board. If any deficiencies in a director's performance are identified, Directive 11.9 requires the development and implementation of a remedial action plan.

It is imperative to mention that, whilst this framework represents a significant institutional advance over the BFSa's silence on board evaluation, it remains primarily structural in character and falls short of the integrated, outcomes-based methodology advanced by King IV, which situates board performance evaluation within a holistic assessment of value creation, ethical leadership, and stakeholder impact.

2.4.3. Risk Governance Architecture, the Chief Risk Officer, and Remuneration

The post-crisis regulatory consensus has recognised that inadequate risk governance prior to the crisis played a significant role in institutional failures. In response, the Directives implement Principle IX, which sets out the requirements for the appointment and responsibilities of the Chief Risk Officer (CRO). In particular, Directive 13.10 mandates that the board appoint a senior officer

as CRO, responsible for the institution's risk management, subject to the Bank of Zambia's prior written approval. Further, Directives 13.12 and 13.13 specify that the CRO position must be at an appropriate organisational stature, with authority and expertise to lead risk management efforts, ensuring that their duties and access to information are distinct from those of other executive roles. This separation aims to shield risk oversight from operational and revenue pressures that historically undermined the effectiveness of risk officers in many pre-crisis institutions.

Principle X and, in particular, Directive 14 emphasise the necessity of an independent, enterprise-wide risk management function with clear authority to identify material, emerging, and aggregate risks. This function assesses the institution's exposures, supports the board in implementing comprehensive risk governance, and establishes early warning systems or triggers to detect breaches of risk appetite or limits. This addresses one of the causes of the financial crisis: unhealthy risk appetite among banks and financial institutions.

Directive 18, anchored in Principle XIV, represents Zambia's most direct legislative response to the post-crisis concern regarding the role of misaligned executive compensation in incentivising excessive risk-taking. Every institution must maintain a clear compensation policy aligned with prudent risk-taking and disclose it in the annual report. Directive 18.6 requires that compensation be adjusted for all risks taken on the institution's behalf, incorporating both prospective and realised risk outcomes through quantitative measures and human judgment. Furthermore, Directive 18.7 prohibits the finalisation of variable pay over short periods when the underlying risks materialise over longer periods and requires management to question pay-outs for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment. These provisions accord closely with the Financial Stability Board's Principles for Sound Compensation Practices and the Basel Committee's Principle 10, both of which identify deferral, risk adjustment, and clawback as foundational components of governance-aligned remuneration.

2.4.4. Ethical Standards and Stakeholder Interests

Principle XIX and Directive 23 emphasise the importance of fostering a culture within the board that actively promotes and upholds ethical conduct, highlighting the crucial role of setting a strong 'tone at the top'. The board is tasked with establishing and adhering to corporate values for itself

and senior management, fostering risk awareness within a resilient risk culture, and clearly communicating these values and codes of conduct across the entire organisation. It is also responsible for ensuring that unacceptable behaviour and violations are met with appropriate disciplinary actions.

Similarly, Principle XX and Directive 24 underline the need for the board to recognise and consider all stakeholders, incorporating their legitimate expectations into decision-making processes. They advocate for transparent, written policies governing stakeholder relationships and require the board to report annually on how stakeholder interests have been addressed. Nonetheless, despite these provisions, the framework's stakeholder orientation remains underdeveloped in practice. This is because the directives do not mandate integrated reporting, a governance outcome identified by King IV, nor do they compel the embedding of stakeholder considerations into strategic decisions in a way that is enforceable or subject to assessment.

2.4.5. Critical Assessment

The 2016 Directives represent a materially significant advance in Zambia's post-crisis governance architecture. The quantifiable independence threshold with detailed definitional criteria, mandatory structural separation of the Chairperson and Chief Executive Officer roles, comprehensive committee framework with prescribed compositional requirements, detailed protections for the CRO's institutional independence, the formalised board evaluation framework, and risk-adjusted remuneration requirements collectively reflect a considered engagement with the principal dimensions of the Basel Committee's post-crisis guidance.

Nonetheless, when assessed against the full range of internationally recognised post-crisis governance standards, several structural lacunae persist. The framework adopts a predominantly rules-based approach, prescribing compositional and procedural requirements without mandating the behavioural and ethical foundations that post-crisis analysis and the King IV paradigm have shown to be equally indispensable. The ethical culture provisions of Directive 23 remain oriented towards formal adherence rather than the embedding of ethical values in strategic decision-making and risk appetite formulation. The stakeholder orientation of Directive 24, though expressly

articulated, is aspirational and does not impose enforceable obligations. Lastly, integrated reporting is entirely absent from the framework.

2.5.Complementary Legislation

The banking-specific framework must be understood within the context of complementary legislation of general application. The Companies Act, 2017, serves as the foundational governance framework for all Zambian companies, including banks. Part VII comprehensively codifies directors' duties, addressing the lacuna identified by Banda in her 2013 analysis.⁷⁷ Directors' fiduciary duties now include ensuring regulatory compliance, preventing and managing material risks, acting in good faith with the care, diligence, and skill of a reasonably prudent person, promoting the company's success, exercising independent judgment, and avoiding conflicts of interest. Section 106 specifically requires directors to exercise independent judgment and prohibits them from acting on instructions from shareholders that are inconsistent with their duties. Where any inconsistency arises between the Companies Act, 2017, and the BFSA, section 4 of the BFSA provides that it shall prevail, ensuring that more stringent banking-specific standards are not displaced.

2.6.Summary of Principal Gaps in the Post-Crisis Framework

Whilst the BFSA and the Directives together establish a broadly foundational governance architecture; a number of significant structural weaknesses persist when assessed against internationally recognised post-crisis standards. These gaps establish the analytical foundation for the empirical examination in Chapter Three of how actual governance practices in Zambian banks align with regulatory requirements. Firstly, the framework's stakeholder orientation remains underdeveloped. King IV explicitly advocates a stakeholder-inclusive approach in which the governing body takes into account the legitimate and reasonable needs, interests, and expectations of all material stakeholders.⁷⁸ As Hopt observes, post-2008 banking supervision increasingly recognises that stakeholder governance, rather than shareholder governance, is the more

⁷⁷K Banda, 'The Enhancement of Corporate Governance in Zambia through Company Law Reform' (LLB dissertation, University of Zambia, 2013).

⁷⁸IoDSA (n 9) 20-21.

appropriate orientation given the systemic importance of banking institutions.⁷⁹ The BFSA's board responsibilities provision does not explicitly incorporate stakeholder considerations beyond prudential mandates, leaving a material gap between Zambian requirements and international expectations.

Secondly, ethical culture as a substantive governance outcome receives insufficient systematic attention. The Zambian framework addresses ethics primarily through compliance requirements and fit-and-proper screening at the point of appointment. There is no requirement for boards to actively promote ethical behaviour as an ongoing governance obligation, no guidance on how ethical considerations should inform strategic decision-making, and no mechanism to periodically assess an institution's ethical climate. Thirdly, there are no integrated reporting requirements. There is no requirement to report on how financial performance relates to sustainability outcomes and governance quality, thereby limiting Zambian banking institutions' accountability to the full range of affected stakeholders. Lastly, systematic board evaluation obligations are not mandated, leaving open the possibility that underperforming boards persist without adequate institutional challenge. These gaps are examined in greater depth in Chapter Three, which assesses the extent to which actual governance practices in Zambian banks correspond to the regulatory requirements set out in the framework analysed above.

2.7. Conclusion

This chapter has demonstrated that Zambia's post-2008 banking governance framework, anchored in the BFSA and the 2016 Directives, represents a broadly foundational regulatory response to the governance failures exposed by the global financial crisis. Key advances include dedicated board-level risk oversight through mandatory committee architecture, a formalised CRO function with institutional independence, risk-adjusted remuneration, and structured board evaluation. Nonetheless, significant gaps persist in stakeholder orientation, the embedding of ethical culture as a substantive governance outcome, integrated reporting, and systematic board evaluation. These deficiencies establish the analytical foundation for Chapter Three's empirical assessment of how actual governance practices in Zambian banks align with these regulatory requirements.

⁷⁹KJ Hopt (n 1) 18–19.

CHAPTER THREE

REGULATORY ALIGNMENT AND GOVERNANCE PRACTICES IN ZAMBIA'S BANKING SECTOR: A DOCUMENTARY AND REGULATORY ANALYSIS

3.1. Introduction

The analysis of the legislative and regulatory framework for corporate governance in Zambia's banking sector post-crisis which Chapter Two undertook focused on the Banking and Financial Services Act (BFSA) and 2016 Directives as some of the key mechanisms by which Zambia sought to close gaps that were primary causes of the crisis, resulting in a conclusion that whilst there is broadly an adequate foundational governance architecture established, numerous remaining areas were identified where significant gaps exist. The previous analysis directly informs this Chapter, as it addresses the second research objective: evaluating the extent to which formal structural conformity with banking legislation masks persistent substantive deficiencies. The Chapter will consider four key factors, including board composition and independence, decision-making structures, risk management and executive remuneration, before reviewing the Bank of Zambia enforcement architecture. The Chapter defines the relevant regulatory requirements for each area, examines actual practice as evidenced by case studies, and identifies resulting alignment gaps. The findings of this Chapter underpin Chapter Four's comparative analysis of how Zambia's framework diverges from King IV.

3.2. Board Composition and Independence

3.2.1. Compliance with Numerical and Structural Requirements

The most directly measurable dimension of board composition alignment concerns compliance with the numerical requirements established by the Zambian regulatory framework. The BFSA requires that non-executive directors be in the majority on the board of a bank or financial institution and the 2016 Directives require that independent non-executive directors constitute a majority of the non-executive directors, while maintaining that the board shall be of sufficient size to discharge its responsibilities without being unduly large.⁸⁰ The published annual reports of major Zambian commercial banks disclose formal compliance with these structural requirements. By way of example, Zambia National Commercial Bank Plc had ten non-executive directors, of

⁸⁰Banking and Financial Services Act, Act No 7 of 2017 (BFSA), s 35; Bank of Zambia Corporate Governance Directives, Gazette Notice No 237 of 2016 (2016 Directives), Directives 8.1 and 8.5.

whom six were independent.⁸¹ Stanbic Bank Zambia Limited comprised 12 directors, including 8 independent non-executive directors and 3 executive directors.⁸² The Bank of Zambia's Financial System Supervision Annual Report 2024 confirms that licensed institutions had broadly met the non-executive majority requirement mandated by section 35 of the BFSa and Directive 8.1.⁸³

Notwithstanding Zambian banks' compliance with numerical requirements, focusing on formal numerical compliance may obscure material substantive gaps. As Hopt observed, numerical independence is necessary, but not sufficient for substantive independence in practice, and that enhanced and qualified independent control at the board level was the key challenge in bank governance.⁸⁴ This finding echoes Chanda, Burton, and Dunne's empirical study of corporate governance perceptions in Zambia, which found that stakeholders consistently identified a disconnect between the formal composition of boards and the substantive quality of their oversight, observing that many boards met structural requirements whilst operating in ways that reflected the interests of dominant shareholders rather than the independent judgment that the regulatory framework was designed to secure.⁸⁵ Similarly, Chongo and Mandhu's case study of Zambia Railways Limited found that excessive political interference in board appointments, exercised through ministerial control over the appointment process, was a primary obstacle to substantive board independence, notwithstanding the parastatal's formal compliance with a unitary board structure.⁸⁶

Tenasi and Mpundu's study of Zambia's cement manufacturing sector also found a statistically significant positive correlation between multiple directorships and company performance.⁸⁷ However, the authors cautioned against reading this as an endorsement of overlapping board memberships, since the rationale for board independence, disciplining underperforming

⁸¹Zambia National Commercial Bank Plc, Annual Report 2024 (ZANACO 2024) 49-52.

⁸²Stanbic Bank Zambia Limited, Annual Report 2024 (Stanbic 2024) 27-28.

⁸³Bank of Zambia, Financial System Supervision Annual Report 2024 (Bank of Zambia 2024) 26.

⁸⁴KJ Hopt, 'Corporate Governance of Banks and Financial Institutions: Economic Theory, Supervisory Practice, Evidence and Policy' (2021) 22 European Business Organization Law Review 13, 22.

⁸⁵S Chanda, B Burton and T Dunne, 'The Nature and Potential of Corporate Governance in Developing Countries: Zambian Perceptions' (2017) 30(6) Accounting, Auditing & Accountability Journal 1257, 1266, 1277-1278.

⁸⁶A Chongo and F Mandhu, 'Corporate Governance Practices in a Parastatal: A Case Study of Zambia Railways Limited' (2024) 5(2) International Journal of Multidisciplinary Research and Growth Evaluation 128, 131-133

⁸⁷LC Tenasi and M Mpundu, 'Corporate Governance in the Cement Manufacturing Industry of Zambia' (2023) 12(2) International Journal of Research in Business and Social Science 54, 62-63.

management and ensuring effective oversight, may be undermined where directors sit across several boards simultaneously.⁸⁸ This caution is instructive, as formal independence criteria, focused on family or contractual ties to the company itself, do not necessarily capture personal and financial relationships arising between directors through shared board service elsewhere.

The gap between form and substance is further illuminated when a gender lens is applied. The Bank of Zambia's 2024 supervisory report notes that women's representation at board and senior management levels was improving but remained well below the Southern African Development Community (SADC) target of fifty per cent. At the end of December 2024, the banking sector had 97 board-level positions, of which 36 were held by women, and 142 senior management positions, of which 56 were held by women.⁸⁹ These figures reveal a dimension of compositional depth that numerical compliance with the existing Directives does not address, reinforcing the broader argument that meeting the regulatory minimum requirements in terms of composition was not synonymous with achieving the governance quality those minimum standards were intended to promote.

This contrast finds a parallel in Kabwe's panel study of Lusaka Securities Exchange-listed companies, which examined board gender diversity alongside other governance attributes as determinants of financial reporting quality.⁹⁰ Gender diversity had a positive but statistically insignificant relationship with reporting quality, whereas board size was significant at the one per cent level.⁹¹ Kabwe's study, though not bank-specific, lends cross-sectoral support to the broader proposition that structural representation without corresponding authority does not reliably translate into substantive influence on governance.

3.2.2. The Practical Meaning of Independence in the Zambian Context

The 2016 Directives specify detailed criteria for independence under Directive 3.0 and impose a cumulative six-year tenure limit for non-executive directors under Directive 6.3, reinforcing the

⁸⁸ Ibid 63.

⁸⁹ Bank of Zambia (n 4) 26.

⁹⁰ M Kabwe, 'Corporate Governance Attributes and Financial Reporting Quality: An Evidence from a Developing Country in Africa' (2023) 12(1) International Journal of Research in Business and Social Science 179, 184-186

⁹¹ Kabwe (n 90) 186.

structural imperative of board renewal and directly mitigating the entrenchment risks that characterised several pre-crisis institutions internationally.⁹² In practice, applying these criteria in Zambia presents significant challenges that the regulatory framework does not adequately address. Zambia's relatively small and interconnected business community means that directors who formally satisfy the independence criteria may nonetheless have long-standing social, political, or business relationships with executive management or controlling shareholders that subtly compromise independent judgment without crossing any formal threshold.

The identified challenge finds support in Adegbite's study which demonstrated in the Nigerian context, formal independence criteria are routinely satisfied by individuals whose substantive independence was compromised by contextual relationships that did not manifest in formal disclosures.⁹³ This observation, even if it was not particularly for Zambia, is applicable to most emerging markets, as Zambian-specific evidence also supported this assertion. By way of example, at Zambia Railways Limited, six of the seven board members, all formally classified as non-executive directors, were appointed by the controlling shareholder itself, satisfying the letter of independence while leaving substantive judgment exposed to the interconnectedness Adegbite describes.⁹⁴ In addition, the negative relationship Tenasi and Mpundu found between board tenure and company performance, discussed above, also agrees with the assertion that prolonged board relationships erode the substantive independence formal non-executive status was meant to guarantee.⁹⁵ These findings indicate that the formal-substantive gap was not a peculiarly Nigerian phenomenon but a documented feature of Zambian board practice.

The challenge posed by interconnectedness and long-serving directors became clear when the 2016 Directives were introduced. At that point, many board members had already served beyond the mandated six-year tenure limit. In response, the Bank of Zambia amended the Directives to permit a three-year phase-out period for directors whose tenure had already exceeded six years by the

⁹² 2016 Directives (n 1), Directive 3.0; Directive 6.3.

⁹³ E Adegbite, 'Good Corporate Governance in Nigeria: Antecedents, Propositions and Peculiarities' (2015) 24(2) *International Business Review* 319, 325-327.

⁹⁴ Chongo and Mandhu (n 7) 131-133.

⁹⁵ Tenasi and Mpundu (n 8) 62-63.

time the Directives took effect.⁹⁶ More broadly, Mwanawasa observed that under the LuSE Code, directors and chairpersons in Zambia were known to hold board positions for indefinite periods, a gap in tenure guidance that this author considers weakens the independence of oversight in the banking sector.⁹⁷ Hence, the Bank of Zambia's intervention to address this weakness in the banking sector through the promulgation of the 2016 Directives.

The Directives have addressed the issue of long-serving directors who may compromise their independence. However, they have not addressed the issue of interconnectedness and relationships between the directors, on the one hand, and the shareholders and managers, on the other. Directive 3.0 characterises an independent executive director as a member of the board who is not responsible for management duties and is not subject to undue influence that could compromise their judgment. However, the directives do not specify mechanisms for evaluating whether an individual is under such influence. Consequently, board members can often be deemed independent without undergoing rigorous assessment, even if their independence is questionable. This is not merely a theoretical concern as empirical evidence from Zambia's corporate sector confirms that undue influence from undisclosed personal relationships among directors, shareholders, and managers is a systemic governance risk, with Tenasi and Mpundu finding that this opacity directly undermines the effectiveness of independent board oversight and recommending mandatory disclosure of such relationships as a corrective measure.⁹⁸

3.2.3. Director Competence and Sectoral Expertise

Section 34(2)(a) of the BFSA requires that a person be a fit and proper person to hold the relevant office in relation to integrity and professional expertise, and Directive 8.2 reinforces this by requiring the board to have an appropriate mix of knowledge, skill, and experience.⁹⁹ However, the concept of appropriate knowledge, skills, and experience is not defined in the Directives, nor does the BFSA or the Directives establish minimum sectoral qualification thresholds or require systematic disclosure of board competency matrices. This lack of specificity leaves significant

⁹⁶The Banking and Financial Services Corporate Governance Directives (Amendment) 2017, Gazette Notice No 556 of 2017.

⁹⁷Chipokota Mwanawasa, 'A Case Analysis of the Viability of the Current Regulation and Enforcement Mechanisms of Corporate Governance in Zambia' (LLM dissertation, University of Cape Town 2016) ('Mwanawasa 2016'), 45.

⁹⁸Tenasi and Mpundu (n 87) 63.

⁹⁹2016 Directives (n 1), Directive 8.2; BFSA (n 1), s 34(2)(a).

discretion and creates a gap in which formal compliance can mask a lack of demonstrated technical capacity.

The Financial Stability Board's post-crisis review identified the prevalence of bank boards comprising directors who lacked the expertise to understand, challenge, and oversee the complex financial instruments and risk exposures that contributed to institutional collapse before 2008. The Basel Committee's subsequent guidance translated this finding into an explicit board qualifications requirement.¹⁰⁰ Whilst Zambian banks operate at a different level of complexity, the underlying concern applies directly, as board oversight is only as effective as the knowledge and expertise that directors bring to the oversight function. The absence of systematic assessments of board competency profiles in Zambian banks makes it difficult to evaluate compliance with the spirit of these requirements.

3.3. Decision-Making Structures: Formality and the Limits of Structural Requirements

3.3.1. Board Decision-Making in Practice

The BFSA and the 2016 Directives impose a range of requirements to ensure that material decisions within Zambian banks are made through structured, accountable processes. These include requirements for board approval of risk management policies, remuneration frameworks, related party transactions, and internal control frameworks.¹⁰¹ Formal compliance with decision-making process requirements is a dimension of governance practice where Zambian banks appear to maintain generally adequate documentation and procedural structures, as reflected in corporate governance statements published in annual reports.

The deeper governance challenge lies not in the formal existence of board decision-making processes but in their substantive quality. Chanda and colleagues found that perceptions of governance in Zambia were significantly influenced by the view that board decisions frequently reflected the preferences of dominant shareholders or politically connected interests rather than

¹⁰⁰Financial Stability Board, Thematic Review on Risk Governance (Peer Review Report, 12 February 2013); Basel Committee on Banking Supervision, Corporate Governance Principles for Banks (Bank for International Settlements, July 2015) Principle 2, 13.

¹⁰¹BFSA (n 1), s 32; 2016 Directives (n 1), Directives 7.1-7.3 and 7.15.

the independent, informed judgment that the regulatory framework is designed to ensure.¹⁰² This concern is corroborated by the Bank of Zambia's 2024 supervisory findings, relating to the on-site examinations of three commercial banks conducted jointly with the Financial Intelligence Centre, which revealed inadequacies in board and senior management oversight of money laundering and terrorism financing risks, demonstrating that substantive weaknesses in board-level oversight persisted in regulated institutions that formally satisfy the compositional requirements of the Directives.¹⁰³

The 2024 findings invite a further question, namely, whether the Bank of Zambia's response reflected a structured intervention regime or a discretionary judgment exercised on a case-by-case basis. The BFSA grants the Bank considerable ex post authority, including issuing corrective directives, suspending or removing directors and senior officers, and, where necessary, taking possession of a failing institution.¹⁰⁴ However, neither the BFSA nor the 2016 Directives establish a Prompt Corrective Action framework comparable to more developed supervisory systems, in which graduated and mandatory interventions are triggered automatically once defined capital or asset deterioration thresholds are breached.¹⁰⁵ The corrective directives issued after the 2024 examinations were, in this light, an exercise of discretion rather than a legally compelled response to an objective trigger. This is not a criticism of the supervisor, who plainly acted in accordance with the banking framework. However, it suggests instead that enforcement built on case-by-case discretion remains more exposed to forbearance and to the political and ownership pressures already identified above than enforcement anchored in automatic, rules-based triggers.¹⁰⁶

The lack of rules-based triggers in the banking framework is supported by empirical evidence from Zambia, which confirms this risk. Bwato and others studied six LuSE-listed financial institutions between 2017 and 2024 and found that regulatory non-compliance and weak governance were significant predictors of corporate failure. For instance, Investrust Bank Plc recorded a capital deficiency of K853.7 million and failed to obtain unqualified audit opinions between 2020 and

¹⁰²Chanda, Burton and Dunne (n 6) 1271-1272, 1277-1278.

¹⁰³ Bank of Zambia (n 83) 23.

¹⁰⁴BFSA (n 1), ss 36(2), 40, 63(4)(e), 64(2)(b), (d) and (e), 64(3)(b), 67(1)(d)-(f), and 70-71.

¹⁰⁵ Federal Deposit Insurance Corporation Improvement Act 1991, 12 USC § 1831o.

¹⁰⁶See the discussion of concentrated and politically connected ownership at (n 23) above.

2024, an outcome the study attributes in part to delayed regulatory intervention rather than to absent oversight.¹⁰⁷

3.4. Risk Management

Risk Management Committees have been established across Zambian banks in compliance with Directive 9.1(ii) of the 2016 Directives, which requires every institution to constitute a dedicated board committee responsible for overseeing the institution's risk profile and risk management framework.¹⁰⁸ On a purely structural basis, therefore, the sector demonstrates compliance with this requirement. However, the substantive effectiveness of these committees is constrained by several gaps left unaddressed by the regulatory framework. Firstly, the 2016 Directives do not prescribe a minimum meeting frequency for Risk Management Committees, leaving institutions free to determine how often the committee convenes. There is no mechanism to ensure that risk oversight occurs with the regularity that a bank's risk profile may demand, particularly during periods of heightened exposure. Secondly, section 34(2)(a) of the BFSA requires only that directors generally be 'fit and proper' persons of integrity and professional expertise and does not establish minimum competency thresholds specific to risk oversight, nor does it require that members of the Risk Management Committee possess demonstrated expertise in credit, market, operational, or liquidity risk.¹⁰⁹

Empirical evidence from Bwato et al. confirms that regulatory non-compliance and weak governance oversight are significant predictors of corporate failure among LuSE-listed financial institutions, as illustrated by the collapse of Investrust Bank Plc in 2024.¹¹⁰ Their findings show that financial institutions subjected to timely regulatory oversight exhibited improved compliance and stabilisation, while delayed action was associated with worsened financial distress and eventual failure.¹¹¹ This demonstrates that a framework such as Directive 9.1(ii), which mandates

¹⁰⁷V Bwato, N Kamanga and R Yohane, 'Corporate Failure, Financial Performance, and Regulatory Oversight: Empirical Evidence from Financial Institutions Listed on the Lusaka Securities Exchange' (2026) 7(1) African Journal of Commercial Studies 92, 94-96.

¹⁰⁸2016 Directives (n 1), Directive 9.1(ii).

¹⁰⁹BFSA (n 1), s 34(2)(a).

¹¹⁰Bwato, N Kamanga and R Yohane, 'Corporate Failure, Financial Performance, and Regulatory Oversight: Empirical Evidence from Financial Institutions listed on the Lusaka Securities Exchange' (2026) 7(1) African Journal of Commercial Studies 92, 93.

¹¹¹ibid 96.

the existence of an oversight committee without prescribing the regularity of its engagement, offers no guarantee that risk escalation will be timely enough to forestall institutional distress.

To further strengthen the concern regarding the non-prescription of the qualifications and experience of the members of the risk committee in the 2016 Directives, the Financial Stability Board's post-crisis review identified the prevalence of bank boards (and, by extension, board risk committees) comprising directors who lacked the expertise to understand, challenge, and oversee complex financial instruments and risk exposures as one of the governance failures contributing to institutional collapse during the 2008 financial crisis, a finding subsequently codified by the Basel Committee as an explicit board competency requirement.¹¹² Whilst Zambian banks operate at a lower level of product complexity than the institutions at the centre of that crisis, the underlying structural concern remains directly applicable. This is because a Risk Management Committee's oversight function is only as robust as the frequency of its meetings and the technical competence its members bring to the role.

Given that the 2016 Directives address neither meeting frequency nor risk-specific competency, the framework leaves precisely the dimensions that the Basel Committee and Bwato identified as decisive to risk governance failure unregulated, meaning that formal compliance with Directive 9.1(ii) provides limited assurance as to the substantive quality of risk oversight in practice. The combined effect of these two gaps is that a Risk Management Committee may satisfy Directive 9.1(ii) on paper while meeting infrequently and comprising directors without the specialised knowledge necessary to interrogate management's risk assumptions. This is corroborated by Boadi, Isshaq and Idun, whose dynamic panel study of 83 Sub-Saharan African banks found that risk governance structures alone bore a significant negative association with performance, generating a positive effect only once interacted with a board expertise index spanning financial, legal and industry experience, as risk governance structures yield performance benefits only where boards possess the requisite technical expertise to operate them.¹¹³

3.5. Remuneration Practices: Alignment Between Requirements and Implementation

¹¹²FSB Thematic Review on Risk Governance (n 21); Basel Committee on Banking Supervision (n 21) Principle 2, 13.

¹¹³ Lawrence Asare Boadi, Zangina Isshaq and Anthony Adu-Asare Idun, 'Board Expertise and the Relationship between Bank Risk Governance and Performance' [2023] 10 Cogent Business & Management 2283233, 9-11.

Directive 18.0 of the 2016 Directives, anchored in Principle XIV, mandates that every bank and financial institution maintain a clear compensation policy aligned with prudent risk-taking, disclose it in the annual report, and ensure that the design of the compensation system works in harmony with risk management practices to curtail risky behaviour.¹¹⁴ The Basel Committee's Principle 11 reflects the wider post-crisis recognition, also embodied in the Financial Stability Board's compensation principles, that misaligned remuneration structures were a significant driver of excessive risk-taking, making remuneration governance one of the most important dimensions of the alignment question.¹¹⁵ Directive 18.2 requires every institution to appoint a Nominations and Remunerations Committee, constituted of non-executive and independent non-executive directors, and Directive 18.5 requires that staff engaged in financial and risk control functions be compensated independently of the risk areas they oversee.¹¹⁶ These provisions accord closely with the Financial Stability Board's Principles for Sound Compensation Practices, which identify risk adjustment, deferral, and independence of risk control compensation as foundational components of governance-aligned remuneration.¹¹⁷

Directives 18.6 and 18.7 further require that compensation be adjusted for all risks taken on the institution's behalf, incorporating both prospective and realised risk outcomes, and that variable pay not be finalised over short periods when the underlying risks materialise over longer periods.¹¹⁸ The challenge with this regulatory framework relating to remuneration is that the 2016 Directives require disclosure of the broad framework of remuneration policy but do not mandate granular disclosure of individual remuneration outcomes or the calibration of performance metrics that would allow external stakeholders to assess substantive alignment with risk-adjusted, long-term objectives.¹¹⁹

¹¹⁴2016 Directives (n 1), Directive 18.0 (Remuneration); Principle XIV.

¹¹⁵Basel Committee on Banking Supervision (n 21) Principle 11, 34-35; Financial Stability Board, Principles for Sound Compensation Practices (FSB 2009).

¹¹⁶2016 Directives (n 1), Directives 18.2 and 18.5.

¹¹⁷Financial Stability Board (n 36) Principles 4-7.

¹¹⁸2016 Directives (n 1), Directives 18.6 and 18.7.

¹¹⁹ 2016 Directives (n 45) Directive 18.0.

The disclosure provisions in the 2016 Directives reveal an even greater gap when contrasted against the King IV standard on remuneration disclosure requirements. Van Zyl and Mans-Kemp's study found that the three-part remuneration report and single total remuneration figure introduced by King IV had been widely embraced by institutional investors, remuneration committee members and executives as the emerging benchmark for decision-useful pay disclosure in South Africa.¹²⁰ Although that study cautions that South African stakeholders find the single-figure methodology difficult to apply consistently, this tripartite architecture has become the de facto benchmark for governance convergence in SADC financial services, whereas Zambia's 2016 Directives require only a broad compensation policy under Directive 18.0 and lack any structured remuneration report or single pay figure. The absence of granular disclosure is, on this comparison, not merely a shortfall relative to best practice, but a divergence from a model already operative within the same regional bloc.

3.6. Enforcement Architecture and the Role of the Bank of Zambia

Any assessment of the alignment between actual governance practices and regulatory requirements must engage with the enforcement architecture within which those requirements operate. The supervisory role of the Bank of Zambia is established under the BFSa, which confers broad powers of inspection, direction, and sanction over the governance of regulated institutions.¹²¹ The Basel Committee's Principle 13 reinforces this by affirming that supervisors should have the mandate and capacity to promote strong governance practices, including the authority to require corrective action where governance deficiencies are identified.¹²² Measured against these benchmarks, the Bank of Zambia's enforcement architecture warrants careful examination.

3.6.1. The Scope of Supervisory Powers and Their Limitations

Sections 59 and 64 of the BFSa vest the Bank of Zambia with the authority to conduct on-site examinations, issue binding directives, impose administrative penalties, and ultimately place a non-compliant institution under curatorship or revoke its licence. These are broad powers on their face, and they broadly mirror the supervisory toolkit recommended by the Basel Committee. However, formal legal authority and its effective exercise are distinct matters. De Haan and Vlahu

¹²⁰M van Zyl and N Mans-Kemp, 'A Multi-Stakeholder View on Director Remuneration Guidance in South Africa' (2022) 36(3) South African Journal of Accounting Research 195, 198-199.

¹²¹BFSa (n 1), ss 59 and 64.

¹²²Basel Committee on Banking Supervision (n 21) Principle 13, 38-39

observe that in many emerging-market jurisdictions, the formal supervisory powers available to banking regulators are not matched by the institutional capacity, technical expertise, and operational independence required to deploy them consistently and effectively.¹²³

De Haan and Vlahu's observation carries particular weight for the listed banks in this study, which are subject to dual oversight by the Bank of Zambia under the BFSA and the Securities and Exchange Commission under the Securities Act 2016 (as amended in 2022). Section 165 obliges the Commission to consult and co-operate with any other regulatory authority exercising power over a financial institution and permits it to conclude a memorandum of understanding for that purpose.¹²⁴ This architecture is enabling rather than self-executing, and it is also structurally asymmetric. Cooperation depends entirely on the Commission's discretion to invoke section 165. That discretion is exercised by a regulator that is not itself operationally independent. Mulenga observes that the Commission falls under the financial control of the Ministry responsible for Finance, which appropriates the funds for its operations, and that this funding arrangement leaves the Commission susceptible to ministerial and political influence.¹²⁵

The BFSA, for its part, imposes no reciprocal duty on the Bank of Zambia to cooperate with the Commission, and its own cross-border supervision provisions extend reciprocal information-sharing only to foreign supervisory authorities, not to Zambia's domestic securities regulator.¹²⁶ A further asymmetry is evident in the way the Securities Act generally treats external intervention. Mulenga notes that where the Act does provide for intervention from outside the Commission, that intervention is routed through the Minister responsible for Finance rather than through the prudential regulator. The clearest example is the Minister's power to direct a securities exchange to suspend its business for a specified period.¹²⁷ The result is a statutory bridge between prudential and market regulation that exists on paper but, in practice, depends on the discretion of a regulator whose own independence is itself constrained.

¹²³ J de Haan and R Vlahu, 'Corporate Governance of Banks: A Survey' (2016) 30(2) *Journal of Economic Surveys* 228, 248-250.

¹²⁴ Securities Act 2016, s 165(1), (5); see also s 9(2)(t).

¹²⁵ C Mulenga "Securities Markets and Their Regulation in Zambia: A New Dawn or a Rebranding of the Old Norms?" 2024 *PER/PELJ* 27, 6.

¹²⁶ Banking and Financial Services Act 2017, s 62(2)

¹²⁷ Securities Act 2016, s 64(1)–(2); see Mulenga 2024 *PER/PELJ* 27, 6.

The 2009 Finance Bank curatorship also illustrates the limitations of the Bank of Zambia as the regulator. Mwanawasa established that the Bank of Zambia's intervention simultaneously demonstrated the necessity and the practical limitations of its regulatory backstop function: a material breach of shareholding requirements went undetected through ordinary supervisory channels until external scrutiny compelled a response.¹²⁸ This episode is instructive not merely as a historical occurrence but as a diagnostic indicator of a supervisory architecture that is reactive rather than proactive, a characterisation this writer considers consistent with the broader pattern of Zambia's governance enforcement landscape that Mwanawasa documents.¹²⁹ In addition, the recent failure of Investrust Bank Plc renders credence to this position. As Nakpodia and colleagues observe more generally, the efficacy of banking governance regulation in Sub-Saharan Africa is shaped as much by the institutional capacity and enforcement culture of the regulator as by the formal content of its rules.¹³⁰

This characterisation of the Bank of Zambia's posture as reactive rather than proactive can be tested against the BFSA's own corrective action provisions. Sections 64 to 67 set out a tiered structure resembling a Prompt Corrective Action ladder, with escalating categories of under-capitalisation and prescribed remedial steps including capital restoration plans, restrictions on bonuses, and licence variation or cancellation.¹³¹ What this structure lacks, however, is the defining feature of a true PCA regime, namely an objective, quantitative trigger that automatically activates the ladder. Section 64 confers the underlying supervisory action where the Bank of Zambia "shall take supervisory action" on the occurrence of stipulated conditions, yet section 66(5) defines under-capitalisation only by reference to a financial service provider that "does not comply fully with any prescribed capital adequacy requirements", and section 67(2) leaves the threshold for significant under-capitalisation to be "prescribed" by the Bank rather than fixed in the statute itself.¹³²

¹²⁸ Mwanawasa (n 97) 28.

¹²⁹ Mwanawasa (n 18) 27-28.

¹³⁰ Nakpodia and others (n 2) 402.

¹³¹ BFSA (n 1), ss 64-67

¹³² See footnote 28.

The Banking and Financial Services (Capital Adequacy) Rules, 2025 appear to cure the above concern regarding capital adequacy and prescribe the required content, setting minimum primary capital at eight per cent of risk-weighted assets and minimum common equity tier one at six per cent, with a capital conservation buffer of three per cent of risk-weighted assets layered above the latter.¹³³ Yet the 2025 Rules fix only the ratios themselves; they do not convert sections 64 to 67 into an automatic ladder, since the determination of significant under-capitalisation for section 67(2) remains a matter the Bank must separately make rather than a self-triggering threshold, and the intervention menu within each tier is similarly permissive, empowering rather than requiring the Bank to act once the relevant category is reached.¹³⁴ This stands in contrast to the mandatory, capital-based PCA ladder under the United States Federal Deposit Insurance Corporation Improvement Act 1991, where crossing a defined capital category compels specified action without further judgment. The BFSAs tiers are, on this analysis, discretionary categories borrowing the language of graduated intervention without a PCA framework's disciplining automaticity, and the Finance Bank and Investrust episodes above illustrate that discretionary architecture in operation.

This enforcement gap also recurs across Zambia's broader financial regulatory architecture. Mulenga's assessment of the Securities Act 2016 as amended by Act 21 of 2022 identifies an analogous weakness administered by the Securities and Exchange Commission. Where the Commission takes possession of a capital markets operator and appoints a manager, neither the Act nor its subsidiary instruments delineate that manager's duties, role, or relationship to the board and shareholders under supervision.¹³⁵ This parallel provides direct, empirically grounded support for the argument advanced here, that, across Zambia's financial sector regulators, supervisory action regimes confer broad intervention powers without a corresponding architecture of accountability, leaving the relationship between appointed overseers and the supervised institution's governance organs undefined at the point of greatest institutional stress.

¹³³BFSAs (n 1), s 64(1); s 67(2); Banking and Financial Services (Capital Adequacy) Rules, 2025, Statutory Instrument No 62 of 2025 (Capital Adequacy Rules 2025), rr 4, 6(1) and 8(1).

¹³⁴ Federal Deposit Insurance Corporation Improvement Act 1991, 12 USC s1831o.

¹³⁵C Mulenga, 'Securities Markets and Their Regulation in Zambia: A New Dawn or a Rebranding of the Old Norms?' (2024) 27 Potchefstroom Electronic Law Journal 1, 9 ('Mulenga 2024'), discussing s 19B(2)(b) of the Securities Act 2016 as amended.

A parallel gap is evident in the BFSA's own framework governing the Bank's power to take possession of a financial service provider. Section 64(2)(e) permits this as a supervisory action, and section 71 vests the Bank with full and exclusive powers of management and control, including power to dissolve the board, terminate or retain senior officers, and act in the institution's name. Section 64(3)(e) separately empowers the Bank to appoint a person to manage the institution's affairs as long as necessary to rectify the problem, without specifying that appointee's qualifications, duties, accountability, or relationship to the board or shareholders during management. Beyond the institution's limited right to apply to the Court for termination of possession under section 75, the BFSA is similarly silent on the Bank's own accountability once it has assumed possession, mirroring the deficiency Mulenga identifies in the securities context, where sweeping displacement powers are given without a framework specifying how they are exercised, by whom, and to what standard, leaving institutions most exposed at precisely the moment the backstop is invoked.

More recent supervisory communications confirm that these concerns persist. The Bank of Zambia's 2024 Financial System Supervision Annual Report notes that on-site examinations of three commercial banks, conducted jointly with the Financial Intelligence Centre, revealed inadequacies in board and senior management oversight of money-laundering and terrorist-financing risks, necessitating the issuance of corrective directives.¹³⁶ That board-level oversight failures of this nature were detected only through joint examination, and required corrective direction from the regulator rather than proactive remediation by the boards themselves, corroborates the wider finding of this chapter: the formal governance architecture prescribed by the BFSA and the 2016 Directives has not yet fully generated the culture of substantive board accountability that those instruments were designed to instill.

3.6.2. Board Evaluation as an Enforcement Gap

The enforcement challenges identified above are compounded by a structural gap in the framework for holding boards themselves accountable. Although Principle VII of the 2016 Directives and Directives 11.1 to 11.12 establish a framework for the annual evaluation of board composition,

¹³⁶Bank of Zambia (n 4) 23.

independence, and performance, this evaluation mechanism remains primarily structural in character.¹³⁷ The Directives require boards to assess diversity of technical skills and compliance with compositional requirements, but stop short of mandating an evaluation of whether the board is actually performing its oversight function effectively or generating the governance outcomes that the framework is designed to achieve. This limitation matters for enforcement, as a regulator that relies on structural checklists rather than outcomes-based indicators of board performance cannot reliably distinguish a board that is formally compliant from one that is genuinely effective. Agha and Ashogbon's research in Nigerian and South African contexts reinforces this point, finding that formal governance attributes do not reliably predict the quality of substantive oversight and that regulators and market actors must look beyond formal compliance to assess board competencies and the substance of oversight.¹³⁸

The King IV addresses this gap directly by advocating regular and rigorous assessments of board, committee, and individual director performance, evaluated against governance outcomes rather than procedural compliance alone, offering a model for governance accountability that the Zambian framework has not yet adopted.¹³⁹ Scholtz, Jachi and Nel's (2025) analysis of Johannesburg Stock Exchange-listed firms found that the transition from King III to King IV produced a measurable improvement in the link between governance oversight mechanisms and firm performance, strengthening rather than merely formalising the relationship between board-sanctioned remuneration governance and both accounting-based and market-based performance outcomes.¹⁴⁰ This proof-of-concept lends empirical weight to the recommendation that Zambia's banking governance framework would benefit from outcomes-based mechanisms of the kind prescribed by King IV, rather than relying solely on the structural and procedural checklists that presently characterise the 2016 Directives.

3.7. Conclusion

¹³⁷2016 Directives (n 1), Principle VII; Directives 11.1-11.12 (board evaluation framework).

¹³⁸E Agha and FO Ashogbon, 'Board Governance and Firm Value in Emerging Markets' (2025) 22(2) Corporate Ownership & Control 94, 106

¹³⁹Institute of Directors in Southern Africa (IoDSA), King IV Report on Corporate Governance for South Africa (IoDSA 2016) 73.

¹⁴⁰HE Scholtz, M Jachi and GF Nel, 'Executive Directors' Remuneration in South Africa: An Examination of the Effectiveness of Corporate Governance Reforms' (2026) 52(2) Managerial Finance 227, 238-240.

In direct answer to the second research question, the analysis in this chapter demonstrates that whilst Zambian banks broadly comply with the formal structural requirements established by the BFSA and the 2016 Directives in respect of board composition, committee establishment, and decision-making process documentation, the substantive alignment between actual governance practices and the requirements of the regulatory framework is materially incomplete in several significant dimensions. Board independence requirements are formally observed under section 35 of the BFSA and Directive 8.1 of the 2016 Directives but substantively undermined by the relational dynamics of Zambia's small and interconnected business community. As Adegbite has demonstrated in analogous emerging-market contexts, formal independence criteria are routinely satisfied by individuals whose substantive independence is compromised by contextual relationships that do not manifest in formal disclosures, and the analysis in this chapter confirms that this pattern is replicated in the Zambian banking sector. Chanda, Burton, and Dunne's study of corporate governance perceptions in Zambia further found that boards frequently met structural requirements whilst operating in ways that reflected the interests of dominant shareholders rather than the independent judgment the regulatory framework is designed to secure, indicating a persistent disjunction between formal compositional compliance and substantive board independence.¹⁴¹ This local empirical baseline is corroborated by evidence from Zambia's cement manufacturing sector, where Tenasi and Mpundu found that genuine board oversight depends on mandatory disclosure of directors' personal and financial relationships, a requirement absent from the formal independence criteria applicable to the Zambian directorate network.¹⁴²

In addition, decision-making structures nominally comply with regulatory requirements, but Chanda, Burton, and Dunne's research establishes that in the Zambian governance context, formal board processes have frequently served to legitimate predetermined outcomes reflecting the preferences of dominant or politically connected shareholders rather than as genuine forums for independent deliberation and this structural vulnerability is not addressed by the BFSA or the 2016 Directives.¹⁴³ Remuneration practices have been formalised through the establishment of committees and policy statements under Directive 18.0, but the framework lacks the granular

¹⁴¹BFSA (n 1), s 35; 2016 Directives (n 1), Directive 8.1; Adegbite (n 14) 325–327; Chanda, Burton and Dunne (n 6) 1266, 1277–1278.

¹⁴²Tenasi and Mpundu (n 8) 63.

¹⁴³Chanda, Burton and Dunne (n 6) 1271–1272, 1277–1278

individual disclosure and robust risk-adjustment mechanisms that the Financial Stability Board's Principles for Sound Compensation Practices identify as foundational, and which are necessary for external stakeholders to assess substantive alignment with risk-adjusted, long-term objectives.¹⁴⁴ The Chapter also established that the vulnerability was not confined to board-level deliberation, as Mulenga's analysis of the Securities Act 2016 as amended shows that, where the Securities and Exchange Commission takes possession of a capital markets operator and appoints a manager, neither the Act nor its subsidiary instruments delineate that manager's duties or relationship to the board, leaving listed banks exposed to the same accountability gap when supervisory intervention is invoked.¹⁴⁵

These findings illustrate the central insight of institutional theory as applied to emerging market governance: formal regulatory compliance and substantive governance effectiveness are distinct outcomes that formal regulatory requirements alone cannot guarantee. As Hopt observes, the real challenge in banking governance is not the enactment of appropriate rules but the creation of the institutional conditions under which boards exercise genuine independent judgment over management.¹⁴⁶ As Nakpodia and colleagues further observe, making corporate governance work in Sub-Saharan Africa requires not merely the enactment of appropriate rules, but the development of the institutional capacity, enforcement culture, and governance consciousness that translate formal requirements into genuine governance practice.¹⁴⁷

¹⁴⁴Financial Stability Board (n 36) Principles 4-7; 2016 Directives (n 1), Directive 18.0; Adegbite (n 14) 323-324.

¹⁴⁵Mulenga 2024 (n 46) 9, discussing s 19B(2)(b) of the Securities Act 2016 as amended.

¹⁴⁶Hopt (n 5) 18-19.

¹⁴⁷Nakpodia and others (n 2) 403-404.

CHAPTER FOUR

PRINCIPAL DIVERGENCES BETWEEN ZAMBIA'S BANKING CORPORATE GOVERNANCE FRAMEWORK AND THE KING IV PRINCIPLES

4.1. Introduction

The analysis of the regulatory framework for corporate governance, undertaken in the preceding chapters, concluded that whilst a broadly foundational governance architecture exists, significant deficiencies still persist in Zambia's banking sector. That analysis directly informs this chapter, which addresses the third research question, namely, what are the principal divergences between Zambia's banking corporate governance framework and the King IV Report on Corporate Governance for South Africa (King IV)¹⁴⁸ principles across four areas, including ethical leadership, risk governance, stakeholder engagement, and reporting practices. The relevant provisions of the Banking and Financial Services Act No 7 of 2017 (BFSA),¹⁴⁹ the Bank of Zambia Corporate Governance Directives of 2016 (2016 Directives),¹⁵⁰ and complementary legislation, including the Banking and Financial Services (Green Loans) Guidelines, 2023 (Green Loans Guidelines), are measured against the corresponding King IV principles. The chapter also analyses the National Corporate Governance Code (NCGC), enacted in 2025, as a third primary instrument of Zambia's governance framework. Although the NCGC is of general application, it expressly applies to banks and financial institutions, making it directly relevant to this analysis. As Zambia's first comprehensive national code adopting an outcomes-based "apply and explain" philosophy and expressly drawing on King IV, the NCGC is directly responsive to the governance philosophy gap this chapter identifies, and its provisions are analysed against King IV across all four thematic areas.

4.2. Ethical Leadership and Organisational Ethics

4.2.1. King IV's Approach to Ethical Leadership

Ethical leadership occupies the foundational position in the King IV framework. Principle 1 requires the board to lead ethically and effectively, mandating that members collectively cultivate

¹⁴⁸Institute of Directors in South Africa, *King IV Report on Corporate Governance for South Africa 2016* (IoDSA 2016) (King IV) Principle 1, 43.

¹⁴⁹Banking and Financial Services Act, No 7 of 2017 (Zambia) (BFSA).

¹⁵⁰Bank of Zambia Corporate Governance Directives, Gazette Notice No 237 of 2016 (BOZ Directives).

integrity, competence, responsibility, accountability, fairness, and transparency.¹⁵¹ Principle 2 extends this demand beyond personal conduct, requiring the board to govern the organisation's ethics in a manner that supports an ethical culture through an approved code of conduct, whistle-blowing mechanisms, and ongoing oversight of ethical performance.¹⁵² Additionally, recommended practice 9(c) specifically requires the board to oversee disclosure mechanisms for detecting and addressing breaches of ethical standards.¹⁵³ Accordingly, King IV treats ethics not as a compliance checklist but as an ongoing governance responsibility permeating every dimension of board conduct and organisational culture.

4.2.2. Zambia's Framework: A Compliance-Centred Approach

Zambia's governance framework approaches ethics through the lens of legal qualification, conduct regulation, and institutional obligation. The Companies Act codifies directors' duties, including the obligation to act in good faith, in the best interests of the company, and with due care, skill, and diligence.¹⁵⁴ Directive 6.12 of the 2016 Directives requires that persons eligible for appointment to a bank's board exhibit leadership, integrity, and judgement.¹⁵⁵ More substantively, Principle XIX and the directives thereunder impose a board-level obligation to actively cultivate a culture that promotes and embraces ethical conduct. The board is required to take the lead in establishing the tone at the top by setting and adhering to corporate values for itself and all employees, and promoting risk awareness in the organisation.¹⁵⁶ The board is also required to ensure the development of a code of ethics that sets out explicit expectations for ethical decision-making and personal behaviour for all board members and employees.¹⁵⁷

Notwithstanding these provisions, the divergence from King IV is not a matter of degree but of governance philosophy. The first and most fundamental divergence concerns the quality of the ethical governance obligation itself. King IV requires the board to approve ethics policies, oversee the management of ethics on an ongoing basis, and commission periodic independent assessments

¹⁵¹King IV (n 1) Principle 1, 43.

¹⁵²*ibid* Principle 2, 44.

¹⁵³*ibid* Principle 2, recommended practice 9(c), 45.

¹⁵⁴Companies Act, No 10 of 2017 (Zambia), ss 86, 106.

¹⁵⁵BOZ Directives (n 3) Directive 6.12.

¹⁵⁶BOZ Directives (n 3) Directives 23.1, 23.1.2, 23.1.3, 23.1.4.

¹⁵⁷BOZ Directives (n 3) Directives 23.4, 23.5, 23.6.1, 23.6.3.

to gauge the organisation's ethical climate.¹⁵⁸ Further, the board is required to report, in narrative form, on how it has governed ethics as a board-owned outcome. In contrast, the 2016 Directives impose no equivalent requirement for independent ethics assessment, and their disclosure obligation is correspondingly narrower, confined to regulatory reporting to the Bank of Zambia rather than to public, outcome-based narrative accountability.¹⁵⁹ The BFSA reinforces this pattern, as its Part IV addresses the qualifications, composition, and conduct of individual directors rather than the institutional governance of ethics as a collective board responsibility.¹⁶⁰

The NCGC, enacted in 2025, represents a deliberate effort to close this gap in governance philosophy. Section 3.2 of the NCGC requires the board to cultivate and promote an ethical corporate culture, govern the organisation's ethics to support the establishment of an ethical culture, and set the tone for ethical leadership.¹⁶¹ These provisions closely mirror King IV Principle 2 in language and intent. The resemblance in content, however, conceals a material divergence in governance architecture, in that the NCGC imposes no requirement for independent ethics assessments and prescribes no narrative disclosure obligation of the kind that compels boards under King IV to account publicly for how ethical culture has been actively governed as an institutional outcome. Its operative effect in the banking sector is, moreover, contingent on the enactment of a sector-specific code as required under Chapter Five of the NCGC. Until that sector-specific code is enacted, the NCGC carries no supervisory enforcement equivalent to the Bank of Zambia's powers under the BFSA. The 2016 Directives, therefore, remain the operative banking governance instrument, and their orientation toward establishing formal ethical instruments rather than sustaining a board-owned culture of ethics as a primary institutional outcome persists.

A second divergence concerns whistleblowing and protected disclosure. King IV Principle 2, recommended practice 9(c), specifically requires the board to oversee whistle-blowing mechanisms as part of its ethics governance mandate.¹⁶² The 2016 Directives require the board to develop policies that encourage employees to freely communicate concerns about illegal,

¹⁵⁸King IV (n 1) Principle 2, recommended practices 4–10, 44–45.

¹⁵⁹BOZ Directives (n 3) Directives 23.6.3, 23.7; King IV (n 1) Principle 2, recommended practice 10, 45.

¹⁶⁰BFSA (n 2) ss 34, 35, 37, 38.

¹⁶¹Ministry of Justice, *National Corporate Governance Code* (Ministry of Justice, August 2025) (NCGC) s 3.2; cf s 3.1.

¹⁶²King IV (n 1) Principle 2, recommended practice 9(c), 45; recommended practice 10, 45.

unethical, or questionable practices, including through an anonymous reporting option.¹⁶³ Section 4.7 of the NCGC similarly requires organisations to establish a Whistleblower Policy that encourages the reporting of misconduct, guarantees confidentiality, and protects whistleblowers from retaliation.¹⁶⁴

Across all three instruments, however, the divergence from King IV is architectural rather than substantive. The 2016 Directives and the NCGC both frame whistleblowing as a policy instrument to be established and implemented, with the board's role confined to overseeing the policy's existence rather than its ongoing operation. King IV, by contrast, goes further and assigns the board two distinct and cumulative obligations under Principle 2. Recommended practice 9(c) requires the board to oversee the use of protected disclosure mechanisms to detect breaches of ethical standards and to deal appropriately with such disclosures, placing active and continuous oversight of the mechanism's operation, not merely its establishment, at the board level. Recommended practice 10 further requires the board to ensure that management reports to it on an ongoing basis on the organisation's ethical climate and the management of ethics, so that protected disclosure channels form part of a continuous board-level feedback loop on institutional ethical conduct.¹⁶⁵ Neither the 2016 Directives nor the NCGC contains any equivalent obligation. That distinction is fundamental, in that it is the difference between a board that governs the institution's ethical environment and one that merely satisfies a regulatory requirement to have a document in place.

A third divergence concerns the locus of ethical responsibility and the underlying governance philosophy. The 2016 Directives, notwithstanding the substantive obligations described above, are drafted in regulatory language and structured around minimum compliance requirements. Directive 7.2.2 requires the board to establish and oversee the embedment of corporate culture and values, and Directive 7.2.5 requires oversight of a governance framework that includes a code of conduct. Yet these obligations are embedded within a broader framework primarily oriented toward prudential performance and financial stability, with ethics positioned as one component of a compliance architecture rather than as an autonomous governance outcome for which the board bears direct accountability. The critical distinction is therefore not between frameworks that have

¹⁶³BOZ Directives (n 3) Directive 23.3.

¹⁶⁴NCGC (n 14) s 4.7.

¹⁶⁵King IV (n 1) Principle 2, recommended practice 10, 45.

ethics provisions and those that do not, but between a framework in which ethical requirements are externally imposed regulatory mandates subject to BOZ enforcement, and one in which the board is required to own the ethical environment, demonstrate through narrative disclosure how it has governed that environment, and be held accountable for the outcomes it produces.

The NCGC advances toward the latter model by adopting an “apply and explain” philosophy and requiring boards to treat ethical culture as a governance outcome. King IV, by contrast, makes ethical culture one of four foundational governance outcomes for which the board is unconditionally responsible, with accountability demonstrated through mandatory narrative disclosure. The practical consequences of this gap in governance philosophy are not merely theoretical. Bwato, Kamanga and Yohane, examining corporate failure among financial institutions listed on the Lusaka Securities Exchange, found that Investrust Bank Plc, which collapsed and was taken over by the Bank of Zambia in April 2024, had persistently failed to embed an ethical governance culture despite the formal existence of regulatory obligations. The qualitative evidence from that study indicates that a hierarchical organisational culture at Investrust constrained effective risk escalation and ethical reporting.¹⁶⁶ That case illustrates precisely the gap that this chapter identifies. A framework that requires boards to establish ethical instruments without requiring them to own and be accountable for the ethical environment those instruments are meant to sustain is structurally insufficient to prevent the kind of conduct failures that Investrust’s collapse revealed.

4.3. Risk Governance Responsibilities

4.3.1. The King IV Risk Governance Model

King IV articulates a comprehensive and integrated approach to risk governance under Principle 11, which requires the board to govern risk in a way that supports the organisation in setting and achieving its strategic objectives.¹⁶⁷ The board is required to treat risk governance as an integral dimension of all board decision-making, not as a delegated function. Under recommended practice 4, the board must define the organisation's risk appetite, that is, its propensity to take appropriate

¹⁶⁶Vincent Bwato, Norman Kamanga and Romeo Yohane, ‘Corporate Failure, Financial Performance, and Regulatory Oversight: Empirical Evidence from Financial Institutions listed on the Lusaka Securities Exchange’ (2026) 7(1) African Journal of Commercial Studies 92, 95.

¹⁶⁷King IV (n 1) Principle 11, 61.

levels of risk and the limit of the potential loss the organisation can tolerate. Recommended practice 6(f) further requires the board to oversee the integration and embedding of risk management within the organisation's business activities and culture.¹⁶⁸ The framework also requires, under recommended practice 7, periodic independent assurance on the effectiveness of risk management,¹⁶⁹ and mandates disclosure of the nature and extent of risks the organisation is willing to assume.

4.3.2. *The Zambian Position on Risk Governance*

Zambia's approach to risk governance is primarily grounded in prudential regulation rather than in a board-level governance philosophy. The 2016 Directives require banks to establish an independent risk management function with an enterprise-wide mandate to identify, assess, monitor and control material individual, aggregate and emerging risks.¹⁷⁰ Risk identification and measurement must encompass both on- and off-balance-sheet exposures, with stress tests and scenario analyses utilised in risk assessments. The BFSA separately empowers the Bank of Zambia to prescribe minimum capital adequacy requirements, examine financial service providers, and impose supervisory actions where unsafe practices are identified. These are important prudential instruments, but they are regulator-facing in character.

A key divergence lies in the treatment of risk culture, as King IV requires the board to oversee the integration and embedding of risk management in the organisation's business activities and culture, expressly addressing risks and opportunities arising from the triple context of the economy, society, and the natural environment.¹⁷¹ The 2016 Directives, while establishing a structural risk management architecture, impose no risk-culture mandate of the kind contemplated by King IV.

Risk committee composition presents a further structural divergence in that, although the 2016 Directives require the establishment of a Board Risk Management Committee, they do not prescribe that its membership be composed predominantly of non-executive directors.¹⁷² This

¹⁶⁸King IV (n 1) Principle 11, recommended practice 6(f), 61.

¹⁶⁹King IV (n 1) Principle 11, recommended practice 7, 61.

¹⁷⁰BOZ Directives (n 3) paras 14.0, 15.0, 15.11; BFSA (n 2) ss 52–54, 59, 63–64.

¹⁷¹King IV (n 1) Principle 11, recommended practice 6(a), 61.

¹⁷²BOZ Directives (n 3) para 9.1(ii); cf para 8.1.

omission creates a structural vulnerability, as a committee entrusted with enterprise-wide risk oversight may be constituted without the independence the Directives themselves recognise as essential. Tenasi and Mpundu found that board independence had a statistically significant positive effect on company performance,¹⁷³ while Kabwe found a negative but insignificant relationship between board independence and financial reporting quality among LuSE-listed companies.¹⁷⁴ This ambiguity is explicable by the constrained pool of genuinely independent directors in Zambia, and reinforces the analytical point that mandating formal composition requirements, without addressing the institutional conditions that determine whether independence is substantive, produces structural form without the governance substance that King IV's outcomes-based philosophy demands. Boadi, Isshaq, and Idun's analysis of 83 banks across five African jurisdictions confirmed that the critical moderating variable is board expertise: where risk committees were composed of industry experts, the relationship between risk governance and bank performance became positive.¹⁷⁵ The deficiency in the 2016 Directives is accordingly substantive, extending beyond composition to the quality of oversight.

The scope of risk oversight represents a further divergence, as King IV requires the board to seek periodic independent assurance on the effectiveness of risk management across the full risk spectrum, including environmental and social dimensions, under recommended practice 7.¹⁷⁶ Zambia's framework focuses narrowly on financial, credit, and operational risks, lacking any mandatory requirement for independent assurance of risk management effectiveness. The Banking and Financial Services (Green Loans) Guidelines, 2023, promulgated under section 167 of the BFSa, represent a partial regulatory response, expressly requiring boards to approve green loan strategies, monitor environmental risk, and disclose green loan activities.¹⁷⁷ These obligations introduce environmental and social risk management into the banking governance framework for

¹⁷³Lyness Chipili Tenasi and Mubanga Mpundu, 'Corporate Governance in the Cement Manufacturing Industry of Zambia' (2023) 12(2) *International Journal of Research in Business and Social Science* 54, 62.

¹⁷⁴Kabwe (n 50) 187–188.

¹⁷⁵Lawrence Asare Boadi, Zangina Isshaq and Anthony Adu-Asare Idun, 'Board Expertise and the Relationship between Bank Risk Governance and Performance' (2023) 10 *Cogent Business and Management* 2283233, 11-12.

¹⁷⁶King IV (n 1) Principle 11, recommended practice 7, 61.

¹⁷⁷Banking and Financial Services (Green Loans) Guidelines, 2023, Gazette Notice No 1349 of 2023 (Green Loans Guidelines) paras 6(1), 6(2), 7(5), 12(3).

the first time, yet remain confined to green-loan-specific activities and impose no general board-level duty to govern environmental and social risks across the institution's full risk profile.

The NCGC partially advances the position by requiring the board to develop a risk management plan, define the organisation's risk appetite, and oversee an effective ongoing process to identify, measure, and proactively manage risks across the enterprise.¹⁷⁸ These provisions more closely approximate King IV's board-owned risk governance philosophy than the 2016 Directives, which confine the board's risk role to establishing structural mechanisms and responding to regulatory intervention. The NCGC does not, however, require independent periodic assurance on risk management effectiveness, mandate a risk-culture programme, or extend the risk oversight mandate to the full triple context of economy, society, and environment. Its operative effect in the banking sector is, moreover, contingent on the enactment of the sector-specific code designated under Chapter Five, which had not yet occurred at the time of this study.

4.4. Stakeholder Engagement

4.4.1. King IV's Stakeholder-Inclusive Mandate

Stakeholder engagement is one of the most philosophically distinctive features of the King IV framework. Principle 16 requires the board to adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the organisation's best interests over time.¹⁷⁹ The recommended practices under Principle 16 require the board to assume responsibility for the governance of stakeholder relationships, to approve a stakeholder engagement policy, to oversee that material stakeholders are identified and that formal mechanisms for engagement and communication are established, and to measure the quality of material stakeholder relationships. Recommended practices 4(a) to 4(e) provide a detailed framework for these activities, requiring methodologies for identifying stakeholders, mechanisms for dispute resolution, and measurement of relationship quality.

¹⁷⁸NCGC (n 14) s 2.4(i) (Risk Management), including the requirements to develop a risk management plan, define risk appetite and tolerance limits, and maintain an effective ongoing process to identify, measure, and proactively manage risks; cf King IV (n 1) Principle 11, recommended practices 4, 6(a), 7, 61.

¹⁷⁹King IV (n 1) Principle 16, 71.

King IV expressly rejects a shareholder-centric approach, requiring the board to recognise that the interests of employees, communities, customers, suppliers, creditors, and the environment have intrinsic governance value. This stakeholder-inclusive philosophy is reinforced by Principle 3, which requires the board to ensure that the organisation is, and is seen to be, a responsible corporate citizen across the dimensions of workplace equity, community development, environmental responsibility, and consumer protection.

4.4.2. Zambia’s Framework: Limits of Regulatory Accountability in Stakeholder Governance
Zambia’s governance framework addresses stakeholder relations primarily through regulatory accountability to the Bank of Zambia and the Lusaka Securities Exchange for listed banks. The BFSA requires the board to report to shareholders at annual general meetings on internal controls and information management systems, and to notify the Bank of Zambia of material changes in the financial service provider’s activities, structure, and condition.¹⁸⁰ The enactment of the NCGC is a significant development, as it requires boards to develop a Stakeholder Management Policy that promotes mutual respect, constructive engagement, and transparent communication, and it adopts an “apply and explain” philosophy that moves Zambia’s governance framework closer to King IV’s outcomes-based model.¹⁸¹ However, its operative effect within the banking sector remains contingent on the enactment of the sector-specific code designated under Chapter Five of the NCGC, and it carries no supervisory enforcement mechanism equivalent to those available to the Bank of Zambia under the BFSA.¹⁸²

The 2016 Directives further require the board to identify all its stakeholders, to consider their legitimate interests and expectations in decision-making, and to maintain clear written policies governing stakeholder relationships. These provisions extend the stakeholder identification duty beyond what the BFSA alone requires and introduce another dimension into bank governance. However, the Directives impose no obligation to develop a proactively governed engagement strategy of the kind contemplated by King IV, to disclose how stakeholder expectations have influenced board decisions, or to measure the quality of stakeholder relationships over time.

¹⁸⁰BFSA (n 2) ss 32(2)(f), 32(2)(g); BOZ Directives (n 3) para 22.0.

¹⁸¹NCGC (n 14) s 4.10; s 1.3.

¹⁸²NCGC (n 14) s 5.1 (Sector/Industry Specific Codes); s 5.3.

The most significant divergence concerns the concept of proactive stakeholder engagement as a substantive responsibility of board governance. Depositors and creditors are protected through financial disclosure and capital adequacy requirements, while customers are protected by the BFSA's consumer protection provisions, which prohibit collusive conduct and require responsible lending assessments.¹⁸³ Community engagement, environmental responsibility, and social impact governance, which King IV expressly addresses under its corporate citizenship principle, are conspicuously absent from the BFSA and the 2016 Directives as mandatory board-level responsibilities. No provision in either instrument requires a bank's board to oversee its community development impact, environmental footprint, or contribution to broader economic transformation in any structured way. The Banking and Financial Services (Green Loans) Guidelines 2023 represent a partial regulatory response, requiring boards to approve green loan strategies and mandating disclosure of environmental and social risks within green loan portfolios.¹⁸⁴ These Guidelines represent a directional movement toward King IV's ESG governance standard, but three limitations prevent them from closing the gap. Firstly, their scope is confined to green-loan portfolios rather than the institution's full environmental and social impact. Secondly, they are compliance-based and regulator-facing rather than board-owned, and lastly, they do not require the board to disclose how environmental and social considerations have shaped institutional strategy.

Chanda, Burton, and Dunne found that Zambian governance discourse remains elite-centred, with limited genuine engagement with broader stakeholder constituencies.¹⁸⁵ That finding reinforces this study's conclusion that governance accountability under the BFSA and the 2016 Directives is directed upward, toward regulators and shareholders, rather than outward, toward the communities and economies in which banks operate. The NCGC introduces a meaningful corrective impulse that has not yet been reflected in the instruments governing banks in practice, pending the enactment of the Chapter Five banking-sector code. Nakpodia and others have argued that

¹⁸³BFSA (n 2) Part IX, ss 101–119.

¹⁸⁴Green Loans Guidelines (n 32) paras 6(1), 6(2), 7(5)

¹⁸⁵Chanda, Burton and Dunne (n 32) 1277.

effective corporate governance in sub-Saharan Africa requires multi-stakeholder co-regulation in which market, civil society, and institutional actors all play meaningful roles.¹⁸⁶

4.5. Reporting Practices and Disclosure

4.5.1. King IV's Integrated Reporting Model

Reporting and disclosure are among the most demanding dimensions of the King IV framework. Principle 5 requires the board to ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and short-, medium-, and long-term prospects.¹⁸⁷ Under recommended practice 12, the board must oversee the issuance of an integrated report at least annually, either as a standalone report or as a distinguishable part of another report, which connects the organisation's strategy, risk profile, stakeholder relationships, and value creation model across multiple capitals, including financial, manufactured, intellectual, human, social, and natural.¹⁸⁸ The “apply and explain” disclosure regime further distinguishes King IV from compliance-based reporting frameworks. Under this regime, organisations must explain, in narrative form, how their governance practices give effect to each principle,¹⁸⁹ thereby promoting substantive disclosure rather than formal compliance and enabling stakeholders to make meaningful assessments of governance quality. The board's oversight of reporting under King IV encompasses sustainability reports, social and ethics committee reports, and other stakeholder-facing disclosures, as required by recommended practices 11 to 12 under Principle 5.¹⁹⁰

4.5.2. Zambia's Disclosure Framework: No Integrated Accountability

Zambia's reporting framework for banks is grounded in financial disclosure. The BFSA requires the board to ensure that proper books of account are kept and that annual financial statements are prepared in accordance with international accounting standards, approved by the board, published in a newspaper of general circulation, and submitted to the Bank of Zambia within three months of the close of the financial year.¹⁹¹ The Securities Act of 2016 imposes additional disclosure

¹⁸⁶Franklin Nakpodia, Emmanuel Adegbite, Kenneth Amaeshi and others, ‘Neither Principles Nor Rules: Making Corporate Governance Work in Sub-Saharan Africa’ (2018) 151 *Journal of Business Ethics* 391, 402.

¹⁸⁷King IV (n 1) Principle 5, 48.

¹⁸⁸*Ibid* Principle 5, recommended practice 12, 48.

¹⁸⁹King IV (n 1) ‘Apply and Explain’, 10–11.

¹⁹⁰King IV (n 1) Principle 5, recommended practices 11–12, 48.

¹⁹¹BFSA (n 2) ss 88(1), 88(2), 88(4), 91, 92.

requirements on listed entities,¹⁹² and the LuSE Corporate Governance Code requires listed companies to include a corporate governance report in their annual report.¹⁹³ The 2016 Directives similarly require the board to ensure that financial statements present a true and fair view of the affairs and that the board attests to the adequacy of the accounting records and risk management systems. These instruments collectively establish a foundation for financial transparency.

The enactment of the NCGC represents a further and significant development in Zambia's corporate governance framework as it adopts an "apply and explain" philosophy, expressly drawing on the King IV Reports, and requires boards to disclose their application of its principles in annual reports, providing reasoned explanations where deviations occur.¹⁹⁴ The NCGC's section 2.6(vii) further requires boards to demonstrate a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position in annual reports, and its section 4.9 mandates the adoption of an ESG Policy with board-level reporting on the organisation's ESG performance. Notwithstanding this progress, Kabwe's empirical study of LuSE-listed companies found that weak regulatory enforcement is the principal constraint on disclosure standards, and that corporate governance mechanisms alone cannot guarantee financial reporting quality in Zambia.¹⁹⁵ These findings demonstrate that the gap between Zambia's disclosure framework and King IV's integrated accountability model is compounded not only by the absence of reporting requirements but also by systemic enforcement deficiencies that undermine the quality of even mandated disclosures. That conclusion retains its force notwithstanding the NCGC's subsequent enactment, given that the NCGC's disclosure obligations rest on an "apply and explain" model without equivalent supervisory enforcement and have not yet been extended to the banking sector through the sector-specific code contemplated by Chapter Five.

The divergence from King IV's model is nonetheless substantial across four dimensions. Firstly, Zambia's framework does not require or contemplate integrated reporting. Banks are not required

¹⁹²Securities Act, No 41 of 2016 (Zambia), s 45.

¹⁹³Lusaka Stock Exchange Corporate Governance Code for Listed and Quoted Companies (LuSE, 2005) Section I, para 4; Foreword.

¹⁹⁴NCGC (n 14) s 4.9; s 2.6(vii)

¹⁹⁵Martin Kabwe, 'Corporate Governance Attributes and Financial Reporting Quality: An Evidence from a Developing Country in Africa' (2023) 12(1) International Journal of Research in Business and Social Science 179, 187–188.

to demonstrate how they create value across multiple capitals, how their strategy is connected to their risk profile, or how their performance affects stakeholders and the broader economy. In the absence of an integrated reporting mandate aligned with King IV Principle 5, recommended practice 12,¹⁹⁶ stakeholders are unable to make fully informed assessments of a bank's long-term resilience and governance quality. The NCGC's section 2.6(vii) requirement that boards report on financial, environmental, social and governance position is a directional advance, but it stops materially short of King IV's integrated reporting model, which demands that the board demonstrate how value is created, preserved or eroded across all six capitals within a connected account of strategy, risk and stakeholder impact.

Secondly, whilst the NCGC's "comply-and-explain" model represents a meaningful departure from the pure compliance architecture of the BFSA and 2016 Directives, a material divergence from King IV's regime persists. The LuSE Corporate Governance Code continues to operate as a compliance checklist requiring listed companies to submit annual reports stating their areas of compliance and non-compliance with the Code, without any obligation to explain in narrative form how governance practices give substantive effect to each principle. The NCGC similarly requires disclosure of how its principles have been applied and explanations of deviations, but does not require the board to articulate, in its own account, how each principle has been given effect as a governance outcome of the kind King IV demands.

The practical significance of this distinction is confirmed by Scholtz, Jachi and Nel who found, in a study of JSE-listed firms spanning 2012 to 2022, that the transition from King III to King IV produced a statistically significant improvement in the relationship between executive directors' remuneration and firm performance, with the shift to an "apply and explain" approach and mandatory outcome-based disclosure identified as a material driver of that improvement.¹⁹⁷ While that study was limited to publicly listed firms, and governance reform outcomes in developing countries are not uniform, the evidence supports the conclusion that the disclosure regime under which governance is practised has measurable consequences for governance quality. The

¹⁹⁶King IV (n 1) Principle 5, recommended practice 12, 48.

¹⁹⁷Henriette Elsab e Scholtz, Moses Jachi and George Frederick Nel, 'Executive Directors' Remuneration in South Africa: An Examination of the Effectiveness of Corporate Governance Reforms' (2026) 52(2) Managerial Finance 227, 238.

philosophy gap identified by this section is accordingly narrowed, but it is not closed, by the NCGC's adoption of an "apply and explain" model that has not yet been extended to the banking sector through the Chapter Five instrument.

Thirdly, mandatory non-financial reporting encompassing environmental, social, and governance (ESG) dimensions remains absent from the BFSA and the 2016 Directives as a general board-level obligation. Two more recent instruments represent a partial but incomplete regulatory response. The NCGC's section 4.9 requires organisations to adopt an ESG Policy and mandates that boards report on ESG performance, and the Banking and Financial Services (Green Loans) Guidelines, 2023, expressly require financial institutions' boards to approve green loan strategies and mandate the monitoring and disclosure of environmental and social risk management within green loan portfolios.¹⁹⁸ Namunyola and Mwange's empirical study of Zambian commercial banks found that ESG awareness among banks is high and that awareness is positively related to implementation, with all sampled banks integrating ESG into their risk management systems and disclosing ESG activities to shareholders annually.¹⁹⁹ These developments demonstrate that ESG governance is no longer entirely absent from the sector. However, none of these instruments displaces the substantive disclosure deficiency that this section identifies.

The NCGC's ESG obligations are voluntary and lack banking-sector enforcement, while the Green Loans Guidelines confine the ESG disclosure obligation to green-loan-specific portfolios. Namunyola and Mwange themselves concluded that Zambia's regulatory framework should be revised to include mandatory ESG reporting, confirming that the current framework does not yet meet that standard. Both instruments are, moreover, regulator-facing and compliance-based in their design, requiring periodic reporting to the BOZ rather than the proactive, stakeholder-directed, outcome-based narrative accountability that King IV's recommended practices 11 and 12 prescribe. The governance significance of this deficiency is illustrated by the collapse of Investrust Bank. Bwato, Kamanga and Yohane found that the bank failed to obtain unqualified audit opinions in every year from 2020 to 2024, yet no mechanism within the existing framework required the

¹⁹⁸Banking and Financial Services (Green Loans) Guidelines, 2023, Gazette Notice No 1349 of 2023 (Green Loans Guidelines) paras 6(1), 6(2), 7(5), 12(3).

¹⁹⁹ Namunyola Nachizo Hildah and Austin Mwange, 'Assessing Environmental Social Governance (ESG) in Zambia's Banking Sector' (2025) 6(3) African Journal of Commercial Studies 107, 116.

board to disclose publicly how it was responding to those audit qualifications as a governance matter, or what steps it was taking to address the underlying control deficiencies. Under King IV's integrated reporting model, such disclosures would form part of the board's mandatory account of how it governs the organisation's risk and control environment. The framework's residual silence on non-financial disclosure as a board-owned governance outcome left governance deterioration opaque to market participants until regulatory intervention became unavoidable.²⁰⁰

Fourth, although the 2016 Directives require banks to maintain adequate systems of internal information and reporting and mandate annual compliance statements to the Bank of Zambia, these provisions do not require publication of a governance report addressing the board's execution of its governance responsibilities in the manner that King IV contemplates. The NCGC's "comply-and-explain" disclosure model represents a meaningful directional advance, but its operative effect in the banking sector is contingent on the enactment of a sector-specific code under Chapter Five, which has not yet occurred. King IV, by contrast, makes outcome-based disclosure one of four foundational governance outputs for which the board is unconditionally responsible, demonstrated through mandatory narrative reporting to all stakeholders. The operative gap accordingly persists.

4.6. Conclusion

This chapter has demonstrated, through a systematic comparative analysis, that principal divergences exist between Zambia's corporate governance framework for banks and the King IV principles across all four thematic areas specified in the third research question. In the domain of ethical leadership, Zambia's framework addresses the personal qualification of directors and imposes a code of ethics obligation under the 2016 Directives, but does not require the board to assume institutional responsibility for governing organisational ethics or to oversee independent ethics assessments, whistleblowing mechanisms, and periodic ethics reporting as recommended under King IV Principle 2, recommended practices 4 to 10.²⁰¹ In the domain of risk governance, Zambia's provisions, including the enterprise-wide risk management architecture in the 2016 Directives and the prudential supervision mechanisms in the BFSa, focus on structural establishment and regulatory response without requiring board-owned risk appetite frameworks,

²⁰⁰Bwato, Kamanga and Yohane (n 20) 95–96.

²⁰¹BOZ Directives (n 3) paras 6.0 (Appointment of Board of Directors), 6.12, 23.0; King IV (n 1) Principle 2, recommended practices 4–10, 44–45.

non-executive majority risk committee composition, attention to risk culture, or the mandatory periodic independent assurance that King IV Principle 11, recommended practice 7, prescribes.²⁰²

In the domain of stakeholder engagement, the 2016 Directives require the board to identify stakeholders and take account of their legitimate expectations, but Zambia's framework lacks the comprehensive, board-governed stakeholder engagement mandate with formal mechanisms, quality measurement, and disclosure obligations that King IV's Principle 16 contemplates.²⁰³ Consumer protection under the BFSA remains a regulatory rather than a board governance matter. In the domain of reporting, Zambia's framework mandates financial disclosure under the BFSA, annual compliance statements to the Bank of Zambia under the 2016 Directives, and, for listed entities, limited governance reporting under the LuSE Code, but does not require integrated reporting, non-financial disclosure, or the explanatory "apply and explain" regime that King IV prescribes under Principle 5 and its recommended practices.²⁰⁴ These divergences reflect not merely technical omissions but a governance architecture that, while adequate for its primary prudential purposes, has not yet been designed to produce the outcomes of ethical culture, effective control, good performance, and legitimacy that King IV identifies as the hallmarks of genuinely effective governance.

²⁰²BOZ Directives (n 3) paras 14.0–15.0; BFSA (n 2) ss 52–54, 59–64; King IV (n 1) Principle 11, recommended practice 7, 61.

²⁰³BOZ Directives (n 3) para 24.0; BFSA (n 2) Part IX, ss 101–119; King IV (n 1) Principle 16, recommended practices 1–5, 71.

²⁰⁴BFSA (n 2) ss 88–92; BOZ Directives (n 3) paras 17.10, 21.0; Lusaka Stock Exchange Corporate Governance Code for Listed and Quoted Companies (LuSE, 2005) Section I, para 4; King IV (n 1) Principle 5, recommended practices 11–12, 48.

CHAPTER FIVE

CONCLUSION, SUMMARY AND RECOMMENDATIONS

5.1. Introduction

This chapter consolidates the findings of the preceding four chapters and proposes targeted, actionable recommendations to address the governance gaps identified therein. The dissertation examined the evolution of the corporate governance framework in Zambia's banking sector post-2008 financial crisis and assessed the extent to which the framework has aligned with internationally recognised principles, particularly the King IV Report on Corporate Governance for South Africa 2016 (King IV).

Chapter Two, which answers the first research question, asked how the BFSA and the 2016 Directives provide a foundation for effective risk management and board oversight in the post-2008 environment. Chapter Two found that these instruments establish a foundational governance architecture through the codification of directors' prudential responsibilities, a mandatory board committee structure, a Chief Risk Officer function, and risk-adjusted remuneration provisions. The chapter concluded that the framework falls short of post-crisis standards in its narrow conception of board responsibility and in its absence of obligations to foster an ethical culture or to consider stakeholder interests.

Chapter Three, which answers the second research question, examined whether formal structural conformity masks persistent substantive deficiencies. Chapter Three demonstrated that whilst Zambian banks broadly comply with structural requirements on board composition and committee establishment, substantive alignment between actual governance practices and the regulatory framework is materially incomplete. Board independence is formally observed but substantively undermined by relational dynamics within Zambia's interconnected business community, and the Bank of Zambia's enforcement architecture remains discretionary, as illustrated by the 2009 Finance Bank curatorship and the 2024 Investrust Bank Plc collapse.

Chapter Four, which addresses the third research question, identified the principal divergences between Zambia's banking governance framework and King IV across four thematic areas. The

chapter analysed the BFSA, the 2016 Directives, and the National Corporate Governance Code (NCGC) as a third primary instrument. Regarding ethical leadership, boards must establish ethical instruments, but the Zambian framework does not explicitly state so, nor does the focus require the board to demonstrate to the public how they own or are accountable for the ethical environment those instruments sustain. On risk governance, the framework is structural and regulator-facing, lacking board-owned risk appetite frameworks and independent assurance obligations. On stakeholder engagement, accountability is narrowly directed toward regulators rather than the communities banks serve. On reporting, there is no requirement for integrated reporting, non-financial disclosure, or the apply-and-explain regime prescribed by King IV. Suffice it to say that the NCGC has attempted to bridge the gap, although its greatest weakness is its lack of enforcement teeth found in the BFSA or the 2016 Directives.

5.2. Findings

The study's central finding is that Zambia's post-2008 banking governance framework constitutes a broadly foundational regulatory response to the governance failures exposed by the global financial crisis but has not yet been designed to produce the governance outcomes of ethical culture, effective control, good performance, and legitimacy that King IV identifies as the hallmarks of genuinely effective governance.²⁰⁵ The BFSA represents a significant advance by elevating corporate governance from a marginal regulatory issue to a clearly defined statutory objective. Section 32 establishes a framework for directors' prudential responsibilities; section 36 introduces a personal accountability mechanism requiring individual directors to report going concern concerns to the Bank of Zambia; and sections 37 and 38 address conflicts of interest and insider abuse. Section 42's requirement for institution-specific corporate governance charters further signals legislative intent to embed governance accountability at the institutional level. The 2016 Directives elaborate substantially on the BFSA, introducing quantifiable independence thresholds, a mandatory committee architecture, detailed Chief Risk Officer protections, and risk-

²⁰⁵Institute of Directors in South Africa, *King IV Report on Corporate Governance for South Africa 2016* (IoDSA 2016) (King IV) 20.

adjusted remuneration requirements that closely align with the Financial Stability Board's Principles for Sound Compensation Practices.²⁰⁶

Nonetheless, the study finds that these advances are systematically undermined by a common structural weakness, such as a compliance-oriented governance philosophy that requires boards to establish governance instruments without requiring them to own, internalise, and be publicly accountable for the governance outcomes those instruments are intended to produce. The enactment of the NCGC in 2025 represents a directional shift, as it adopts an “apply and explain” philosophy and requires boards to cultivate an ethical culture and proactively manage risk and stakeholder relationships as governance outcomes. However, the NCGC's operative effect in the banking sector remains contingent on the enactment of a sector-specific code under Chapter Five of the NCGC, which had not yet occurred at the time of this study, and it carries no supervisory enforcement equivalent to the Bank of Zambia's powers under the BFSA. In addition, the compliance-oriented philosophy gap accordingly persists in the operative banking governance instruments. This philosophy gap is not merely theoretical as Bwato, Kamanga and Yohane's empirical study of LuSE-listed financial institutions found that Investrust Bank Plc, which was taken over by the Bank of Zambia in April 2024, had persistently failed to embed an ethical governance culture despite the formal existence of regulatory obligations, and that a hierarchical organisational culture constrained effective risk escalation and ethical reporting, with governance failures at the institutional conduct level preceding and compounding the bank's financial deterioration.²⁰⁷

The study further finds that the enforcement architecture compounds these substantive governance deficiencies. The BFSA's corrective action provisions in sections 64 to 67 do not constitute a true Prompt Corrective Action framework because they lack self-executing, objective triggers that

²⁰⁶Banking and Financial Services Act, No 7 of 2017 (BFSA), ss 32, 36–38, 42; Bank of Zambia Corporate Governance Directives, Gazette Notice No 237 of 2016 (2016 Directives), Principles V, IX, XIV, VII; Financial Stability Board, *Principles for Sound Compensation Practices* (FSB 2009).

²⁰⁷V Bwato, N Kamanga and R Yohane, 'Corporate Failure, Financial Performance, and Regulatory Oversight: Empirical Evidence from Financial Institutions Listed on the Lusaka Securities Exchange' (2026) 7(1) *African Journal of Commercial Studies* 92, 95–96.

automatically activate graduated remedial responses once defined capital thresholds are breached. Supervisory action under the BFSA remains discretionary, and the Banking and Financial Services (Capital Adequacy) Rules 2025 prescribe capital ratios without converting the statutory intervention categories into mandatory ladders. The dual-regulator coordination mechanism between the Bank of Zambia and the Securities and Exchange Commission is permissive rather than mandatory, compounded by the Commission's constrained operational independence from ministerial control.²⁰⁸

The study also finds that these governance and enforcement deficiencies reflect an institutional pattern consistent with the broader literature on governance in emerging markets. Mwanawasa's analysis of Zambia's governance enforcement landscape identifies a framework that is reactive rather than proactive, dependent on formal compliance rather than substantive commitment. Adegbite's institutional analysis of Nigeria, an emerging market sharing parallel governance challenges, demonstrates that formal independence criteria are routinely satisfied by individuals whose substantive independence is compromised by contextual relationships that do not manifest in formal disclosures, a finding this study confirms is replicated in the Zambian banking sector through the evidence of Chanda, Burton and Dunne. Nakpodia and others' conclusion that effective corporate governance in sub-Saharan Africa requires a hybrid system combining both rules and principles-based elements and multi-stakeholder co-regulation is borne out by this study's findings across all four thematic areas of comparison with the King IV.²⁰⁹

²⁰⁸BFSA (n 2) ss 64–67; Banking and Financial Services (Capital Adequacy) Rules, Statutory Instrument No 62 of 2025, rr 4, 6(1) and 8(1); Securities Act, No 41 of 2016 (Zambia) as amended by Act 21 of 2022, s 165; C Mulenga, 'Securities Markets and Their Regulation in Zambia: A New Dawn or a Rebranding of the Old Norms?' (2024) 27 *Potchefstroom Electronic Law Journal* 1, 6.

²⁰⁹Chipokota Mwanawasa, 'A Case Analysis of the Viability of the Current Regulation and Enforcement Mechanisms of Corporate Governance in Zambia' (LLM diss, University of Cape Town, 2016) 35; E Adegbite, 'Good Corporate Governance in Nigeria: Antecedents, Propositions and Peculiarities' (2015) 24(2) *International Business Review* 319, 325–327; S Chanda, B Burton and T Dunne, 'The Nature and Potential of Corporate Governance in Developing Countries: Zambian Perceptions' (2017) 30(6) *Accounting, Auditing & Accountability Journal* 1257, 1266; F Nakpodia, E Adegbite, K Amaeshi and A Owolabi, 'Neither Principles Nor Rules: Making Corporate Governance Work in Sub-Saharan Africa' (2018) 151(2) *Journal of Business Ethics* 391, 400–404; Bank of Zambia, *Financial System Supervision Annual Report 2024* (Bank of Zambia 2024) 23.

5.3. Summary of Findings

The study finds that Zambia's banking governance framework performs adequately as an instrument of prudential regulation but has not yet been designed as a comprehensive corporate governance framework, as demanded by King IV and post-crisis international best practice. The divergences identified are consistent and structural rather than isolated and technical. On ethical leadership, Zambia's framework addresses the personal qualification of directors and imposes a code of ethics obligation under Directives 23.1 to 23.7. The NCGC advances this position by requiring the board to cultivate and promote an ethical corporate culture under section 3.2, which closely mirrors King IV Principle 2. However, neither the 2016 Directives nor the NCGC requires independent ethics assessments or board-owned public reporting on how the board has governed ethics as an institutional outcome, and the NCGC's effect in the banking sector is contingent on the enactment of a sector-specific code. The framework, therefore, remains oriented toward the establishment of formal ethical instruments rather than the sustained, board-owned governance of ethical culture that King IV Principle 2 demands.²¹⁰

On risk governance, the 2016 Directives establish a structural risk management architecture encompassing a mandatory Board Risk Management Committee, an enterprise-wide risk management function, and Chief Risk Officer protections. The Banking and Financial Services (Green Loans) Guidelines 2023 introduce environmental risk governance obligations for green loan portfolios, and the NCGC requires the board to develop a risk management plan and define risk appetite. However, none of these instruments prescribes minimum meeting frequencies for the Risk Management Committee, requires risk-specific expertise among its members, mandates a majority of non-executive directors on that committee, imposes a risk culture mandate, or requires periodic independent assurance on risk management effectiveness. Boadi, Isshaq and Idun's panel study of eighty-three sub-Saharan African banks found that risk governance structures in isolation produced a negative association with bank performance, generating positive effects only where

²¹⁰2016 Directives (n 2) Directives 23.1–23.7; Ministry of Justice, National Corporate Governance Code (Ministry of Justice, August 2025) (NCGC) s 3.2; King IV (n 1) Principle 2, recommended practices 4–10, 44–45.

board members possessed financial, legal, or industry expertise, a finding that directly confirms the materiality of the expertise gap in Zambia’s framework.²¹¹

Regarding stakeholder engagement, Directive 24.0 requires the board to identify stakeholders and take into account their legitimate expectations. The NCGC further requires the board to develop a Stakeholder Management Policy that promotes constructive engagement and transparent communication, and the Green Loans Guidelines 2023 introduce board-level environmental and social governance obligations for green loan portfolios. However, neither the 2016 Directives nor these more recent instruments require the development of a proactively governed stakeholder engagement strategy, the measurement of stakeholder relationship quality, or disclosure of how stakeholder expectations have influenced board decisions. Community engagement, environmental responsibility, and social impact governance dimensions addressed by King IV as mandatory board-level responsibilities remain absent from the banking framework as general obligations. Chanda, Burton and Dunne’s empirical study found that Zambian governance discourse remains elite-centred, reflecting a deeper philosophical orientation in which governance accountability is directed upward toward regulators and shareholders rather than outward toward the communities and economies that banks serve.²¹²

On reporting and disclosure, Zambia’s framework establishes financial transparency obligations under sections 88 to 92 of the BFSa and annual compliance statement requirements under the 2016 Directives. The NCGC represents a significant advance, adopting an “apply and explain” philosophy, requiring boards to report on their financial, environmental, social and governance position under section 2.6(vii), and mandating an ESG Policy with board-level reporting under section 4.9. Namunyola and Mwange’s empirical study of Zambian commercial banks found that ESG awareness is positively related to implementation and that all sampled banks integrate ESG

²¹¹2016 Directives (n 2) Directive 9.1(ii); Banking and Financial Services (Green Loans) Guidelines, 2023, Gazette Notice No 1349 of 2023 (Green Loans Guidelines) paras 6(1), 6(2), 7(5); NCGC (n 6) s 2.4(i); LA Boadi, Z Isshaq and AA Idun, ‘Board Expertise and the Relationship between Bank Risk Governance and Performance’ (2023) 10 *Cogent Business & Management* 2283233, 9–12.

²¹²2016 Directives (n 2) Directive 24.0; NCGC (n 6) s 4.10; Green Loans Guidelines (n 7) paras 6(1), 6(2), 7(5); Chanda, Burton and Dunne (n 5) 1277; King IV (n 1) Principle 16, 71.

into their risk management systems, yet concluded that Zambia’s regulatory framework should be revised to include mandatory ESG reporting, confirming that the current framework does not yet meet that standard. In addition, the NCGC’s disclosure obligations have not yet been extended to the banking sector through the sector-specific code. Kabwe’s empirical study of LuSE-listed companies found that corporate governance mechanisms alone cannot guarantee financial reporting quality in Zambia and concluded that weak regulatory enforcement is the principal constraint on disclosure standards.²¹³

Underlying all four thematic divergences is the governance philosophy gap identified in Chapter Four. King IV operates on the premise that governance is a set of responsibilities to be owned by the governing body. The board is not merely a supervisory organ within a regulatory architecture but the primary governance actor, constitutively responsible for four governance outcomes: ethical culture, good performance, effective control, and legitimacy. The NCGC narrows this gap by adopting an outcomes-based philosophy, but its operative effect in the banking sector is contingent on the sector-specific code that has not yet been enacted. Zambia’s banking governance instruments do not yet systematically cultivate or require this quality of board ownership. Scholtz, Jachi and Nel’s empirical study of JSE-listed firms found that the transition from King III to King IV produced a statistically significant improvement in the relationship between executive remuneration and firm performance, confirming that the governance philosophy within which boards operate has measurable behavioural and institutional consequences.²¹⁴

5.4 Recommendations

The research has established that Zambia’s banking governance framework, while broadly adequate as a foundation for prudential regulation, requires targeted reform across five interconnected dimensions to produce the governance outcomes that both the post-crisis international consensus and King IV identify as essential to the sustainable governance of banking

²¹³BFSA (n 2) ss 88–92; 2016 Directives (n 2) para 17.10; NCGC (n 6) ss 2.6(vii), 4.9; Namunyola Nachizo Hildah and Austin Mwange, ‘Assessing Environmental Social Governance (ESG) in Zambia’s Banking Sector’ (2025) 6(3) *African Journal of Commercial Studies* 107, 116; M Kabwe, ‘Corporate Governance Attributes and Financial Reporting Quality: An Evidence from a Developing Country in Africa’ (2023) 12(1) *International Journal of Research in Business and Social Science* 179, 187–188.

²¹⁴King IV (n 1) 20–22; HE Scholtz, M Jachi and GF Nel, ‘Executive Directors’ Remuneration in South Africa: An Examination of the Effectiveness of Corporate Governance Reforms’ (2026) 52(2) *Managerial Finance* 227, 238.

institutions. The following recommendations are proposed on the basis of the study's findings and are designed to be contextually calibrated to Zambia's institutional environment, consistent with Adegbite's argument that good governance in emerging markets must be applied with sensitivity to local efficiency and legitimacy considerations and Nakpodia and others' call for hybrid, multi-stakeholder co-regulation rather than uncritical transplantation of foreign governance models.²¹⁵

Firstly, the BFSA requires statutory amendment to expand the conception of board responsibility beyond its current prudential and compliance orientation. Section 32 should be amended to include an express obligation on the board to foster an ethical culture across the institution, to take into account the legitimate and reasonable interests of material stakeholders, including depositors, employees, customers, and the communities in which the institution operates, and to oversee the institution's long-term value creation in a manner consistent with its obligations to all stakeholders. Section 35 should be amended to define the concept of non-executive director by reference to the independence criteria already set out in Directive 3.0 of the 2016 Directives, thereby eliminating the interpretive gap identified between the statute and its subsidiary instruments. These legislative amendments would align the BFSA with the post-crisis governance consensus reflected in the Basel Committee's Principle 1 and with section 106 of the Companies Act 2017, without requiring the wholesale adoption of King IV.²¹⁶

Second, the 2016 Directives require amendment to strengthen governance accountability across all four thematic areas of divergence identified in Chapter Four, building on the directional advances introduced by the NCGC, where those advances have not yet been reflected in the banking-specific instruments. On ethical leadership, the Directives should be amended to require an annual board-owned ethics report disclosing how the board has governed organisational ethics during the reporting period, the periodic commissioning of an independent ethics assessment at intervals not exceeding three years, and explicit board oversight of whistle-blowing mechanisms

²¹⁵Adegbite (n 5) 319–330; Nakpodia and others (n 5) 400–404.

²¹⁶BFSA (n 2) ss 32, 35; 2016 Directives (n 2) Directive 3.0; Companies Act, No 10 of 2017 (Zambia), s 106; Basel Committee on Banking Supervision, *Corporate Governance Principles for Banks* (BIS, July 2015) Principle 1, 9.

as a primary governance responsibility subject to annual reporting, consistent with King IV Principle 2, recommended practice 9(c).

Furthermore, on risk governance, the Directives should be amended to require that the Board Risk Management Committee be composed of a majority of independent non-executive directors, that the majority of its members demonstrate relevant risk expertise, that it convene at minimum four times per financial year, and that the board commission periodic independent assurance on the effectiveness of the risk management framework at intervals not exceeding two years, consistent with King IV Principle 11. An explicit risk culture mandate should also be introduced, requiring the board to oversee the integration of risk management within the institution's business activities and culture and to conduct annual risk culture assessments, consistent with the Basel Committee's Principle 6.

On stakeholder engagement, the Directives should be amended to require boards to approve and publish a formal stakeholder engagement policy, to report annually on how material stakeholder expectations have influenced board decision-making, and to adopt, on a guided and proportionate basis, a corporate citizenship framework addressing the institution's contribution to financial inclusion and community development. On reporting, the Bank of Zambia should issue a directive requiring all licensed institutions to publish an annual corporate governance report on an "apply and explain" basis.²¹⁷

Thirdly, the BFSA requires amendment to introduce a genuine Prompt Corrective Action framework. As Chapter Three demonstrated, sections 64 to 67 adopt the language of graduated intervention without the defining feature of a true PCA regime, namely, objective, quantitative triggers that automatically activate mandatory remedial responses once defined capital thresholds are breached. The BFSA should be amended to define objective capital ratio thresholds distinguishing adequately capitalised, undercapitalised, significantly undercapitalised, and

²¹⁷King IV (n 1) Principle 2, recommended practice 9(c), 45; Principle 11, recommended practice 7, 61; Principle 16, recommended practices 4(a)–4(e), 71; Principle 5, recommended practice 12, 48; Basel Committee on Banking Supervision (n 12) Principle 6, 24.

critically undercapitalised institutions, to prescribe mandatory supervisory responses attaching automatically to each category once the relevant threshold is breached, and to establish mandatory timelines within which corrective action plans must be submitted and implemented, with non-compliance triggering automatic escalation. This reform would transform the current framework's discretionary enforcement posture into one of structured, automatic accountability, directly addressing the pattern of delayed regulatory response illustrated by the Investrust episode.²¹⁸

Fourthly, the dual-regulator coordination architecture between the Bank of Zambia and the Securities and Exchange Commission requires reform. Both the BFSa and the Securities Act 2016 should be amended to impose a reciprocal, mandatory duty of cooperation and information sharing on institutions subject to dual oversight, with a memorandum of understanding required rather than merely permitted. Both Acts should further be amended to delineate clearly the duties, qualifications, accountability obligations, and relationship to the board and shareholders of any manager or curator appointed by a regulator on taking possession of a regulated institution, addressing the accountability gap that Mulenga identified in the Securities Act context and that this study found replicated in the BFSa's own possession provisions. The Securities Act 2016 should also be amended to strengthen the Securities and Exchange Commission's operational and financial independence from ministerial control, consistent with international standards for securities regulatory independence.²¹⁹

Fifthly, the Bank of Zambia, as the lead institution identified under Chapter Five, section 5.1(vi) of the National Corporate Governance Code 2025 (NCGC) for the Financial and Banking Sector, should urgently develop and promulgate a sector-specific corporate governance code for banking institutions in Zambia. Chapter Five of the NCGC expressly recognises that uniform guidance may not suit all sectors and mandates the development of sector-specific codes for strategically important, highly regulated, or high-risk sectors. The banking sector, by reason of its systemic importance, its exposure to public interest, and its unique regulatory and risk profile, falls squarely within the categories for which sector-specific codes are required. As this study has demonstrated,

²¹⁸BFSa (n 2) ss 64–67; Bwato, Kamanga and Yohane (n 3) 95–96.

²¹⁹Securities Act (n 4) s 165; BFSa (n 2) s 62(2), ss 64(2)(e), 71, 75; Mulenga (n 4) 6, 9.

the operational effect of the NCGC’s outcomes-based “apply and explain” philosophy in the banking sector is contingent on the enactment of the sector-specific code, which has not yet occurred. The absence of the code accordingly perpetuates the compliance-oriented philosophy gap that this study has identified as the fundamental structural weakness of the current framework. The sector-specific banking governance code, developed by the Bank of Zambia pursuant to section 5.3 of the NCGC, should translate the NCGC’s principles into banking-specific governance obligations, incorporate the four thematic governance outcomes identified by King IV, namely ethical culture, good performance, effective control, and legitimacy, and align with the Basel Committee on Banking Supervision’s Corporate Governance Principles for Banks. The code should further articulate the relationship between its provisions and the existing statutory and regulatory instruments, including the BFSa and the 2016 Directives, so as to produce a coherent, integrated, and outcomes-oriented governance framework for Zambia’s banking sector.

Lastly, the recommendations above presuppose a supervisory authority with the institutional capacity, technical expertise, and operational independence to oversee their implementation and enforce compliance effectively. The Bank of Zambia should invest in dedicated corporate governance supervision capacity, including establishing a specialist corporate governance supervision unit staffed by officers with expertise in governance assessment methodologies and board effectiveness evaluation that goes beyond structural compliance. The Bank should further develop and publish a Corporate Governance Supervisory Framework that sets out the methodology it will apply to assess governance quality, the substantive effectiveness indicators it will deploy in addition to structural checklists, and the escalation pathway for governance deficiencies identified through on-site examinations. De Haan and Vlahu’s observation that formal supervisory powers in many emerging-market jurisdictions are not matched by the institutional capacity required for consistent, effective deployment captures precisely the challenge that this recommendation is designed to address in the Zambian context.²²⁰

²²⁰J de Haan and R Vlahu, ‘Corporate Governance of Banks: A Survey’ (2016) 30(2) *Journal of Economic Surveys* 228, 248–250.

5.5 Final Conclusion

This dissertation has examined the evolution of the corporate governance framework in Zambia's banking sector through a systematic comparative analysis of the King IV Report, addressing four research questions across five chapters and drawing on a documentary and regulatory methodology informed by agency, stakeholder, and institutional theory.

The study's overarching conclusion is that Zambia's post-2008 banking governance framework represents a meaningful but incomplete response to the governance imperatives exposed by the global financial crisis. The framework performs adequately as an instrument of prudential regulation. The enactment of the NCGC in August 2025 represents a directional advance, introducing an outcomes-based "apply and explain" philosophy that expressly draws on King IV, but its operative effect in the banking sector is contingent on the enactment of a sector-specific code, which has not yet occurred. What the framework does not yet do is constitute a comprehensive corporate governance framework of the kind that the post-crisis international consensus, and King IV in particular, have identified as necessary for the sustainable governance of banking institutions. The divergences identified across ethical leadership, risk governance, stakeholder engagement, and reporting and disclosure are not isolated technical deficiencies but reflect a fundamental difference in governance philosophy between a compliance-oriented framework and an outcomes-based, board-owned model.²²¹

The practical consequences of this gap in governance philosophy are not abstract. The collapse of Investrust Bank Plc in April 2024, preceded by four consecutive years of qualified audit opinions and a capital deficiency of K853.7 million, illustrates that a framework requiring boards to establish governance instruments without requiring them to own and be accountable for the governance outcomes those instruments are meant to sustain is structurally insufficient to prevent the kind of institutional failure that imposes costs on depositors, creditors, and the broader economy.²²²

²²¹King IV (n 1) 20.

²²²Bwato, Kamanga and Yohane (n 3) 95.

The recommendations proposed in this chapter are designed to bridge this gap in governance philosophy through contextually calibrated reforms that combine strengthened statutory obligations, enhanced supervisory architecture, outcomes-based governance requirements, and improved institutional capacity. They are grounded in the recognition, shared by Mwanawasa and Adegbite and confirmed by this study's own analysis, that Zambia should not attempt to adopt King IV mechanically but should interpret its principles in line with the Zambian corporate and institutional context, building a hybrid framework that draws on the discipline of rules-based prudential regulation and the substantive ambition of principles-based governance outcomes.²²³

The ultimate objective is the development of a banking governance framework that is not merely formally adequate but genuinely effective: one that cultivates the ethical culture, risk consciousness, stakeholder accountability, and transparent disclosure necessary for Zambia's banking sector to fulfil its fundamental purposes of financial intermediation, systemic stability, and sustainable national development. Achieving this objective will require sustained commitment from the legislature, the Bank of Zambia, the Securities and Exchange Commission, banking institutions themselves, and the broader community of governance stakeholders. This dissertation aims to contribute to that commitment by providing a rigorous, contextually grounded analysis of the gaps to be bridged and the direction in which reform should proceed.

²²³Mwanawasa (n 5) 35; Adegbite (n 5) 319–330.

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