

TOOLS FOR
**BOARD
EFFECTIVENESS**



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1. Introduction

The NCCG, 2018, and the United Kingdom Code, amongst others, have recognised the status of the board of directors as the center of Corporate Governance and the highest governing body of a company.¹ As the highest body responsible for ensuring a company's sustainability and improved performance, it is important to put in place mechanisms to ensure that the board carries out its duties effectively and efficiently.

The effectiveness and efficiency of the board starts from the selection and appointment process of the directors, leading to questions such as how are the directors appointed? Who are the appointed directors? After the appointment, are they properly inducted to the board? Are the directors given regular training? How does the board meet and what discussions take place during the meetings? Is the board regularly evaluated? How are evaluations conducted? Furthermore, the board is expected to delegate some of its responsibilities without abdicating them.

This final part of the 'Mind the Board Series' will, in addition to exploring the recommended practices for board effectiveness, discuss board committees as essential machinery for board effectiveness.

2. Board Selection and Appointment Process

Before a company is incorporated, the promoters are typically responsible for appointing the first directors. However, upon the company's incorporation, the members may re-elect or reject the first directors and appoint new ones at the annual general meeting.² Furthermore, the appointment of a director may also be to fill any casual vacancy arising out of death, resignation, retirement, or removal.³ Irrespective of the reason for the appointment, it is important to ensure that the process for the selection and appointment of directors is transparent and well-structured as this is capable of affecting an otherwise effective board.

The procedure for selecting and appointing a director is generally outlined in the Company's Articles of Association or the Board Charter. Sometimes, this process is outlined in a Shareholders' Agreement or an Investment Agreement. Nevertheless, where the procedure is not clearly prescribed in the Board Charter or the Articles of Association, the relevant laws regulating the operation of the companies would be resorted to.

1 Part A, Principle 1, Recommended Practices of the NCCG 2018; Introduction, UK Code of Corporate Governance, 2018

2 273(1) CAMA 2020

3 274 (1) CAMA 2020

The board may delegate to its Nominations and Governance Committee (the Committee) the task of evaluating and recommending to the board for consideration and possible appointment, a person or persons qualified to be appointed a director(s) of the company to fill in a casual vacancy arising from retirement, resignation or death. This Committee is also expected to ensure that the company has a succession policy and plan in place for the Chairman of the Board, the Managing Director/ Chief Executive Officer and all other Executive Directors, Non-Executive Directors and senior management positions to ensure leadership continuity.⁴ Members of the Committee responsible for nomination and governance should be Non-Executive Directors, and a majority of them should be Independent Non- Executive Directors where possible.

One of this Committee's key roles is to:

- a. Establish a formal and transparent process for Board appointments
- b. Establish the criteria for appointment to the Board and Board committees
- c. Review prospective candidates' qualifications and any potential conflict of interest; and
- d. Make appropriate recommendations to the board.

The board is thereafter required to consider the recommendations of the Committee. The board can either reject a recommended individual or approve them. The approval or otherwise of the recommended individual is done by consensus or a simple majority vote. To this effect, *Section 289 (2) of CAMA, 2020 provides that "Unless the articles provide otherwise, any question arising at any meeting is decided by a simple majority of votes, and in case of an equality of votes, the chairman has a second or casting vote"*.

Some recommended considerations that the nomination and governance committee should have in assessing the suitability of candidates during the selection process include:

- a. assessing candidates for requisite knowledge, abilities, and experience in business operations.
- b. assessing candidate's professional skills, expertise, educational background, and age.
- c. assessing the leadership qualities of candidates, including a broad vision, integrity, ethical conduct, and a positive attitude toward the organisation, along with the ability to dedicate sufficient time to the company's operations.

4 Principle 11.2.5.7 Nigerian Code of Corporate Governance, 2018

- d. In the case of independent directors, the candidates must meet the criteria for qualification as an independent director as recommended by the board charter or articles of association in addition to the provisions of NCCG 2018, and CAMA 2020.
- e. consideration of other qualifications in other fields that are aligned with the composition and structure of the board in accordance with the company's business for example tech field, finance, art, intellectual property etc.

During the selection process of potential board members, the nomination and governance committee must bear in mind that while skill, experience and knowledge on the job are important, it is also imperative to give requisite attention to the character and values of the assessed person. This is because a director's values or character can easily disrupt the dynamics of the board.

3. Board Inductions

The NCCG, 2018 provides that *a formal induction programme on joining the board as well as regular training assists Directors to effectively discharge their duties to the company.*⁵ It proceeds to also recommend practices that can be adopted by the board by stating that *the board should establish a formal induction programme for new Directors of the Company to familiarise them with the company's, strategic plan, operations, business environment, senior management, and the Directors' fiduciary responsibilities.*⁶ To buttress the importance of induction, the NCCG, 2018 recommends that *the induction of new Directors should take place as soon as feasible after their appointment.*⁷ Board inductions ensure that newly appointed directors are properly onboarded to familiarise themselves with the company's culture and operations.⁸

The NCCG, 2018, has also made it one of the responsibilities of the board to ensure that induction programmes are conducted for new directors and a continuing education programme is in place for all Directors.

4. Board Training

The board is the highest decision-making body in the company and is vital in setting strategic imperatives of the company and ensuring the implementation of its key objectives. Therefore, board training must be facilitated to ensure that members of the board are afforded the requisite training and development to

⁵ Part A, Principle 13 of the NCCG, 2018

⁶ Part A, Principle 13, Recommended Practices 13.1 of the NCCG, 2018

⁷ Part A, Principle 13, Recommended Practices 13.1, *Ibid*

⁸ Part A, Principle 13 of the NCCG, 2018

update themselves and make the best decisions for the company.

The requirement for directors to participate in periodic, relevant and continuing education programmes to update their knowledge and skills to keep them informed of new developments in the company's business and operating environment is also provided for in Principle 13 of the Nigerian Code of Corporate Governance, 2018.

Importance of Continuous Education to Members of the Board

Regular Board training is pertinent in upskilling board members to ensure that they can effectively carry out their roles and responsibilities. Some of the importance of board training are as outlined below:

- i. ***Board Effectiveness:*** Board trainings are very essential in ensuring board effectiveness and equipping members of the board with the requisite skills needed to govern the organisation.
- ii. ***Regulatory Compliance:*** Some jurisdictions mandate continuous professional development for Board members. In Nigeria for instance, the NCCG 2018 recommends the need for Board members to participate in periodic trainings to equip them with the necessary skills to ensure they fulfil their oversight roles effectively.
- iii. ***Enhancing Risk Management:*** Board training programmes equip Board members with the expertise needed to identify and mitigate risks and assist this company in developing a risk management framework and monitoring its effectiveness.
- iv. ***Strategic Decision Making:*** Board training helps bridge knowledge gaps by equipping Board members with insights needed to effectively challenge management. It also ensures that the board is well-informed, armed with current relevant information, and better prepared to guide the organisation's strategic direction.⁹
- v. ***Improved Board Culture:*** Training programmes foster camaraderie, better communication, and collaboration among Board members. Specifically, learning together builds a sense of common purpose among board members.¹⁰

9 Cossin and Saito, 'Common Blind spots and skill gaps on corporate board' <https://www.peoplemanagement.co.uk/article/1899784/importance-learning-development-board-members>

10 Lambert, 'Three reasons to prioritise Board education' <https://artsconsulting.com/arts-insights/three-reasons-to-prioritize-board-education/>

Key areas of Board Continuous Education

Board training programmes must focus on areas relevant to the effective governance of an organisation by the board. Some of these areas are outlined below:

- a. ***Legal Responsibilities:*** Understanding legal responsibilities should be a core part of the Board training programme, with emphasis on equipping directors with the necessary knowledge to fulfil their legal duties and ensure compliance with the relevant laws and regulations governing their organisation's operation.¹¹
- b. ***Risk Management:*** Training programmes should help board members identify, evaluate, and mitigate potential risks to ensure the internal governance of the company and enable the board to develop a robust risk management framework.
- c. ***Digital Transformation:*** Training programmes should also provide members of the board with efficient tools and strategies to understand cybersecurity, data privacy and other digital advancements that impact on their governance of their organisation.
- d. ***Strategic Planning:*** Trainings must also focus on helping board members provide financial oversight and develop strategic revenue generation plans.¹²

Board training is a very pivotal part of corporate governance. The success of a company is tied to the effectiveness of its board; thus, it is imperative that Board members are equipped with the knowledge and skills to fulfill their roles effectively. Boards can design a training policy that outlines the modes in which the training will be delivered (online courses, workshops and seminars, board retreats, etc.), the frequency of training, the budget, and the assessment of training effectiveness. As the regulatory landscape evolves, board members must continue to educate themselves in order to be updated with the changes and drive strategic growth within the company.

5. Board Evaluation

Board evaluations are an opportunity to assess the effectiveness and efficiency of the board to see if there are opportunities for change that could give better results.

¹¹ Board Portal, 'Board Governance Training: Key Areas and Effective Methods for Improving Organisational Performance' <https://board-room.org/blog/board-governance-training/>

¹² Supra

Essentially, evaluation should cover - overall board evaluation, individual Board member's evaluations, and an evaluation of the Chairman.

The importance of board evaluation is underscored in the NCCG, 2018 where it states that *'Annual Board evaluation assesses how each director, the committees of the Board and the Board are committed to their roles, work together, and continue to contribute effectively to the achievement of the Company's Objectives'*.¹³

Similarly, the UK Code¹⁴ provides that *'there should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair, and individual directors'*. To ensure transparency, it is further recommended that the Chairman consider having a regular, externally facilitated board evaluation. It further provides that for FTSE 350 companies, board evaluations should happen at least every three years. The external evaluator should be identified in the annual report, and a statement made about any other connection it has with the company or individual directors.

Board evaluation is very crucial as it serves the following purposes:

- a. *Board evaluation provides an opportunity for the board to recognise its achievements and take pride in them.*
- b. *Evaluation instills in board members a sense of accountability. It shows that the organisation has high expectations for them, and it motivates them to enhance their performance.*
- c. *It reveals the strengths of the board and identifies areas that the board can capitalise on. Evaluation enables a Board to recognise its unique positive features that have contributed to its successes and ensures that these attributes are maintained and developed.*
- d. *Similarly, evaluation highlights to the board areas for improvement. An assessment exercise exposes any aspect of its role that the board is neglecting.*

The NCCG, 2018 and the Code of Corporate Governance for Public Companies, 2011 has enunciated some recommended practices boards can adopt in conducting evaluation. It provides thus:

¹³ Part A, Principle 14 of the NCCG, 2018

¹⁴ Part 3, section 21 of the UK Code of Corporate Governance, 2018

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- i. *The board should establish a system to undertake a formal and rigorous annual evaluation of its own performance, that of its Committees, the Chairman and individual directors.*
 - ii. *The evaluation system should include the criteria and key performance indicators and targets for the board, its committees, the Chairman and each individual Committee member.*
 - iii. *The Chairman should oversee the annual evaluation of the performance of the chief executive officer. The CEO/MD should similarly perform an annual evaluation for the executive directors based on agreed criteria or performance indicators.*
 - iv. *The result of the Board performance evaluation should be communicated and discussed by the board as a whole, while those of individual directors should be communicated and discussed with them by the Chairman.*
 - v. *Where the performance of a director is determined to be unsatisfactory, the director concerned should undergo further training. Where such is not feasible or practicable, the director may be removed in accordance with established procedures.*
 - vi. *The board may engage the services of external consultants to facilitate the performance evaluation of the board, its committees, or individual directors.*

The Chairman must act on the evaluation results by recognising the board's strengths and addressing any weaknesses. Each director should fully immerse themselves in the process and take appropriate action when development needs have been identified.

When conducting board evaluations, it is important to establish clear matrices for assessing Board performance. The roles and responsibilities of the board, as outlined in the organisation's constitution, should be the reference against which all guidelines are formed. This document must establish:

- “The Board's expectations of the management.
- The management's expectations of the board; and
- Director's expectations of one another.”¹⁵

Upon agreement on the board's evaluation criteria, the Directors can then hold

15 ‘Get on Board’, LEAP Africa Publications, 2007, Lagos

one another accountable to their present standards. It is important that the evaluation process enjoys the support of the board members so they do not feel that they are on trial and become defensive. The exercise should be as non-confrontational as possible and should be viewed as an opportunity to assess the state of the board to plan appropriately for the future. In any case, the evaluation should be internal – *utilising a peer review process*.

Evaluation Methods and Types

There are different methods that can be employed to evaluate the performance of Directors and the collective performance of the board. Evaluation methods include informal oral feedback, written comments, questionnaires, and surveys.

Evaluation can be of two types. The first is individual evaluation, where all Directors will be required to provide feedback to one another. This tends to be an especially effective method for evaluating individual Directors. Since Board members are often distinguished personalities, it may be difficult for a director to receive constructive feedback from a single individual (most likely the Chairman). However, hearing the same feedback from several directors, who are highly respected, is likely to have a more powerful and lasting effect on a director. In addition, Directors could be asked to complete a self-assessment that would later be measured against the feedback received from the team. A self-assessment allows the director to reflect on his strengths and weaknesses and consider how they contribute to the team's overall success.

The second type of evaluation is *Team Evaluation*, where the collective performance of the board will be assessed. A detailed description of the roles and responsibilities of a Board facilitates the evaluation process, as there are clear performance expectations. Although the relevant performance criteria will differ from context to context, every board will have to consider issues such as the information flow between itself and management, its attention to the high-level vision and the long-term goals of the organisation, the efficiency of its meetings, and monitoring of management.

6. Board Meeting

A Board meeting is a formal meeting or gathering of the board of directors of a company to discuss the company's strategic direction and evaluate the

performance of the company. It is the principal vehicle for conducting the business of the Board and successfully fulfilling the strategic objectives of the Company. One of the recommended practices under Principle 10 of the Nigerian Code of Corporate Governance is that the Board should meet at least once every quarter to perform its oversight function and monitor management's performance effectively, and Directors should endeavour to attend all Board meetings.

Board meetings are governed by the provisions of the Companies and Allied Matters Act as well as the constitutional documents of the company, that is Articles of Association.

Purpose of a Board Meeting

Board meetings are essential for the following reasons:

- i. **Strategic Oversight:** Board meeting presents an opportunity for the Board to evaluate the strategic direction of the Company.
- ii. Review of the financial performance of the company
- iii. **Decision Making:** It affords the Board a forum to consider and approve major transactions and reach decisions that may affect the company.
- iv. **Compliance and Governance:** Board meetings are a forum for the Company to ensure compliance with legal and regulatory requirements and to ensure that the company is adopting the best corporate governance practices.

Board Meetings: Roles and Responsibilities

- i. **Board Chair:** The Chair leads the Board of Directors. The Chair collaborates with the company secretary to set the meeting agenda. They preside over the meeting and set the tone for deliberation and guide the Board through the agenda.
 - ii. **The Directors:** The Directors are to review the Board pack ahead of the meeting to ensure effective and constructive participation in deliberations and provide strategic oversight and independent judgment on issues.
 - iii. **Managing Director/CEO:** The Managing Director provides updates on operational, financial and strategic matters. They respond to questions from
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the Board and implement action points arising from the meeting

- iv. **Company Secretary:** The Company Secretary prepares the agenda of the meeting in conjunction with the Chair. Circulates the notices of meeting and Board packs to the directors ahead of the meeting. The Company Secretary also prepares and keeps the minutes of the meeting and advises the Board on other regulatory and governance issues.

Board Meeting Procedures

- a. Pre-meeting procedures include preparation of the meeting agenda and issuance of notice of the board meeting and pre-meeting reads
- b. Meeting Procedures include ensuring that there is a quorum before the meeting commences, ensuring decorum in the moving of motions, and transparency in voting processes.
- c. Post-meeting procedures include preparing the minutes of the meeting, circulating the prepared minutes, and keeping the minutes safe to prevent them from being lost or damaged.

How to Ensure an Effective Meeting

In preparing for the Board meetings, the Board must effectively plan to ensure that the Board meetings are managed successfully. The following practices are encouraged:

- i. Meeting materials should be circulated ahead of time to allow Board members sufficient time to review of the materials to ensure effective participation during deliberations.
 - ii. The Meeting must commence on time to prevent fatigue.
 - iii. The Meeting should be as brief as possible, and discussions should focus on important and relevant matters, and this can be achieved if the agenda of the meeting is followed.
 - iv. The Board can rely on technology to especially where Board members are unable to attend the meeting physically. Although it is essential that the virtual platform is tested ahead of the meeting.
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7. Board Committees

The requirement for Committees is premised on the need for the board to concentrate on more strategic issues while delegating specific matters to the committees which are responsible for handling these issues, making informed decisions within the delegated authority framework and providing recommendations to the board.¹⁶ Board Committees are also crucial for ensuring specialisation and effective administration within the company. By delegating tasks to Committees, the Board of Directors can achieve greater efficiency in its oversight functions and strengthen the governance structure. Hence, Board committees are vital to the growth of a company.

The NCCG and various codes regulating and ensuring good and effective corporate governance in Nigeria have made recommendations on the establishment of key committees essential for a company's success. These key committees are the committees responsible for Nomination and Governance, Remuneration, Audit, and Risk management.¹⁷

While a company's leadership is free to determine its modalities and terms of reference for the various board committees, there are certain minimum standards and responsibilities expected and required for the effectiveness of board committees, which include:

Audit committees

The purpose of a Board Audit Committee is to assist the board in overseeing the performance of the company's internal audit function, safeguarding the assets and income of the company, ensuring the integrity of the corporation's financial statements, and maintaining compliance with the corporation's ethical standards, policies, plans, and procedures, as well as with laws and regulations. The Audit Committee is responsible for ensuring that the company's financials are free from any misrepresentation or misleading information. The Committee is crucial to the process of ensuring fairness and regulatory and legal compliance in the company's financial statements.

Every company is required to have an audit committee. Some of the basic functions of an audit committee are:¹⁸

- To ascertain whether the accounting and reporting policies of the company are following legal requirements and ethical practices set up by the Code;¹⁹

16 [Bisi Adeyemi](https://businessday.ng/columnist/article/nigerian-code-of-corporate-governance-2018-principle-11-board-committees), "Nigerian Code of Corporate Governance 2018 (Principle 11): Board Committees", April 4, 2022 <https://businessday.ng/columnist/article/nigerian-code-of-corporate-governance-2018-principle-11-board-committees>

17 Ibid

18 Gospel J. Chukwu, Ngozi Nwabochi, "Audit Committee Characteristics and Timeliness of Corporate Financial Reporting in the Nigerian Insurance Industry", Volume 7, Issue 4, April 2019, PP 86-95, International Journal of Managerial Studies, and Research (IJMSR), ISSN 2349-0330 (Print) & ISSN 2349-0349 (Online)

19 Part A, Principle 11.4.7.1, NCCG 2018.

- To review the scope and planning of audit requirements.
- To check the findings on management matters in conjunction with the external auditor and departmental responses;²⁰
- To keep under review the effectiveness of the company's system of accounting and internal control;²¹
- To recommend to the board the appointment, removal, and remuneration of the external auditors of the company;²² and
- To authorise the internal auditor to investigate company activities that may interest or concern the committee.

The various codes of corporate governance make it compulsory that members of the audit committee be able to read and understand basic financial statements and make valuable contributions to the committee. The Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) Codes provide that at least one committee member should be financially literate. The SEC Code further provides that the committee may seek external professional advice when necessary. The NCCG mandates that at least one member of the committee must be a financial expert with knowledge of financial principles and the ability to interpret financial statements.²³ The committee is also required to meet at least four times a year (once every quarter).²⁴

8. Risk Management Committee

Risk is a key component of business activities and cannot be avoided. Therefore, it is crucial for a company's leadership to balance risk with rewards in a way that does not negatively impact the company. Accordingly, effective risk management is essential. The Board is responsible for ensuring that the company not only manages risks effectively but also operates efficiently to promote innovation and profitability. While risk management is vital at every level of the company, the board is ultimately accountable. Risk management policies created at the board level eventually trickle down to different levels of the company.

The risk management committee oversees the risk profile and the risk management framework as determined by the board.²⁵ Its functions include reviewing risk management policies and the framework and making recommendations on risk management strategies to the Board for approval. The Committee examines the sufficiency and efficacy of risk management and controls within the Company, and exercises oversight of the process for identifying and

²⁰ Part A, Principle 11.4.7.8, NCCG 2018

²¹ Part A, Principle 11.4.7.3, NCCG 2018

²² Part A, Principle 11.4.7.9, NCCG 2018

²³ Recommended Practices 11.4.2 Nigerian Code of Corporate Governance 2018

²⁴ Recommended Practices 11.4.5 Nigerian Code of Corporate Governance 2018

²⁵ Part A, Principle 11.5.6, NCCG 2018

assessing risks, as well as the adequacy of prevention, detection, and reporting mechanisms.

The Risk Committee also reviews the level of the Company's compliance with applicable laws and regulatory requirements that may impact its risk profile. In addition, the Committee periodically reviews changes in the economic and business environment that may threaten the Company's business model, key strategies, future performance, solvency, and liquidity, and make appropriate recommendations to the Board. Furthermore, it reviews and recommends, for the Board's approval at least annually, the Company's Information Technology (IT) data governance framework to ensure that IT data risks are adequately mitigated and relevant assets are managed effectively.

The Risk management committee ensures the establishment of a risk management framework that: defines the company's risk policy, risk appetite, and risk limits; identifies, assess, monitor, and manage key business risks to safeguard shareholders' investments and the company's assets; formally approves the risk management framework and ensure that it is communicated in clear language to all employees; ensures that the risk management framework is integrated into the day-to-day operations of the business and provides guidelines and standards for the management of critical risks among other responsibilities. Additionally, the committee ensures that the Board undertake a thorough risk assessment covering all aspects of the company's business at least annually.²⁶

9. The Remuneration Committee

The Remuneration Committee is responsible for implementing corporate governance principles in a company's remuneration system for the Board members and executive officers of the Company. The Remuneration Committee is generally responsible for determining the remuneration policy as well as reviewing it from time to time. This committee periodically evaluates and recommends the compensation of the firm's top management, including the CEO.

This committee is responsible for ensuring that the company's remuneration plan aligns with the firm's long-term performance objectives and that shareholders' interests are not subordinated to management's short-term interests. The Committee is responsible for developing a formal, clear and transparent framework for the Company's remuneration policies and procedures; it is also

²⁶ *ibid*

responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management employees.²⁷

An independent remuneration committee can strengthen corporate boards by controlling the level of CEO compensation. Considering the key role played by this committee, the NCCG recommends that members of the committee responsible for remuneration should be NEDs, and a majority of them should be INEDs where possible. It further provides that It is desirable that the chairman of the committee be an INED.²⁸

10. The Nomination and Governance Committee

From the name of the Committee, it is clear that its role can be divided into two areas: Nominations and Governance. Regarding nomination functions, the committee plays a crucial role in identifying and recommending suitable candidates for positions on the board. The Committee ensures the board possesses the right mix of skills, experience, and diversity to govern the company effectively. It establishes formal criteria and a transparent process for all board appointments, reappointments, and recommendations of suitably qualified members to the board or its committees. The Committee assists the board of directors in nominating directors. The separation of the board from the nomination process aims to reduce the involvement of other board members, including the CEO, in these nominations.²⁹ The primary benefit of this separation is to increase the likelihood of selecting individuals who are more inclined to act as advocates for the shareholders. The Committee is also responsible for handling all matters related to executive management selection.

The Committee also oversees the board's succession planning. The committee is also expected to work with the Company Secretary to arrange induction and training programmes for Directors.

With respect to the Governance Functions, the Committee is tasked with facilitating performance evaluation processes. In this regard, the Committee is responsible for developing a process for, and ensuring that the Board undertakes, an annual performance evaluation of itself, its committees, the Chairman, individual Directors, and Executive Management. The Committee is also charged with the development and periodic review of Board charters, Board committee

²⁷ Part A, Principle 11.3.5, NCCG 2018

²⁸ Part A, Principle 11.3.2 and 11.3.3, NCCG 2018

²⁹ Dr. Pankaj M. Madhani "Study of Relationship Between Board Committees and Corporate Governance Practices of Indian Firms", June 2019 https://www.researchgate.net/publication/333776235_study_of_relationship_between_board_committees_and_corporate_governance_practices_of_indian_firms

charters, and other governance policies, such as the code of ethics, conflict of interest, and whistleblowing policies, among others.³⁰

Effectiveness of Board Committees

It cannot be overemphasised that, beyond regulatory compliance, Board Committees, if properly structured, aid the overall efficiency and effectiveness of the board. To ensure the effectiveness of board committees, it is important to have sound operational methods which can be reviewed in line with the dynamic of the corporate world. The board must clearly define the responsibilities and duties of the Board committees in a board-approved committee charter, which should be reviewed periodically.³¹

To ensure that board committees are effective, it is important that the board committees are properly composed. The NCCG 2018, provides the following minimum guide to ensure the effectiveness of board committees:

- a. *The board should determine the number and composition of its committees and ensure that each is comprised of directors with relevant skills and competencies.*³²
- b. *Only directors may be members of board committees, while members of senior management may be required to attend committee meetings.*³³
- c. *The membership of board committees should be reviewed and refreshed periodically.*³⁴
- d. *Each committee should be composed of at least three members. Individual board committee charters will indicate where independent non-executive directors are required.*³⁵
- e. *The board should appoint the chairpersons of board committees.*³⁶
- f. *The board should ensure that, in appointing members of the board committees, there is a balanced distribution of power in respect of membership across committees so that no individual can dominate decision-making and undue reliance is not placed on any individual.*³⁷
- g. *The Company Secretary, or any other officer in the office of the Company Secretary, should be the secretary of all board committees.*³⁸

30 Dr. Pankaj M. Madhani, "Study of Relationship Between Board Committees and Corporate Governance Practices of Indian Firms", June 2019 https://www.researchgate.net/publication/333776235_study_of_relationship_between_board_committees_and_corporate_governance_practices_of_indian_firms

31 Part A, Principle 11.1.3, NCCG 2018

32 Part A, Principle 11.1.1, NCCG 2018

33 Part A, Principle 11.1.2, NCCG 2018

34 Part A, Principle 11.1.4, NCCG 2018

35 Part A, Principle 11.1.5, NCCG 2018

36 Part A, Principle 11.1.8, NCCG 2018

37 Part A, Principle 11.1.9, NCCG 2018

38 Part A, Principle 11.1.10, NCCG 2018

- h. The timing of committee meetings should be well coordinated for the effective discharge of their duties.³⁹*
- i. At board meetings, the chairman of each board committee should present a written report of the key recommendations made at all the meetings held by the committee since the last board meeting.⁴⁰*

The following practices enumerated below can be adopted for the effectiveness of Board committees:

- Committees should be composed of members with the relevant skills and willingness to devote quality time to work. The board should also ensure that requisite information is made timeously available to the various committees⁴¹
- Board Committees should have specific Charters or terms of reference that set out their roles and responsibilities in the area of quorum, membership, the scope of work, authority, and reporting obligations⁴²
- The position of the Chairman of board committees is as important as that of the Board of Directors, and the incumbent's effectiveness ultimately determines the committee's effectiveness. Thus, the board should be careful in selecting committee Chairs, considering their strength of character, relevant skill set (knowledge, experience, proven leadership, and people management), availability, respect from peers, etc⁴³
- The board must inform committees of the reporting format expected of it, the substance of the report, and the frequency of receiving such information. Usually, the expectations of the board are enshrined in the committee charters. Machineries should be put in place to ensure that the performance of board committees are evaluated annually to ensure its continued effectiveness⁴⁴
- Committees should be encouraged to seek independent professional advice at the company's expense and seek clarification from senior management as required.
- Non committee members should also be encouraged to attend board committee meetings. This practice ensures that contemplations at the board meeting are more inclusive as non-Committee members would have benefited from the reasoning behind the recommendations by the committee

³⁹ Part A, Principle 11.1.12, NCCG 2018

⁴⁰ Part A, Principle 11.1.13, NCCG 2018

⁴¹ Financial Reporting Council, Guidance on Board Effectiveness July 2018 <https://www.frc.org.uk/getattachment/61232f60-a338-471b-ba5a-bfed25219147/2018-guidance-on-board-effectiveness-final.pdf>

⁴² *ibid*

⁴³ *ibid*

⁴⁴ DCSL, "The Nigerian Code Of Corporate Governance, 2018 Principle 11: Board Committees", July 15, 2019, <http://blog.dcsll.com.ng/blog/2019/07/15/the-nigerian-code-of-corporate-governance-2018-principle-11-board-committees/>

to the board.⁴⁵ To maintain the effectiveness of the committee system, the composition must be refreshed periodically while ensuring that Directors with relevant expertise and experience serve on Committees to which their experience and qualifications are best suited.

Ultimately, individual boards must determine the governance arrangements most suitable for their company's circumstances. The Code has always emphasised clarity in roles and responsibilities, along with the accountability and transparency of boards. While these elements are necessary for good governance, they are not self-sufficient. The operational methods that boards implement are crucial for functioning effectively and efficiently, but they will not guarantee success on their own. Boards need to reflect deeply on how they fulfil their role. Effective board committees are essential, as they ensure that the board utilises its time most efficiently to focus on strategic issues that will lead to its success. Furthermore, committees are more effective when the board clearly defines its charter and scope of work. The operational methods for the effectiveness of Board committees above will assist companies in applying the principles in the Code of Corporate Governance.

It goes without saying that establishing and operating board committees in line with corporate governance codes is fundamental to enhancing oversight, accountability, and strategic alignment. By delegating specialised responsibilities to various committees, companies can ensure that essential functions are carried out with the necessary expertise, independence, and transparency that industry stakeholders and regulators expect.

11. Core Competencies of the Board as a Whole

The core competencies of the board should be aligned with its corporate strategy such that expertise is resident in the board to address significant issues that it will be called upon to consider as it implements the organisation's corporate strategy. The following are the core competencies that we recommend a Board should possess. Each Board member should contribute knowledge, experience, and skills in one or more domains: -

- a. **Digital Knowledge:** With more activities going online and increased reliance on technology and the issuance of several legislations on cybersecurity and data privacy. Companies do not exist in vacuo and will be required to transact

⁴⁵ ibid

online as such; they are affected by the evolving trends in the digital landscape. Therefore, without the relevant digital knowledge, board members will be unable to make decisions in this regard. Board members must therefore possess or develop an understanding of digital tools as well associated risks.

- b. ***Accounting and Finance:*** Among the Board's most important responsibilities is overseeing the long-term corporate performance and the protection of long-term value through adequate internal financial controls. It is recommended that the board be comprised so that, at a minimum, all members of the Audit Committee shall be financially literate, and one member shall be a “financial expert”.
 - c. ***Industry Knowledge:*** As board members are expected to make key decisions about the company's corporate strategy and performance, it is vital that the board has one or more members with a working knowledge and understanding of the industry and the competitive environment in which the company operates.
 - d. ***Strategic Insight:*** One of the board's critical responsibilities is to approve corporate strategy, counsel management on the development and execution of that strategy and monitor the implementation of the company's strategic plan. Therefore, it is recommended that the board should have one or more members with the ability to provide strategic insight and direction by encouraging innovation, conceptualising key trends, reviewing the assumptions of the senior management team in strategy development, sharpening the vision, and providing a broad, strategic perspective.
 - e. ***Understanding and Fostering of Leadership:*** A company's performance will ultimately be determined by the ability of the board and the Chief Executive Officer (CEO) to attract, motivate, energise, and retain a high-performance executive team. In addition, the board must oversee the company's plans for leadership development and executive succession. It is recommended that the board should have one or more members with an understanding of issues associated with executive development, short and long-term compensation, and succession.
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12. Conclusion

It is advisable that in order to ensure and maintain the effectiveness and efficiency of the board, all directors should be subject to re-election after three years. The re-election of the directors does not however, supersede the tenure of the Board members as contained in the company's articles. The board should set out in the papers accompanying the resolutions to elect each director the reasons their contribution is and continues to be important to the company's long-term sustainable success.

Companies and Allied Matters Act (CAMA) 2020 specifically provides for the retirement of all directors at the first annual general meeting unless the articles provide otherwise.⁴⁶ At the annual general meeting in every subsequent year one-third of the directors, or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office. The directors to retire every year are those who have been longest in office since their last election, but as between persons who became directors on the same day those to retire are (unless they agree among themselves) determined by lot.

⁴⁶ Section 285 (1) of CAMA 2020

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