

**MARCH 2025 PROFESSIONAL EXAMINATIONS  
STRATEGIC CASE STUDY (PAPER 3.4)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**EXAMINER'S GENERAL COMMENTS**

Within the context of the syllabus coverage, content, weightings as well as marks allocation, the paper was highly standard. The case study was based on the mining sector that affects the lives of many Ghanaians and contributes significantly to the country's gross domestic product. The issues raised are ones that an average candidate could relate to and therefore understanding of the material facts by candidates was not in doubt.

The requirements of each question were stated with clarity as the examiner, in some instances, assisted with specific concepts to be used by candidates in providing answers. Therefore, candidates who might have deviated in answering questions were not prepared for examination and that might have created ambiguities, if any, in the questions.

**PERFORMANCE OF CANDIDATES**

Although all the questions were based on the syllabus and the recommended study guide for Strategic Case Study, unfortunately, the performance of candidates in almost all the questions was generally poor. This performance is not any different from the historical performance in this paper. However, comparatively, this diet's performance was a marginal improvement over November 2024 performance.

One thing is clear, despite previous examiner reports highlighting inadequate preparation, many candidates continue to underprepare for the examination, as evidenced by their poor performance in this paper.

**NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES**

Generally, candidates demonstrated strengths and weaknesses as follows:

**Strengths**

- Candidates did not find it difficult in answering the question on the areas of concern from the employee satisfaction survey of AML and which might impact the company's ability to maintain a sustainable competitive advantage. Rightly, most candidates identified career development and promotion opportunities and work environment and employee welfare as major areas of concern for AML.
- The question on Porter's Diamond model was another area where candidates demonstrated good understanding. This means that unlike previously where candidates were not familiar with the model, now average candidate has understanding of Porter's Diamond.
- Finally, candidates were largely familiar with the models on change management, Rosabeth Moss Kanter model and Gemini Consultants' 4Rs model. As a result, a good number of candidates answered the question on these models.

### Weaknesses

- Many candidates either did not prepare at all or were poorly prepared for the examination. The performance was below average.
- Some candidates failed to understand the requirements of the questions resulting in wrong answers being provided. Even, in the situations where the question specifically states concepts to be explained, some candidates ignored that and proceeded to explain and apply concepts different from what was provided. A classic example is question 1(c) where candidates were required to explain and apply the following organisational strategy approaches - **systems-based approach, resource-based approach, core competencies approach, rational strategy and adaptive/emergent strategy**. For strange reasons some candidates ignored these approaches in answering the question.
- Once again, rote learning without deep understanding clearly was on display in answering questions involving models. For instance, question 3(a)(i) tested Integration-Responsiveness (IR) Framework which required candidates to explain the model and show how AML can manage its employees across various locations by balancing the pressures for local adaptiveness and global integration. Candidates simply regurgitated the four main strategies in IR Framework, namely, international, global, multinational/multidomestic and transnational strategies. Furthermore, majority of candidates even failed to explain what IR Framework is.
- Candidates failed to earn pass marks because they did not apply the principles, concepts and theory acquired from strategic analysis, strategic choices and strategy into action to the business issues arising from the given scenario. What most candidates did was to regurgitate the concepts and principles without going further to apply same to the problem. Yet the value of the principles and concepts is found in the application of the same to solving business and practical problems that confront organisations, including AML. Application of theory to practical issues identified in the given scenario was seriously lacking. Candidates are advised to always go beyond theory and use the concepts and principles to proffer solutions to business problems.
- Many candidates refused to answer the question on financial management which carried 20 marks. Perhaps, this was the case because an aspect of the question, money market hedging, is not directly in Strategic Case Study syllabus but the same topic is covered in the Financial Management syllabus in Level 2 and therefore candidates did not expect it. This is a reminder to candidates that all knowledge acquired in the previous levels may be applied in SCS.
- The age old problem of bad hand writing was prominent in this examination. Candidates are reminded to take care of their hand writing since inability of the markers to read what has been written may affect them negatively.
- Finally, it is worthy to note that although SCS is not an English paper, it is important that formal and grammatically correct language is used in expressing oneself and bringing clarity to the idea being put forward. Candidates are encouraged to pay close attention to their language usage in order to improve their prospects of successfully passing the SCS examination.

## **Akosa Minerals Limited (AML)**

### **Early Beginnings**

Akosa Minerals Limited (AML) traces its roots to the early 20th century, emerging from the industrial ambitions of Ghana's burgeoning mining sector. It was founded in 1910 by two pioneering businessmen, Kwaku Akosa and Edward Yeboah, both native to Tarkwa, one of Ghana's key mining towns known for its rich mineral deposits. Inspired by the opportunities in mining, Akosa and Yeboah established the Atiwa Mineral Syndicate (AMS), a small-scale mining cooperative focused on gold and other precious minerals in the Eastern Region of Ghana.

In 1921, while prospecting for gold near the Atiwa Range, geologists stumbled upon vast deposits of a rare, silvery-white mineral embedded in rock formations—later identified as lithium-bearing spodumene. At the time, lithium was of limited commercial value, but Akosa and Yeboah were determined to diversify beyond gold and began acquiring land rights to these newly discovered deposits. By the 1930s, global economic challenges from the Great Depression affected mining operations across Ghana. However, AML weathered the storm by securing financing from local chiefs and prominent businessmen who saw long-term potential in Ghana's untapped mineral wealth. The company steadily expanded operations, gaining a reputation for innovation and resilience in the face of fluctuating commodity prices.

Following World War II, AML entered a period of significant expansion. The global demand for gold rose sharply as nations sought to stabilise their economies with gold-backed currency reserves. AML capitalised on this trend, upgrading its mining infrastructure and scaling operations in the Tarkwa and Atiwa regions. In 1948, the company invested in new open-pit mining technology, which greatly increased gold output. By the mid-1950s, AML had become one of the leading contributors to Ghana's gold exports, rivaling international firms operating in the country. The company's operations were instrumental in building trust with local communities through employment generation, scholarships, and healthcare projects.

With Ghana's independence in 1957, AML became a national symbol of economic potential. The government recognised the company as a strategic partner in the country's quest for industrialisation. Under the leadership of newly appointed CEO Nana Agyeman Akosa, the son of the co-founder, the company strengthened its ties with the government by aligning with policies aimed at retaining more of Ghana's natural resource wealth within the local economy.

AML began collaborating with the University of Science and Technology (now KNUST) to train a new generation of Ghanaian geologists and engineers. By the end of the decade, the company was recognised as one of the ten largest gold producers on the African continent. However, political instability in Ghana during the late 1960s posed new challenges. Military coups and policy shifts created uncertainty for foreign investors, prompting AML to focus on strategic partnerships and risk management strategies to secure its future. Despite these challenges, the company continued to thrive, thanks to its strong operational base and commitment to community development.

## **Strategic Modernisation and Corporate Growth**

The 1970s marked a transformative era for AML. As the global economy shifted due to the 1971 collapse of the Bretton Woods system, demand for gold surged, leading to price spikes. Under the visionary leadership of Nana Agyeman Akosa II, the company embarked on a modernisation campaign aimed at improving operational efficiency and productivity.

AML invested heavily in automation and processing plants, significantly increasing gold recovery rates and reducing waste. The company's success allowed it to acquire several smaller mining operators in Ghana, consolidating control over the Tarkwa, Bogoso, and Prestea concessions. By 1975, AML had become the largest indigenous mining corporation in Ghana.

In 1978, recognising the need for increased financial stability and growth capital, AML restructured its corporate governance. The company appointed a professional Board of Directors and enhanced its compliance with international mining and financial regulations, setting the stage for future capital market activities.

## **Expansion through Acquisitions and the Push for Public Listing**

The 1980s were a period of both opportunity and adversity. Global gold prices became highly volatile due to inflation and geopolitical tensions. However, AML took a bold step by diversifying its operations. It acquired a controlling interest in Akosombo Minerals, a mining firm that operated significant gold deposits in the Ashanti and Bono Regions. These acquisitions strengthened AML's presence across Ghana's mineral-rich areas.

In 1990, the Ghanaian government, keen on encouraging corporate transparency and international investment, introduced policies promoting public listings for major companies. AML seized the opportunity and began preparations to list on the Ghana Stock Exchange (GSE). After years of audits, compliance reforms, and regulatory approvals, AML successfully debuted on the GSE in 1994. The listing was historic as AML became the first Ghanaian mining company to offer shares to the public.

AML's Initial Public Offering (IPO) was oversubscribed, signaling strong investor confidence in Ghana's mining sector. The proceeds from the IPO funded new exploration activities and infrastructure upgrades, further enhancing the company's productivity.

Building on the momentum of its public listing, AML sought to diversify both its operations and markets. The 1990s were characterised by globalisation, with increasing competition from multinational mining giants. To remain competitive, AML initiated its internationalisation strategy, acquiring strategic interests in gold mining ventures in neighboring West African countries, including Mali and Burkina Faso.

The company's most significant milestone came in 1996 when it executed a dual-listing on the Johannesburg Stock Exchange (JSE). This move attracted foreign direct investment and positioned AML as a key player in the regional mining landscape. Around this time, the Ghanaian government, which held a minority stake in AML, floated additional shares on the market, further broadening the company's ownership base.

In 1998, AML achieved another major breakthrough by becoming the first Ghanaian company to be listed on the New York Stock Exchange (NYSE). The Wall Street listing raised

substantial capital, allowing AML to fund large-scale projects, including deep-shaft mining operations in the Ashanti Region. The company also embarked on modernising its equipment and safety protocols, aligning with global best practices in sustainable mining.

While AML experienced remarkable growth, it was not immune to challenges. In 1999, the company was affected by a global downturn in gold prices and an ill-advised hedge on future gold sales, which threatened its financial stability. However, AML's prudent leadership and strategic partnerships with local banks and global financiers helped it weather the crisis.

### **Resilience, Consolidation, and Introduction of Strategic Minerals**

The early 2000s presented new challenges and opportunities for AML. Following the financial setbacks from the late 1990s, AML embarked on a strategy to consolidate its mining operations and streamline costs. By this time, Ghana's mining sector had become highly competitive, with multinational corporations expanding their presence in the country. To maintain its leadership position, AML intensified its focus on improving efficiency and sustainability.

In 2001, AML reorganised its business structure to enhance operational control. This involved the creation of specialised subsidiaries to manage different aspects of the company's operations, including exploration, mining, and community development. AML also re-engaged in exploration activities, particularly in the less-explored regions of northern Ghana. These efforts aimed to secure new gold reserves and reduce dependency on older, less productive mines. The investment in exploration paid off by 2005, as the company discovered additional gold deposits in the Brong-Ahafo Region, which became a key asset in the years to come.

During this period, global demand for gold rose again, driven by instability in financial markets and the increasing use of gold as a safe-haven asset. AML's revenues surged, and the company capitalised on the improved market conditions by expanding its workforce, upgrading its mining fleet, and implementing enhanced safety measures.

### **Diversification and the Lithium Discovery**

The 2010s were transformative for AML as the company adopted a diversification strategy aimed at exploring other mineral resources. While gold mining remained its core business, AML began to take notice of the growing importance of critical minerals, particularly lithium, driven by the global shift towards renewable energy and electric vehicles.

In 2012, AML launched a new strategic initiative to identify commercially viable deposits of critical minerals within its existing concessions. Geological surveys and feasibility studies conducted in the Atiwa Range revealed significant spodumene-bearing lithium deposits. Although lithium was still not a core part of AML's business at this time, the company recognised its long-term potential.

In 2015, the Ghanaian government introduced policies to attract investment in critical minerals, viewing the sector as a key driver of economic diversification. AML, leveraging its established relationships with government agencies, successfully acquired additional concessions in lithium-rich areas. However, the company remained cautious and focused primarily on developing a robust long-term strategy for lithium extraction.

By 2018, global demand for lithium surged due to advancements in battery technology, particularly for electric vehicles and renewable energy storage. AML responded by entering exploratory partnerships with international technology firms to assess the viability of large-scale lithium mining and processing in Ghana. The company completed a pilot project in 2019, which demonstrated the economic potential of lithium carbonate and hydroxide production.

AML officially launched its lithium division in 2020, marking a new chapter in the company's history. The initiative was aligned with Ghana's industrialisation agenda, particularly the "Ghana Beyond Aid" vision, which sought to leverage the country's natural resources to drive self-sustained economic growth.

### **Full-scale Lithium Operations Launch**

As global demand for critical minerals soared in the 2020s, AML fully committed to diversifying its operations by integrating lithium extraction into its core business. By this time, the need for battery materials to support the global energy transition had intensified, driven by the rapid growth of electric vehicles (EVs), renewable energy storage solutions, and portable electronics. AML was well-positioned to capitalise on these trends through its strategic investments in the Atiwa lithium deposits.

In early 2020, AML officially launched its first full-scale lithium mine in the Atiwa District, supported by a multi-year agreement with international battery manufacturers. This marked the culmination of years of geological research, feasibility studies, and pilot projects. The mine's operations focused on extracting and processing spodumene ore to produce lithium carbonate and lithium hydroxide—both essential for lithium-ion batteries.

To meet growing demand, AML expanded its infrastructure by building a state-of-the-art processing plant near the mine. The facility was designed to refine lithium products to battery-grade quality, ensuring compliance with the stringent requirements of EV and electronics manufacturers. This move attracted new international investors and reinforced AML's role as a critical player in the global lithium supply chain.

However, with these new ventures came increased scrutiny from stakeholders, including environmental groups, regulators, and local communities. Lithium mining, particularly open-pit extraction, was seen as potentially harmful to water resources, biodiversity, and agricultural land. AML faced protests and legal challenges from residents concerned about deforestation, water pollution, and land displacement.

### **Current Operational Structure of Akosa Minerals Limited (AML)**

Akosa Minerals Limited (AML) operates as a diversified mining corporation with two primary business units focused on gold and lithium extraction. The company's operational model reflects decades of experience in resource management, technological advancement, and corporate governance. AML has adopted a decentralised management approach for its various mining sites while maintaining strategic oversight from its headquarters in Accra, Ghana.

AML's headquarters, located in Accra, is the nerve center of the organisation. The corporate office handles strategic planning, governance, financial oversight, risk management and global partnerships. AML's Board of Directors and Executive Leadership Team operate from this

office to ensure the alignment of all subsidiaries and mining operations with the company's vision and mission.

The key functions of the corporate office include:

- Strategic Development: Establishing long-term goals, including expansion into new markets and securing partnerships.
- Corporate Finance and Treasury: Managing cash flows, foreign currency transactions and capital investment projects.
- Compliance and Legal Affairs: Ensuring adherence to local and international mining regulations and ESG requirements.
- Investor Relations: Communicating with shareholders and providing transparent performance updates to the Ghana Stock Exchange (GSE), Johannesburg Stock Exchange (JSE) and New York Stock Exchange (NYSE).

## **Operational Divisions**

AML's operations are divided into two major business units: Gold Mining Division and Lithium Mining Division. Each division oversees its respective mining sites, processing plants, and regional management teams.

### ***Gold Mining Division***

The Gold Mining Division manages AML's historic gold assets, which remain the backbone of the company's revenue. This division operates across several regions in Ghana, including Tarkwa, Prestea and Brong-Ahafo.

Key Responsibilities:

- Exploration and development of new gold reserves.
- Management of open-pit and underground mining operations.
- Processing and refining of gold ore into bullion for export.
- Environmental management to mitigate the impact of mining on land and water resources.

Major Gold Mining Sites

1. Tarkwa Mine (Western Region): One of AML's largest operations, producing high-grade gold through open-pit mining methods. It is highly automated and equipped with modern safety protocols.
2. Prestea Mine (Western Region): Known for deep-shaft underground mining, this mine is focused on high-volume extraction. It has a history of challenges related to mine safety, prompting continuous improvements in engineering and safety standards.
3. Brong-Ahafo Gold Project: This site, acquired in the early 2000s, continues to undergo extensive exploration and development. It holds strategic importance for the company's future growth.

### ***Lithium Mining Division***

The Lithium Mining Division is AML's newest and fastest-growing business unit, reflecting the company's diversification strategy. It operates mainly in the Atiwa District and other lithium-rich areas of Ghana.

### Key Responsibilities:

- Exploration and extraction of lithium-bearing spodumene ore.
- Processing of lithium ore into battery-grade lithium carbonate and hydroxide for export.
- Partnering with technology firms to explore downstream opportunities in lithium battery production.
- Implementing direct lithium extraction (DLE) technologies to minimise environmental impact.

### Major Lithium Mining Sites

1. **Atiwa Lithium Mine (Eastern Region):** This site is AML's flagship lithium project. It uses a combination of open-pit mining and pilot DLE technology to extract lithium efficiently. The mine also houses a processing plant designed to meet the strict requirements of EV manufacturers.
2. **Volta Exploration Project:** Currently in the exploratory phase, this site has shown promising geological data for future lithium production.

### *Support Units and Centralised Services*

In addition to its mining operations, AML has established centralised support units to drive efficiency across its divisions. These include:

1. **Research and Development (R&D):** AML collaborates with the Kwame Nkrumah University of Science and Technology (KNUST) on innovative mining and processing technologies. R&D efforts focus on optimising resource extraction, reducing waste, and developing sustainable mining methods.
2. **Human Resources (HR):** The HR department oversees recruitment, training, and employee well-being. AML has developed leadership pipelines through partnerships with universities to attract skilled professionals in geology, engineering, and environmental management. AML also runs community training programmes to equip local residents with employable skills.
3. **Health, Safety and Environment (HSE):** AML has implemented a rigorous health and safety programme across all operations. The company regularly conducts risk assessments and safety drills to reduce the risk of workplace accidents. Environmental management initiatives include reforestation projects and water recycling programmes to address community concerns.
4. **Corporate Social Responsibility (CSR) and Community Engagement:** AML's CSR team works closely with local governments and community leaders to promote education, healthcare, and infrastructure development. The company sponsors scholarship programmes for students in mining communities and invests in public facilities such as hospitals and schools.

### AML Revenue Composition and Distribution

As part of its strategic diversification, AML generates revenue from two primary business units: the **Gold Mining Division** and the **Lithium Mining Division**. The contribution of each division to AML's overall revenue is critical for understanding the company's growth and risk exposure.

#### *Revenue Contribution by Business Unit*

Business Unit	Contribution to Total Revenue (%)
Gold Mining Division	65%



Lithium Mining Division	35%
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- **Gold Mining Division:** Despite AML's diversification efforts, gold remains the dominant contributor to total revenue, supported by stable production from long-standing mining sites.
- **Lithium Mining Division:** The lithium division is rapidly growing due to increased demand for critical minerals in renewable energy and electric vehicles. This division now accounts for over a third of AML's revenue and is expected to grow further with new partnerships and exploration projects.

#### *Revenue Distribution by Mining Location*

Location	Contribution to Revenue (%)
Tarkwa Gold Mine (Western Region)	30%
Prestea Gold Mine (Western Region)	15%
Brong-Ahafo Gold Project	20%
Atiwa Lithium Mine (Eastern Region)	25%
Volta Exploration Project	0%
International Mine (Mali & Burkina Faso)	10%

- **Tarkwa Gold Mine:** AML's flagship gold operation, known for high-grade deposits and efficient open-pit mining, accounts for the largest share of the company's gold revenue.
- **Prestea Gold Mine:** This deep-shaft mining site contributes significantly despite operational challenges, including periodic safety upgrades.
- **Brong-Ahafo Gold Project:** A newer addition to AML's portfolio, this project holds substantial gold reserves and is positioned for future expansion.
- **Atiwa Lithium Mine:** As AML's flagship lithium project, this mine has driven the company's expansion into the critical minerals market, accounting for a quarter of total revenue.
- **Volta Exploration Project:** Currently in the exploratory phase, this site is projected to increase its contribution as commercial lithium extraction begins.

#### **Key Observations**

1. **Reliance on Gold Mining:** Although AML has diversified its revenue streams, a significant portion still comes from gold mining operations. This reliance on a single commodity exposes the company to market price volatility.
2. **Strategic Growth of Lithium:** The lithium division is expected to become a more prominent contributor to AML's revenue, driven by global demand for battery materials.
3. **Regional Concentration:** A large portion of revenue is generated from operations in Ghana's Western and Eastern regions, emphasising the need for balanced geographic diversification to mitigate location-specific risks.

#### **Financial Performance**

The financial performance and position of AML for the years 2022 and 2023 are summarised in the consolidated income statement and consolidated statement of financial position. These statements provide a comprehensive view of AML's revenue growth, profitability, and asset

base, reflecting the company's strategic initiatives, including its diversification into lithium mining and continued investments in gold operations.

The income statement highlights a steady increase in both revenue and net profit, driven by strong operational performance across AML's key mining sites. The statement of financial position reveals significant growth in assets, equity and retained earnings, indicating AML's robust financial health and capacity for further expansion.

#### **Consolidated Income Statement (GH¢'000)**

<b>Details</b>	<b>2022</b>	<b>2023</b>
<b>Revenue</b>	<b>1,200,000</b>	<b>1,400,000</b>
Cost of Sales	720,000	840,000
<b>Gross Profit</b>	<b>480,000</b>	<b>560,000</b>
Operating Expenses	150,000	160,000
<b>Operating Profit</b>	<b>330,000</b>	<b>400,000</b>
Finance Costs	50,000	60,000
<b>Profit Before Tax</b>	<b>280,000</b>	<b>340,000</b>
Income Tax Expense	84,000	102,000
<b>Net Profit</b>	<b>196,000</b>	<b>238,000</b>

#### **Consolidated Statement of Financial Position (GH¢'000)**

<b>Details</b>	<b>2022</b>	<b>2023</b>
<b>Non-Current Assets</b>		
Property, Plant & Equip.	900,000	1,000,000
Intangible Assets	120,000	150,000
<b>Current Assets</b>		
Inventory	100,000	120,000
Accounts Receivable	80,000	90,000
Cash & Cash Equivalents	60,000	80,000
<b>Total Assets</b>	<b>1,260,000</b>	<b>1,440,000</b>
<b>Equity</b>		
Share Capital	600,000	650,000
Retained Earnings	300,000	400,000
Non-Current Liabilities	200,000	220,000
Current Liabilities	160,000	170,000
<b>Total Equity &amp; Liabilities</b>	<b>1,260,000</b>	<b>1,440,000</b>

#### **Board of Directors and Senior Management Team**

AML's governance structure includes a balanced mix of executive and non-executive directors. The Board is responsible for providing strategic guidance, overseeing risk management, and ensuring compliance with global sustainability standards.

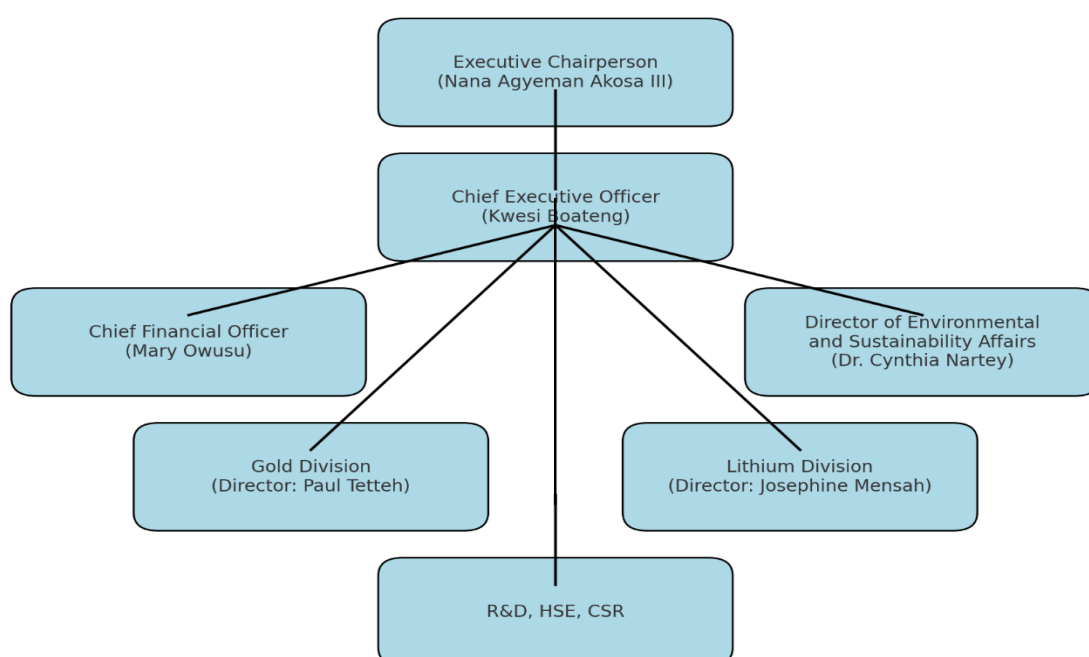
#### **Key Leadership Roles**

1. Nana Agyeman Akosa III – Executive Chairperson: A descendant of the company's founders, Nana Agyeman Akosa III has played a pivotal role in AML's growth and evolution. Under his leadership, AML has diversified its operations by venturing into the extraction of critical minerals like lithium. Nana Agyeman Akosa III is also credited with championing the company's Environmental, Social and Governance (ESG)

transformation, ensuring AML adheres to global sustainability standards while maintaining its competitive edge.

2. **Kwesi Boateng – Chief Executive Officer (CEO):** Kwesi Boateng brings over 20 years of experience in the mining sector to his role as CEO. With a strong background in strategic leadership and operational excellence, he has been instrumental in AML's expansion efforts. Under his guidance, AML has established partnerships with global mining and technology firms, improved operational efficiency, and expanded into new mineral resources, including the rapidly growing lithium market.
3. **Mary Owusu – Chief Financial Officer (CFO):** As Chief Financial Officer, Mary Owusu oversees AML's financial management, investments, and capital market activities. Her expertise in corporate finance and risk management has been critical in securing funding for large-scale mining projects. Mary plays a key role in maintaining AML's financial stability and ensuring compliance with both local and international financial regulations.
4. **Dr. Cynthia Nartey – Director of Environmental and Sustainability Affairs:** Dr. Nartey is responsible for overseeing AML's environmental compliance and sustainability initiatives. She holds extensive experience in environmental science and policy, having worked on projects related to resource conservation and ecological impact assessments. Under her leadership, AML has implemented advanced environmental monitoring programmes and adopted innovative technologies to minimise its ecological footprint.
5. **Paul Tetteh – Director of Operations (Gold Division):** Paul Tetteh manages the daily operations of AML's gold mining division, including the Tarkwa and Prestea mines. With a strong background in mining engineering and operations management, Paul ensures that production targets are met while maintaining the highest safety and environmental standards. His leadership has been crucial in optimising gold extraction and processing efficiency.
6. **Josephine Mensah – Director of Operations (Lithium Division):** Josephine Mensah leads the development and management of AML's lithium projects. She has extensive experience in mineral resource development and has played a key role in establishing international partnerships to support the company's lithium ambitions. Josephine has also been instrumental in adopting cutting-edge extraction technologies and expanding AML's presence in the global market for battery materials.

## Organizational Structure of Akosa Minerals Limited (AML)



### Employee Satisfaction Survey

The mining sector in Ghana faces significant challenges in retaining highly skilled labor, with experienced professionals often being poached by competing firms both locally and internationally. This issue is exacerbated by the physically demanding nature of mining operations, fluctuating commodity prices, and the pressure to continuously improve productivity. For AML, addressing these challenges requires a strong focus on employee satisfaction and engagement to mitigate turnover risks and build a stable, motivated workforce.

To better understand the needs and experiences of its staff, AML conducted a comprehensive employee satisfaction survey. The survey assessed five critical areas: conditions of service, career development, performance support, work environment and overall work satisfaction. Employees provided feedback on key assertions related to their roles, benefits, professional growth opportunities and workplace conditions. The results, presented in the table below, provide valuable insights into areas requiring improvement and guide the development of targeted strategies aimed at retaining skilled labor and enhancing organisational performance.

Table 1: Employee Satisfaction Survey

Areas	Assertions	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree	No Response	Total	Satisfaction Rate [%]	Sub-Averages	Overall Satisfaction
Conditions of Service	My basic salary is reasonable	132	695	179	20	674	27	1727	10.0	29.8	53.6
	The benefit package of my contract of employment is good (e.g. holidays, sick leave)	289	594	309	21	485	19	1698	22.32		
	My employer cares about my welfare (e.g. health cover, staff medicare, funeral support, etc.)	184	615	286	35	581	26	1701	15.48		
	My job is secure	780	220	331	173	165	18	1669	71.23		
Career Development	My employer has supported me with a sponsorship for further training	236	564	192	42	42	12	1685	18.62	39.5	
	I have a good chance to be promoted	799	156	364	237	120	51	1670	70.05		
	I have enjoyed a study leave	249	485	178	68	60	16	1657	21.43		
	My job offers sufficient opportunities to grow professionally	515	422	372	105	258	55	1672	47.69		
Performance Support	I know what is expected of me in my job	925	64	107	547	35	19	1678	93.70	68.6	
	I am happy how my performance is being assessed	711	288	414	136	127	57	1676	66.88		
	I receive systematic feedback on my job performance	472	488	424	71	211	71	1666	43.72		
	Feedback on my job performance is useful	701	251	348	220	145	62	1665	69.93		
Work Environment	Materials, tools and equipment are sufficiently available to do my job well	306	523	258	83	537	20	1707	26.85	51.9	
	I don't feel intimidated by my boss because he/she treats me with respect	841	146	122	35	109	32	1695	82.03		
	It is not difficult to get information and guidelines regarding my work	697	310	365	124	72	20	1655	63.64		
	My workplace is safe and doesn't impose a serious health threat to me	413	504	259	88	439	26	1703	35.0		
Work Satisfaction	Professionally, I have a fulfilling job	757	237	373	205	106	19	1678	73.72	78.4	
	My job helps me to achieve my personal ambitions	675	296	423	135	137	27	1684	65.66		
	I am challenged to perform to the best of my capacities	841	186	288	137	88	22	1690	80.18		
	My work is meaningful to me	943	53	165	503	36	36	1700	94.20		

## **Industry Analysis: Mining Sector in Ghana**

The mining sector has been a cornerstone of Ghana's economy for over a century, contributing significantly to export earnings, employment and infrastructure development. Historically, Ghana has been known for its vast gold reserves, earning the moniker "Gold Coast" during the colonial era. Today, the sector has diversified to include other minerals such as bauxite, manganese and more recently, lithium, which holds strategic importance due to global demand for critical battery materials. According to the Minerals Commission of Ghana, the mining sector contributes approximately 37% of Ghana's total exports and about 6% of the country's Gross Domestic Product (GDP). Gold remains the dominant product, with Ghana ranking as Africa's largest gold producer and one of the top ten producers globally. In recent years, however, there has been a growing interest in other minerals, driven by technological shifts and the global push toward renewable energy.

The mining sector in Ghana is highly competitive, with both local and multinational players vying for control of strategic mineral resources. Prominent companies include international players like AngloGold Ashanti, Newmont Corporation and Gold Fields, as well as local companies such as Akosa Minerals Limited (AML), Golden Star Resources and Asanko Gold. This rivalry is driven by several factors. Firstly, companies compete to secure concessions in high-grade mineral belts, with the recent discovery of lithium deposits intensifying this competition. Secondly, efficient mining operations that use modern technologies gain a competitive edge by minimising production costs. Furthermore, innovation plays a significant role, as companies investing in environmentally sustainable mining practices, such as direct lithium extraction, become more attractive to investors and regulators. Finally, larger multinational companies benefit from economies of scale, giving them leverage in commodity price negotiations and access to global capital markets. In this competitive landscape, AML distinguishes itself by focusing on both operational efficiency and social responsibility, which are increasingly crucial for gaining government and community support.

The mining sector in Ghana faces several risks that threaten both short-term and long-term sustainability. Environmental risks are a significant concern, as mining operations, particularly open-pit methods, contribute to deforestation, water pollution, and soil erosion. The environmental impact of lithium extraction has also drawn criticism, leading to more frequent community protests. In response to growing environmental concerns, the Ghanaian government has intensified regulatory scrutiny, requiring companies to adhere to stricter environmental impact assessments, reporting standards, and reclamation plans. Political and social instability also poses risks, with tensions between mining companies and local communities often escalating over disputes related to land rights, employment opportunities, and environmental degradation.

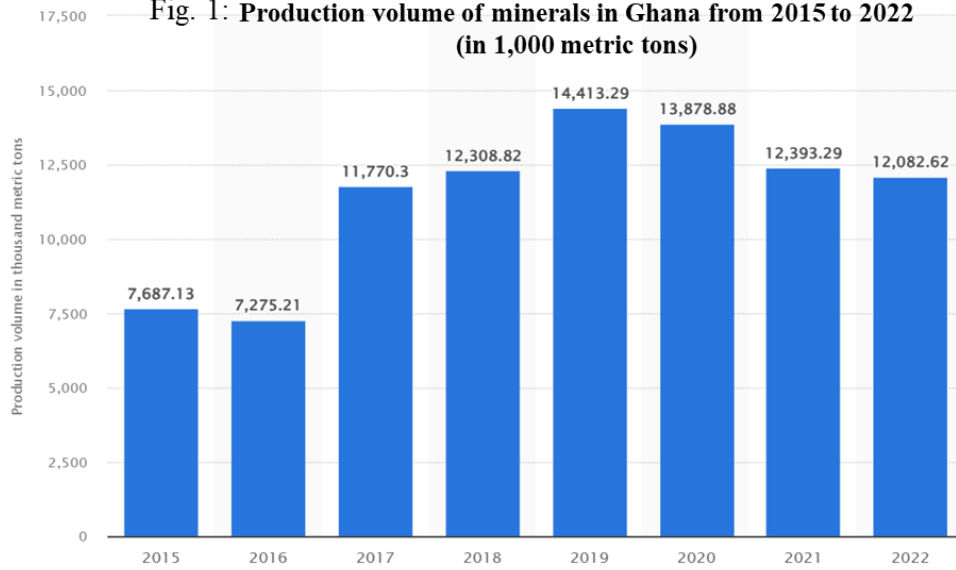
Artisanal and small-scale mining (galamsey) activities in certain regions have exacerbated these conflicts. Economic risks, including inflation, currency devaluation, and rising operational costs, continue to challenge profitability. Moreover, security threats, such as increasing illegal mining and theft at mining sites, have forced companies to invest in enhanced security measures to protect their operations.

In response to these challenges, Ghana has implemented several regulatory reforms aimed at improving transparency, sustainability and local value addition in the mining sector. The Mining and Minerals (Amendment) Act requires mining companies to allocate a higher percentage of their revenue to local development projects, emphasising environmental protection and community engagement. Additionally, mandatory environmental, social and governance (ESG) reporting has become a requirement, with regular audits conducted by the Ghana Minerals Commission. Mining firms are also subject to a local content policy, which obligates them to increase the use of locally manufactured goods and services, as well as invest in workforce development through training and capacity-building initiatives. Finally, the government has adjusted royalty rates and corporate taxes on mining revenues to increase the sector's contribution to national development funds.

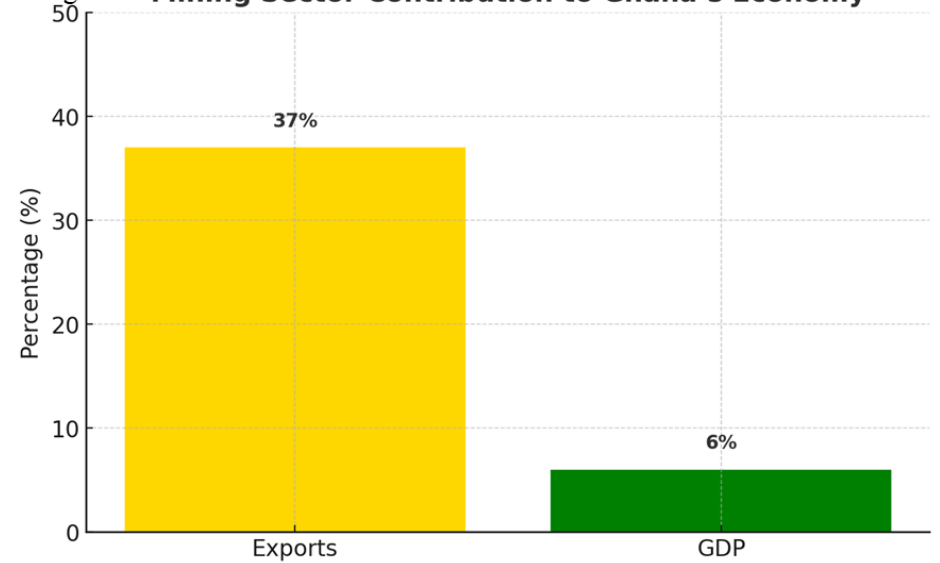
The profitability of mining companies in Ghana is closely tied to global commodity prices, which fluctuate due to various factors. Demand for precious metals like gold is influenced by global economic conditions, investor sentiment, and central bank policies. During periods of economic uncertainty, demand for gold often rises as it serves as a safe-haven asset. Technological shifts have also driven increased demand for critical minerals like lithium and manganese, largely due to the rise of electric vehicles and renewable energy technologies. However, advancements in battery chemistry could reduce demand for certain materials, leading to price volatility. Geopolitical factors, including trade tensions, resource nationalism and supply chain disruptions, further impact global supply and demand, affecting Ghana's export earnings. Additionally, some mining companies engage in price hedging to manage risk, but poorly executed strategies can lead to significant financial losses, as demonstrated by past cases like Ashanti Goldfields Corporation.

## Developments in the Mining Sector

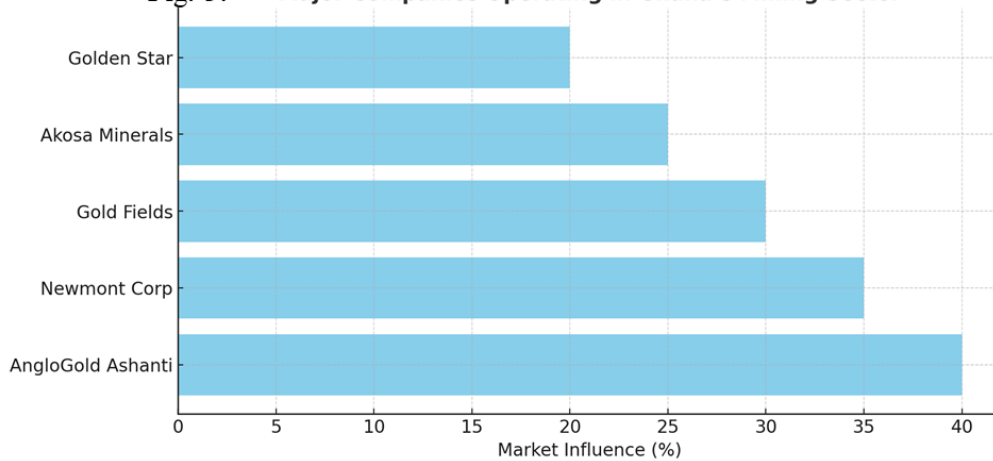
**Fig. 1: Production volume of minerals in Ghana from 2015 to 2022 (in 1,000 metric tons)**



**Fig. 2: Mining Sector Contribution to Ghana's Economy**



**Fig. 3: Major Companies Operating in Ghana's Mining Sector**



**Fig. 4: Key Minerals Produced in Ghana**

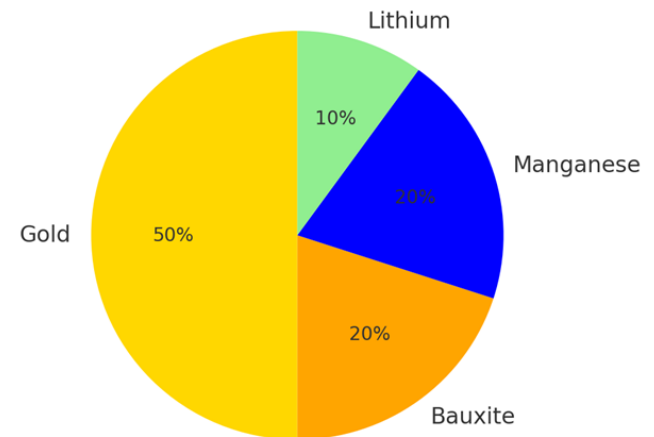




Fig. 5: Trend Global Gold Price



(Source: Trending Economics, February 2025)

### Mining sector stories making headlines in the media

February 5, 2025

#### Ghana Appoints New Deputy CEO of Minerals Commission

President John Mahama has appointed Emmanuel Kwamena Anyimah, also known as Ellembelle KK, as the new Deputy Chief Executive Officer of the Minerals Commission. This strategic appointment aims to strengthen the Commission's leadership and oversight capabilities in regulating Ghana's mining industry. <https://africanminingmarket.com>

January 27, 2025

#### Ghana Ends 2024 with Remarkable Trade Surplus

Ghana achieved a significant trade surplus of US\$4.98 billion in December 2024, nearly doubling the previous year's figures. The mining sector, particularly gold exports, played a pivotal role in this economic achievement. <https://africanminingmarket.com>

January 20, 2025

#### Soldiers shoot dead at least seven miners in Ghana

At least seven people have been killed in a clash with soldiers on duty at a mine in the central Ashanti region, according to the army. The Ghana Armed Forces said about 60 illegal miners, armed with among others things "pump action guns", had forced their way into the mine run by global giant AngloGold Ashanti and fired at the soldiers when they were intercepted. <https://www.bbc.com/news>

January 9, 2025

#### Ghana's MIIF Signs MoU with Mintek for Strategic Partnership

The Minerals Income Investment Fund (MIIF) has entered into a Memorandum of Understanding with Mintek, aiming to enhance mineral processing and value addition in Ghana. This partnership is expected to boost the country's mining sector through technological advancements and capacity building. <https://africanminingmarket.com>

*September 19, 2024*

**Minerals Commission Hosts Malawian Delegation in Ghana**

The Minerals Commission hosted a seven-member delegation from Malawi on a week-long peer exchange initiative facilitated by the Extractive Industry Transparency Initiative (EITI). The visit aimed to enhance the Malawian delegation's understanding of Ghana's mining sector and foster knowledge exchange between the two countries.

<https://www.mincom.gov.gh/>

*July 31, 2024*

**Minerals Commission Trains Staff on Drone Piloting at UMaT**

As part of its ongoing automation and digitisation efforts, the Minerals Commission organised a five-day drone piloting training for staff at the Paa Grant University of Mines and Technology in Tarkwa. This initiative aims to enhance regulatory control and compliance within Ghana's mining sector. <https://www.mincom.gov.gh/>

*July 9, 2024*

**Nomination for 2024 Ghana Mining Industry Awards**

The Ghana Chamber of Mines announced the opening of nominations for the 2024 Ghana Mining Industry Awards. The awards aim to recognise excellence and promote best practices within the mining industry. <https://ghanachamberofmines.org/media>

*October 7, 2024*

**Ghana's Wildcat Gold Mining Booms, Poisoning People and Nature**

The unlicensed gold mining industry, known locally as "galamsey," has expanded rapidly, driven by a nearly 30% increase in global gold prices. This surge has led to significant environmental degradation and health risks due to the use of hazardous chemicals.

<https://www.reuters.com>

*September 21, 2024*

**Stop Galamsey Now Protest**

A local organisation, Democracy Hub, launched a three-day protest to pressure the Ghanaian government into enforcing measures against illegal mining activities, particularly in forest reserves and along key rivers. The protest highlighted the severe pollution of water bodies and the degradation of forest reserves due to illegal mining.

<https://en.wikipedia.org/wiki/Galamsey>

*December 10, 2024*

**Newcore Gold Announces 93.0% Gold Recoveries in Column Testwork**

Newcore Gold Ltd. reported positive results from additional column tests at the Enchi Gold Project in Ghana, achieving 93.0% gold recoveries. These findings are significant for the project's development and potential economic viability.

<https://www.juniorminingnetwork.com>

In response to recent developments in Ghana's mining sector, including increasing regulatory scrutiny, environmental protests, and illegal mining activities, the Board of Directors of Akosa Minerals Limited (AML) has taken proactive steps to strengthen the company's risk management framework. The Board has contracted Isodek Consultants, a reputable firm

specialising in risk analysis and strategy, to conduct a comprehensive Risk Assessment and Impact Analysis for AML.

This initiative aims to identify key risks across operational, financial, governance and stakeholder areas and to propose mitigation strategies that align with global best practices. The Consultant's report is currently under preparation and is expected to provide crucial insights to enhance AML's resilience and competitiveness amidst growing challenges in the mining industry.

## ADDITIONAL INFORMATION

Akosa Minerals Limited (AML) has experienced significant growth and diversification in recent years, particularly with the integration of lithium mining alongside its traditional gold operations. However, the company faces several internal and external risks that could potentially hinder its performance and long-term sustainability. In the light of these challenges, the Board of Directors has commissioned a comprehensive risk assessment and impact analysis to identify, prioritise, and recommend strategies to mitigate risks across the organisation.

**Prepared for:** The Board of Directors, Akosa Minerals Limited (AML)

**Prepared by:** Dr. Kingsley Flecher – Chief Risk and Strategy Consultant, Isodek Consultants

**Date:** 20 February, 2025

### **Risk Assessment and Impact Analysis Report for AML (Extract)**

#### **Introduction**

This report has been prepared in response to a directive from the Board of Directors of Akosa Minerals Limited (AML). As AML continues to expand its operations, including its diversification into critical minerals such as lithium, the company faces a range of risks that could affect its operational performance, financial stability, and reputation. Recognizing the importance of effective risk management, the Board has commissioned this risk assessment and impact analysis to provide strategic insights and recommendations.

The objectives of this report are as follows:

1. **Risk Identification:** Identify and categorise key risks that may impact AML's operations, governance, and stakeholder relations.
2. **Impact Assessment:** Analyse the likelihood and severity of each risk and its potential consequences on AML's strategic goals.
3. **Mitigation Strategies:** Propose tailored risk mitigation strategies to strengthen AML's resilience and reduce exposure to critical risks.
4. **Governance Recommendations:** Provide actionable recommendations to enhance corporate governance practices and ensure independent oversight.

The findings and recommendations presented in this report aim to support AML's leadership in making informed decisions, fostering long-term growth, and maintaining AML's competitive advantage in the mining industry.

#### **Methodology**

The risk assessment was conducted through a combination of site visits, stakeholder interviews, document reviews, and industry benchmarking. Key data sources included operational reports, compliance audits, financial statements, and market analyses. Risks were categorized based on their type, likelihood, and potential impact. Mitigation strategies were developed in consultation with AML's leadership and external industry experts.

Summary of Risk Impact Analysis			
Risk Category	Impact	Likelihood	Key Mitigation Strategies
Operational Risks	High	High	Maintenance, supplier contracts, contingency planning
Environmental Risks	High	Medium	Monitoring systems, greener technology, CSR initiatives
Human Resource Risks	High	High	Improved compensation, career development, engagement
Market and Commodity Risks	Medium	High	Hedging, diversification, long-term buyer contracts
Regulatory Risks	High	Medium	Compliance framework, regulatory relationships
Financial Risks	Medium	Medium	Hedging, balanced capital structure, cash flow management
Governance Risks	Medium	Medium	Board independence, governance reforms
Social Risks	Medium	Medium	Community advisory councils, impact assessments
Security Risks	Medium	Medium	Surveillance, law enforcement partnerships, risk assessments

### Key Risk Areas and Recommendations

#### 1. Operational Risks

**Findings:** AML's operations face risks of equipment failure, accidents, and supply chain disruptions, which could impact production schedules.

**Recommendations:** Strengthen equipment maintenance programs, negotiate long-term supplier contracts, and establish contingency plans for critical operations.

#### 2. Environmental Risks

**Findings:** Increasing regulatory scrutiny and environmental concerns pose significant risks to AML's operations. Non-compliance could result in fines, legal challenges, and reputational damage.

**Recommendations:** Invest in advanced environmental monitoring technologies, adopt greener mining practices, and enhance community engagement through CSR projects.

#### 3. Human Resource Risks

**Findings:** AML faces high competition for skilled labor, with experienced staff often being poached by competitors. This has led to increased turnover and recruitment costs.

**Recommendations:** Enhance staff retention through improved compensation packages, career development programs, and employee engagement initiatives.

#### 4. Market and Commodity Price Risks

**Findings:** Fluctuations in gold and lithium prices pose risks to revenue stability.

**Recommendations:** Diversify revenue streams through the development of long-term buyer contracts and strategic price hedging.

#### 5. Regulatory and Compliance Risks

**Findings:** AML operates in a highly regulated environment where changes to mining policies or ESG reporting requirements could disrupt operations.

**Recommendations:** Strengthen AML's compliance framework and engage policy experts to proactively manage regulatory changes.

#### 6. Governance Risks

**Findings:** There is a concentration of power among executive directors, which

could compromise board independence and lead to conflicts of interest.

**Recommendations:** Separate the roles of Chairperson and CEO, increase the number of independent non-executive directors, and enhance the accountability of board committees.

7. **Social and Community Relations Risks**

**Findings:** Disputes over land use and environmental impact have strained relationships with local communities, posing risks to AML's social license to operate.

**Recommendations:** Establish community advisory councils to improve dialogue, address grievances proactively, and invest in community infrastructure and education.

8. **Security Risks**

**Findings:** Illegal mining activities (galamsey) and theft at mining sites present security risks to AML's assets and personnel.

**Recommendations:** Partner with local law enforcement entities to enhance security, implement surveillance systems, and conduct regular risk assessments.

**Conclusion**

The findings of this risk assessment highlight critical areas that require immediate attention to ensure AML's continued growth and sustainability. By implementing the recommended mitigation strategies, AML can strengthen its risk management framework, protect its assets, and enhance stakeholder confidence. It is advised that the Board reviews this report and incorporates the recommendations into the company's strategic planning and governance processes.

**Prepared by:**

**Signed**

**Dr. Kingsley Flecher**

Chief Risk and Strategy Consultant

Isodek Consultants

## QUESTION ONE

- a) Akosa Minerals Limited (AML) recently conducted an employee satisfaction survey to address ongoing challenges in attracting and retaining skilled labour. The survey evaluated staff experiences across five critical areas: conditions of service, career development, performance support, work environment and work satisfaction. The survey revealed key issues related to job security, career progression and employee welfare. AML's leadership is now focused on implementing strategic measures to enhance employee satisfaction and engagement to reduce turnover risks and improve productivity.

**Required:**

Identify and explain **TWO** key areas of concern from the employee satisfaction survey. How might these concerns impact AML's ability to maintain a sustainable competitive advantage? **(5 marks)**

- b) AML has expanded its operations beyond Ghana, securing mining concessions in Mali and Burkina Faso. The company's international growth has been driven by rising global demand for gold and lithium, particularly for use in battery production and renewable energy technologies. However, AML must navigate various external factors such as economic fluctuations, trade policies, global commodity pricing, and regulatory frameworks in different countries.

To maintain its competitive advantage, AML's leadership must evaluate external business conditions using tools such as Porter's Diamond Model, which assesses factors influencing national competitiveness, and broader international economic analysis to identify key opportunities and threats.

**Required:**

Using Porter's Diamond Model, analyse **THREE** factors that contribute to Ghana's competitiveness in the global mining industry. How can AML leverage these factors for long-term success? **(5 marks)**

- c) AML has evolved through various strategic phases over the last decades, including modernization, diversification and international expansion. The company is evolving and strengthening its governance, financial structure and operational processes. As AML continues to grow in a competitive mining industry, selecting an appropriate strategic approach is crucial for sustaining long-term success.

The board of AML must consider different organisational strategy approaches to align with its corporate objectives, resource capabilities and industry trends. These approaches include the systems-based approach, resource-based approach, core competencies approach, rational strategy and adaptive/emergent strategy.

**Required:**

Using AML's strategic journey as a reference, explain each of the **FIVE** strategic approaches and how they are relevant to AML's organisational strategy. **(10 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) Akosa Minerals Limited (AML) has undergone significant transformations in its operations, particularly with the integration of lithium extraction into its core business. This shift has presented both opportunities and challenges, including regulatory compliance, technological advancements and stakeholder management. Successfully navigating these changes requires effective leadership and change management.

Rosabeth Moss Kanter suggests that managers in change-adept organisations must possess key skills to drive transformation effectively. As AML continues its diversification efforts, the company's leadership must demonstrate these skills to sustain growth and maintain a competitive edge.

**Required:**

Identify and explain the critical role of leadership in managing change and **THREE** out of five key change management skills suggested by Kanter that AML's leadership should exhibit to effectively manage its diversification and growth strategies. **(10 marks)**

- b) Akosa Minerals Limited (AML) recently engaged a risk consultant from Isodek Consultants to conduct a comprehensive risk assessment and provide recommendations on managing the transformational changes the company is undergoing. The consultant's report highlights key risks and challenges related to AML's diversification strategy, operational restructuring, stakeholder engagement and compliance with global sustainability standards.

To navigate these challenges effectively, AML's leadership needs to apply the Gemini Consultants' 4Rs model which provides a structured framework for managing large-scale organisational change.

**Required:**

Using the Gemini Consultants' 4Rs model, discuss how each component can be applied to address the operational and environmental risks identified in the consultant's report.

**(10 marks)**

**(Total: 20 marks)**



### QUESTION THREE

- a) Akosa Minerals Limited (AML) operates in both local and international mining markets, with operations spread across different regions, including Ghana, Mali and Burkina Faso. AML faces pressures for local adaptiveness, such as meeting the specific needs of employees in diverse communities, and global integration, which requires maintaining consistent HR policies and performance standards across all operations. The Integration-Responsiveness (IR) Framework helps organisations determine how to balance these competing pressures to achieve strategic objectives.

**Required:**

- i) Explain the Integration-Responsiveness (IR) Framework, and show how AML can manage its employees across various locations by balancing the pressures for local adaptiveness and global integration. **(6 marks)**
- ii) Suggest **TWO** situations where AML should emphasise local adaptiveness and **TWO** where it should prioritise global integration. Provide examples to support your response. **(4 marks)**
- b) AML diversified its operations by integrating lithium extraction into its core business. Diversification is appropriate in some situations but not in others.

**Required:**

Explain **FIVE** reasons why the diversification strategy of AML is appropriate and **THREE** factors that could make the diversification strategy inappropriate. **(10 marks)**

**(Total: 20 marks)**

## QUESTION FOUR

Akosa Minerals Limited (AML) exports a significant portion of its gold production, making its revenue highly sensitive to global gold prices and exchange rate fluctuations. Recently, gold prices have surged to a six-month high of USD 2,904.4 per troy ounce, creating an opportunity for AML to maximize export earnings. However, the company also faces foreign exchange risk, as the Ghanaian cedi (GHS) may depreciate before AML receives its USD payments.

To mitigate this risk, AML's finance team is considering two hedging strategies: **money market hedge** and **forward contracts**. The company must determine which approach provides the best protection against exchange rate fluctuations while optimising its financial position.

AML expects to receive **USD 10 million** from gold exports in three months. The company is concerned that the USD/GHS exchange rate may depreciate and is evaluating both a money market hedge and a forward contract. The following information is available:

- Current spot exchange rate: 1 USD = 12.50 GHS
- Three-month forward rate: 1 USD = 12.20 GHS

Three-month interest rates:

- USD borrowing rate: 4% per annum
- USD deposit rate: 3% per annum
- GHS borrowing rate: 23% per annum
- GHS deposit rate: 18% per annum

### Required:

- a) Explain the concept of both the money market hedge and forward contract hedge, and how AML can use each to mitigate its exchange rate risk. **(6 marks)**
- b) Calculate the amount AML needs to borrow or invest today in both USD and GHS under the money market hedge to fully hedge the future receipt of USD 10 million. **(4 marks)**
- c) Calculate the GHS amount AML would receive if it chooses the forward contract hedge instead. **(2 marks)**
- d) Compare the GHS amounts received under the money market hedge and forward contract hedge. Recommend the better option for AML based on the calculations. **(2 marks)**
- e) Discuss **THREE** internal hedging techniques AML can employ to mitigate the depreciation of the Ghana Cedi against the US Dollar. **(6 marks)**

**(Total: 20 marks)**

## QUESTION FIVE

- a) On September 21, 2024, a local advocacy group, Democracy Hub, launched a three-day protest dubbed "**Stop Galamsey Now**" to demand stronger government action against illegal mining. The protest drew national attention to the severe pollution of water bodies and the degradation of forest reserves caused by illegal mining operations. Activists called on regulatory bodies, including the Environmental Protection Agency (EPA), to strictly enforce environmental laws and ensure greater corporate accountability in the mining sector.

Akosa Minerals Limited (AML), a key player in the mining industry, operates in regions affected by illegal mining activities. As part of its corporate governance and sustainability strategy, AML must ensure compliance with environmental regulations and provide transparent environmental disclosures in its corporate reports. Regulatory bodies such as the EPA require mining firms to disclose the impact of their operations on local ecosystems and outline measures taken to mitigate environmental damage.

### **Required:**

- i) Explain the importance of environmental disclosures in corporate governance, particularly for mining companies like AML. **(4 marks)**
  - ii) Discuss **THREE** key environmental disclosure requirements that the Environmental Protection Agency (EPA) would expect AML to include in its sustainability reports. Provide examples based on AML's operations. **(6 marks)**
- b) The Government of Ghana holds a stake in Akosa Minerals Limited (AML), making it a partially state-owned entity. As a result, AML is subject to oversight and governance requirements under Ghanaian law, including compliance with the State Interests and Governance Authority (SIGA) Act, 2019 (Act 990). This law establishes governance frameworks for state-owned enterprises (SOEs) and entities in which the government has an interest, ensuring transparency, accountability, and efficiency in their operations.

Given the increasing public scrutiny of state-owned entities, AML's Board of Directors must ensure compliance with Act 990 while balancing the government's interests with those of private investors and other stakeholders.

### **Required:**

- i) Explain the purpose of the State Interests and Governance Authority (SIGA) Act, 2019 (Act 990) and its relevance to state-owned enterprises in Ghana. **(4 marks)**
- ii) Discuss **THREE** key governance requirements under the SIGA Act that apply to AML as a partially state-owned entity. Provide examples of how these requirements influence AML's corporate governance structure. **(6 marks)**

**(Total: 20 marks)**

## SUGGESTED SOLUTION

### QUESTION ONE

- a) Key Areas of Concern from the Employee Satisfaction Survey and Their Impact on AML's Competitive Advantage.

The employee satisfaction survey conducted by AML identified challenges in job security, career progression, and employee welfare, which are crucial for retaining skilled labor and sustaining productivity in a competitive mining industry. Two key areas of concern include:

**1. Career Development and Promotion Opportunities (2.5 marks)**

- **Survey Concern:** Employees feel **limited opportunities for career advancement**, affecting motivation and long-term retention.
- **Impact on AML's Competitive Advantage:**
  - High turnover of skilled mining engineers and technical staff could lead to operational inefficiencies.
  - Competitor firms may poach AML's top talent, reducing institutional knowledge and weakening AML's market position.
  - AML's ability to innovate and adopt new mining technologies could be compromised if employees lack long-term career growth incentives.

**2. Work Environment and Employee Welfare (2.5 marks)**

- **Survey Concern:** Employees **raised issues regarding working conditions, safety protocols, and access to benefits** such as healthcare and housing.
- **Impact on AML's Competitive Advantage:**
  - Poor workplace conditions can lower morale and productivity, leading to reduced operational efficiency.
  - Negative employee experiences can harm AML's reputation, making it less attractive to top talent in the mining industry.
  - Regulatory risks may increase if safety and welfare concerns are not addressed, leading to fines or shutdowns.

**Recommendation for AML:**

To maintain a **sustainable competitive advantage**, AML should:

- Introduce structured career development programs, including mentorship and leadership training for employees.
- Enhance employee welfare initiatives, such as health and housing benefits, to improve engagement and retention.
- Invest in safer work environments by improving mine safety measures and compliance with global safety standards.

**(5 marks)**

- b) Akosa Minerals Limited (AML) has expanded into **Mali and Burkina Faso**, but Ghana remains its **core operational base**. To sustain its **competitive advantage** in the global mining industry, AML must analyze external factors affecting **Ghana's competitiveness as a mining hub**.

Porter's **Diamond Model** provides a framework to assess **national competitiveness** by evaluating key factors that determine an industry's **global success**. The four key factors that influence **Ghana's mining sector** include:

**1. Factor Conditions – Ghana's Abundant Natural Resources and Skilled Workforce**

- **Definition:** Factor conditions refer to a country's **natural resources, infrastructure, and skilled labor availability**.
  - **Ghana's Competitive Advantage:**
    - **Rich mineral deposits**, including **gold, bauxite, manganese, and lithium**.
    - **Experienced mining workforce** with **technical skills** supported by institutions like **KNUST and UMaT (University of Mines and Technology)**.
    - **Well-established mining infrastructure**, including ports and transport systems.
  - **How AML Can Leverage This:**
    - AML should continue to **expand mining operations in Ghana** to capitalize on **rich gold and lithium reserves**.
    - **Investing in workforce training programs** ensures AML has **highly skilled labor** for its gold and lithium divisions.
2. ***Demand Conditions – High Global Demand for Gold and Lithium***
- **Definition:** Demand conditions refer to the strength of **local and international markets** driving industry growth.
  - **Ghana's Competitive Advantage:**
    - **Ghana is Africa's largest gold producer**, benefiting from **strong export demand**.
    - Growing **global demand for lithium** for **electric vehicles (EVs) and renewable energy storage**.
    - Rising **foreign investment in Ghana's mining sector** due to its stable economy.
  - **How AML Can Leverage This:**
    - AML should **expand gold production** while investing in **lithium processing facilities** to serve the **EV battery market**.
    - Develop **strategic partnerships** with **global technology and energy firms** seeking **sustainable lithium sources**.
3. ***Firm Strategy, Structure, and Rivalry – Strong Corporate Governance and Competitive Mining Industry***
- **Definition:** This factor assesses **how companies are structured**, their level of competition, and governance standards.
  - **Ghana's Competitive Advantage:**
    - Ghana's mining industry is **highly competitive**, with companies like **Newmont, Gold Fields, and AngloGold Ashanti** driving efficiency.
    - **Robust corporate governance frameworks**, with oversight from **the Ghana Minerals Commission and SIGA**.
    - **Government incentives** to attract **foreign direct investment (FDI)** in mining.
  - **How AML Can Leverage This:**
    - AML must **strengthen corporate governance** to **maintain investor confidence**.
    - Invest in **modern mining technology** to compete with **multinational firms** in efficiency and sustainability.
4. ***Related and Supporting Industries – Strong Mining Ecosystem and Regulatory Support***
- **Definition:** The presence of **supporting industries**, such as **logistics, finance, and research institutions**, strengthens competitiveness.
  - **Ghana's Competitive Advantage:**
    - Ghana has **well-developed financial markets**, allowing AML to access **capital for expansion**.

- **Local supply chains**, including equipment suppliers and mining services, reduce operational costs.
- **Government support for local content policies**, encouraging partnerships with Ghanaian firms.
- **How AML Can Leverage This:**
  - Partner with **local suppliers** to **reduce costs and improve operational efficiency**.
  - **Use Ghana's financial markets** to raise funding for future exploration and sustainability projects.

(5 marks)

c) **Explanation of the Five Strategic Approaches and Their Relevance to AML**

Akosa Minerals Limited (AML) has undergone **modernization, diversification, and international expansion**, requiring different **strategic approaches** to remain competitive in the mining industry. Below is an explanation of the **five strategic approaches** and their relevance to AML:

**1. Systems-Based Approach (2 marks)**

- This approach views an organisation as a **complex system** where different units (e.g., finance, operations, HR) must work **interdependently** to achieve corporate objectives.
- **Relevance to AML:**
  - AML has **multiple business units (Gold and Lithium divisions)** operating across **Ghana, Mali, and Burkina Faso**.
  - Implementing **integrated operational and governance systems** ensures **seamless coordination** between its mining sites, processing plants, and international business units.
  - AML's adoption of **automated monitoring systems** for safety and compliance exemplifies a **systems-based approach** to risk management.

**2. Resource-Based Approach (2 marks)**

- This approach emphasizes **leveraging internal resources and capabilities** to gain a sustainable competitive advantage.
- **Relevance to AML:**
  - AML has **rich mineral reserves (gold and lithium)**, giving it an advantage in the mining industry.
  - The company has invested in **cutting-edge mining technologies** to improve efficiency.
  - AML's **long-term partnerships with the Ghanaian government** ensure continued access to high-potential mining concessions, strengthening its resource-based strategy.

**3. Core Competencies-Based Approach (2 marks)**

- A **core competency** is a **unique strength** that differentiates a company from competitors.
- **Relevance to AML:**
  - AML's expertise in **gold mining and expansion into lithium extraction** has positioned it as a key player in Africa's mineral industry.
  - The company has developed a **strong ESG (Environmental, Social, and Governance) framework**, making it attractive to **sustainable investors and international mining partners**.

- AML's **research and innovation partnerships** with institutions like **KNUST** give it an advantage in **developing sustainable mining solutions**.

#### 4. Rational Strategy

- The rational approach involves **structured decision-making** based on detailed **market analysis, feasibility studies, and financial projections**.
- **Relevance to AML:**
  - AML's **decision to diversify into lithium** was backed by **global market demand for electric vehicle (EV) batteries**, showing a rational approach.
  - The company **conducted feasibility studies and pilot projects** before launching full-scale lithium operations in 2020.
  - AML's **stock market listings on the Ghana Stock Exchange (GSE), Johannesburg Stock Exchange (JSE), and New York Stock Exchange (NYSE)** indicate **long-term financial planning and rational strategy execution**.

#### 5. Adaptive/Emergent Strategy

- This approach focuses on **responding to changing market conditions and evolving strategies dynamically** rather than following rigid plans.
- **Relevance to AML:**
  - AML has **adapted to shifts in global demand**, pivoting from **gold-focused** operations to **lithium mining**, a critical mineral for the EV industry.
  - The company has **responded to environmental regulations** by introducing **sustainable mining practices** and water recycling programs.
  - AML's **international expansion into Mali and Burkina Faso** demonstrates its ability to adjust strategies based on **regional opportunities and risks**.

#### Summary of Relevance to AML

Strategic Approach	How AML Uses It
<b>Systems-Based</b>	Integrates business units across multiple locations for efficiency.
<b>Resource-Based</b>	Leverages mineral reserves and technology to maintain market leadership.
<b>Core Competencies-Based</b>	Strengthens mining expertise, ESG compliance, and sustainable practices.
<b>Rational Strategy</b>	Uses market research, feasibility studies, and stock market listings to guide expansion.
<b>Adaptive/Emergent</b>	Adjusts strategies to respond to market trends, regulations, and geopolitical risks.

*(10 marks)*

**(Total: 20 marks)**

## EXAMINER'S COMMENTS

Performance in question one was generally good and above average.

Question 1(a) required candidates to identify and explain two key areas of concern from the employee satisfaction survey and how these concerns might impact AML's ability to maintain a sustainable competitive advantage. Most candidates had no problem responding to this sub-question since the answer was direct. The main weakness identified was that candidates failed to adequately address the impact of the concerns on AML's ability to sustain a competitive advantage.

Sub-question 1 (b) which examined Porter's Diamond did not trouble majority of the candidates and marks available for scoring were earned.

The last sub-question 1(c) provided candidates with five different strategic approaches (**systems-based approach, resource-based approach, core competencies approach, rational strategy and adaptive/emergent strategy**) and were required to explain each with reference to AML. Two main issues emerged from candidates' answers. First some candidates were simply not able to explain these concepts let alone apply them in the context of AML. Second and most shocking is the fact that some candidates ignored the specific approaches given them and proceeded to discuss approaches that were not stated.



## QUESTION TWO

- a) As Akosa Minerals Limited (AML) integrates lithium extraction into its core business, it faces challenges such as regulatory compliance, technological advancements, and stakeholder management. To successfully navigate these changes, AML's leadership must demonstrate **five key change management skills** identified by Rosabeth Moss Kanter:

### 1. Communication Skills

- Effective communication is crucial in managing transformation within AML. Leaders must clearly articulate the company's vision for lithium expansion and ensure that employees, regulators, and stakeholders understand the strategic direction.
- **Application to AML:** AML's leadership should proactively engage with government regulators and mining communities to clarify its commitment to responsible lithium extraction and compliance with environmental laws.

### 2. Collaboration and Coalition Building

- Change is more effective when leaders build coalitions and gain support from key stakeholders. This involves fostering partnerships, negotiating with industry regulators, and engaging employees.
- **Application to AML:** AML must collaborate with the Ghanaian government, Environmental Protection Agency (EPA), and international investors to ensure sustainable mining practices and financial backing for lithium operations.

### 3. Emotional Intelligence and People Management

- Leaders must understand the emotional impact of change on employees and stakeholders. They should be empathetic and provide support to employees who may feel uncertain about AML's diversification.
- **Application to AML:** AML's leadership should address employee concerns regarding job security and training, ensuring that workers from gold mining operations receive opportunities to transition into lithium mining roles.

### 4. Risk-Taking and Innovation

- Embracing change requires a willingness to experiment with new ideas and take calculated risks. Leaders should foster a culture of innovation that encourages adaptation to market shifts.
- **Application to AML:** AML must invest in **new lithium extraction technologies** and pilot projects to remain competitive in the critical minerals market.

### 5. Strategic Thinking and Vision

- Effective leaders anticipate future challenges and align corporate strategy with long-term objectives. They balance short-term operational efficiency with long-term sustainability.
- **Application to AML:** AML's executives should integrate **ESG (Environmental, Social, and Governance) principles** into its lithium strategy to align with **global sustainable mining standards** and attract international investors.

*Alternatively;*

Rosabeth Moss Kanter suggested that a manager in a change-adept entity should have the following skills.

1. **Tuning in to the environment.** Managers need to be aware of changes in the environment that will make change by the entity necessary or desirable. Kanter suggested that managers should create a network of 'listening posts' that they should use to monitor environmental change. She commented: 'Pay special attention to customer complaints, which are often your best source of information about an operational weakness or unmet need.'
2. **Challenging the prevailing organisational wisdom.** Change managers should be prepared to challenge the 'conventional wisdom' and question accepted views about what is necessary or the way that things should be done.
3. **Communicating a compelling aspiration.** A change manager should have a clear idea of what he wants to achieve and should communicate this 'vision' to everyone he deals with. The manager must have personal conviction that the change is necessary. Without this sense of purpose, he will not be able to 'sell' the need for change to others.
4. **Building coalitions.** Managers cannot make change happen through personal effort alone. They need to win the support and co-operation of all the individuals with the knowledge, influence or resources to make change happen. Making change happen is therefore a process of building alliances and support.
5. **Learning to persevere.** Managers should continue with the process of change even though there are likely to be setbacks and 'defeats' on the way.
6. **Making everyone a hero.** The manager should give full credit to everyone who helps to introduce change successfully, and should make them feel that their efforts are fully appreciated. If possible, individuals who help to introduce changes successfully should be rewarded.

**(10 marks)**

- b) The Gemini 4Rs Another model for introducing transformational change was promoted by Gemini Consultants. This is known as the 4Rs model. The elements of the model are as follows.

**Re-frame**

Create the desire for change. Create a vision of what the entity is trying to achieve. Create a measurement system to set targets for change and measure performance.

**Re-structure**

Examine the organisation structure, and create an economic model showing how value is created by the entity, and therefore where resources should be used. Re-design the processes so that they work better to create more value.

**Revitalise**

This is the entity's commitment to the future. Find new products and new markets that fit well with the entity's environment. Invent new businesses. Change the rules of competition by making use of new technology.

**Renew**

Develop individuals within the organisation. Make sure that employees have the skills that are needed and that they support the change process. Create a reward system to motivate individuals to seek change. Develop individual learning and creativity within the entity.

**(10 marks)**

**(Total: 20 marks)**

## EXAMINER'S COMMENTS

This question had two sub-questions (a) and (b) which were all testing candidates on change management models, Rosabeth Moss Kanter suggested skills for managing change and Gemini Consultants' 4Rs model respectively. The overall performance by candidates was very good reflecting the popularity of these two models among candidates. The expectation is that candidates ought to be familiar with other SCS models in a similar fashion to improve their chances of passing SCS.

## QUESTION THREE

- a) Akosa Minerals Limited (AML) operates in multiple countries (Ghana, Mali, and Burkina Faso), exposing it to diverse cultural, regulatory, and labor market conditions. To effectively manage its workforce across these regions, AML must balance two key strategic pressures:
1. **Local Adaptiveness** – Adjusting HR policies to fit local labor laws, customs, and work environments.
  2. **Global Integration** – Maintaining consistent HR standards, corporate policies, and operational efficiency across all locations.

The Integration-Responsiveness (IR) Framework helps organizations navigate these challenges by positioning them within a four-cell matrix based on the degree of local responsiveness and global standardization.

- i) Explanation of the IR Framework and Its Application to AML's Employee Management. The IR Framework assesses how multinational companies balance local adaptiveness and global integration. It identifies four strategic models:

<b>IR Framework Strategy</b>	<b>Description</b>	<b>Application to AML</b>
<b>Global Strategy</b>	Standardized HR policies, centralized decision-making.	AML applies uniform safety policies across all regions to comply with international mining regulations.
<b>Multinational Strategy</b>	Decentralized HR management, adapting to local workforce needs.	AML modifies compensation structures based on local labor laws in Ghana, Mali, and Burkina Faso.
<b>International Strategy</b>	HQ-driven HR policies with minimal local adaptation.	AML ensures expatriate employees receive consistent training across all locations.

<b>Transnational Strategy</b>	Balances both global consistency and local customization.	AML combines global performance benchmarks with localized employee engagement strategies.
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#### **How AML Can Balance Local Adaptiveness and Global Integration:**

- Standardize corporate HR policies (e.g., leadership development, ethical compliance) while customizing compensation and working conditions to fit local labor laws.
- Implement uniform safety standards across all locations but allow localized dispute resolution mechanisms based on regional labor laws.
- Adopt a transnational HR structure, where core policies are globally consistent but allow regional HR managers to make locally relevant decisions.

*(6 marks)*

#### **ii) Situations Requiring Local Adaptiveness vs. Global Integration**

##### **Situations Where AML Should Emphasize Local Adaptiveness**

1. Compliance with Local Labor Laws
  - Each country has different employment regulations, union structures, and minimum wage laws.
  - Example: In Ghana, AML must comply with local content laws, ensuring a minimum percentage of jobs are reserved for Ghanaian nationals.
2. Cultural Sensitivity and Employee Engagement
  - Work culture and social norms differ across AML's operational regions.
  - Example: In Mali, traditional labor practices may influence working hours and leave entitlements, requiring AML to customize HR policies accordingly.

##### **Situations Where AML Should Prioritize Global Integration**

1. Health, Safety, and Environmental (HSE) Standards
  - AML must maintain consistent safety regulations across all mining sites to protect employees and prevent legal liabilities.
  - Example: All AML operations, regardless of country, must adhere to international mining safety standards (ISO 45001).
2. Leadership Development and Training
  - AML should provide standardized leadership and skills training to ensure employees across different regions have similar competencies.
  - Example: AML's leadership training program for mine managers should be identical across all countries, ensuring alignment with corporate objectives.

*(4 marks)*

#### **b) Key reasons for a diversification strategy:**

- **Risk reduction:** The primary benefit of diversification is to lessen the impact of negative events in one market or product line by spreading investments across multiple areas.
- **Growth opportunities:** Entering new markets or developing new products can open up additional revenue streams and drive overall company growth.
- **Market adaptability:** Diversification can help a company adapt to changing market conditions and consumer trends by having a wider range of offerings.
- **Competitive advantage:** By diversifying, a company can gain a competitive edge over rivals who are focused on a single market or product.
- **Economies of scale:** In some cases, diversifying can lead to cost savings by sharing resources and infrastructure across different product lines or markets.

- **Exploiting synergies:** When different parts of a diversified business can leverage each other's strengths, creating positive synergies that enhance overall performance.
- **Resilience against economic downturns:** By having a presence in multiple industries, a company can better weather economic fluctuations.

(Any 5 points @1.25 each = 6.25 marks)

#### **Factors that Could Make the Diversification Strategy Inappropriate:**

- **Lack of Expertise in Lithium Extraction:** AML's experience is in gold, so entering the lithium market may lead to a steep learning curve, operational inefficiencies, and costly mistakes.
- **High Capital Investment and Financial Risk:** The substantial capital needed for lithium operations could strain AML's finances if returns do not meet expectations, especially with the volatile nature of lithium prices.
- **Regulatory and Environmental Challenges:** Lithium extraction may face stricter regulations and environmental concerns, leading to delays, fines, or higher costs, complicating the business.
- **Resource Allocation and Focus:** Diversifying into lithium could divert resources and attention from AML's core gold business, potentially affecting performance in both sectors.
- **Market Saturation and Competition:** The lithium market is highly competitive, with dominant players, making it harder for AML to secure profitable reserves and compete effectively.
- **Geopolitical and Price Volatility in Lithium Markets:** Geopolitical issues and price volatility in the lithium market could affect AML's operations, as shifts in global supply and demand impact profitability.

(Any 3 points @1.25 = 3.75 marks)

(Total: 20 marks)

#### **EXAMINER'S COMMENTS**

Candidates exhibited mixed performance in question three. Majority of the candidates performed poorly in question 3(a) which examined them on Integration-Responsiveness (IR) Framework whiles question 3(b) which tested candidates on five reasons why the diversification strategy of AML is appropriate and three factors that could make the diversification strategy inappropriate was well answered by majority of the candidates. It is clear that IR Framework is Gordian's knot for most candidates because the expectation was that most candidates should have done better since the model was examined in the last examination, November 2024. Therefore, candidates are advised to pay particular attention to this model and make every effort to understand the model for future examination.

## QUESTION FOUR

### a) Explanation of the Money Market Hedge and Forward Contract Hedge

To mitigate **foreign exchange risk**, AML can use the following **hedging strategies**:

#### 1. Money Market Hedge (3 marks)

- A **money market hedge** involves borrowing and investing in money markets to create a **synthetic forward contract**.
- AML can:
  - **Invest in USD today** to match future receipts or
  - **Borrow GHS today**, convert to USD, and invest in USD deposits.
- This approach **locks in an effective exchange rate** but requires **capital availability** for deposits.

#### 2. Forward Contract Hedge (3 marks)

- A **forward contract hedge** involves an agreement to exchange USD for GHS at a **predetermined rate (forward rate)**.
- AML **locks in an exchange rate today** for settlement in three months.
- This is **simple and requires no upfront capital**, but AML **forgoes potential exchange rate gains**.

(6 marks)

### b) Money Market Hedge

- 1) Calculate PV of the foreign currency using the borrowing rate of 4%

$$\text{PV} = \frac{10,000,000}{1 + (4\% \times \frac{3}{12})} = \frac{10,000,000}{1.01} \\ = \text{US\$}9,900,991$$

- 2) Convert into domestic currency

$$\text{US\$}9,900,991 \times 12.5 = \text{GHS}123,762,387.50$$

- 3) Calculate the FV of the domestic currency using the deposit rate

$$= \text{GHS}123,762,387.50 \times (1.018 \times \frac{3}{12}) \\ = \text{GHS}129,331,694.94$$

(4 marks)

### c) Forward contract hedge calculation

using the forward rate:

$$\text{GHS}_{\text{forward}} = \text{USD}_{\text{future}} \times \text{Forward Rate}$$

$$\text{GHS}_{\text{forward}} = 10,000,000 \times 12.10 = 122,000,000$$

(2 marks)

**d) Comparison and Recommendation**

Hedging Method	Amount in GHS
Money Market Hedge	129,331,683.17
Forward Contract Hedge	<b>122,000,000.00</b>
<b>Difference</b>	<b>7,331,683.17</b>

**Alternatively**

Hedging Method	Amount in GHS
Present value of Money Market Hedge	123,762,376.24
Present Value of Forward Contract Hedge	<b>116,746,411.40</b>
<b>Difference</b>	<b>7,015,964.84</b>

**Recommendation:** AML should use the Money Market Hedge, as it provides a higher GHS amount (129.33M GHS) compared to the forward contract (122M GHS).

*(2 marks)*

**e) Three Internal Hedging Techniques for AML**

AML can also mitigate foreign exchange risk using **internal hedging techniques**, including:

**1. Natural Hedging**

- **Strategy:** AML can match **USD revenues with USD expenses** by making payments (e.g., supplier contracts, loan repayments) in the same currency in which revenues are earned.
- **Example:** AML buys mining equipment and repays international loans in USD to reduce exposure to GHS depreciation.

**2. Leading and Lagging**

- **Strategy:** Adjusting the timing of foreign currency inflows and outflows to benefit from exchange rate fluctuations.
  - **Leading:** Collect USD payments **earlier** if GHS is expected to depreciate.
  - **Lagging:** Delay USD receipts if GHS is expected to appreciate.
- **Example:** If USD is projected to strengthen, AML can **delay converting USD earnings to GHS**.

**3. Currency Diversification**

- **Strategy:** AML can **hold multiple currencies (USD, EUR, CNY)** to reduce reliance on **GHS-only transactions**.
- **Example:** AML can **maintain foreign currency reserves** in USD to hedge against Cedi depreciation.

**4. Contracting with Local Suppliers in Foreign Currency (1 mark)**

- **Strategy:** AML can negotiate **contracts with local suppliers in USD or a stable foreign currency**, reducing the need to convert GHS into USD.
- **Example:** AML can **pay international logistics and equipment suppliers in USD**, reducing exchange rate risk.

5. Adjusting Pricing Strategies
- **Strategy:** AML can incorporate **foreign exchange clauses** into its pricing models for international buyers.
  - **Example:** If the GHS is expected to depreciate, AML can **increase contract prices in GHS** to account for expected losses.
6. Holding Foreign Currency Reserves
- **Strategy:** AML can keep **a portion of its profits in USD reserves** rather than converting all earnings into GHS.
  - **Example:** AML can maintain **USD-denominated bank accounts** to **protect earnings from exchange rate losses**.

*(Any 3 relevant points @ 2 marks each = 6 marks)*

**(Total: 20 marks)**

### **EXAMINER'S COMMENTS**

Question 4(a) required candidates to explain the concepts of the money market hedge and forward contract hedge respectively, and how AML can use each to mitigate its exchange rate risk. This was poorly answered since majority of the candidates were clueless about the two concepts. To say this is surprising is a gross understatement because one expects candidates in the final level of professional accounting examination to know these concepts.

In question 4(b), candidates were required to calculate the amount AML needs to borrow or invest today in both USD and GHS under the money market hedge to fully hedge the future receipt of USD 10 million. Very simple question that required candidates to find the present value but most candidates failed to do so. Question 4(c) required candidates to calculate the Cedi (GHS) amount AML would receive if it chooses the forward contract hedge instead. Another simple question which required the candidates to multiply the amount expected to be received (USD10 million) by the forward exchange rate but most candidates simply did not attempt. Candidates were to compare the GHS amounts received under the money market hedge and forward contract hedge in question 4(d). This was also answered poorly since the question flow from the answers to question 4(b) and 4(c).

Finally, in question 4(e) candidates were to discuss three internal hedging techniques AML can employ to mitigate the depreciation of the Ghana Cedi against the US Dollar. Although another common area in exchange risk hedging, yet many candidates were found wanting. The common internal hedging techniques include leading and lagging, matching receipts and payments, netting, invoicing in the company's currency, etc.



## QUESTION FIVE

a)

### i) Importance of Environmental Disclosures in Corporate Governance for Mining Companies like AML

Environmental disclosures play a **crucial role in corporate governance**, particularly for mining companies like **Akosa Minerals Limited (AML)**, which operate in an industry known for **significant environmental impact**. These disclosures ensure **transparency, regulatory compliance, and stakeholder trust** while mitigating risks associated with environmental degradation.

The **importance of environmental disclosures** includes:

#### 1. Regulatory Compliance and Avoiding Legal Penalties

- AML operates in a **highly regulated industry** where environmental compliance is **strictly monitored by the Environmental Protection Agency (EPA)**.
- Failure to disclose environmental impact can result in **finances, operational shutdowns, or loss of mining licenses**.

#### 2. Enhancing Stakeholder Trust and Social License to Operate

- Public protests like **"Stop Galamsey Now"** show the increasing demand for **corporate accountability** in Ghana's mining sector.
- Transparent disclosures help AML **build trust with communities, government regulators, and investors**, ensuring **long-term business sustainability**.

#### 3. Investor Confidence and Access to Sustainable Financing

- Institutional investors and **ESG-focused funds** require clear **sustainability reporting** before investing in mining companies.
- Proper disclosures on **carbon footprint reduction and biodiversity protection** can attract **impact investors** to AML.

#### 4. Risk Management and Operational Sustainability

- Environmental risks such as **water pollution, land degradation, and climate change** can affect AML's **profitability and reputation**.
- AML can use **environmental risk assessments** to implement proactive measures, such as **rehabilitating degraded mining sites**.

*(Any 4 relevant points @ 1 mark each = 4 marks)*

### ii) Key Environmental Disclosure Requirements by the EPA and Application to AML.

The Environmental Protection Agency (EPA) in Ghana mandates mining firms to publicly report **their environmental impact and mitigation efforts**. AML must include **the following key disclosures in its sustainability reports**:

#### 1. Impact on Water Bodies and Land Use

- **EPA Requirement:** Mining companies must disclose **how their activities affect local water bodies and ecosystems**.
- **Application to AML:**
  - AML's **lithium mining operations** in the **Atiwa District** may contribute to **water contamination** due to **chemical waste runoff**.

- AML must report on **water management strategies**, such as:
  - **Water recycling technologies** to minimize waste.
  - **Independent water quality assessments** to monitor pollution levels.
  - **Restoration of affected riverbanks and wetlands.**

## 2. *Carbon Emissions and Air Pollution*

- **EPA Requirement:** Companies must disclose **carbon emissions data and efforts to reduce air pollution.**
- **Application to AML:**
  - Mining operations in **Tarkwa and Prestea** contribute to **dust pollution and greenhouse gas emissions.**
  - AML must disclose:
    - **Annual CO<sub>2</sub> emissions from mining trucks and processing plants.**
    - **Plans for transitioning to renewable energy sources** (e.g., solar power at mine sites).
    - **Dust control measures**, such as the use of **water suppression systems.**

## 3. *Mine Rehabilitation and Land Reclamation Plans*

- **EPA Requirement:** Mining companies must outline **post-mining land restoration efforts** to mitigate **deforestation and biodiversity loss.**
- **Application to AML:**
  - AML's open-pit gold mining in **Brong-Ahafo** results in **deforested land and abandoned pits.**
  - AML must disclose:
    - **Tree-planting programs** to restore vegetation cover.
    - **Land reclamation efforts**, including **topsoil replacement and grassland restoration.**
    - **Partnerships with environmental NGOs** to reintroduce **native plant species.**

## 4. **Waste Management and Hazardous Material Disposal (2 marks)**

- **EPA Requirement:** Companies must disclose how they handle **toxic waste, tailings, and hazardous chemicals** generated from mining operations.
- **Application to AML:**
  - AML's **lithium processing plants** generate **chemical waste**, which, if improperly managed, could lead to **soil and groundwater contamination.**
  - AML must disclose:
    - **Proper tailings storage methods** to prevent toxic spills.
    - **Use of eco-friendly waste treatment facilities** to neutralize chemical by-products.
    - **Plans to reduce waste generation through improved mining techniques.**

## 5. **Biodiversity Conservation and Wildlife Protection**

- **EPA Requirement:** Mining firms must assess and disclose their impact on **forests, endangered species, and ecosystem balance.**
- **Application to AML:**
  - The **Atiwa lithium mine** is located near **forested areas**, which could disrupt **local wildlife and plant species.**
  - AML must disclose:

- **Biodiversity impact assessments** conducted before mining expansion.
- **Initiatives to protect natural habitats**, such as **creating wildlife corridors or designated conservation zones**.
- **Reforestation efforts** to offset deforestation caused by mining activities.

**6. Community Health and Safety Impact**

- **EPA Requirement:** Companies must disclose potential **health and safety risks** for nearby communities and measures taken to protect them.
- **Application to AML:**
  - **Galamsey (illegal mining) activities** near AML's sites in **Ghana, Mali, and Burkina Faso** have resulted in **water pollution and respiratory diseases**.
  - AML must disclose:
    - **Health impact studies** on air and water pollution in local communities.
    - **Preventative measures**, such as **providing clean water sources** to affected villages.
    - **Emergency response plans** for industrial accidents, including community evacuation strategies.

*(Any 3 relevant points @ 2 marks each = 6 marks)*

**b)**

**i) Purpose of the State Interests and Governance Authority (SIGA) Act, 2019 (Act 990) and Its Relevance to SOEs in Ghana**

The **State Interests and Governance Authority (SIGA) Act, 2019 (Act 990)** was enacted to **regulate and oversee state-owned enterprises (SOEs) and public interest entities** in which the **Government of Ghana** holds shares or ownership stakes.

**Purpose of the SIGA Act**

- 1. Ensure Accountability and Transparency – Establishes governance structures to ensure SOEs and state-invested companies operate efficiently and are financially accountable.**
- 2. Enhance Performance and Efficiency – Promotes the financial viability of SOEs by setting performance targets, monitoring results, and enforcing compliance.**
- 3. Protect the State's Interest – Ensures the government's investments in SOEs generate value while balancing the interests of private investors and other stakeholders.**
- 4. Strengthen Corporate Governance – Aligns state-owned companies with global best practices in governance, risk management, and financial reporting.**

## Relevance to State-Owned Enterprises (SOEs) in Ghana

- **Regulatory Oversight for Transparency:** SOEs and companies like AML (where the government has a stake) must comply with SIGA reporting and auditing requirements.
- **Performance Monitoring:** SIGA ensures SOEs meet key performance indicators (KPIs) to improve profitability and service delivery.
- **Investor Confidence:** The Act creates a clear governance framework, making public entities more attractive to investors.
- **Alignment with Global Governance Standards:** Helps Ghana align with international corporate governance principles, promoting economic stability.

### Application to AML:

- As a **partially state-owned entity**, AML must **comply with SIGA's governance and reporting guidelines**, balancing government oversight with private investor interests.  
(4 marks)

## ii) Three Key Governance Requirements Under the SIGA Act and Their Influence on AML's Corporate Governance.

### 1. Performance Monitoring and Financial Reporting

- **Requirement:** SOEs and state-invested companies must **submit audited financial reports and performance statements** to SIGA annually.
- **Application to AML:**
  - AML must **publish financial reports**, including **revenue from mining, costs, and dividend payments to the government**.
  - AML's Board must **ensure transparency** in financial disclosures to meet **SIGA and Ghana Stock Exchange (GSE) regulations**.
  - SIGA may **evaluate AML's profitability and efficiency**, influencing investment decisions and government funding.

### 2. Board Composition and Corporate Governance Compliance

- **Requirement:** The SIGA Act mandates that SOEs and state-invested entities have **structured, independent, and professional Boards of Directors**.
- **Application to AML:**
  - AML's Board must **include government representatives, independent directors, and private sector experts**.
  - The Board must **balance the government's interest** (such as maximizing resource value) with **profitability goals for private investors**.
  - **Example:** If SIGA determines that AML's governance is weak, it may recommend **Board restructuring** to improve oversight.

### 3. Dividend Policy and Revenue Contribution to the Government

- **Requirement:** The SIGA Act ensures **SOEs and state-invested companies contribute a fair share of profits to the national economy** through dividends and taxes.
- **Application to AML:**

- AML must **allocate a portion of its profits as dividends to the Ghanaian government** while ensuring **private shareholders also receive fair returns**.
- AML's **financial strategy** must align with SIGA's **revenue contribution targets**, ensuring **compliance with national development goals**.
- **Example:** If AML expands lithium mining, SIGA may require **part of the new revenue to fund government initiatives**.

#### 4. Ethical and Legal Compliance

- **Requirement:** SOEs and state-invested companies must comply with **legal, ethical, and regulatory frameworks** as mandated by SIGA. This includes adhering to Ghana's **Public Financial Management Act, anti-corruption laws, and procurement regulations**.
- **Application to AML:**
  - AML must ensure **ethical business practices** in all its mining operations, particularly in **contract awarding, procurement, and environmental compliance**.
  - The company must **prevent conflicts of interest** in Board decisions, particularly in dealings involving government officials.
  - **Example:** AML's Board must implement **internal audits** and **whistleblower protection mechanisms** to detect and prevent **corrupt practices**.

#### 5. Stakeholder Engagement and Public Accountability

- **Requirement:** The SIGA Act mandates SOEs to engage **stakeholders, including local communities, civil society, and regulatory bodies**, to promote **transparency and social responsibility**.
- **Application to AML:**
  - AML must **engage local communities** affected by its mining operations, ensuring **social and environmental concerns are addressed**.
  - The company must provide **regular disclosures on environmental impact assessments (EIA)** and mining activities to the **Environmental Protection Agency (EPA) and SIGA**.
  - **Example:** Following the **"Stop Galamsey Now" protests**, AML must ensure its environmental policies are **publicly communicated** to maintain **stakeholder trust**.

#### 6. Strategic Development and Performance Benchmarking

- **Requirement:** SIGA requires SOEs and state-invested companies to **set clear strategic objectives** and benchmark their performance against **industry best practices**.
- **Application to AML:**
  - AML must develop a **long-term strategic plan** that aligns with **Ghana's economic development goals** while maintaining **global mining industry standards**.

- SIGA may **benchmark AML’s operational efficiency** against other **regional mining companies** to assess its **competitiveness and profitability**.
- **Example:** AML may be required to **submit a strategic roadmap** for its **lithium expansion**, detailing **how it will compete in the global battery minerals market**.

(Any 3 relevant points @ 2 marks each = 6 marks)

(Total: 20 marks)

## EXAMINER’S COMMENTS

Question 5 (a) concentrated on the importance of environmental disclosures in corporate governance and three key environmental disclosure requirements that the Environmental Protection Agency (EPA) would expect AML to include in its sustainability reports. The general performance by candidates was average as almost half of the candidates scored low marks in this area. The guess one might hazard is that candidates were unprepared for this type of question, despite the case study focusing on the mining sector.

Last but not least, is question 5(b), which focused on the purpose of the State Interests and Governance Authority (SIGA) Act, 2019 (Act 990) and its relevance to state-owned enterprises in Ghana. Further, candidates were to discuss three key governance requirements under the SIGA Act that apply to AML as a partially state-owned entity. Performance was generally not good as most candidates could not clearly discuss the relevant questions posed.

## CONCLUSION

Candidates can significantly boost their chances of passing by paying attention to the issues highlighted in this report and proactively addressing them in their studies. Moreover, success in the SCS paper requires diligent effort, not a stroke of luck. By thoroughly studying the recommended materials, starting preparations early and avoiding last-minute cramming after the pre-seen is released, candidates can set themselves up for success.