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Okomu Oil Palm Co. Plc



Corporate Governance Review for the year ended 31 December 2017

05 March 2018

05 March 2018

The Chairman,
Board of Directors,
Okomu Oil Palm Company Plc.,
Okomu-Udo, Ovia South West LGA,
P.M.B. 1449, Benin City,
Edo State,
Nigeria.

Dear Sir,

Board of Directors' Appraisal for the year ended 31 December 2017

We have completed our review of Okomu Oil Palm Company Plc's Board of Directors' activities for the year ended 31 December 2017, in compliance with various relevant provisions of the Securities and Exchange Commission's (SEC) Code of Corporate Governance 2011 for public companies in Nigeria.

The fieldwork review was carried out between 15 and 19 January 2018. The scope of our work, related findings, and recommendations resulting from our procedures are disclosed on pages 5 to 17 of this report.

The assignment carried out was not an audit; we only conducted a comprehensive appraisal of the company's board members in line with section 15 sub-section 6 of the Securities and Exchange Commission's Code of Corporate Governance 2011 for public companies in Nigeria.

Yours faithfully,

Ngozi A. Ogwo (Mrs.)
For: Grant Thornton

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

We have completed our procedures for Okomu Oil Palm Company Plc's board of directors' appraisal for the year ended 31 December 2017 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 for expression or approval of matters not specifically mentioned therein.

The review was concluded in January 2018. The key findings and specific recommendations for improvements have been articulated and included in our detailed report to the board of directors.

Yours faithfully,

05 March 2018

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EXECUTIVE SUMMARY

Background

The Board of Directors of Okomu Oil Palm Company Plc engaged Grant Thornton to conduct a board appraisal for the year ended 31 December 2017 in compliance with section 15 sub-sections 1 and 6 of the Securities and Exchange Commission's Code of Corporate Governance 2011 which stipulates as follows:

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.

Objective of the engagement

The assignment was to review the compliance of 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 an independent report based on the review to the company's board of directors.

Scope of our engagement

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

- Performance against individual objectives
- Effective chairmanship of any board committees
- Effective challenge at board and committee meetings
- Attendance at board and committee meetings
- Fulfillment of their specialist, designated role 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 are: 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 2017.
- 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.

EXECUTIVE SUMMARY (Cont'd)

Restriction of Use

This report is prepared exclusively for Okomu Oil Palm Company Plc and should not be used or relied upon by anyone other than the company without independent investigation and analysis.

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/liabilities is assumed to other parties that may rely on this report as a result of the circulation, publication, reproduction or use of the 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
- Organizational Structure
- Communication Policy and Procedures
- Risk Management Policy
- 2016 Published Financial Report
- Board and Committees' minutes of meetings for the period under review.
- Schedule of director fees and 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.

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 2017, 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 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, and were both made available to all directors. Part of the duties of the board is to formulate policies, risk management framework, succession planning, performance appraisal, et cetera. We confirmed from our review that the board carried out its duties during the year 2017 in compliance with the Code and the Board Charter.

Composition and Structure of the Board

Section 4 of the Code deals with public companies board composition and structure. The company, maintained had eleven (11) board members during the year ended 31 December 2017 which comprised of one non-executive chairman, two executive directors, seven non-executive directors and one independent director.

The office of the chairman is distinctly separate 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. His profile was reviewed and confirmed that he possesses the requisite experience, qualification and is suitably certified 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 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. We confirmed during our review that the independent director's indirect interest falls within the stipulated benchmark of 0.1% maximum in the ownership of the company.

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

Section 7 of the Code stipulates 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 Okomu Oil Palm Company Plc in the year 2017.

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 effectively discharge 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 effectively discharge its duties. The committees are: Audit Committee, Risk Management Committee and the Governance & Remuneration Committee.

The composition of the committees is shown in the table below:

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	Dr. L.J J Boedt	Member		
5	Chief D. U Edebiri, OON	Member	Member	Member
6	Mr. P..A. E Eguasa, JP	Member	Member (Chairman)	Member
7	Mr. H. Fabri			
8	Mr. Ph.de Taux de Wardin			Member
9	Mr. R. Helsmoortel			Member
10	Mr. S. Claeys		Member	
11	Mr. Asue Ighodalo			Member (Chairman)

Main Report (Cont'd)

Audit Committee

The audit committee during the year under review comprised 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. We noted that at least a member of the committee is knowledgeable in accounting and financial management. We also 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 within the year 2017, "once in a quarter" as recommended by the Code. The committee members meeting attendance details are as follows:

S/N	List of Members	15-Mar-17	22-Jun-17	17-Oct-17	13-Dec-17
1	Mr. M. Igbrude (Chairman)	✓	✓	✓	✓
2	Rev. A. Imadu	✓	✓	✓	✓
3	Dr. L.J J Boedt	✓	✓	✓	✓
4	Chief D. U Edebiri, OON	✓	✓	✓	✓
5	Mr. P..A. E Eguasa, JP	✓	✓	✓	✓
6	Rev. L.A. Ohenhen (JP)	✓	✓	✓	✓
✓	Represents present				
Note:	Mr. M. Igbrude replaced Mr. P.A.E Eguasa as the committee chairman from 17 October 2017				

It was confirmed that the head of internal audit was always in attendance at the committee's meetings.

Main Report (Cont'd)

Risk Management Committee / Board's Risk Management activities

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.

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 manager usually carries out all risk assessments in the company and reports to the Risk Management Committee on periodic intervals. The internal audit department is however yet to fully adopt a risk-based approach in its activities. This, when done, would further enhance the risk management efforts of the board.

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, finance director, and the internal auditor were in attendance during the above mentioned committee's meetings.

The details of members' attendance at meetings are shown below:

S/N	Committee Members	15-Mar-17	22-Jun-17	17-Oct-17
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 five (5) non-executive directors. The committee held four meetings and the managing director was in attendance in all the meetings. The attendance scorecard is shown below:

S/N	Members' Name	15-Mar-17	22-Jun-17	17-Oct-17	13-Dec-17
1	Mr. Asue Ighodalo (Chairman)	✓	✓	✓	✓
2	Chief D. U Edebiri, OON	✓	✓	✓	✓
3	Mr. P.A. E Eguasa, JP	✓	✓	✓	✓
4	Mr. Ph.de Taux de Wardin	✓	✓	✓	✓
5	Mr. R. Helmoortel	✓	✓	✓	✓
✓ Represents present					

Meetings of the Board

The board of directors met four times during the year under review. The attendance details of members are shown below:

S/N	Name	16th March 2017	22nd June 2017	18th October 2017	13th December 2017
1	Gbenga Oyebo (Chairman)	✓	✓	✓	✓
2	Graham Hefer (Managing Director)	✓	✓	✓	✓
3	Alain Mary (Finance Director)	✓	✓	✓	✓
4	Luc Boedt (Non Executive Director)	✓	✓	✓	✓
5	Sven Claeys (Non Executive Director)	✓	✓	✓	✓
6	David Edebiri (Non Executive Director)	✓	✓	✓	✓
7	Peter Eguasa (Non Executive Director)	✓	✓	✓	✓
8	Hubert Fabri (Non Executive Director)	✓	A	A	A
9	Regis Helmoortel (Non Executive Director)	✓	✓	✗	✓
10	Philippe Taux Wardin (Non Executive Director)	✓	✓	✓	✓
11	Asue Ighodalo (Independent Director)	✓	✓	✓	✗
✓ Represents present					
✗ Absent					
A Alternated by Francois Fabri					

Main Report (Cont'd)

Appointment to the Board

The board ensures that appropriate skills and expertise are the criteria for appointment to the board. The board has a documented policy for appointment of board members. There were no appointments to the board during the year under review.

Remuneration of Board Members

The executive directors were on secondment from the major shareholder - SOCFINCO S.A, and consequently were not remunerated by 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 2017. Below is the schedule of the fees and allowances paid to the non-executive directors during the year:

Name of Directors	Fees & Allowances	Expenses	Total
	=N=	=N=	=N=
Mr. Gbenga Oyeboode	7,740,000	1,357,250	9,097,250
Mr. P.A.E Eguasa	7,542,300	1,250,000	8,792,300
Chief D.U. Edebiri	7,004,500	1,250,000	8,254,500
Mr. A. Ighodalo	5,652,000	1,357,250	7,009,250
Mr. H. Fabri	5,220,000	1,250,000	6,470,000
Dr. L.J.J. Boedt	5,679,000	1,250,000	6,929,000
Mr. Ph de Traux	5,490,000	1,250,000	6,740,000
Mr. R. Helsmoortel	5,400,000	1,250,000	6,650,000
Mr. S. R. F. Claeys	5,490,000	1,250,000	6,740,000
Total	55,217,800	11,464,500	66,682,300

Main Report (Cont'd)

Conflict of Interest

All directors are to make a written disclosure to the company secretary of any business interest that may give rise to conflict of interest. Where such conflict exists, the affected director is to seek the advice of the company secretary. This is documented in the ethics code of the company and was communicated to all directors upon appointment. These requirements are contained in each director's file and the files are regularly updated.

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. No new director was appointed during the year under review; hence no orientation programme took place. We noted however that members of the board engaged in a formal and related professional training organized by Prime KBS Institute during the year under review to update their skills and knowledge on finance as required by section 18.2 of SEC's Code of Corporate Governance 2011.

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 they are due for retirements or re-election as follows:

S/N	Name	Directorship Type	Due for Re-Election
1	Mr. Gbenga Oyeboode , MFR	Non-Executive/Chairman	2018
2	Dr. G.D Hefer	Executive Director/MD	N/A
3	Mr. Alain Mary	Executive Director/Director of Finance	N/A
4	Dr. L.J J Boedt	Non- Executive	2019
5	Chief D. U Edebiri, OON	Non- Executive	2018
6	Mr. P..A. E Eguasa, JP	Non- Executive	2019
7	Mr. H. Fabri	Non- Executive	2017
8	Mr. Ph.de Traux de Wardin	Non- Executive	2017
9	Mr. R. Helsmoortel	Non- Executive	2018
10	Mr. S. Claeys	Non- Executive	2017
11	Mr. Asue Ighodalo	Independent Director	2019

We recommend that the three highlighted directors above be presented for re-election or retirement as the case may be as soon as possible in line with section 248 (1) of the Companies and Allied Matters Act (CAMA), CAP C20, LFN 2004.

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. The executive directors were appraised by the parent company within the year under review. We sighted the appraisal report of the managing director.

Internal Audit

The Internal Auditor reports directly to the Audit Committee and the Managing Director. The position is held by a management staff. We confirmed that the internal audit unit did not perform risk assessment for the year ended 31 December 2017. However, the risk assessment for 2018 was in progress as at the time of our review. We noted that detailed control tests to confirm that the controls set to mitigate the risks assessed by the Health, Safety and Environment (HSE) unit were adequate and effective.

The Internal Audit Quality Review was carried out in 2017 by Grant Thornton on the internal audit activities.

Sustainability Issue

It is required in section 28 of the code that sustainability issues be reported in the annual report of the company. The company has the following policies in place on sustainability issues:

- Integrated Management System Policy
- Child Labour Policy
- Drug and Alcohol Policy
- HIV/AIDS Policy.
- Sexual Harassment and Violence in Work Place Policy
- Social Labour Policy for Migrants

The company's sustainability programmes for the year under review are published in the company's website (www.okomuoilplc.net).

During our review we confirmed the company's compliance with the Code's requirements on sustainability policies and programmes disclosures. Some of the social responsibility projects carried out by the company for the benefit of the host communities were disclosed in the company's financial reports.

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 2016 in two different national newspapers on 25 April 2017 and 27 April 2017 respectively before the Annual General Meeting held on 23 June 2017.

We also confirmed that there was 55 days interval between the date of the AGM and the date notice was first published in a national newspapers, which 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.

We observed that the company's website is active and all relevant information are available therein for the consumption of the company's stakeholders.

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 appointed messrs Horwath Dafinone as statutory auditors in 2011. The engagement partner changed three times within this period. The table below shows the engagement partners and the years in-charge:

Audited financial year	Auditors	Engagement Partner
2011	Horwath Dafinone	Oyeyemi A. Badiru (Mrs.)
2012	Horwath Dafinone	Igho O. Dafinone
2013	Horwath Dafinone	Igho O. Dafinone
2014	Horwath Dafinone	Babatunde Lawal
2015	Horwath Dafinone	Babatunde Lawal
2016	Horwath Dafinone	Babatunde Lawal
2017 (Unaudited)	Horwath Dafinone	Babatunde Lawal*

* This was based on 2017 audit planning memorandum submitted by the auditors

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 indicates that the company disseminates information to its shareholders and the general public through the website, electronic mail and newspapers. The policy also highlights the procedures to disseminate information both internally and externally. Furthermore, the company displays most of its information on the 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, documented, and acted upon. The process is documented in the procedure for shareholder complaints management with reference number GP31.