IoD Centre for Corporate Governance

IoDCCG NEWSLETTER CONTENT – JANUARY 2021 EDITION

Editor's Note

Dear Reader,

Happy New Year!

Welcome to the first edition of IoD Centre for Corporate Governance Newsletter in 2021.

In this edition, we will bring to you Corporate Governance updates around the globe and an insightful governance article on the challenges likely to influence the manner in which boards function and exercise their leadership role in 2021. To address these challenges will require directors to exercise heightened attentiveness and closer interaction with management. ***Read more below***

We hope you find this edition informative and insightful. For contributions and comments please **contact:** publications@iodccg.com or info@iodccg.com

Happy Reading!

Serena Mordi – *Head, Research & Publications, IoDCCG*

Feature Article - A 'Twist' On Top Ten Governance Trends for 2021 _ by Michael Peregrine

A twist, but hopefully not twisted . . . a slightly different take on developments likely to impact corporate governance in 2021. A list that doesn't mention shareholder activism, cybersecurity, climate risks, or regulations. What follows are perspectives offered from a slightly higher altitude but still within sight of the tarmac.

1. **Addressing Continued Volatility:** Directors will confront the tactical and strategic implications of continued political, social, economic and regulatory volatility. This will be driven in part by the Covid-19 pandemic and may also include concerns with economic growth, trade conflict, income and gender inequality, inflation and continued societal fragmentation. To address these challenges will require directors to exercise heightened attentiveness and closer interaction with management.

2. **Recalibrating the Board/Management Dynamic:** Directors and executives will reconfirm their respective roles and relationships following a year of pandemic-driven accommodations on leadership duties. Clarity will be sought on the lines of decision-making, as traditional distinctions between what is the responsibility of the board, and what is the responsibility of management, may have become blurred. Special efforts may be necessary to restore key board monitoring duties following a period of understandable deference to management.

3. **Reimagining the Company:** Boards of companies that have successfully recovered from the pandemic may need to follow the call to "re-imagine" the organizational mission. Innovations born of necessity during crisis response will emerge, "like remote control of manufacturing processes, A.I. bots helping diagnose patients and more effective distance-

learning technologies." This will incorporate the efficiencies, shortcuts, ideas and designs initially developed out of necessity, while remaining "on the lookout for what is lost."

4. **Accelerating the Commitment to Diversity:** Boards will respond to signs that their prior, good faith efforts to achieve diversity fall short of accelerated social and public policy expectations. This is especially the case with respect to gender equality, and data indicating that women have born an outsized workplace-related burden during the Covid-19 economy. It also relates to organizational disparities involving ethnicity and underrepresented communities; all of which could have long term consequences if not promptly addressed.

5. **Emphasis on Board Refreshment**: To achieve the turnover necessary to accommodate increased diversity goals, boards will pursue more extensive director refreshment practices. This, as surveys show that director tenure continues to be very extensive; that board vacancies are rare and open seats are often taken by an experienced director. Off boarding, term limits, performance evaluations, retirement requirements and over boarding policies will see wider application. Prior public company board experience will decrease as a factor.

6. **Re-Evaluating Risk Profiles:** The board's approach to risk evaluation will undergo significant readjustment. The pandemic has confirmed that cataclysmic disasters can indeed occur, with a resulting profile increase for the enterprise risk function. Risk committees will reconfirm "mission critical" risks, assure readiness of crisis management plans, and track risks subsumed within the "known unknowns" as well as in the "unknown unknowns." These committees will balance the need for more imagination in risk identification and monitoring, without creating distraction for the committee or frustrating management.

These and other challenges are likely to influence the manner in which boards function and exercise their leadership role in 2021. Boards will respond by reshaping thought processes and operational approaches, and modernizing their expertise and behaviours.
Read more: Forbes.com "A Twist on Top Ten Governance Trends for 2021

NSE Appoints New CEOs as Exchange Splits into 3 New Entities
The Nigerian Stock Exchange (NSE) will have its three surviving entities, birthed by the just completed demutualisation exercise, headed by individual chief executive officers, the national council of the exchange said in a recent website note.

The decision followed an approval by members of the NSE in November of the proposal to demutualise, enabling the Nigerian bourse to transform from a member-owned organisation to a quoted company where the public can own shares. That move will also break the exchange into three independent units for a more efficient running. "Under the demutualisation plan, a new non-operating holding company, the Nigerian Exchange Group Plc (NGX Group) has been created," the council said.

"The Group will have three operating subsidiaries – Nigerian Exchange Limited (NGX), the operating exchange; NGX Regulation Limited (NGX REGCO), the independent regulatory arm; and NGX Real Estate Limited (NGX RELCO), the real estate company – forming the group. All the entities have been duly registered at the Corporate Affairs Commission ("CAC")."

Oscar Onyema, currently the Chief Executive of the NSE, will lead the succeeding entity, Nigerian Exchange Group Plc as the Group Chief Executive Officer. Temi Popoola, Managing Director of

Renaissance Capital, is now the CEO of NGX while Tinuade Awe, who is the Executive Director of Regulation at the NSE, will be the CEO of NGX REGCO.

The appointments are to be endorsed by the Securities and Exchange Commission, the NSE statement said.
Accessed: Ripples Nigeria

CAMA Implementation: CAC Declares Companies Inactive For Failure to File Annual Returns
Less than two weeks after commencing the implementation of Companies and Allied Matters Act (CAMA 2020), the Corporate Affairs Commission on recently said that many limited liability companies have been declared as inactive for their failure to submit their audited financial returns or transactions.

The Registrar-General of CAC, Mr. Garba Abubakar, said in Abuja at an interactive session that the implementation of CAMA 2020 has begun in earnest, adding that the Act was gazetted by the National Assembly in November 2020. Though the total number of companies declared as inactive was not revealed, he pointed out that the status of such affected companies has been posted on the Commission's website.

He however clarified no company has been de-listed by the Commission, adding that the process of delisting the names of companies under the new law is cumbersome.

He noted, "The provisions of the Companies and Allied Matters Act 2020 have actually made the process of delisting companies more cumbersome to carry out. Unlike before, where CAC has reasonable cause to believe that companies are no longer carrying out its duties, we will write to them, but under the new law, it will take us up to ten years to delist them. But what we have done to enforce compliance with the new law is that our new portal tells you the status of any registered company whether it is active or inactive. A company that has not been filing its financial returns within a specified time is classified as inactive".
Accessed: The Whistler Nigeria

Presidency Reappoints Bala Usman as MD of NPA, Reconstitutes the Board
President Muhammadu Buhari has approved the reappointment of Hadiza Bala Usman as the Managing Director of the Nigerian Ports Authority (NPA) for another term of 5 years. This follows the expected expiration of the tenure of Usman, who was first appointed as the Managing Director on July 12, 2016.

The Presidency in its statement also announced the approval of the reconstitution of the Non-Executive Board of the NPA, with Emmanuel Olajide Adesoye (representing South-West zone) as Chairman.

Other members of the reconstituted Board include Ekenyem Nwafor-Orizu (representing South-east zone), Akinwunmi Ricketts (representing South-south zone), Ghazali Mijinyawa (representing North-East zone), Mustapha Dutse (representing North-West zone), and Abdulwahab Adesina (representing North-Central zone).
Read More: Nariametrics.com "Presidency Reappoints MD of NPA, Reconstitutes the Board"

Lekoil Loses Board Fight with Top Shareholder
Shareholders of London-listed Nigerian oil company Lekoil recently voted to approve an investor's bid to add three members to the company's board, in the culmination of a bitter dispute between its founder and its biggest shareholder.

The dispute between Lekoil Founder and Chief Executive, Lekan Akinyanmi and top Shareholder, Metallon, even drew in Nigeria's Ministry of Petroleum, and created more unwanted public turmoil for the company, which was caught out by a fraudulent loan last year. A large majority of shareholders approved Metallon's proposal to appoint Metallon CEO, Thomas Richardson along with two others to the Lekoil Board, expanding it to seven members.

Lekoil said its Chairman, Mark Simmonds would stand down from that role with immediate effect, and would stand down from the Board at the next Annual General Meeting. The newly enlarged Board will thereafter appoint his replacement.

Metallon, a private investment company that owns three gold mines in Zimbabwe, became a shareholder of Lekoil last March and now has a 15.1% stake, making it the top investor. It says its proposal to expand the Board will improve corporate governance and increase scrutiny of Lekoil's finances.
Read More: Reuters.com – "Nigerian oil firm Lekoil loses board fight with top shareholder"