



DCSL Corporate Services Limited

FRONT BURNER ISSUES FOR CORPORATE BOARDS IN 2020

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ABOUT PUBLICATION

This publication contains general information only and DCSL Corporate Services Limited is not, by means of this publication, rendering legal or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. DCSL shall not be responsible for any loss sustained by any person who relies on this publication.

DCSL - WHO WE ARE

- Core Competencies in Governance, Immigration, Training, Executive Selection & Company Secretarial Services
- Operating from our Head Office in Lagos, with a branch office in Abuja

VISION

- To be the preferred corporate services provider in Nigeria.

MISSION

- The pursuit of excellence in service delivery.

CORE VALUES

- Integrity
- Professionalism
- Teamwork
- Accountability
- Respect for self and others



WHAT WE DO

- 01 Board Evaluation and Governance
- 02 External Quality Assessment of the Internal Audit Function
- 03 Setting up and Hosting Whistleblowing Infrastructure
- 04 Codification of Charters, Policies and Terms of Reference
- 05 Immigration Support
- 06 Training
- 07 Business Advisory & Regulatory Compliance
- 08 Company Secretarial
- 09 Executive Selection
- 10 Business Recovery & Insolvency
- 11 Company Set Up

INTRODUCTION

The role of Corporate Boards and their responsibilities continue to be key elements propelling corporate performance. The new decade requires more innovative thinking, complex problem-solving abilities, diverse competencies and stronger governance. Directors are expected to allocate more time to understanding and addressing the myriad of issues that contribute to business sustainability and long-term value creation while meeting urgent challenges emanating from economic, political, technology and social developments. Nothing brings this more to the fore than the Covid-19 pandemic, which has tested the most robust Business Continuity Plans and tasked organizational resilience.

The DCSL survey on front burner issues for Corporate Boards in 2019 drew participants from

the C-Suite, Non-Executive Directors and Board Secretaries, identified the following as the most significant front burner issues that Corporate Boards should keep on the agenda in 2019 and beyond:

- Oversight of Risk Management within the Context of Digital Disruption.
- Compliance.
- Development of Corporate Strategy and Periodically reviewing Level of Implementation.
- Succession Planning for the Chief Executive Officer and Senior Management.
- Greater Oversight of External and Internal Audit.
- Oversight of Corporate Culture.

- Board Composition: Director Skill Sets and Diversity within the context of Corporate Strategy.
- Focus on Sustainability Issues and Reporting.
- Oversight of Human Resources and Talent Management.
- Monitor Rapidly Changing Privacy and Cybersecurity Requirements.
- Crisis Management and Planning.
- Defining Non-Financial Performance Metrics for the Chief Executive Officer and undertaking an Annual Performance Evaluation.
- Discussions around Executive Compensation and link to Corporate Performance.
- Succession Planning for the Board of Directors.

The 2019 Survey ranked the following as the top five trends that will have the greatest impact on companies over the next 12 months:

- Economic and Political Changes in the Country.
- Change in the Regulatory Environment.
- Business Model Disruptions.
- Increased Regulatory Oversight and Cybersecurity Threats.

In the 2020 edition of the Survey on Front Burner Issues for Corporate Boards, respondents have identified Business Continuity; Cybersecurity and Data Protection; increased oversight of Corporate Strategy; Compliance and Corporate Culture as key focus areas for Corporate Boards in 2020 and beyond. Other top of the mind issues are better oversight of Internal and External Audit; Board Structure & Composition; Succession Planning; Measuring and Monitoring Performance; Managing Talent; Disruptive Technology and greater focus on ESG Reporting. Without a doubt, 2020 will be very challenging for many Boards in view of the

implications of Covid-19 for corporations, the Nigerian economy and global dynamics.

Attention will shift to how companies are being positioned for the future and the years ahead will require a careful balance of short-term focus, mid-term agility, and long-term thinking.

Drawing on insights from our conversations with Directors and Business Leaders, we highlight the issues that Boards should keep in mind in 2020 and beyond. This list is not exhaustive as there will be industry specific concerns as well as a wide range of emerging issues that will feature prominently on the Board's agenda.

BUSINESS CONTINUITY PLANNING (BCP)

This has become a critical agenda item that Boards have to consider in 2020 and beyond within. The Board will be called to think through how the organization will operate efficiently and profitably during this period where a large proportion of employees are isolated at home due to measures put in place by different countries and government to stem the spread of the virus.

The Board must envisage that the situation created by the pandemic could last for between 6 to 18 months and ensure the BCP looks at the best to the worst-case scenarios. It should also recognize that the Company's customers and suppliers may take even longer time to recover or not at all, hence the Board must immediately and constantly assess the foreseeable risk of harm to the

Company, including non-financial risks (such as reputational damage and compliance with laws) be more deliberate in the periodic review of relevant reports to ensure the ongoing effectiveness of the Company's risk management framework.

The Board should re-evaluate the Company's risk appetite, develop and review policies (Delegation of Authority, Remuneration; Recruitment, Procurement, etc) that will have effect on the operations of the business during and after the pandemic.

The Board must clearly identify what operations and functions are essential to the survival of the Company and ensure that adequate resources must be directed towards ensuring that they are kept running and afloat.

In 2020, Boards must understand the full impact of COVID-19 on the Company's business and review of BCP periodically.

EMBRACING CYBERSECURITY AND DATA PRIVACY AS BUSINESS IMPERATIVES

Board members are being challenged to demonstrate more diligence in the area of cybersecurity and data privacy as there has been a steady and growing concern with security and other risks created or aggravated by technology. The Nigeria Data Protection Regulation (NDPR) requires personal information to be protected and provides for the prosecution of principal officers in the event of data privacy breach.

Cybersecurity and Data Privacy are increasingly becoming the "central nervous system" of many business operations, as companies are introducing new Information Technology (IT) systems to learn about customers and understand behavioral patterns, identify new business opportunities, improve and develop new products and

services, optimize business processes and compete with existing and emerging competition thereby increasing exposure to data risks and cyber threat.

Virtual meetings and remote work will become the new normal. Corporate Boards will need to adapt and embrace appropriate technology, whilst being mindful of the potential and real threats.

Accordingly, the Boards level of awareness of Cyber threats and risks associated with data breach is critical to determining appropriate response. The Board needs to ask Management the following questions to satisfy itself that Management is proactive and focused on taking control of Cyber and data privacy risks in a unique and positive way.

- What is the Company doing to comply with the NDPR and European Union's General Data Protection Regulation (GDPR)?

- How frequently does Management undertake a Cyber threat audit to determine and identify vulnerabilities?

- Does the Company have a robust and competent Compliance Team?

How do we position the Cyber threats we face

- within the context of the Company's business?

Does Management have the right processes

- and controls in place to mitigate risks to data and how is data being used?

- Does the Company have an Information Technology (IT) Data Governance Framework.

Corporate Boards need to set the tone that cybersecurity and data privacy are critical business issues for the whole of the Company and not only the IT function.

OVERSIGHT OF CORPORATE STRATEGY

The oversight of corporate strategy is one of the pivotal and core responsibilities of a Corporate Board. In 2020, Boards will need to ensure that a consideration of the Corporate Strategy is a constant item on the Board Agenda. Focus should be on identifying growth opportunities and not only on reviewing past performance and measuring metrics.

The Board can monitor the implementation of corporate strategy by doing the following:

- Ensuring the CEO and Executive Management provide regular updates on strategy execution.
- Keeping abreast of leadership and organizational resources required to implement strategic initiatives.

- Undertaking periodic sound-checks of Corporate culture to ensure it supports the execution of Corporate Strategy.

Corporate Boards should provide requisite support to Management and provide meaningful leadership by leveraging on the experience and expertise of Directors to fulfill its responsibility of enhancing corporate performance and maximizing shareholder value.

FOCUS ON REGULATION AND GOVERNMENT POLICY

The COVID-19 pandemic will impact Government regulations and policies in 2020 and Boards must be prepared for this by ensuring that Management provides regular updates on policies and regulations that will have direct or indirect impact on the Company's operations, profitability and sustainability. This enable Corporate Boards to have proactively engage policymakers via appropriate channeled advocacy to influence government policy and emplace proactive responses by correctly anticipating changes in the policies and regulations to give the Company a competitive edge.

PRIORITIZE SUCCESSION PLANNING FOR THE CHIEF EXECUTIVE OFFICER AND EXECUTIVE MANAGEMENT

The critical role of the Board in succession planning for the CEO and Executive Management will become even more vital to business sustainability in 2020 and beyond. Early identification, training and coaching of suitable internal candidates for the CEO and Executive Management positions as well the identification of potential external candidates should form part of the Board's agenda in 2020, to ensure leadership continuity and seamless transition.

FOCUS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES (ESG) & SUSTAINABILITY REPORTING

ESG disclosures have become even more important to regulators, investors and this will become even more so in 2020 and beyond. Sustainability reporting addresses the growing demand by various stakeholders for trustworthy information on corporate social responsibility and ESG initiatives.

Boards should deepen their understanding of the fast-evolving significance of ESG to investors and other key stakeholders. ESG initiatives should feature prominently on the Board's agenda to encourage Management develop and better communicate ESG value proposition and opportunities. Boards can support Management to

build frameworks to identify and measure ESG factors that are material to the business.

Companies gain competitive advantage and grow corporate value when their Boards focus on sustainability issues.

BOARD STRUCTURE AND COMPOSITION AS AN IMPERATIVE FOR BOARD EFFECTIVENESS

Board structure and composition will continue to be an area of focus for Corporate Boards as diversity of, skill, experience, age, ethnicity and of course gender become more critical to Board effectiveness and corporate success. Issues around concurrent and multiple directorships which may interfere with the capacity of directors to effectively discharge their responsibilities

also need to be discussed. Corporate Boards in 2020 should develop a comprehensive matrix of the skills needed on the Board by aligning the skills and experience present on the Board with those reflected in the matrix, and honestly evaluate each Director's individual contribution so as to achieve an optimal Board structure composition for Board effectiveness. Organizations that will survive this decade are those led by effective, independent Boards composed of men and women with the appropriate skills and a commitment to lead with integrity.

GREATER OVERSIGHT OF EXTERNAL AND INTERNAL AUDIT

External and Internal Audit are increasingly in the spotlight as key elements of the financial reporting process.

The Board should ensure a periodic assessment of the effectiveness of the Internal Audit Function by a qualified independent reviewer. The Internal Audit Charter should be reviewed to ensure that the intent and implementation of the Charter remain consistent and relevant to the Board's expectations of the strategy and objective of Internal Audit.

The Board should have a policy on ensuring the continued independence of the External Auditors by ensuring a rotation of the engagement partner every five years to preserve independence.

Corporate Boards should ensure that External Auditors do not provide services that will create a self-review threat to their independence.

Corporate Boards in 2020 need to step up their oversight of internal and external auditors to ensure the overall quality of the audit process while safeguarding their independence.

FOCUS ON DISRUPTIVE TECHNOLOGY

As Artificial Intelligence (AI), digital transformation and blockchain technology continue to become essential to the way businesses function and survive, Corporate Boards are increasingly considering how technology can improve operational

efficiencies, create new products and services, and support entry into new markets. In this regard, the Enterprise Risk Management Framework needs to be very robust to identify emerging and disruptive risks.

Boards needs to ensure that the appropriate human resources with the requisite skills to actively manage and leverage on the disruptive technology are in place.

OVERSIGHT OF CORPORATE CULTURE

Corporate culture impacts a Company's growth, Strategy execution and influences competitiveness. It continues to emerge as a matter of interest to Corporate Boards in 2020 given the current unprecedented business climate. Board oversight of culture requires a proactive and disciplined that will ensure the following:

- The Company's corporate culture is assessed, tracked and the result of the assessment are translated into action plans and goals that carefully monitored.
- Culture is included in discussions about strategy, risk, and performance management.
- There is an alignment of the culture on the Board and across the Company.

OVERSIGHT OF HUMAN RESOURCES AND TALENT MANAGEMENT

Corporate Boards are aware that talent is a great driver of innovation and growth required to sustain competitive advantage. Boards should oversee the development of a robust talent pool and ensure that appropriate metrics are emplaced to manage and retain top talent.

DEFINING NON-FINANCIAL PERFORMANCE METRICS FOR EXECUTIVE MANAGEMENT AND UNDERTAKING AN ANNUAL PERFORMANCE APPRAISAL AGAINST THE DEFINED METRICS

Financial metrics have traditionally been used as indicators of the performance of Executive Management. Boards are becoming aware that measuring performance using only financial indices perspective is insufficient, oftentimes misleading and will not assure business sustainability.

The Board should put in place a “balanced scorecard” approach that define and measure Non-Financial Performance indicators that reflect the top priority objectives alongside financial metrics. The Board should receive periodic

updates on the balanced scorecard and undertake an annual evaluation of performance against the defined metrics.



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