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The Okomu Oil Palm Co. Plc



Corporate Governance Review for the year ended 31 December 2019

February 2020

Report of the External Consultants on The Okomu Oil Palm Company Plc's Board of Directors' Appraisal

We have completed our procedures for The Okomu Oil Palm Company Plc's board of directors' appraisal for the year ended 31 December 2019 in accordance with the Securities and Exchange Commission's (SEC) Code of Corporate Governance 2011 for public companies in Nigeria.

The scope of our review focused on all the relevant sections of SEC's Code.

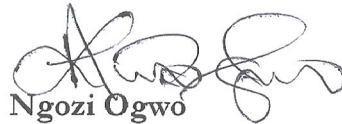
Based on our review, as well as analysis of board members self-evaluation questionnaires, we are of the opinion that the board's performance complied with the requirements set out in the Securities and Exchange Commission's Code of Corporate Governance 2011 for public companies in Nigeria.

Our review procedures were in accordance with the limited scope of our engagement and might not necessarily identify all irregularities that may exist in the underlying information.

This report should not be construed as expression or approval of matters not specifically mentioned therein.

The review was concluded in January 2020. The key findings and specific recommendations for improvements have been articulated and included in our detailed report to the board of directors.

Yours faithfully,



Ngozi Ogwo

FRC/2013/ICAN/00000004923

20 February 2020

Table of Content

	Pages		Pages
Executive Summary	5	The Risk Management Committee	12
Background	5	The Governance/Remuneration Committee	13
Objectives of the engagement	5	Meetings of the Board	13
Scope of the engagement	5	Appointment to the Board	14
Our Methodology and Approach	6	Remuneration of Board Members	14
Summary of Findings	6	Conflict of Interest	15
Restriction of Use	7	Insider Trading	15
Acknowledgement	7	Orientation and Training of Directors	15
Sources of Information	7	Tenure and Re-election of Directors	16
Main Report	8	Performance Evaluation of the Board	17
Responsibilities of the Board	8	Internal Auditor	17
Duties of the Board	8	Sustainability Issues	17
Composition and Structure of the Board	8	Relationship with Shareholders	18
Officers of the Board - Chairman & Other Directors	8	Whistle-blowing Policy	18
Multiple Directorship	9	Rotation of External Auditors	18
Family and Interlocking Directorship	9	Communication Policy	19
Company Secretary	10	Code of Ethics	19
Board Committees	10	Shareholders Complaints Management	19
The Audit Committee	11		

Executive Summary

Background

The Board of Directors of The Okomu Oil Palm Company Plc engaged Grant Thornton to conduct a board appraisal for the year ended 31 December 2019 in compliance with section 15 sub-sections 1 and 6 of the Securities and Exchange Commission's Code of Corporate Governance 2011 which stipulates that:

Section 15.1 – 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.

Section 15.6 – The board may engage the services of external consultants to facilitate the performance evaluation of the board, its committees, or individual directors.

Objectives of the engagement

The main objectives of this engagement are to review the compliance of The Okomu Oil Palm Company Plc's board of directors' activities with the Securities and Exchange Commission's Code of Corporate Governance 2011 for public companies in Nigeria and to prepare, as well as submit to the company's board of directors, an independent report based on the review.

Scope of the engagement

The scope of our work includes, but not limited to, the following:

- Performance against individual objectives
- Effective chairmanship of any board committee
- Effective changes at board and committee meeting
- Attendance at board and committee meetings
- Fulfillment of their specific, designated roles as board members
- Attendance at required training and development sessions and events
- Meeting the time commitment for engagement in the company's business
- Representing the company externally as appropriate
- Confirm due regard and commitment to the principles of public life, which include selflessness; integrity; objectivity; accountability; openness; honesty and leadership.

Executive Summary (Cont'd)

Our Methodology and Approach

In carrying out this assignment, our work was based on the following four areas of activities:

- Interviews: we interviewed one of the executive directors and some management staff of the company.
- Survey / Questionnaires: we customized our standard questionnaires for the other directors of the company to complete and the administered questionnaires were completed and returned to us. This survey is designed around the four drivers of board performance (role, people, processes which include agenda, meeting frequencies, information, committees, etc; and behavior).
- Documentation Review: we reviewed all the necessary documents relating to the board and its committees' activities within the period of January to December 2019.
- Reporting: we are reporting to the board the compliance position of the directors, the board, and the company with SEC's Code of Corporate Governance 2011 for public companies in Nigeria.

Summary of Findings

Our review confirmed that the company's board activities within the year under review complied with the provisions of the SEC's Code of Corporate Governance 2011 for public companies in Nigeria but there is need for improvements in the activities of the internal audit.

Executive Summary (Cont'd)

Restriction of Use

This report was prepared exclusively for The Okomu Oil Palm Company Plc and should not be used or relied upon by anyone other than the company without independent investigation and analysis, and Grant Thornton Nigeria assumes no liability for any such use or reliance by third parties.

No extract, quote or copy of this report, in whole or in part, should be produced or used for any other purpose without our prior written consent. No responsibility is assumed to other parties that may rely on this report as a result of the circulation, publication, reproduction or use of this report.

Acknowledgement

We appreciate the courtesy and cooperation extended to us by members of the board of directors, company secretary and management staff interviewed during the course of our review exercise.

Sources of Information

The information in this report is based on discussions with, and documents provided by key personnel, which include the following:

- The Board Charter
- Audit Committee Charter
- Governance and Remuneration Committee Charter
- Risk Management Committee Charter
- Code of Ethics
- Organization Structure
- Communication Policy and Procedures
- Risk Management Policy
- 2018 Published Financial Report
- Board and Committees' minutes of meetings for the period under review.
- Schedule of directors' sitting allowances during the period.
- Schedule of all serving directors and the composition of the board committees
- Internal audit reports for the period under review
- Sample of Health, Safety and Environment reports for the period under review.
- Directors' personal files and their profiles, et cetera.

Main Report

Responsibilities of the Board

The responsibilities of the board are clearly stated in section 2 of the SEC's Code of Corporate Governance 2011 for public companies in Nigeria. Our review confirmed that within the year 2019, the board performed its responsibilities in line with the company's Board Charter, Articles and Memorandum of Association, and with relevant laws of the country. The board also delegated relevant authorities as required to the audit committee, risk management committee, and the governance & remuneration committee.

Duties of the Board

The duties expected of the board are listed in the Board Charter, as well as section 3 of the SEC's Code of Corporate Governance 2011 for public companies in Nigeria, both of which were made available to all directors. Part of the duties of the board is to formulate policies, risk management framework, succession planning, performance appraisal, etc. We were able to confirm that the board carried out its duties during the year 2019 in compliance with the Code and the Board Charter.

Composition and Structure of the Board

Section 4 of the Code dwells on public companies' board composition and structure. The company, by the records, maintained eleven (11) board members during the year 2019 comprised of one non-executive chairman, two executive directors, seven non-executive directors and one independent (non-executive) director.

The office of the chairman is distinctly separated from that of the managing director.

Members of the board are people of high integrity and have the required skills, competences and experiences as relates to board matters. Most of the directors sit on the boards of other non-interest conflicting companies. Apart from the executive directors, the other board members are not involved in the management of the company.

The Chairman

In line with section 5 of the Code, the roles of the chairman of the board; who is a non-executive director and the chief executive officer of the company are clearly defined and separated in the organizational structure. Our procedures included a review of the organogram and the minutes of meetings of the board and we confirmed that the positions of the chairman of the board and chief executive officer are separate and held by different individuals. We also confirmed that the chairman was not a member of any of the board's committees.

The Chief Executive Officer

Our review procedures showed that the managing director is well grounded, knowledgeable, and widely experienced in the company's operating industry and thereby possesses the required capability to carry out his functions.

Main Report (Cont'd)

Other Executive Director

The only other executive director apart from the managing director is the finance director. A new finance director was appointed on 14 October 2019 to replace an outgoing finance director who resigned with effect from 26 October 2019. The profile of the new finance director was reviewed, and it was confirmed that he possesses the requisite experience, qualification and is suitable to carry out his duties.

Non-Executive Directors

Five (5) of the company's eight (8) non-executive directors are institutional directors representing SOCFINCO (Socfin Group), the majority shareholding company in The Okomu Oil Palm Company Plc. Our review of the profiles of all the non-executive directors shows that they have the requisite experience for their various roles within the board.

Independent Director

The board has one independent director as a member within the year under review in compliance with SEC's Code of Corporate Governance 2011 for public companies in Nigeria. It was confirmed during our review that the independent director's indirect interest falls below the benchmark of 0.1% in the ownership of the company.

The newly introduced Nigerian Code of Corporate Governance 2018, effective January 2020, requires independent director's interest to be at maximum of 0.01%. Owing to this new requirements, the independent

director's interest which presently stand at 0.097% should be reduced to maximum of 0.01% to comply with the extant Code. Also, the tenure of independent non-executive director is now stipulated not to exceed nine years (three terms of three years each) from the date of his first election. We advise that the company endeavours to reasonably comply with these new requirements.

Multiple Directorships

Most of the directors serve concurrently as members of other companies' boards in Nigeria and overseas. We confirmed that no director was on the board of a similar company in Nigeria whereby conflict of interest could set in.

Family and Interlocking Directorship

It is required by section 7 of the Code that not more than two members of the same family should sit on the board of a public company. We reviewed the company's directors' profiles (including bio-data) and confirmed that no two members of the same family sat on the board of The Okomu Oil Palm Company Plc during the year 2019.

Main Report (Cont'd)

Company Secretary

During our review, we confirmed that the company secretary, a barrister at law, is a person that possesses the relevant qualifications and competencies necessary to discharge effectively his duties. The company secretary reports to the managing director but has direct communication with the Chairman of the Board.

Board Committees

In compliance with section 9 sub-section 2 of the Code, the board, during the year under review maintained the three committees earlier established to assist it with effective discharge of its duties. The committees includes: the Audit Committee, the Risk Management Committee, and the Governance & Remuneration Committee.

The composition of the committees is shown in the table by the right:

S/N	Board of Directors	Audit Committee	Risk Management Committee	Governance & Remuneration Committee
1	Mr. Gbenga Oyeboode , MFR			
2	Dr. G.D Hefer			
3	Mr. Alain Mary			
4	Mr. Arnaud Arhainx			
5	Dr. L.J J Boedt	Member		
6	Chief D. U Edebiri, OON	Member	Member	Member
7	Mr. P..A. E Eguasa, JP	Member (Chairman)	Member (Chairman)	Member
8	Mr. H. Fabri			
9	Mr. Ph.de Traux de Wardin			Member
10	Mr. R. Helmoortel			Member
11	Mr. S. Claeys		Member	
12	Mr. Asue Ighodalo			Member (Chairman)

Note: Mr. Alain Mary resigned with effect from 26 October 2019. Mr. Arnaud Arhainx was appointed on 14 October 2019 as the new finance director.

Main Report (Cont'd)

Audit Committee

The audit committee comprises of three (3) non-executive directors and three (3) shareholders as required by section 359(3) and (4) of the Companies and Allied Matter Act (CAMA), CAP C20, LFN, 2004. The committee's activities are governed by the Audit Committee Charter and the Code. The committee was initially headed by a non- executive director and later changed to a shareholder, both of whom are knowledgeable in finance and accounting. It was confirmed that the internal auditor reports directly to the audit committee as required by sections 31.4 to 31.6 of the Code. From our review, the committee performed its duties as required by the Charter.

We reviewed the minutes of the committee's meetings and established that the committee met four (4) times during the year 2019. We confirmed that the head of internal audit was always in attendance at the committee's meetings.

The committee members' meeting attendance details are as follows:

S/N	List of Members	18-Mar-19	12-Jun-19	14-Oct-19	10-Dec-19
1	Rev. L. A. Ohenhen (JP)	✓	✓	✓	✓
2	Mr. P..A. E Eguasa, JP (Chairman)	✓	✓	✓	✓
3	Mr. M. Igbrude	✓	✓	✓	✓
4	Rev. A. Imadu	✓	✓	✓	✓
5	Chief D. U. Edebiri	✓	✓	✓	✓
6	Dr. L. J. J. Boedt	✓	✓	✓	✓
	✓ Representing present				
Note:	Rev. L. A. Ohenhen (JP) was nominated and elected as the new Chairman of the Audit Committee in the 3rd meeting of the committee held on 14 October 2019.				

Main Report (Cont'd)

Risk Management Committee

Sections 10 and 29.2 of SEC's Code of Corporate Governance 2011 specified the board's responsibilities with regards to risk management.

The Risk Management Committee is made up of three non-executive directors. Its activities were guided by a documented Charter. The committee was chaired by a non-executive director during the period under review.

The Okomu Oil Palm Company Plc has a duly documented Risk Management Framework to ensure that the company's key business risks and key performance indicators are regularly monitored. We confirmed from our review that the health, safety and environment (HSE) manager carries out all risk assessments covering HSE while the internal auditor carries out financial & compliance risk assessment in the company and reports to the Risk Management Committee on periodic intervals.

During the period under review, the committee met three times and, on all occasions, reviewed reports from the health, safety and environment manager regarding risk issues. We also confirmed as required by section 10.4 of SEC Code of Corporate Governance that the managing director was in attendance of two of the three meetings while the head of internal audit unit was in attendance of the three meetings held.

The details of members' attendance at meetings shown below:

S/N	Committee Members	18-Mar-19	12-Jun-19	10-Dec-19
1	Mr. P..A. E Eguasa, JP (Chairman)	✓	✓	✓
2	Chief D. U Edebiri, OON	✓	✓	✓
3	Mr. S. Claeys	✓	✓	✓
✓	Represents Present			

Main Report (Cont'd)

Governance/Remuneration Committee

The committee is chaired by a non-executive director and has its operations guided by a Charter titled ‘Term of Reference for Governance/Remuneration Committee’.

During the year under review, the committee was made up of four (4) non-executive directors and one (1) independent non-executive director. The committee held four meetings and the managing director was in attendance in three of the meetings. The attendance scorecard is shown below:

S/N	Members' Name	19-Mar-19	12-Jun-19	14-Oct-19	10-Dec-19
1	Mr. A. Ighodalo (Chairman)	✓	✓	✓	✓
2	Mr. P.A. E Eguasa, JP	✓	✓	✓	✓
3	Chief D. U Edebiri, OON	✓	✓	✓	✓
4	Mr. R. Helsmoortel	✓	✓	✓	✓
5	Mr.P. De Traux	✓	✓	✓	✓
✓	Represents Present				

Meetings of the Board

The board of directors met four times during the year under review but not “once in a quarter” as recommended by the Code. No meeting was held in the third quarter while two were held in the last quarter. The attendance details of the board members are shown below:

S/N	Name	19th Mar 2019	12th Jun 2019	14th Oct 2019	11th Dec 2019
1	Gbenga Oyebo (Chairman)	✓	✓	✓	✓
2	Graham Hefer (Managing Director)	✗	✓	✓	✓
3	Alain Mary (Finance Director)**	✓	✓	✓	
4	Arnaud Arhainx (Finance Director)	✓	✓	✓	✓
5	Luc Boedt (Non Executive Director)	✓	✓	✓	✓
6	Sven Claeys (Non Executive Director)	✓	✓	✓	✓
7	David Edebiri (Non Executive Director)	✓	✓	✓	✓
8	Peter Eguasa (Non Executive Director)	✓	✓	✓	✓
9	Hubert Fabri (Non Executive Director)	✓	✓	✓	✓
10	Regis Helsmoortel (Non Executive Director)	✓	✓	✓	✗
11	Philippe Traux Wardin (Non Executive Director)	✓	✓	✓	✓
12	Asue Ighodalo (Independent Director)	✓	✓	✓	✓
✓	Represents present				
✗	Absence				
**	Alain Mary resigned as Finance Director with effect from 26 October 2019 and Mr. A .Arhainx was appointed on 14 October 2019.				

Nigerian Code of Corporate Governance 2018 effective January 2020 encourages that all meetings be attended by all directors.

Main Report (Cont'd)

Appointment to the Board

The board ensures that appropriate skills and expertise are the criteria for appointment to the board. It is important to note that the board has a documented policy for appointment of board members. A new finance director was appointed to the board during the year under review and we confirmed that the appointment policy was duly complied with.

Remuneration of Board Members

The executive directors were on secondment from the major shareholder - SOCFINCO S.A, and consequently were not remunerated by The Okomu Oil Palm Company Plc during the year under review. The compensation for the non-executive directors is usually fixed by the board and approved every year at the company's Annual General Meeting (AGM).

We noted that the requests for payment of the sitting allowances for the period under review were presented to the Governance/Remuneration Committee for approval before payments were made. We also confirmed that the executive directors were not paid sitting allowances in the year 2019. Below is the schedule of the sitting allowances paid to the non-executive directors during the year:

Name of Directors	Fees & Allowances	Expenses	Total
	=N=	=N=	=N=
Mr. Gbenga Oyebode	9,745,920	1,800,000	11,545,920
Mr. P. A. E. Eguasa	8,569,152	1,800,000	10,369,152
Chief D. U. Edebiri	8,372,160	1,800,000	10,172,160
Mr. A. Ighodalo	7,205,760	1,800,000	9,005,760
Mr. H. Fabri	6,583,680	1,800,000	8,383,680
Dr. L. J. J. Boedt	7,244,640	1,800,000	9,044,640
Mr. Ph de Traux	7,102,080	1,800,000	8,902,080
Mr. R. Helmoortel	6,713,280	1,800,000	8,513,280
Mr. S. R. F. Claeys	6,842,880	1,800,000	8,642,880
Total	68,379,552	16,200,000	84,579,552

Main Report (Cont'd)

Conflict of Interest

All directors are to make written disclosures to the company secretary of any business interest that may give rise to conflict of interest. Where such conflict exists, such director is to seek for the company secretary's advice. This is documented in the code of ethics of the company and was communicated to all directors upon appointment. These requirements are contained in each director's profile and were duly filed and updated regularly in the directors' files. No indications of conflict of interests were noted during the year under review.

Insider Trading

The board maintains a culture against insider trading, and no board member and/or their family members acquired any shares of the company after board decision or based on privy information obtained from the board's discussion. With the support of the company's registrar, all directors' interests are disclosed to the company secretary.

Orientation and Training of Directors

The board has a formal orientation programme to familiarize new directors. The director who was appointed during the year under review was taken through a formal orientation programme. During the year under review, two members of the board engaged in a formal and related professional training organized by Audit Committee Institute of Nigeria to update their skills and knowledge as required by section 18.2 of SEC's Code of Corporate Governance 2011, the training was titled "Audit Quality Assurance: Imperatives for Financial Reporting Integrity and Enhancing Audit Committee Meetings and Communication Decisions". In addition, all Board members were trained on "Deploying Appropriate Strategy & Effective Leadership to Achieve Optimal Performance" within the year under review.

Main Report (Cont'd)

Tenure and Re-election of Directors

The Companies and Allied Matters Act (CAMA), CAP C20, LFN, 2004 requires all directors to be presented for re-election at regular intervals of at least once every three years. We reviewed the date of appointments of the directors and noted that three of the directors are due for retirements or re-election, details are as follows:

From the three highlighted directors due for re-election, it is recommended that the independent director not be presented for re-election in compliance with section 7.2.9 of Nigerian Code of Corporate Governance 2018, while the other two are presented for re-election or retirement as the case may be as soon as possible in line with section 248 (1) of Companies and Allied Matter Act (CAMA), CAP C20, LFN, 2004.

S/N	Name	Directorship Type	Year of Last Election	Due for Re-Election
1	Mr. Gbenga Oyeboode, MFR	Non-Executive/Chairman	2015	2022
2	Dr. G.D Hefer	Executive Director/ MD	N/A	N/A
3	Mr. Arnaud Arhainx	Executive Director/ Director of Finance	N/A	N/A
4	Dr. L.J J Boedt	Non- Executive	2016	2019
5	Chief D. U Edebiri, OON	Non- Executive	2015	2022
6	Mr. P..A. E Eguasa, JP	Non- Executive	2016	2019
7	Mr. H. Fabri	Non- Executive	2018	2021
8	Mr. Ph.de Traux de Wardin	Non- Executive	2018	2021
9	Mr. R. Helsmoortel	Non- Executive	2015	2022
10	Mr. S. Claeys	Non- Executive	2018	2021
11	Mr. Asue Ighodalo	Independent Director	2016	2019

Main Report (Cont'd)

Performance Evaluation of the Board

The company contracted Grant Thornton to carry out its annual evaluation as required by section 15 of the Code. During our review, we noted that the managing director (MD) was appraised by the board chairman while the finance director was appraised by the MD. We sighted the appraisal reports of both directors.

Internal Auditor

The Internal Auditor reports directly to the audit committee and administratively to the managing director. The position is held by a management staff. We were not provided with the documentations regarding risk assessment for the year ended 31 December 2019. The internal audit unit is also yet to properly document its risk-based methodology as required in section 31.8 of the corporate governance code. However, we were provided with a flowchart of risk based internal auditing process that is presently being developed.

Sustainability Issues

It is required in section 28 of the Code that sustainability issues be reported in the annual report of the company. The following policies were sighted by us:

- Code of Ethics Policy
- Integrated Management System Policy
- Child Labor Policy
- Drug and Alcohol Policy
- HIV/AIDS Policy
- Sexual Harassment and Violence in Workplace Policy
- Social Labor Policy for Migrants

The company published all policies on sustainability issues on its website (www.okomuoilplc.net). At the time of our review, we sighted the sustainability report for 2018 and the draft report for 2019.

Main Report (Cont'd)

Relationship with Shareholders

The company usually gives 21 days' notice before an Annual General Meeting (AGM) is held. The company, as a matter of policy, published its financial statements for the year ended 31 December 2018 in the Guardian Newspaper on 16 April 2019 before the Annual General Meeting held on 13 June 2019.

We also confirmed that there was 58 days interval between the date of the AGM and the date notice was published in the national newspapers, this was more than the 21 days specified by SEC's Code. This was to enable all shareholders participate in the meeting and adequately prepare for the meeting.

Whistle-Blowing Policy

The company has a whistle-blowing policy which is known to employees, stakeholders such as contractors, customers, service providers, creditors, shareholders, job applicants and the general public. A dedicated information box, telephone line, and e-mail address were established for anonymous reporting of any illegal or unethical behavior.

Rotation of External Auditors

The company's external auditors (Horwath Dafinone) was appointed as statutory auditor in the year 2011. The engagement partners have been changed three times within the period. The table below highlights the engagement partners:

Year	Auditors	Engagement Partner
2011	Horwath Dafinone	
2012	Horwath Dafinone	Oyeyemi A. Badiru (Mrs.)
2013	Horwath Dafinone	Igho O. Dafinone
2014	Horwath Dafinone	Igho O. Dafinone
2015	Horwath Dafinone	Mr. Babatunde Lawal
2016	Horwath Dafinone	Mr. Babatunde Lawal
2017	Horwath Dafinone	Mr. Babatunde Lawal
2018	Horwath Dafinone	Mr. Babatunde Lawal
2019	Horwath Dafinone	Mr. Babatunde Lawal

We confirmed that the auditors have not stayed up to the maximum tenure of ten (10) years approved by section 33.2 of the Code of Corporate Governance 2011.

Main Report (Cont'd)

Communication Policy

The company has a well-documented Communication Policy in place. The policy specified that the company disseminates information to shareholders and the general public through the website, electronic mail and newspapers. This policy highlighted the procedures to disseminate information both internally and externally. Furthermore, the company displays most of the information on its website for easy access by all.

We confirmed that the company complied with the requirements of the communication policy within the year under review.

Code of Ethics

In line with section 36 of SEC's Code, the company has a well-documented Code of Ethics in place and it was communicated to all directors and employees of the company.

Shareholders Complaints Management

The company is committed to providing high standards of service to its shareholders by ensuring that all shareholders complaints or suggestions are acknowledged and documented and that shareholders are duly availed efficient and easy access to such information. This is duly documented in the procedure for shareholders complaints management.