



DCSL Corporate Services Limited

FRONT BURNER ISSUES FOR CORPORATE BOARDS IN 2022



About this Publication

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DCSL Corporate Services Limited -Who We Are

- Core Competencies in Governance, Business Advisory, 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

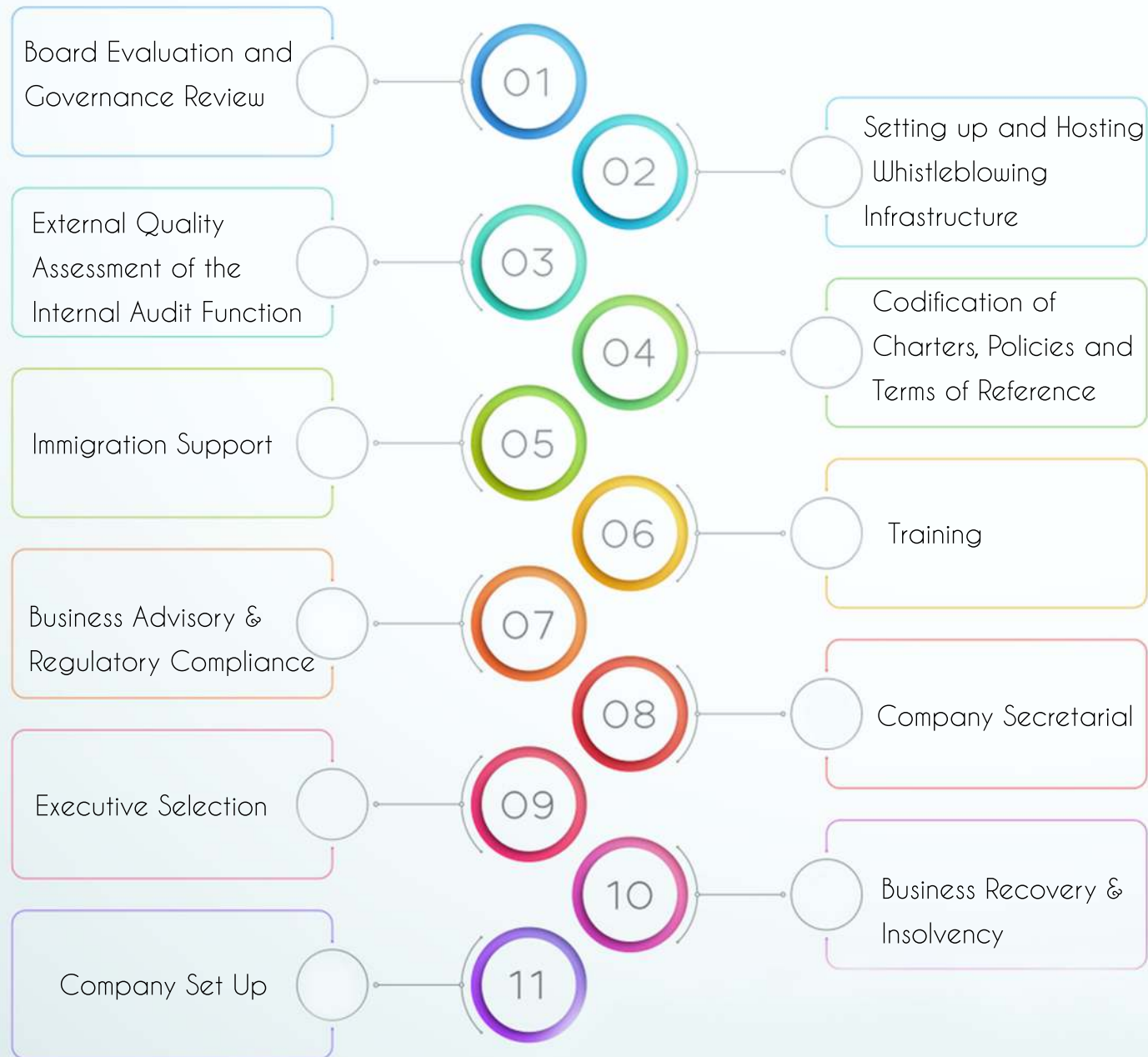
The pursuit of excellence in service delivery



Values

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

What we do:



Introduction

The role of Corporate Boards in building organizational resilience is proving to be the great differentiator of the pandemic era. From pivoting to remote work and focusing on the well-being of employees to managing the evolving expectations of stakeholders, the ability to quickly adapt to change appears to be the focal point in 2022.

The 2022 edition of DCSL survey on front burner issues for Corporate Boards has identified Corporate Culture; increased oversight of Corporate Strategy, Board Diversity; Risk Management and ESG as the main areas of focus for Corporate Boards in 2022.

Corporate Strategy

The Board is saddled with the responsibility of providing leadership in the development of a strategic plan for the organization. As required by the respective codes of corporate governance, the Board is responsible for defining the organization's strategic goals and ensuring that its human and financial resources are effectively deployed towards attaining required goals. Whilst the responsibility for articulat-

ing and leading the strategy development process is that of Management working collaboratively with the Board, the Board is ultimately responsible for strategy and must therefore be capable of critical and lateral thinking.

Corporate strategy focuses on how to manage resources, risk, and return to develop competitive advantage. In setting out the corporate strategy, Directors are advised to pay attention to the main components - viz - visioning, objective setting, allocation of resources and strategic trade-offs.

It must be noted that good strategy formulation combined with execution do not guarantee that all will be smooth sailing. Sustainability will depend on how well the management team executes the strategic plan, develops and implements effective strategic initiatives. A well-articulated corporate strategy enables the organization navigate through setbacks and will ultimately engender competitive advantage.

Strategy plans should be reviewed periodically by the Board within the context of the economic realities

and global trends and adapt the strategy as required.

The Board should define clear and measurable Key Performance Indicators based on the Strategy and emplace a formal process of evaluating performance.

Human Capital Management and Corporate Culture

A company's culture is often revealed in the recruitment, onboarding, training, target-setting, performance appraisal and other processes. An effective human capital management system is vital to establishing great corporate culture and ensure organizational success. Human capital management refers to the prevalent practice and processes used by organizations to attract, recruit, train, develop and retain the best employees to optimize productivity and achieve short- and long-term objectives.

Corporate culture is not static but dynamic, evolving with the changing demographics, workplace norms, industry forces and other factors. Human capital management plays an important role in influencing and shaping the culture within the organization in the following ways:

- a. **Business Processes and Work Environment:** The goal of human capital management is to establish an effective system for business activities and to foster a positive work environment. Human capital management involves improving employee communication, defining goals, appraising performance, monitoring productivity and other activities that help to improve business processes. These have a direct impact on employee behaviour and interactions.
- b. **Employee Engagement:** It is widely acknowledged that where employees are engaged, they are often times committed to their roles and function within the organization, going above and beyond. Corporate culture is often determined by employee engagement and vice versa and as such, by developing effective

employee engagement practices, organizations can develop and sustain company culture. Employee engagement, particularly through performance metrics, can help assess company culture.

c. Human Resource Policies: Human Resource (HR) policies and practices are often designed in such a way as to elicit appropriate employee behaviour that align with the strategic direction and corporate values of the organization. HR policies should communicate corporate culture and set the tone for expected behaviour.

d. Staff Development/Growth: All members of staff help shape the dominant corporate culture irrespective of their role within the organization. Making employee development a priority ensures that the team remains well informed of industry trends and best practices, as well as being equipped with new skills. Professional development boosts employee engagement which further drives corporate culture.

It is imperative that the Board receives periodic reports from the Head of Human Resources to enable Directors have a good understanding of corporate culture, human capital priorities and get better acquainted with talent issues. It is recommended that the Board should commission periodic Culture Audits to ensure that the espoused culture aligns with the articulated culture. In considering and approving strategic initiatives, it should ensure that these are in sync with the desirable corporate culture.

Digital Transformation of Business Operations

Digital transformation of business operations is the integration of digital technology into all aspects of the business to change how the business operates. In other words, it is the process of converting all processes and information in business operations into digital forms. It also involves a fundamental rethink of how the company views its people, processes, and technology to achieve streamlined management of day-to-day operations.

The COVID-19 pandemic normalized remote work for many industries. As countries locked their borders, companies began switching to remote work that birthed the new normal. Although switching to remote work was a desperate move to keep companies afloat during the pandemic, it turned out to be a silver lining as companies realized that work-from-home drastically reduced operational expenses without compromising efficiency. Proving to be an efficient way to work, some big tech companies implemented permanent remote work policies – even as some of them have announced reversals.

Benefits of Digital Transformation

Some benefits of transforming business operations into digital include:

a. Improved Data Gathering for Better Market Analysis

By employing the use of intelligent data gathering software, data can be optimized for analysis that can drive business performance and to better understand client/customer preferences and re-think business strategy.

b. Data Security and Ease of Collaboration

By moving business operations into digital mode, sensitive company and client information can be safely stored on cloud servers or remote computers that can only be accessed by authorized personnel. Such sensitive data can be safely shared with different teams for secured collaboration.

c. Improved Customer Experience

As a result of the evolution of the technology and emergence of various digital platforms, customer needs have evolved and companies have would have to personalize marketing approach and experience using appropriate technology tools like Artificial Intelligence, Machine Learning, and chatbots.

Directors need to themselves understand the opportunities that digital transformation provide and support Management's initiatives in this regard

Board Diversity

Diversity is a conscious effort by the Board to ensure that its composition is adequately balanced in terms of skillset, experience, gender, geography, ethnicity and age. Principle 2.4 of the Nigerian Code of Corporate Governance provides that the Board should promote diversity in its membership across a variety of attributes relevant for promoting better decision-making and effective governance.

One crucial factor to consider when appointing Directors is how their relevant experience/skillset would contribute to the decision-making of the company.

As business operations around the world become more complex, companies will benefit from having Directors who have specialized expertise in different fields to improve the quality and effectiveness of the Board. Diversity in experience also includes diversity across industries that are directly or indirectly related to the Company's business. The experience in other complementary industries helps the Board have more robust discussions in coming to decisions.

As companies expand to other regions, it is imperative that the Board should be mindful of focus on geographic diversity in order to leverage on the experience of Directors from other regions when venturing into new markets.

Research has conclusively established that companies with women on their boards are more profitable than homogenous boards. To ensure the Board does not miss out of the contribution of a growing demography of young people, attention should be paid to age diversity.

It is recommended that the Board should set diversity targets and establish a formal policy on Board Diversity that articulates these targets and periodically review its composition vis-a-vis the defined targets and the company's needs per time.

Risk Management and Compliance Oversight

Risk management is squarely within the oversight responsibility of the Board. **Principle 17 of the Nigerian Code of Corporate Governance, 2018 (“NCCG”)** mandates the Board to approve the Risk Management Framework which would define the company’s risk policy, risk appetite and risk limits and identify, assess, monitor and manage key business risks to safeguard shareholders’ investments and the company’s assets. To achieve this, the Board should periodically review relevant reports in order to ensure the ongoing effectiveness of the Risk Management Framework. The Code further provides that the Board should conduct a thorough risk assessment covering all aspects of the company’s business and ensure that mitigating strategies have been put in place to manage identified risks.

The following are best practice recommendations for the Board in ensuring the emplacement an effective risk framework:

- a. Risk Management Committee:** The Board should delegate board-level risk management and oversight of management-level risk programs to the Board Risk Management Committee. The Committee will satisfy itself of the adequacy of the process for the identification and assessment of risk and the adequacy of prevention, detection and reporting mechanisms as well as to review the Company’s compliance with applicable laws and regulatory requirements which may impact the Company’s risk profile (**Principle 11.5 of the NCCG**).
- b. Development of Policies, Procedures, and Awareness:** Developing policies and procedures around risk that are consistent with corporate strategy and risk appetite; following up on Management’s implementation of risk management policies and procedures in order to be assured that the risk management policies and procedures function as they are intended and fostering a culture of risk awareness.

c. Director Development Programmes: Directors need to have a good understanding of risk management and continuously improve their knowledge. Although Boards may lean on the expertise of outside consultants to help them review the Company's risk management systems and analyze business specific risks, it however behooves on Directors to receive regular training in order to familiarize themselves with their role in this regard.

d. Chief Risk Officer: The Board should ensure that the Chief Risk Officer has the required competence, experience and appropriate seniority as envisaged by ***Principle 1 1.5.7 of the NCCG.***

In addition to the foregoing, the Board should establish protocols requiring Management to keep it apprised of compliance practices as well as periodic assessment of the Company's risk processes

ESG and Sustainability

The concept of "Environment", "Social" and "Governance" – or simply "ESG" is multifaceted and comprises issues ranging from human capital, cybersecurity, climate change, inclusion, waste management to deforestation. The issues continue to evolve and experts have opined that it would be an illusory journey to identify all matters falling within the scope of ESG. Accordingly, the Board has to identify priority areas as there are numerous issues fighting for attention with equally significant impact on the world.

ESG will continue to permeate discussions in the Board room and beyond and the Board must ensure an alignment of Corporate strategy and ESG goals. The Nigerian Securities and Exchange Commission has released Guidelines on Sustainable Financial Principles for the Capital Market. Principle 1 of the Guidelines charges companies to integrate ESG considerations in their operations and decision-making process.

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