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Examining the Relationship between Corporate Governance and Investment Risk Management: A Case Study of Prudential Pensions Management Lusaka, Zambia

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Abstract

This study examines the relationship between corporate governance and investment risk management at Prudential Pensions Management Zambia (PPMZ). This study was motivated by the increasing emphasis on sound corporate governance as a prerequisite for effective investment and risk control within the pension industry. Despite its importance, limited empirical research within the Zambian context has explored how governance structures practically influence risk management processes in pension institutions. Existing studies have predominantly adopted quantitative approaches, often overlooking the qualitative realities, behavioral dynamics, and institutional challenges experienced by governance actors. Additionally, the integration of Environmental, Social, and Governance (ESG) principles into pension investment management remains underdeveloped and insufficiently documented, even though ESG considerations are now globally recognized as essential for long-term fund performance and responsible investment stewardship. In response to these gaps, this study employed a qualitative case study design underpinned by an interpretivist philosophy and an inductive analytical approach. Data were collected through document reviews and semi-structured interviews with 20 purposively selected respondents, including board members, executive managers, trustees, and regulatory stakeholders. The research aimed to obtain a holistic understanding of how governance structures, monitoring systems, institutional culture, and regulatory expectations influence investment risk management practices. Thematic analysis was employed to identify patterns and generate insights relating to oversight mechanisms, decision-making processes, risk governance structures, operational challenges, and policy implementation within the organization. The findings reveal that PPMZ has established a comprehensive corporate governance framework aligned with both national

regulatory requirements and international best practice standards. Effective governance at PPMZ is characterized by clearly defined roles and responsibilities, functional board committees, periodic audits, compliance monitoring, and structured reporting frameworks. These mechanisms contribute significantly to strengthening investment risk management, enhancing accountability, and promoting transparent decision-making. However, the study also found that the effectiveness of governance structures is influenced by internal and external constraints. Internal challenges include limited board independence, capacity gaps among some committee members, inconsistencies in implementing committee recommendations, and bureaucratic delays that hinder responsiveness to emerging risks. Externally, evolving regulatory demands, insufficient ESG data, and macroeconomic uncertainties complicate risk assessment and long-term investment planning. The research concludes that corporate governance has a substantial impact on the effectiveness of investment risk management at PPMZ. Governance mechanisms enhance risk oversight and institutional accountability, but their full potential is undermined when risk management is reactive rather than strategically proactive. The study highlights the need for improved governance agility, deeper ESG integration, stronger alignment between regulatory expectations and organizational capacity, and continuous professional development for governance actors. Overall, the study contributes to academic and practical discourse by providing context-specific insights into how governance structures shape investment risk management in Zambian pension institutions. The findings offer a basis for strengthening governance frameworks, improving risk governance practices, and promoting sustainable investment strategies within the broader pensions industry.

Keywords: Governance Structures, Investment Risk Management, Pension Funds, Board Oversight

1. Introduction

Corporate governance has emerged as a fundamental aspect of organizational sustainability, accountability, and performance, especially in contexts marked by rapid globalization, fluctuations in financial markets, and rising stakeholder demands. In the last twenty years, governance has been recognized as a crucial factor in enhancing institutional resilience, particularly

following various corporate failures, ethical controversies, and the repercussions of the global financial crisis (OECD, 2023). Consequently, there is now a heightened expectation from regulators, investors, and the public for ethical leadership, increased board independence, enhanced transparency, and the incorporation of Environmental, Social, and Governance (ESG) criteria (IFC, 2022).

In Africa, frameworks like the King IV Report (IoDSA, 2016) have sparked advancements in governance quality by advocating for accountability, sustainability, and integrated reporting. Nonetheless, challenges in implementation such as political interference, weak enforcement, and a lack of board capacity persist and hinder governance results (AfDB, 2019; World Bank, 2021) ^[1, 30].

In Zambia, governance reform efforts have been strengthened through mechanisms like the Lusaka Stock Exchange (LuSE) Corporate Governance Code, directives from the Bank of Zambia, and enhanced professional standards (LuSE, 2017 ^[15]; ZICA, 2022). The regulatory oversight for the pension and insurance sector is provided by the Pensions and Insurance Authority (PIA), which has gradually established governance responsibilities related to trustee competence, risk management, disclosure, and investment oversight (PIA, 2021). However, ongoing challenges including a concentration of decision-making authority, insufficient compliance, and limited independent oversight continue to be significant issues (Mumba & Phiri, 2021) ^[19].

The pension sector is crucial to Zambia's financial ecosystem, facilitating long-term savings and ensuring retirement security. Prudential Pensions Management Zambia (PPMZ), a subsidiary of Prudential plc, functions as a licensed asset and pension management firm that provides services such as retirement solutions, asset management, collective investments, and consultancy (Prudential Pensions Management Zambia, 2024). Investigating how PPMZ incorporates governance frameworks into its investment risk management practices offers valuable context-specific insights into institutional performance and risk resilience.

Thus, this study aims to explore the impact of corporate governance on investment risk management at PPMZ and to identify the challenges that impede the alignment between governance and risk.

1.1 General Objectives

To examine the relationship between corporate governance and investment risk management at Prudential pensions Zambia.

1.1.1 Specific objectives

1. To establish the corporate governance practices implemented by PPMZ.
2. To analyze the investment risk management strategies employed by PPMZ.
3. To assess limitations faced by PPMZ in aligning governance practices with risk management objectives.
4. To evaluate the effects of corporate governance on investment risk management at PPMZ.

1.2 Theoretical Framework

The relationship between corporate governance (CG) and investment risk management (IRM) is informed by three key theories: Agency Theory, Stakeholder Theory, and Stewardship Theory. These theories provide comprehensive

conceptual grounding for understanding how governance structures influence investment decisions and risk oversight.

1.2.1 Agency Theory

Agency theory explains the relationship between principals (pension members) and agents (trustees, boards, and managers), noting potential conflicts arising from asymmetric information (Mallin, 2019) ^[14]. Governance mechanisms such as independent boards, risk committees, disclosure, and oversight serve to align managerial behavior with stakeholder interests and mitigate excessive risk-taking. This theory is directly linked to Objective 1, as it underpins the analysis of corporate governance structures implemented by PPMZ.

1.2.2 Stakeholder Theory

Stakeholder theory posits that organizations must consider the interests of diverse stakeholders in decision-making, including employees, regulators, clients, and communities (Freeman *et al.*, 2015). In pension management, this includes balancing financial returns with long-term sustainability, ESG considerations, and member protection. The theory informs Objectives 1 and 2, highlighting governance as a mechanism for balancing stakeholder interests within investment strategy and risk oversight.

1.2.3 Stewardship Theory

Stewardship theory assumes that managers and trustees act as responsible stewards motivated to protect long-term institutional interests (Davis *et al.*, 2015; Tricker, 2019 ^[28]). It highlights trust, professionalism, and ethical leadership as drivers of sound investment decisions and prudent risk management. This theory supports Objective 2 by explaining how stewardship-oriented governance enhances investment performance and risk management.

2. Literature Review

2.1 Corporate Governance and Board Effectiveness

Corporate governance refers to the systems, mechanisms, and structures that direct and control organizations to ensure accountability, fairness, and transparency (Tricker, 2019) ^[28]. The OECD (2015) ^[9] asserts that good governance enhances investor confidence and promotes sustainable growth. Scholars argue that governance is not merely a compliance exercise but a strategic enabler of ethical leadership, stakeholder trust, and organizational value creation—consistent with interpretivist perspectives that view governance as context-dependent and dynamic.

Global studies link strong corporate governance frameworks to improved risk management and reduced investment risk. Effective board structures, transparency, and ESG integration enhance organizational resilience and investor trust (Chen, 2025; Hadiqa Ahmad *et al.*, 2023). Large multinational financial institutions, including Prudential plc, have adopted integrated governance systems comprising risk committees, enterprise risk management frameworks, and ESG oversight (Prudential plc, 2024). Many of these structures cascade to local subsidiaries such as PPMZ.

Integrated reporting also plays a role in accountability and stakeholder transparency. As Zhou *et al.* (2016) argue, the integration of financial and non-financial information enhances the quality of reporting and risk communication. Furthermore, governance codes influence national corporate governance practices, as demonstrated in Slovenia (Duh, 2017).

Regional studies further reveal positive relationships between governance practices and firm performance (Tamar

et al., 2020; Li *et al.*, 2024; Burhanuddin *et al.*, 2022^[4]). The International Finance Corporation (IFC, 2016) reports that African firms improving governance by more than 25% experience significantly higher returns. However, governance weaknesses such as political interference, ineffective boards, and weak oversight remain common in African state-owned enterprises (Munhenga & Mbigi, 2022^[17]; Egbunike *et al.*, 2015).

In Zambia, governance challenges are noted in both public and private sectors. SOEs face performance constraints due to political interference, weak financial controls, and inadequate reporting (Mulenga, 2024)^[18]. NGOs also show gaps in board capacity and policy enforcement (Hanjikila, 2022). Pension sector governance is shaped by systemic challenges in digitalization, institutional constraints, and regulatory inconsistencies (Manda *et al.*, 2025).

Empirical evidence from Lusaka Stock Exchange (LuSE) firms shows mixed results: board size enhances financial performance, while non-executive director representation and meeting frequency show no statistically significant effect (Banda, 2019). SOEs display inconsistent governance practices largely due to poor reporting and political influence (Mumba & Kazonga, 2021).

2.2 Investment Risk Management framework

Investment risk management involves identifying, analyzing, and mitigating uncertainties associated with investment decisions (Kasim & Tandelilin, 2018)^[11]. Globally, pension funds have shifted to sophisticated strategies including multi-asset diversification, liability-driven investment (LDI), and alternative investments. ESG integration has become central due to its impact on long-term risk-adjusted performance (PRI, 2021; Kotsantonis *et al.*, 2016^[8]).

Prudential plc incorporates these global trends through risk appetite frameworks, stress testing, stewardship policies, and sustainability reporting (Prudential plc, 2024). Effective risk management frameworks require identification of market, credit, liquidity, and operational risks (Rejda & McNamara, 2017). Technological innovations including AI-driven risk analytics are reshaping investment governance, especially in emerging markets (Poonum *et al.*, 2025).

African pension funds face systemic constraints including market illiquidity, limited instruments, currency risks, and underdeveloped financial markets (AfDB, 2021). Consequently, conservative asset allocation primarily government securities is common. In Zambia, pension funds mirror this trend due to market depth limitations and regulatory prudence.

The regulatory framework in Zambia has evolved through PIA Corporate Governance Guidelines (2023), Insurance Governance Guidelines (2024), Companies Act (2017), and SI No. 50 (2021). These align governance with international standards such as OECD principles and ISO 31000 (COSO, 2017)^[7]. However, adoption remains uneven due to capacity constraints.

2.3 Governance Limitations and Barriers

Global literature reveals several barriers to achieving governance–risk alignment, including skills gaps, regulatory inconsistencies, operational complexity, and challenges integrating non-financial risks such as climate and cybersecurity (Manaf *et al.*, 2024; Sullivan & Mackenzie, 2021^[27]). Financialization trends also introduce hidden risks

when managerial incentives encourage short-termism (Yang, 2025).

In Africa, these challenges are worsened by illiquid markets, regulatory enforcement gaps, and limited risk-management expertise (Ayoola, 2023; Poll, 2018). ESG integration remains constrained by limited disclosure, inconsistent metrics, and weak data systems (Friede *et al.*, 2015; Ahn, 2023^[2]).

The IFC (2016) demonstrates that governance improvements lead to higher returns, but only firms with strong institutional capacity benefit—widening disparities. Kenyan evidence shows governance enhances performance, though regulatory support is essential (Muhia, 2025)^[16]. Similarly, ESG benefits depend on moderate risk-taking; excessive risk reduces ESG's value-adding effect (Ahn, 2023)^[2].

In Zambia, governance execution faces challenges despite modern legislation. PPMZ's governance performance is shaped by availability of skilled personnel, accuracy of market data, asset diversification, and regulatory oversight capacity. PIA guidelines (2023–2024) aim to improve professionalism but compliance varies across pension administrators.

2.4 Effects of Corporate Governance on Investment Risk Management

Strong governance structures support effective investment risk management, improving risk oversight and reducing exposure to systemic shocks (OECD, 2020). Independent boards, risk committees, and transparent disclosure frameworks are associated with stronger risk control (Nguyen *et al.*, 2015).

Pension fund studies show mixed effects: stakeholder participation and investment strategy indices positively influence returns, while excessive board responsibilities reduce performance (Akwimbi, 2022). Failures during the global financial crisis highlight the importance of strong risk management frameworks beyond traditional governance (Ellul, 2015).

In African and emerging-market contexts, board characteristics enhance performance but limitations in empirical testing persist (Kakanda *et al.*, 2017). Gender diversity is associated with prudent risk-taking (Yahaya, 2015). Pension funds often underperform due to conservative investment strategies, highlighting need for regulatory and market reforms (Fiona, 2017).

In Zambia, mixed evidence exists regarding governance's influence on financial performance (Chikuta, 2020; Mulenga, 2024^[18]). Underperformance of pension funds relative to benchmarks is attributed to governance and risk-management constraints (Kupčik & Gottwald, 2016)^[13]. Regulatory agencies emphasise transparency, accountability, and stakeholder engagement (Mwachikoka, 2023)^[22].

The IoDZ–CEEC partnership aims to address governance gaps through training and capacity building (IoDZ & CEEC, 2024).

2.5 Research Gaps

1. Limited Zambia-specific studies on corporate governance and investment risk in pension funds.
2. Insufficient qualitative insights on internal governance practices within pension funds.
3. Minimal research on ESG integration within Zambian pension-sector risk frameworks.

4. Weak evidence on operationalization of global governance frameworks within local subsidiaries such as PPMZ.

3. Methodology

3.1 Research Design

A qualitative case study design was chosen. Yin (2018) notes that case studies are effective when investigating contemporary phenomena within their real-life context. Focusing on Prudential Pensions Management provides a bounded setting to explore how governance structures and regulatory frameworks shape investment risk management practices. The single-case design allows for depth rather than breadth, making it possible to generate detailed insights on governance effectiveness.

3.2 Research Philosophy

This study adopted an **interpretivist philosophy**. Interpretivism emphasizes the importance of understanding the subjective meanings and lived experiences of participants (Saunders *et al.*, 2019) [25]. Since corporate governance and investment risk management are not only technical processes but also embedded in cultural, regulatory, and institutional contexts, interpretivism allows the researcher to explore perceptions, values, and practices within Prudential Pensions. This perspective is appropriate for capturing the nuances of board oversight, regulatory compliance, and decision-making in Zambia's pensions sector.

3.3 Research Approach

The study employed an **inductive approach**. While existing literature provides broad theories on governance and risk management, there is limited empirical evidence in the Zambian pension's context. Induction allows themes to emerge from the data, with theory being developed from the insights of participants rather than being imposed a priori (Creswell & Poth, 2018).

3.4 Population and Sampling

The study population comprised stakeholders directly involved in governance and risk management at Prudential Pensions, including: Board members, senior management (CEO, CIO, and CFO), Risk and compliance officers, Investment managers, internal auditors/ legal team, selected representatives from the Pension and Insurance Authority (PIA).

Given the small, specialized population, purposive sampling was used to select participants with direct knowledge of governance and risk management processes (Palinkas *et al.*, 2015) [24]. The sample size was 20 participants, which ensured diversity of perspectives while allowing for in-depth exploration.

3.5 Data Collection

3.5.1 Primary Data

Data were collected through semi-structured interviews. This format allowed for guided conversations while giving participants room to elaborate on their experiences and perceptions. An interview guide was developed based on themes from the literature (e.g., board oversight, conflicts of interest, IPS compliance, prudential limits, and ESG integration). Interviews lasted between 30–40 minutes and

were conducted either on phone or via virtual platforms (Zoom/Teams).

3.5.2 Secondary Data

Document analysis supplemented interviews. Key documents included:

Prudential's corporate governance policies, board and committee terms of reference, investment Policy Statements (IPS), risk and compliance reports, annual reports and regulatory filings, PIA corporate governance and investment guidelines.

Document analysis provided triangulation, ensuring that reported practices were cross-checked with actual records.

3.6 Data Analysis

Thematic analysis was employed, following Braun and Clarke's (2006) six-step framework:

Familiarization with the data (reading transcripts, noting ideas). Generating initial codes manually. Searching for themes (e.g., board independence, prudential compliance, ESG risk). Reviewing themes against the dataset. Defining and naming themes. Producing the report (linking themes to literature and regulations).

NVivo facilitated systematic coding, allowing for both node creation (themes) and attribute coding (e.g., by participant role, Experience). A date-based coding matrix helped track changes in practices before and after regulatory updates in 2021.

4. Findings and Discussion

The study identified eight key themes reflecting how corporate governance structures influence investment risk management at Prudential Pensions Management Zambia (PPMZ). These themes provide nuanced insights into the strengths, challenges, and improvement areas in PPMZ's governance and risk management framework.

4.1 Findings

4.1.1 Governance Structures and Board Effectiveness

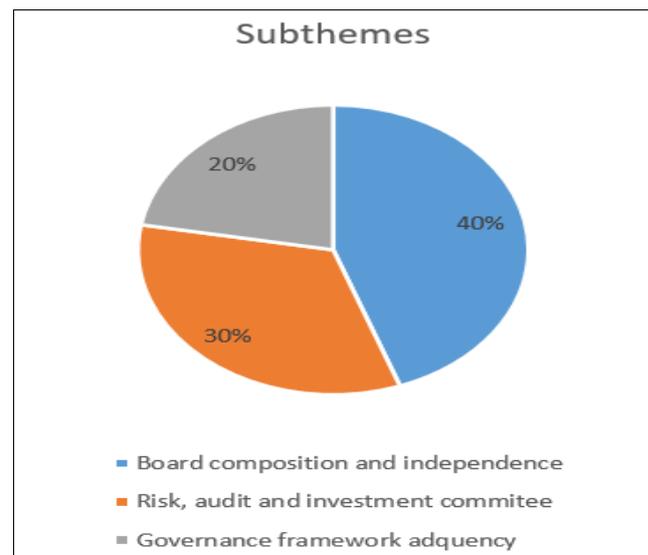


Fig 4.2.1: Corporate governance and board effectiveness

A total of 18 frequency of coding references were recorded under this theme, representing 90% of all participants. The theme explored the governance framework, the board of directors, and the role of committees in risk oversight.

Participants highlighted that an independent board is essential for unbiased oversight of investment decisions. While most Participants believed Prudential’s board is professional and diverse, some expressed concern that management influence can sometimes overshadow independent judgment. Participants emphasized the need for enforcement of audit and risk committees.

Quotes:

“The board’s independence ensures that investment decisions are scrutinized objectively before they are implemented” (P6).

These findings address **Research Question 1**, identifying that PPMZ has established a formal governance structure consistent with regulatory expectations. However, challenges around independence and implementation suggest governance effectiveness depends on both structure and culture.

4.1.2 Transparency and Accountability

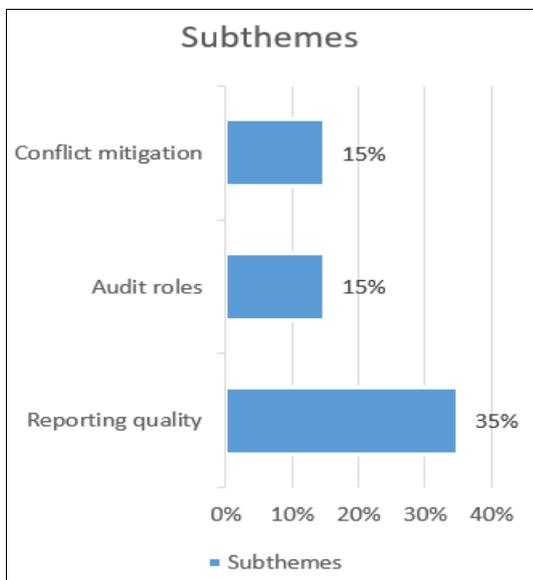


Fig 4.1.2: Transparency and Accountability

A total of 13 frequency of coding references were under this theme, representing 65% of all participants. The theme covers reporting quality, audit roles, and conflict mitigation. Participants acknowledged improved financial and operational reporting, but some noted delays and technical complexity that can limit accessibility. Internal and external audits were praised as safeguards for accountability.

Quotes:

“We have regular reports shared across departments, but sometimes delays affect our ability to act quickly.” (P8, Fund Manager)
“Audits provide credibility, but their findings must be acted on more consistently.” (P 5).

The findings links to question 1. This theme further elaborates on PPMZ’s governance practices, showing that transparency mechanisms exist but are not always effectively utilized.

4.1.3 Governance Limitations and Barriers

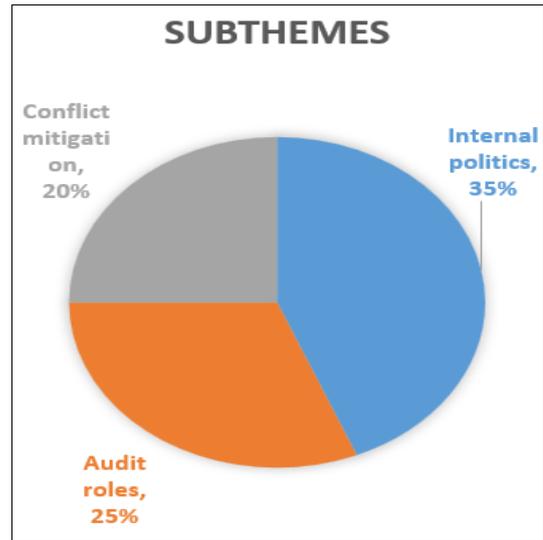


Fig 4.1.3: Governance limitations and barriers

A total of 16 frequency of coding references were recorded under this theme, representing 80% of all participants. The theme includes internal politics, resource constraints, and regulatory gaps.

Some Participants noted decision-making is occasionally slowed by competing interests. Participants indicated that limited staff capacity and technical expertise hinder effective governance. They observed that while regulations exist, enforcement sometimes lags.

Quotes:

“Sometimes decisions are delayed due to competing interests within the organization.” (P5, Board Representative)
“The policies are good, but enforcement is weak, which reduces impact.” (P 10).

These findings address **Research Question 3**, highlighting practical challenges that constrain alignment between governance and risk management.

4.1.4 Investment Risk Management Frameworks

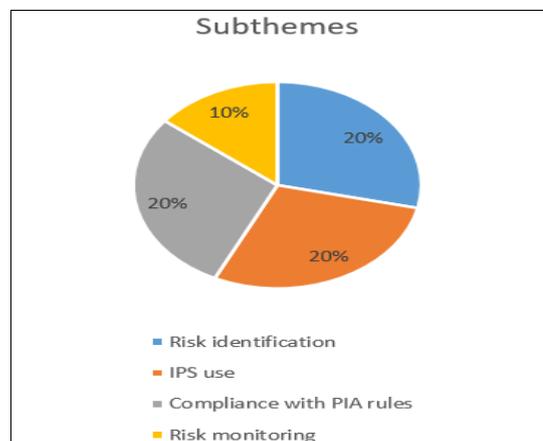


Fig 4.1.4: Investment Risk management framework

A total of 14 frequency of coding references were under this theme, representing 70% of all participants. The theme explores responses on risk identification, the use of the Investment Policy Statement (IPS), and compliance with prudential limits.

Market, liquidity, operations and credit risks were frequently mentioned as top concerns. Most participants said the IPS provides structured guidance but requires periodic updates to remain relevant. Participants reported that compliance with PIA guidelines is a priority but sometimes reactive rather than proactive.

Quotes:

“The IPS acts like a roadmap, guiding us on how to allocate funds without exposing members to unnecessary risk.” (P3, Investment Officer).

The findings respond to **Research Question 2**, showing that PPMZ employs a structured approach through its IPS and prudential compliance measures, though updates are needed to reflect market dynamics.

4.1.5 Regulatory Influence and Compliance

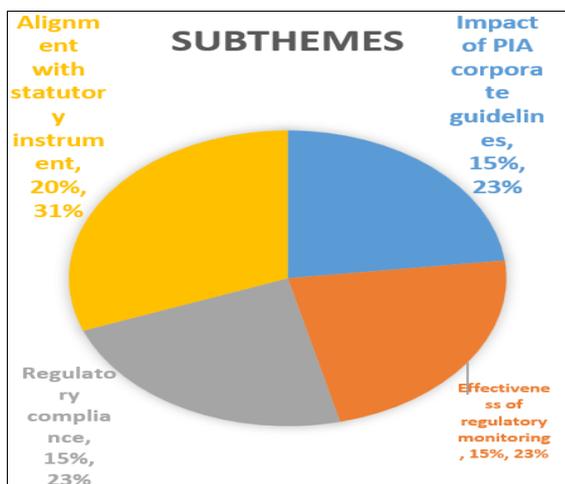


Fig 4.1.5: Regulatory influence and compliance

A total of 13 frequency of coding references were under this theme, representing 65% of all participants. The theme, centers on regulatory effectiveness, statutory compliance, and governance improvements.

The PIA is seen as committed, but participants noted limited monitoring capacity. Compliance was largely viewed as necessary but sometimes treated as a checklist exercise rather than substantive reform. Some participants emphasized that regulations have improved transparency and accountability, though more proactive oversight is needed.

Quotes:

“The new statutory instrument has increased reporting requirements, which has improved accountability and efficiency internally.” (P12, Compliance Officer)

“We comply with regulations, but sometimes it feels more like box-ticking than genuine governance improvement.” (P 15).

Link to Research Question 3 and 4:

Findings show that while PPMZ meets compliance standards, governance improvements are sometimes compliance-driven rather than strategically integrated.

These sentiments echo findings by OECD (2015) [9] and World Bank (2018), which caution that regulatory effectiveness depends not only on policy design but also on enforcement consistency and institutional capacity. Enhancing collaboration between regulators and pension managers could improve compliance quality and governance outcomes.

4.1.6 ESG Integration and Emerging Risks

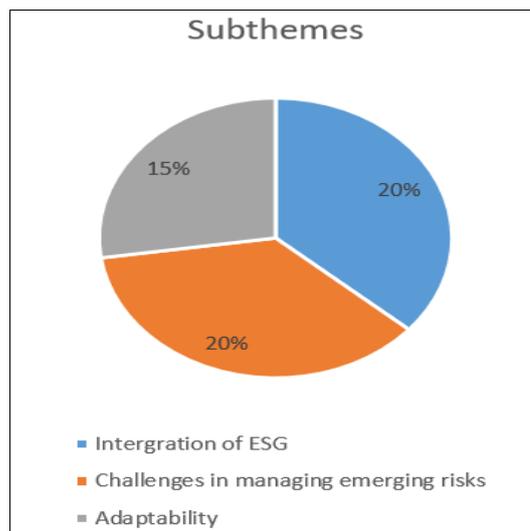


Fig 4.1.6: ESG integration and emerging risks

A total of 10 frequency of coding references were under this theme, representing 50% of all participants. The theme examines how Prudential addresses new challenges like climate change, ESG practices, adaptability and political instability.

Prudential has begun incorporating ESG principles, particularly in investment screening. Participants identified, Climate change, cyber threats, and political instability as growing challenges. Participants stressed the need for continuous capacity building to handle these risks effectively.

Quotes:

“We’ve been incorporating ESG factors, but data availability remains a major barrier.” (P11, Fund Manager).

“ESG is becoming a priority, but our systems are still catching up with global best practices.” (P 7).

Link to Research Question 2 and 3:

Findings indicate emerging awareness of ESG but limited operationalization, showing an evolving risk management landscape.

This finding aligns with Kotsantonis *et al.* (2016) [8], who highlight the growing importance of ESG integration in institutional investment. The gradual shift toward ESG-driven investment decisions at PPMZ reflects a positive development but underscores the need for structured capacity-building initiatives.

4.1.7 Long-Term Impact on Members and the Pension Sector

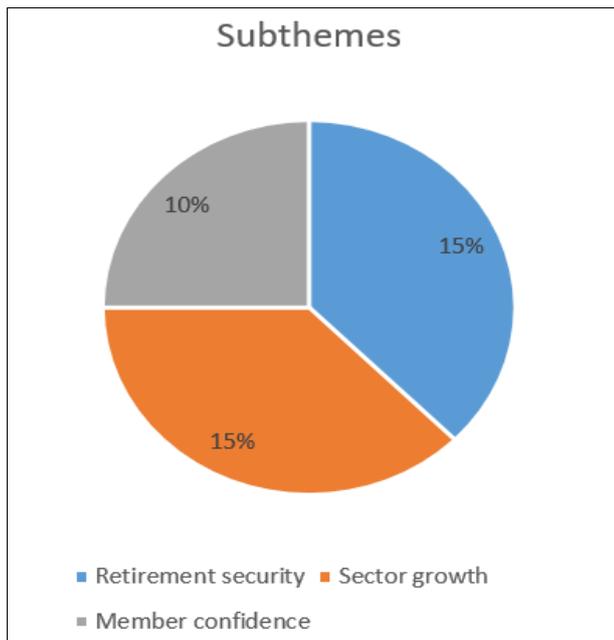


Fig 4.1.7: Long-Term Impact on Members and Pension Sector

A total of 9 frequency of coding references were under this theme, representing 45% of all participants.

Governance and risk management practices affecting retirement security and industry growth. Strong governance is linked to safeguarding members’ funds. Participants believed effective governance enhances investor trust and sector expansion. Transparency and accountability were seen as crucial for sustaining confidence in the pension system.

Quote:

“Strong governance translates into better member outcomes and ultimately strengthens the entire pension sector.” (P7, Fund Manager).

Link to Research Question 4:

These findings address how governance influences investment risk management outcomes, showing positive linkages to member confidence and sector stability. This perspective is supported by OECD (2015) [9] and Sullivan and Mackenzie (2021) [27], who emphasise that transparent governance contributes to stability and investor confidence. The broader implication is that effective governance not only safeguards institutional performance but also supports national financial resilience.

4.1.8 Recommendations and Future Improvements

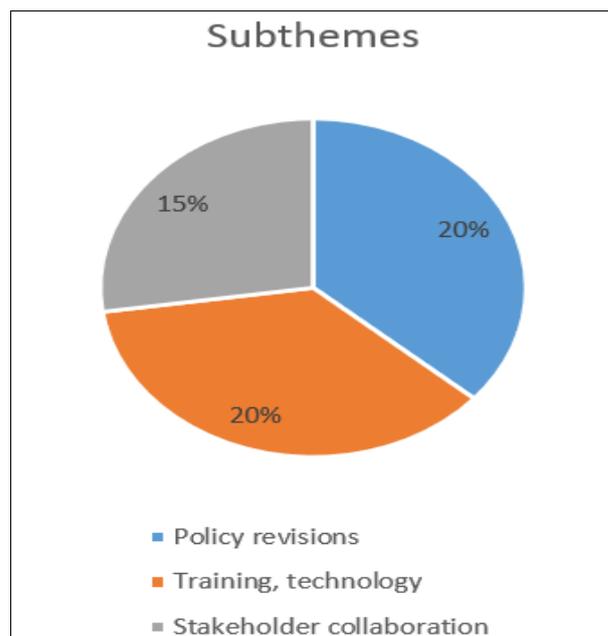


Fig 4.1.8: Recommendations and Future Improvements

A total of 11 frequency of coding references were under this theme, representing 55% of all participants.

Participant suggestions for improving governance and risk management. Participants recommended updating the IPS and governance framework to reflect emerging risks. Ongoing training for staff and board members. Increasing investment in digital risk management tools. Strengthen partnerships with regulators, stakeholders, and peers in the sector.

Quote:

“Investing in technology for real-time risk monitoring would significantly enhance our governance capabilities.” (P2, Investment Officer).

“Continuous training and technology adoption will be key to strengthening governance.” (P 7).

Recommendations underscore a shift from structural to strategic governance reform one that prioritizes capacity, technology, and collaboration as enablers of effective oversight. These findings suggest a pathway for aligning PPMZ’s governance framework with international best practices, particularly in integrating technology, agility, and ESG principles.

4.2 Discussions

4.2.1 Objective 1: To Establish Corporate Governance Practices Implemented by PPMZ

The findings show that PPMZ has a clearly defined corporate governance framework comprising the Board of Directors, Pension Scheme Trustees, and specialized committees such as Audit, Risk and Investment Committees. These structures reflect alignment with recognized governance standards, including OECD principles and PIA regulatory requirements. According to participants, these entities maintain oversight and provide strategic direction, indicating a governance system that is structurally sound and largely compliant with regulatory expectations.

However, the effectiveness of these structures is tempered by several limitations. A notable issue is constrained board independence, particularly where management influence affects objectivity. This observation supports existing literature (Tricker, 2019) ^[28], which asserts that governance quality depends heavily on independence, competence, and behavioral dynamics, not merely structural arrangements. Thus, while PPMZ's governance architecture is comprehensive, its impact is reduced by cultural and institutional factors that weaken oversight.

Another governance challenge identified relates to transparency and reporting. Although PPMZ routinely publishes reports and conducts audits, delays in disseminating information and insufficient follow-up on audit recommendations compromise accountability. These findings echo OECD (2015) ^[9] and PIA guidelines, which emphasize timely and actionable disclosures as a cornerstone of effective governance.

Overall, PPMZ demonstrates strong governance foundations, but gaps in independence, responsiveness and behavioral integrity limit the transformative potential of governance practices.

4.2.2 Objective 2: To Analyze Investment Risk Management Strategies Employed by PPMZ

The study finds that PPMZ employs a range of investment risk management strategies anchored in the Investment Policy Statement (IPS), compliance monitoring, and regular risk assessments. The IPS serves as a central tool guiding asset allocation, risk identification and exposure limits in line with PIA regulations, specifically SI No. 50 of 2021. This structured approach is consistent with global risk management frameworks that highlight the value of formalized policy instruments (COSO, 2017) ^[7].

However, several limitations constrain the effectiveness of these strategies. Participants noted that while the IPS is robust, it is not updated frequently enough to respond to emerging risks such as ESG considerations, cyber risks, geopolitical risks and rapid market volatility. This aligns with Klein (2023), who argues that dynamic risk environments require continuous reassessment of policy tools. The study also reveals that compliance processes tend to be reactive, driven by regulatory requirements rather than internal strategic foresight.

Another challenge relates to technical capacity. Participants indicated that inadequate analytical tools and limited expertise hinder comprehensive risk assessment. These findings are consistent with research on emerging market pension systems, which often face capacity constraints that reduce the sophistication of risk management practices.

PPMZ's risk management strategies are well-established but require modernization, greater agility and integration of

advanced analytical tools to remain effective in changing market conditions.

4.2.3 Objective 3: To assess limitations faced by PPMZ in Aligning Governance with Risk Management Objectives

This study identified several internal and external challenges that impede the alignment between governance and investment risk management at PPMZ. Key barriers include: Internal politics and power dynamics that weaken effective oversight and delay decision-making. Bureaucratic processes that slow responses to emerging risks and reduce organizational agility. Limited technical capacity, with gaps in specialized investment risk skills and data analytics. Inconsistent regulatory enforcement, which diminishes the deterrent effect of compliance requirements.

These findings echo the arguments of Zhou (2016), who highlighted that developing countries often exhibit institutional capacity deficits that undermine governance effectiveness despite strong regulatory frameworks. The study also reveals that although regulatory instruments such as SI No. 50 of 2021 create a formal compliance environment, the practical operationalization of these requirements remains uneven.

A recurring theme across participant responses is the perception that compliance remains procedural rather than outcome-driven. This "box-ticking" culture restricts the ability of governance systems to play a transformative role in risk management. The literature supports this critique, noting that effective governance requires internal motivation and behavioral alignment rather than mere adherence to rules (Mallin, 2019) ^[14].

Thus, while governance and risk management frameworks exist, their integration is hindered by institutional capacity gaps, slow decision-making, and inconsistent enforcement.

4.2.4 Objective 4: To Evaluate the effects of Corporate Governance on Investment Risk Management Effectiveness

The study concludes that corporate governance significantly influences the effectiveness of investment risk management at PPMZ. Participants consistently highlighted that strong governance structures enhance transparency, encourage prudent investment decisions, and strengthen member trust. This aligns with global literature (Mallin, 2019 ^[14]; CFA Institute, 2020) ^[5], which emphasizes that governance is foundational to sound risk management.

The presence of specialized committees was found to improve oversight and promote disciplined risk processes. However, governance effectiveness was diminished in situations where independence was compromised or compliance activities became reactive rather than strategic. These weaknesses reduce the organization's ability to anticipate risks and respond proactively, thereby limiting the potential benefits of its governance framework.

The study also reveals that the integration of ESG considerations an emerging global governance priority is still at an early stage at PPMZ. Limited data availability and technical capacity slow progress, echoing findings by Kotsantonis *et al.* (2016) ^[8], who noted similar challenges across developing financial sectors. Despite these limitations, participants viewed ESG integration as an opportunity to enhance long-term investment resilience.

The study demonstrates that corporate governance has a strong but uneven impact on risk management. Where governance processes are robust, risk management outcomes

improve; where governance is weakened by dependence, capacity gaps or reactive compliance, risk oversight becomes less effective.

5. Conclusion and Recommendations

5.1.1 Objective 1: Establish Corporate Governance Practices Implemented by PPMZ

The findings demonstrate that PPMZ has established a governance architecture consistent with national regulatory requirements and broadly aligned with international best practice. Clearly defined board mandates, structured committees, and formalized policies signal institutional commitment to sound governance. Yet, while these structures exist in form, their functional effectiveness is uneven. Board independence remains constrained by internal dynamics, and the implementation of committee recommendations is not always systematic. This suggests that good governance, in this context, is more procedural than transformative.

5.1.2 Objective 2: To Analyze Investment Risk Management Strategies Employed by PPMZ

Investment risk management practices were found to be well-documented, particularly through the Investment Policy Statement and regular compliance monitoring. These mechanisms enhance accountability but remain predominantly backward-looking. The current framework is strong on traditional financial risks yet underdeveloped in emerging areas such as ESG, cyber, operational, and geopolitical risk. This gap highlights the need for a more adaptive and anticipatory approach to risk management that aligns with global shifts in pension fund governance.

5.1.3 Objective 3: To assess limitations faced in Aligning Governance with Risk Management Objectives

The study reveals that effective alignment between governance structures and risk management objectives is hindered by organizational and capacity-related challenges. Internal politics, skill limitations in specialized risk areas, and procedural rigidity contribute to a disconnection between policy design and practical execution. As a result, governance and risk management often operate in parallel rather than as an integrated system. Capacity building, cultural shifts toward accountability, and agile regulatory support emerge as key enablers of better alignment.

5.1.4 Objective 4: To Evaluate the Effects of Corporate Governance on Investment Risk Management Effectiveness

The study confirms that corporate governance exerts a significant influence on the effectiveness of investment risk management. Where governance is strong characterized by oversight competence, accountability, and transparency risk management outcomes improve, enhancing fund performance and beneficiary trust. Conversely, when governance becomes reactive and compliance-driven, its ability to mitigate risks diminishes, undermining the fund's resilience and strategic positioning.

Overall, the study concludes that PPMZ possesses a solid governance foundation, but its effectiveness is constrained by structural, behavioral, and environmental factors. To transition from compliance-based governance to strategic stewardship, the fund must strengthen board independence, deepen expertise in emerging risk areas, embrace technological tools for risk analytics, and foster more proactive engagement with regulators and stakeholders.

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