

BOARD EVALUATION POLICY

BOARD EVALUATION

The board of directors is the cornerstone of the Nigerian model of corporate governance. An effective board ensures that management runs a company in the long-term interests of shareholders, whom the board is elected to represent.

Over time, a board may become complacent or may need new skills and perspectives to respond nimbly to changes in the business environment or strategy. Regular and rigorous self-evaluations help a board to assess its performance and identify and address potential gaps in the boardroom.

Shareholders value detailed disclosure of the board evaluation process when making voting decisions about directors. Disclosures about how the board evaluates itself, identifies areas for improvement and addresses them provide a window into how robust the board's process is for introducing change. To be clear, shareholders generally do not expect the board to reveal the details of individual director evaluations; rather, they want to understand the process by which the board approaches the task of continually improving itself.

This policy discusses the two main approaches to disclosure of the board evaluation process believed to be especially useful for evaluating a board's overall effectiveness. By highlighting disclosures that investors find meaningful, the report seeks to give companies a better understanding of the information their shareholders need to vote carefully for directors.

7.1 APPROACHES

1. Explanation of the mechanics of the evaluation process

This approach focuses on the mechanics of how the board evaluation process is conducted and analysed. Investors value specific details that explain who does the evaluating of whom, how often each evaluation is conducted, who reviews the results and how the board decides to address the results. This type of disclosure does not discuss the findings of specific evaluations, either in an individual or a holistic way, nor does it explain the takeaways the board has drawn from its recent self-evaluations. Instead, it details the "nuts and bolts" of the self-assessment process to show investors how the board identifies and addresses gaps in its skills and viewpoints generally. This kind of disclosure can be an "evergreen" approach that remains the same in proxy materials from year to year, assuming the board's evaluation process does not change.

2. Discussion of the most recent evaluation

The second type of best-practice disclosure goes beyond a detailed discussion of the board evaluation methodology to also include discussion of big-picture, board-wide findings and any steps for tackling areas identified for improvement. Where the first approach includes charts and explanations that can be reused with little alteration from year to year, this second approach to disclosure focuses on the most recent evaluation. It recaps the key takeaways from the board's review of its own performance, including areas where the board feels it functions effectively,

areas where it thinks it can improve and a plan of action to address these points in the coming year.

Here the annual report includes a section discussing the “continuous improvement programs” that the company holds “to maximise the effectiveness of the Directors throughout their tenure and link in with their individual Director performance evaluations.” After a general overview of these programs, the report lists specific activities that directors participated in over the past year.

Next, there is a section devoted to explaining the board evaluation, beginning with a general discussion of the frequency and intent of the review process, as well as the mechanics of how each part of the process (individual director reviews, board chair review, etc.) is conducted. The disclosure lists the specific criteria against which the performance of individual directors and the overall effectiveness of the board as a whole are assessed.

About half of the disclosure on the board evaluation recaps the assessments conducted in fiscal year. It should include a high-level overview of the effectiveness of the entire board, individual directors (without listing specific names) and board committees, as well as agreed-upon improvements that are aimed at enhancing the effectiveness of the board. The summary of these improvements amounts to an action plan for the board for the coming year.

7.2 THE BOARD EVALUATION POLICY

The Board of the Company shall evaluate its performance annually.

.....

DIRECTOR

.....

DIRECTOR