

Coronation Merchant Bank

Board Evaluation Report for FY 2021

March 2021



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March 17th, 2022

The Board of Directors
Coronation Merchant Bank Limited,
Coronation House,
10 Amodu Ojikutu Street,
Victoria Island,
Lagos, Nigeria

Dear Sir/Madam

Board Appraisal Report for the year ended 31st December 2021

We thank you for inviting us to conduct the annual evaluation exercise for the Board of Coronation Merchant Bank, we have completed the Board Appraisal for the year ended 31st December 2021, and we are pleased to submit our report.

The evaluation was carried out between January and February 2022. The scope of our work, related findings, and recommendations resulting from our review procedures are provided in the detailed report.

Thank you for entrusting us to work with you on this project, we are willing to discuss any aspect of this report with you. If you have any questions regarding our report, please feel free to contact the undersigned Benson Uwheru on +2348033554675 or e-mail: benson.uwheru@ng.ey.com

Yours sincerely,



Benson Uwheru
Partner, Risk Advisory

Report of External Consultants on the Board Performance Evaluation of Coronation Merchant Bank Limited.

We have performed the evaluation of the Board of Coronation Merchant Bank for the year ended 31st December, 2021 in accordance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance (CCG) 2014 and the Financial Reporting Council (FRC) Nigerian Code of Corporate Governance (NCCG) 2018.

The CBN CCG 2014 mandates an annual appraisal of the Board and individual Directors of Financial Institutions with specific focus on the Board structure and composition, responsibilities, processes, relationships, individual Director's competences and respective roles in the performance of the Board. Subsection 2.8.2 of the code requires each Board to "identify and adopt in the light of the company's future strategy, critical success factors or key strategic objectives" while subsection 2.8.3 requires that such appraisal should be conducted by an independent consultant.

Our approach included the review of Coronation Merchant Bank's Corporate Governance Framework, and all relevant policies and procedures. We obtained written representation through online questionnaires administered to the Board members and conducted one-on-one interviews with Directors.

The evaluation is limited in nature, and as such may not necessarily disclose all significant matters about the Bank or reveal irregularities, in the underlying information.

Based on our work, except as noted below, the Board of Coronation Merchant Bank has complied with the requirements of Section 2.8.3 of the CBN CCG 2014 during the year ended 31st December 2021.

Specific recommendations for the further improvement of Coronation Merchant Bank's Corporate Governance practices have been articulated and included in our detailed report to the Board. These recommendations cover the following areas: Strategy, Quality of the Board, Board Operations, Board Risk Management Activities, Relationship with Stakeholders as well as Transparency and Disclosure.

For: Ernst & Young



Benson Uwheru
Partner Advisory Services
FRC/2013/CIBN/00000001554

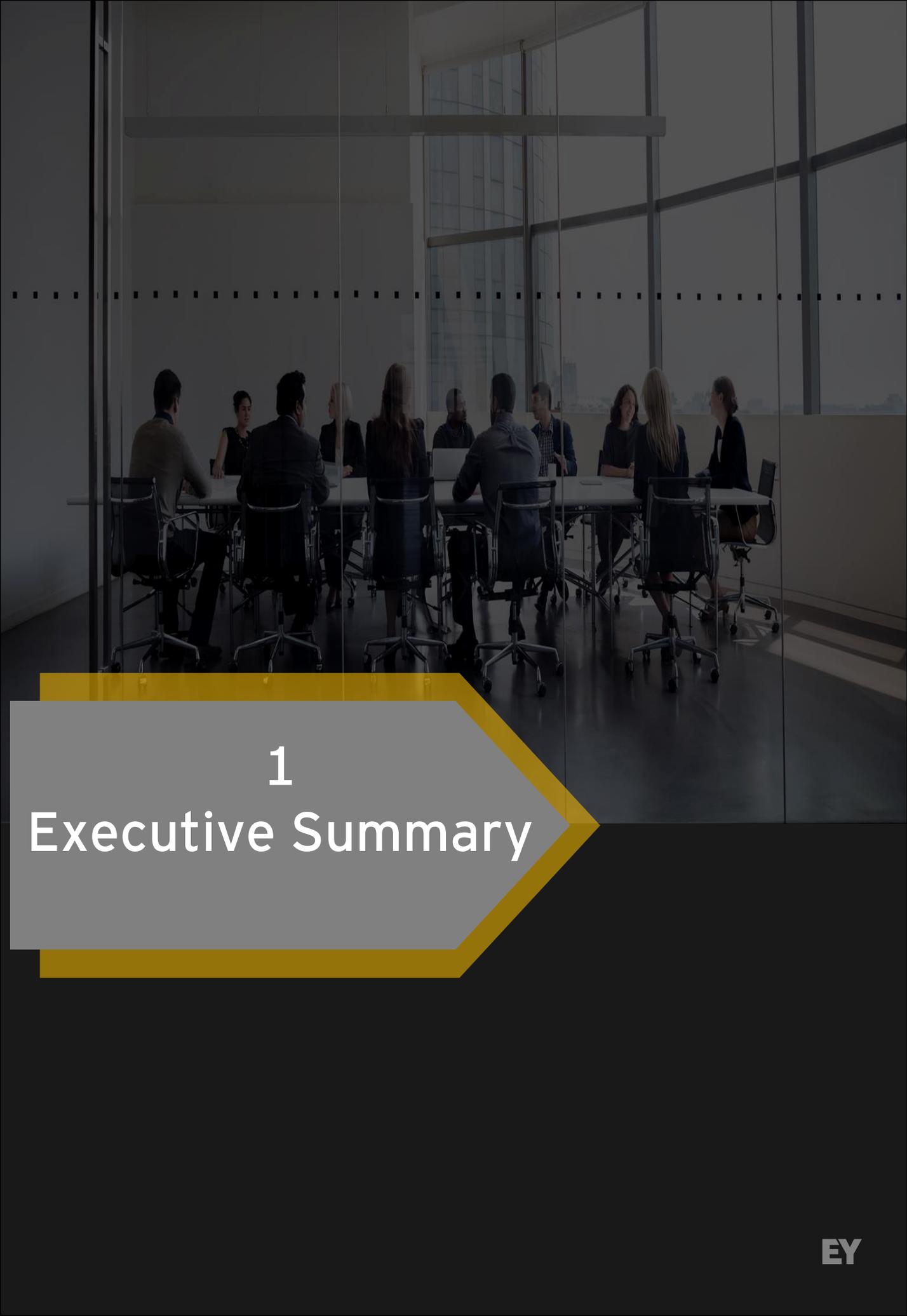
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Restrictions on the use of our report (work product)

This report is intended solely for the information and use of the Board and Management of Coronation Merchant Bank (CMB) Limited and the Central Bank of Nigeria (CBN). It is not intended to be and should not be used by any other parties.

Ernst & Young therefore assumes no responsibility to any user of the report other than Coronation Merchant Bank (CMB) Limited and the Central Bank of Nigeria. Any other persons who choose to rely on our report do so entirely at their own risk.



1

Executive Summary

Executive Summary

Summary of our 2021 Board Evaluation

EY was engaged to carry out an evaluation of the Board of Directors of Coronation Merchant Bank Limited for the financial year ended December 2021. Our evaluation was based on benchmarking the Board's practices against the Central Bank Code of Corporate Governance for Banks and Discount Houses, the Federal Reporting Council ("FRC") Code of Corporate Governance and the EY Corporate Governance Framework.

Our Methodology

Our approach to the Board evaluation included a combination of:

Our Procedure



Desktop review of relevant documents



Survey Analysis



Interviews with Board Members

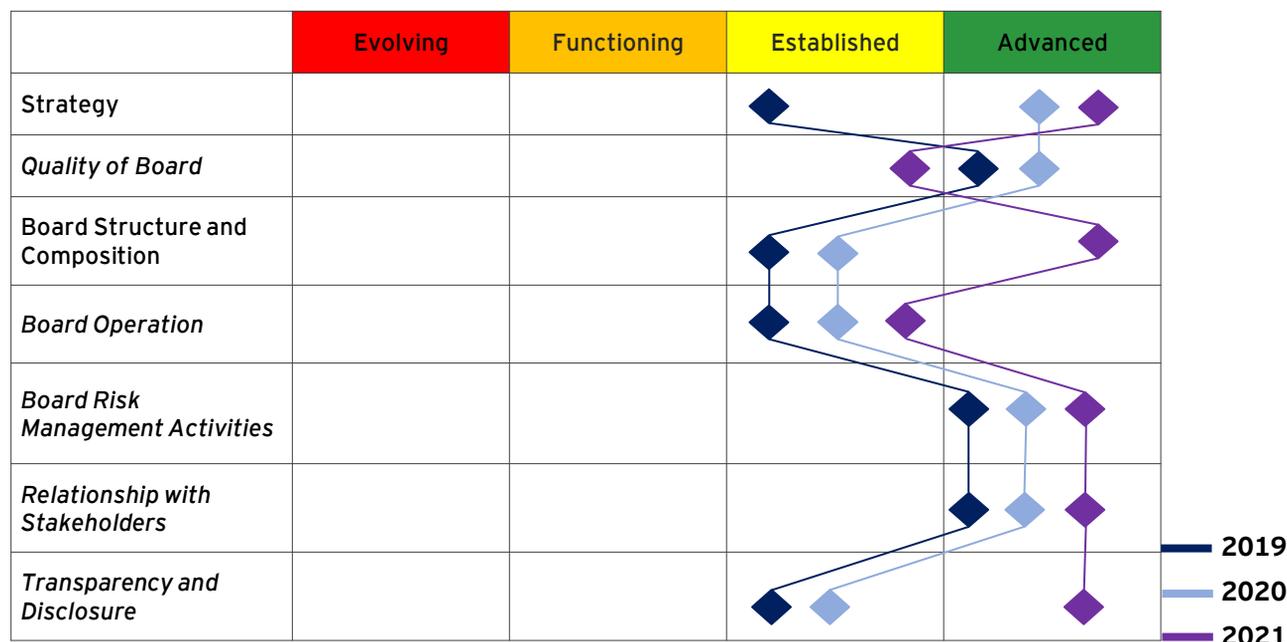
- ▶ **Desktop reviews:** EY reviewed documents from Coronation Merchant Bank Limited including the Board composition, Board Charters, Minutes of Board Meetings and Board Committee meetings, Risk Management policies and other relevant documentation to assess the activities of the Board of Directors for the period under review.
- ▶ **Questionnaires:** The Board Evaluation and Directors Peer Assessment questionnaires were administered to the Directors and responses were collated. EY has also incorporated areas of improvement highlighted by Directors in our report.
- ▶ **Interviews:** In addition to the questionnaires administered, interviews were conducted with Board members to enable us gain insights into the responses provided in the questionnaires, as well as elicit comments about other observations made in the course of the review.

Executive Summary

Board Maturity Assessment

The charts below compares our 2020 and 2021 Evaluation of Coronation Merchant Bank corporate governance practices in line with the EY Corporate Governance Framework and Maturity Scale.

Maturity Assessment of Coronation Merchant Bank Limited



Some Key Positives

- ▶ The Board reconstituted its Committees to ensure that each Board has the right number of people and odd numbers in each Board to avoid repeated split decisions
- ▶ Committee actively discharged their responsibilities in line with the requirements of their respective Terms of Reference.
- ▶ The Board reviews and updates the Bank's Strategy in the light of changes to the business and regulatory environment in which the Bank operates.
- ▶ Gender representation is top of mind as 40% of the Board are female.

Improvement Opportunities

- ▶ Board members need to undergo specialized technical trainings that are tailored for their individual roles on the Board. A Board training plan is has developed by the Company Secretary to address this, however, its implementation in FY2021 was hindered by the Covid-19 travel restrictions, however, we received feedback that this will be implemented in the subsequent FY.
- ▶ There was no evidence that any member of the Audit committee has accounting qualification as mandated by the new FRC audit regulations.

Executive Summary

Snapshot of Online Director Survey Results

*Based on responses from seven (7) Directors

Board Statistics	10 Directors	Independents: 3	Non-Executives: 5	Executives: 2
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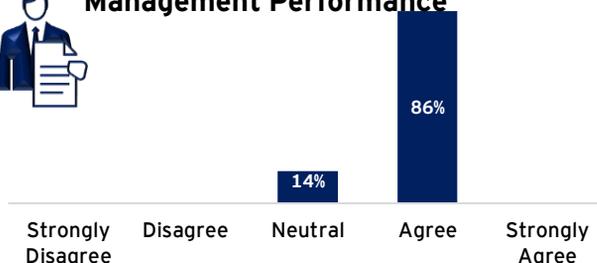
100%



of Directors agree that the Board has an appropriate balance of skills, experiences and backgrounds.



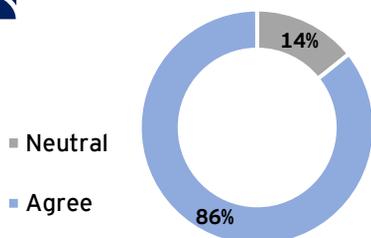
Management Performance



86% of respondents agreed that the MD performed well in terms of leadership.

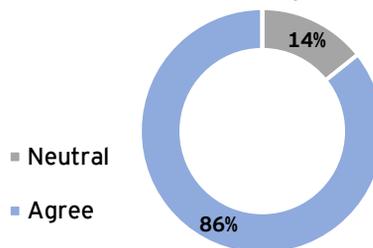


Board Meetings



86% of respondents agreed the atmosphere of Board meetings is collegial and fosters open communication, while 14% stayed neutral.

Board Training



86% of respondents agreed that there is a training plan for Directors which takes into cognizance the performance of the Board, its Committees and individual Directors in the prior year., while 14% stayed neutral.

Key strengths of the Board

- ▶ Diversity of skills background and experience.
- ▶ Vision Alignment
- ▶ Thoroughness, hard work and firmness with management
- ▶ Collegiate atmosphere, mutual respect and accountability.

Opportunities for improvement

- ▶ Timely receipt of Board Packs/Papers and the periodic receipt of Regulatory Reports and other pertinent information.
- ▶ Manage time for committee meetings better.
- ▶ More in-person meetings over reliance on virtual sessions.
- ▶ Include some younger Directors on the Board to gain perspectives of the younger demographic.

Suggested Director Training Topics

- ▶ Finance
- ▶ Digital Innovation and Financial Technology



2

Assessment Framework

Ernst & Young's Corporate Governance Framework

Details of the key areas covered in the Board Evaluation are set out below as contained in EY's Corporate Governance framework. These key areas are used to evaluate the Board activities during the year under review. The criteria used in each of these areas are discussed in the detailed review section.

Focus Area	Specific Governance Elements Considered	
Strategy	<ul style="list-style-type: none"> ▶ Existence of a strategic plan with vision, mission, objectives and goals ▶ Strategic guidance ▶ Succession Planning ▶ Oversight of Management 	<ul style="list-style-type: none"> ▶ Clear definition of Key Performance Indicators (KPIs) for Board members ▶ Accountability & ultimate balance of authority
Board Structure and Composition	<ul style="list-style-type: none"> ▶ The Board's governance structure ▶ Clarification of roles & responsibilities ▶ Board size, structure & composition in terms of Executive, Non-Executive and Independent Directors 	<ul style="list-style-type: none"> ▶ Committee structures ▶ Diversity and balance of relevant skills and experience between Executive and Non-Executive Directors
Board Operations	<ul style="list-style-type: none"> ▶ Discharge of duties ▶ Contribution of members ▶ Effectiveness of Board meetings: agenda, notice, quality of packs, frequency, objectivity and inclusion in decision making and implementation 	<ul style="list-style-type: none"> ▶ Competence, experience and effectiveness of Company Secretariat; ▶ Remuneration ▶ Existence of Board and Committee Policies & Charters
Quality of the Board	<ul style="list-style-type: none"> ▶ Profile and Industry of Board members ▶ Developmental Activities e.g. induction programme and continuous Training 	<ul style="list-style-type: none"> ▶ Board performance evaluation ▶ Appointment, re-appointment & removal of members
Board Risk Management Activities	<ul style="list-style-type: none"> ▶ Existence of risk Management policies and framework ▶ Internal Audit and Control system ▶ Board oversight on Risk Management, Internal Audit, Compliance, Internal Control and implementation 	<ul style="list-style-type: none"> ▶ Risk governance structure in terms of composition of BARC, BCPC. ▶ Compliance with regulatory requirements
Relationship with stakeholders	<ul style="list-style-type: none"> ▶ Board active involvement with all stakeholders ▶ Understanding differing views of relevant stakeholder groups ▶ Conflicts of interest 	<ul style="list-style-type: none"> ▶ Protocols for how & when to communicate to relevant stakeholder groups
Transparency and Disclosure	<ul style="list-style-type: none"> ▶ Ensuring that the Board maintains transparency in dealing with its stakeholders ▶ The Board's compliance with regulatory disclosure requirements 	<ul style="list-style-type: none"> ▶ Existence of an effective whistle blowing policy ▶ Existence of a code of conduct



3

Detailed Report

Strategy 1/3

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Existence and periodic review of the Board-approved Strategy.
- ▶ Periodic audit of the Strategy
- ▶ Effective Board oversight of Management

Key Findings

Strategic Planning and Monitoring

The business activities of Coronation Merchant Bank is guided by its five year Strategic Plan (2018-2023). In accordance with regulations, we observed that the Board of Directors are involved in the preparation of the Strategy and maintain oversight of its implementation. The strategy document defines the key business models and goals of the Bank, as well as the specific initiatives to be implemented, to support the achievement of these goals. The Strategy is forward looking and makes considerations for economic and competitive landscape in which the business operates. It also takes cognizance of the technology needs and digital interventions required to support the delivery of these strategic initiatives.

The Bank's Strategy was reviewed by the Internal Audit Function in FY 2020 and the result of this audit was presented to the Board Audit Committee in its Q1 2021 meeting. The Strategy was audited alongside other audit focus areas as identified in the audit plan. Based on the exceptions identified from this process, the Bank's Chief Audit Executive made specific recommendations to ensure that maximum value is obtained from the implementation of the strategy.

The Board reviews its Strategy annually. This is done through a Board retreat and strategy session which is held at the end of the Financial Year (FY) to discuss plans for the incoming year. The strategy session for FY 2021 was held in December 2020.

We also observed that the Board also received other updates on the implementation of the Bank's strategic initiatives including; quarterly strategy scorecard presented by the Chief Executive Officer (CEO), updates on the implementation of Bank's IT and digital strategy, customer experience strategy, human capital management strategy etc.

Based on feedback received through the Directors' survey and the interviews held with selected Directors, all Board members feel adequately involved in the development of Coronation Merchant Bank's Corporate Strategy, however implementation efforts were impacted by external factors such as the business and regulatory environment.

Strategy 2/3

Maturity			
Evolving	Functioning	Established	Advanced
			◆

Key Indicators

- ▶ Existence and periodic review of the Board-approved Strategy.
- ▶ Periodic audit of the Strategy
- ▶ Board oversight of implementation actions of Management

Key Findings

Succession Planning

The Board Governance and Nominations Committee has the responsibility to review and approve the Succession Planning Policy of the Bank and also make recommendation to the Board on the appropriate mix of expertise and experience required at the Board and Senior Management levels.

The Bank’s Succession Management Plan establishes the processes and procedures required for identification and selection of potential successors for critical roles in the Bank. It also outlines the Bank’s plan for developing and nurturing potential talent to enable them fit into their future leadership roles. Roles and responsibilities for the implementation, review and governance of the Succession Management Plan are also outlined in the policy, these covers the responsibility of the Board, Managing Director (MD), Line Managers, Human Resources and identified successors. At the Senior Management level, there is a Succession Management Planning Committee chaired by the MD/CEO, which is responsible for implementation of the Policy. The decisions of this Committee are subject to ratification by the Board.

We observed that in FY 2021, the Head, Human Resources presented to the Board for approval, a Succession Development Plan showing the planned development interventions for successors into identified critical roles across the Bank.

We also observed that the BNGC convened an emergency meeting in May 2021 to discuss the exit and succession planning of some of its Senior Executives including the Chief Audit Executive and the Company Secretary/Legal Adviser. Following this, we also received representations of subsequent Committee engagements, wherein the potential successors for vacant roles were interviewed by the Board Committee.

Strategy 3/3

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Existence and periodic review of the Board-approved Strategy.
- ▶ Periodic audit of the Strategy
- ▶ Board oversight of implementation actions of Management

Key Findings

Oversight/Performance of Management

The Board of Coronation Merchant Bank oversees the activities of management through its standing Committees as outlined in the Charters of each of the Board Committees.

EY observed that Management presented regular updates on the activities of their various functions, to the Board and Board Committees during the quarterly meetings, or other emergency meetings held within the year. These reports included; Internal and External Audit Reports and Whistle-blowing reports from the Chief Audit Executive (CAE), Financial Reports from the Chief Financial Officer (CFO), Macroeconomic Report by the Head of the Research, Risk Management Report by the Chief Risk Officer, Human Resources report, update on implementation of IT/digital strategy, etc. Reports were also presented by the Heads of the various business segments including Corporate Banking, Investment Banking, Global Market & Treasury Group, etc. as well as other strategic initiatives of the Bank.

Based on feedback received through the Directors' survey and the interviews held with selected Directors, we noted that the Board was generally satisfied with quality of management reporting during the year, however it was noted that management should improve on the timeliness of their reporting to the Board.

Quality of the Board 1/2

Maturity			
Evolving	Functioning	Established	Advanced

Key Indicators

- ▶ Adequate diversity of Board membership.
- ▶ Existence of Board Knowledge development program
- ▶ Clearly defined roles and responsibilities for all Board members

Key Findings

Profile and Experience of the Board

Coronation Merchant Bank has a well diversified and experienced Board of Directors. Board members are distinguished persons who can contribute their wealth of knowledge and experience to guide the Bank to achieving its strategic goals. Based on the education and career history of the Directors, we observed that members understand both the global and local business environments in which the Bank operates. Below is a summary of the profile, experience and educational background of the Board.

Age (Years)	<40	41-50	51-60	61-70	>70
No. of Directors	0	0	5	4	1
Work Experience (Years)	<20	21-25	25-30	31-40	>40
No. of Directors	0	0	3	5	2
Board Experience (No of Boards)	<3	3-5	5-10	10-12	>12
No. of Directors	1	4	3	2	0
Educational Background	Business	Economics	Law	Finance	Others
No. of Directors	4	6	2	1	2
Area of Expertise	Banking	Public Sector	Manufacturing	Legal	
No. of Directors	6	1	1	2	

Quality of the Board 2/2

Maturity			
Evolving	Functioning	Established	Advanced

Key Indicators

- ▶ Adequate diversity of Board membership.
- ▶ Existence of Board Knowledge development program
- ▶ Clearly defined roles and responsibilities for all Board members

Key Findings

Developmental Activities

According to our review of the Board training calendar, Directors participated in several training programs during the year in review including the mandatory training on Anti-Money Laundering and Combatting Financial Terrorism (AML/CFT). Below is a list of the trainings attended by Directors;

- Understanding Anti-money Laundering and Combating The Financing Of Terrorism (AML/CFT) Measures; the role of the Board.
- Basel III Board Training
- Effective Board Governance and oversight for sustainable growth in VUCA

There was no Board Induction in the review year as no new Directors were appointed to the Board.

Board training is divided into local and international trainings. We noted that international training plans for the year was hampered by travel and physical gathering restrictions due to the Covid-19 Pandemic.

Based on the responses collated from the survey Board members considered the trainings courses which they attended to be useful, however we also noted feedback from Directors that trainings should be tailored to the individual needs of the Directors considering their specific roles on the Board. To this end, the Company Secretariat has reviewed and updated the training program for the Board.

Board Structure & Composition 1/4

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Suitable balance of Non-Executive and Executive Directors
- ▶ Adequate tenure limits in place for Executive and Non-Executive Directors
- ▶ Existence of gender diversity

Key Findings

Board Composition

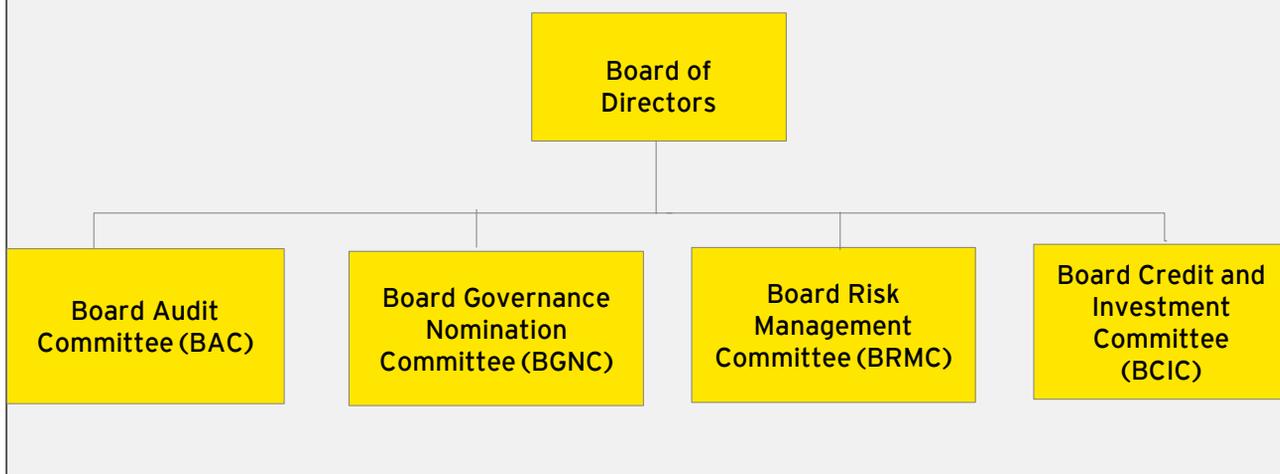
The Board of Coronation Merchant Bank is made up of ten (10) Directors. There was no change in the membership of the Board during the year in review. A breakdown of the composition of the Board showed the following;

- There are eight (8) Non-Executive Directors and two (2) Executive Directors which complies with the FRC requirement that majority of the Board should be Non-Executive members.
- 30% of the Board members are Independent Directors who can support the Board with expertise and independent judgment on matters for Board consideration.

The Board charter contains clear guidance on the Composition while the responsibility for maintenance of the Board structure has been assigned to the Board Governance and Nominations Committee.

Board Committee Composition

The Board has established four Committee to support its governance activities as illustrated below.



Board Structure & Composition ^{2/4}

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Suitable balance of Non-Executive and Executive Directors
- ▶ Adequate tenure limits in place for Executive and Non-Executive Directors
- ▶ Existence of gender diversity

Key Findings

Board Committee Composition

Each Committee has clear Terms of Reference (TOR) which is contained in their respective Charters. We observed the following from our review of the composition of the Board Committees.

- All Committee are headed by Non-Executive Directors. In the case of the Board Audit Committee (BAC) and Board Credit and Investment Committee (BCIC), the Chairpersons are Independent Directors.
- Members of the BGNC are Non-Executive Directors and a majority of them are Independent as recommended by the FRC.
- The BAC comprises of five (5) Non-Executive Directors and chaired by an Independent Director which allows for independent oversight over the activities of the internal and external auditors, control activities, financial reporting and, whistleblowing reports.
- All members of the BAC are financially literate and have the relevant experience in Banking in order to contribute relevantly to the Committee's mandate.
- Executive Directors are only members of Board Credit and Investment Committee and the Board Risk Committee.
- The Board Chairman is not a member of any Board Committee.

Segregation of Duties

The office and responsibilities of the Chairman of the Board and that of the Managing Director are different and clearly highlighted in the Charter of the Board of Directors.

While the Chairman provides leadership and ensures effective functioning of the Board, the MD oversees the day to day running of the business and execution of the strategy to ensure that the performance of the Bank is aligned to their strategic goals.

Both the Chairman and the MD are distinct persons and there was no evidence of a family relationship between them.

Board Structure & Composition ^{3/4}

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Suitable balance of Non-Executive and Executive Directors
- ▶ Adequate tenure limits in place for Executive and Non-Executive Directors
- ▶ Existence of gender diversity

Key Findings

Director Appointment and Tenure

Directors' tenure are specified in the Charter of the Board of Directors. According to the Charter, the maximum tenure for Non-Executive Directors is three (3) terms of four (4) years each which is in alignment to CBN CCG 2.4.3, while Independent Non-Executive Director tenure are limited to a single tenure of four (4) years and a maximum of (8) years.

The Charter further states that the MD/CEO can only serve in that capacity for a maximum of ten (10) years while the tenure for Executive Directors will be in line with their contract of employment subject to initial contract period of four years (4) and renewable at the discretion of the Board of Directors after expiration of the initial term. EY observed that no Director has been on the Board for more than the stipulated tenure for their respective roles.

	Name	Role	Year of First Appointment	Tenure
1	Babatunde Folawiyo	Chairperson	April 2015	6 Years
2	Adebanjo Adegbohunge	Managing Director	Feb. 2020	2 Years
3	Babatunde Dabiri	Independent Director	April 2015	6 Years
4	Suzanne Iroche	Independent Director	April 2015	6 Years
5	Olubunmi Fayokun	Independent Director	Nov. 2017	4 Years
6	Evelyn Oputu	Non-Executive Director	April 2015	6 Years
7	Idaere Ogan	Non-Executive Director	Nov. 2017	4 Years
8	Adamu Atta	Non-Executive Director	April 2015	6 Years
9	Larry Ettah	Non-Executive Director	April 2015	6 Years
10	Funke Feyisitan Ladimeji	Executive Director	Nov. 2020	1 Year

Board Structure & Composition ^{4/4}

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Suitable balance of Non-Executive and Executive Directors
- ▶ Adequate tenure limits in place for Executive and Non-Executive Directors
- ▶ Existence of gender diversity

Key Findings

Board Diversity

Our review of the profiles of the members of the Board of Directors confirmed that the Directors of the Bank are from diverse academic and professional backgrounds. There is diversity of cultural background and gender which supports the robustness of perspectives brought to Board deliberations.

40% of the Board are female members. This is currently above the under 20% global female Board representation according to the Morgan Stanley Capital International All Country World Index (MSCI ACWI), a global equity index. Diversity such as this encourages balance in decision making.

Feedback received from interactions with the Board regarding diversity showed that while the Board is generally satisfactory with the current composition, an area of improvement or consideration for the Board in subsequent appointments will be balancing the age bracket of the Board by appointing younger persons and also complementing the skillset within the Board by appointing Director(s) with financial technology expertise.

Board Operations 1/3

Maturity			
Evolving	Functioning	Established	Advanced
		♦	

Key Indicators

- ▶ Regular and periodic Board and Committee meetings
- ▶ Efficient Company Secretary who supports Board activities
- ▶ Attendance of Directors to Board meetings

Key Findings

Board Meetings and Attendance

Our review of the minutes of the Board of Directors showed that five meetings were held in the year and all Directors were present at the meetings. We confirmed that the Board meetings were effectively utilized to monitor the Bank's performance across strategic areas.

We observed that appropriate notice and agenda were disseminated by the Company Secretary ahead of each Board and Board Committee meeting. Proceedings of the meetings were in line with the agenda.

At each Board meeting, the Chief Executive Officer presented to the Board highlights on the macroeconomic environment, performance scorecard against the Bank's Strategy and updates on other pertinent issues which occurred during the reporting period. We also observed that the Board of Directors received updates from each Board committee summarizing their activities for the period.

Based on our interaction with several members of the Board, we received feedback that the Board meetings are well organized, agenda-based and interactions between members is respectful and robust. In order to ensure that Board meetings are not protracted and that agenda items are covered, the Board resolved to have more committee meetings per year.

Directors agreed that the Board Chairperson provided effective leadership and maintains a positive relationship with other Directors.

We also observed that conflict of interest considerations are made prior to the commencement of each Board meeting.

Board Charters

There are Charters for the Board and the respective Board Committees. The Charters outline the mandate and corporate governance responsibilities of the Board and Board Committee in providing oversight to the Bank. Each charter provides details on the provisions for Board meetings, frequency of meetings, quorum, structure and composition, membership, tenure and specific functions of Board members etc. The Charters are each subject to an annual review cycle and we confirmed that the Charters were reviewed and updated in April 2021.

Further review of the provisions of the charters showed compliance with the minimum regulatory standards on tenure, composition, responsibilities and meeting arrangements.

Board Operations 2/3

Maturity			
Evolving	Functioning	Established	Advanced
		♦	

Key Indicators

- ▶ Regular and periodic Board and Committee meetings
- ▶ Efficient Company Secretary who supports Board activities
- ▶ Attendance of Directors to Board meetings

Key Findings

Board Committee Activities

Board Audit Committee (BAC): EY observed that the Audit Committee discharged its responsibilities for the year as outlined in its charter. The Chief Audit Executive provided the Committee with regular updates on the execution of the Internal Audit Plan as well as the remediation efforts on exceptions identified from previous audits.

The Committee also received updates on financial performance of the Bank against budgetary targets and other financial reports from the Chief Financial Officer. We noted that the Committee maintained effective oversight of the whistle-blowing programme including engaging relevant stakeholders on whistle blowing reports received within the year and making recommendations to resolve the issues.

The Committee also approved updates to several policies including the Internal Audit Policy and Board Audit Committee Charter.

During the review year, the tenure of the erstwhile External Auditors expired, and the Committee conducted the process of appointing a new External Auditor which were approved by the Board and members at the 6th Annual General Meeting.

We observed that the Committee held six (6) meetings within the FY and all Committee members were present at each meeting.

Board Governance and Nominations Committee (BGNC): As specified in the Committee's Charter, we observed that the BGNC maintained oversight of the governance activities of the Bank and other strategic responsibilities including human resources, nomination and remunerations and other general-purpose functions.

The Committee received several reports in the year including quarterly reports from the Head of Human Capital Management, updates on the implementation of the Bank's Information Technology and Digital Strategies, update on the Bank's target operating model, and reports from the Company Secretary.

The Committee is also responsible for other general-purpose issues, and as such was presented with reports on Administration and Facilities, Centralized Operations, Corporate Communications and Branding as well as Internal Control reports.

Board Operations 2/3

Maturity			
Evolving	Functioning	Established	Advanced
		♦	

Key Indicators

- ▶ Regular and periodic Board and Committee meetings
- ▶ Efficient Company Secretary who supports Board activities
- ▶ Attendance of Directors to Board meetings

Key Findings

Board Committee Activities

Board Governance and Nominations Committee (BNGC) (cont'd): We observed that the Committee held eight (8) meetings within the FY, out of which three were emergency meetings convened to discuss specific issues on compensation, succession planning and interview of candidates for future employment with the Bank. All Committee members were present at these meetings.

Board Credit and Investment Committee (BCIC): In line with the specifications of its Charter, the committee maintained oversight of the Bank's credit and investment program. Our review of the minutes of meetings held in the FY showed that the committee received several reports including; quarterly macro economic updates and risk reports. The Committee also reviewed credit requests and credit risk related policies. Other reports received by the Committee include performance reports from various business groups such Corporate Banking, Investment Banking, Global Markets and Treasury Groups. We further observed that the Committee is responsible for other strategic funding and investment initiatives of the Bank.

The Committee held eight (8) meetings during the FY in review and all members of the Committee were in attendance.

Board Risk Management Committee (BRMC): The BRMC is responsible for ensuring that the Bank operates a sound framework for managing risk in line with regulatory requirements. It is also responsible for ensuring that the Bank's risk management and controls systems are efficient and adequate to support its operations.

Based on our review of the Committee's activities for the year, we observed that the scope of their oversight activities covered several risk types including; operational, credit, reputational, cyber security, compliance and legal risks. The committee also reviewed and approved several risk management policies.

The Committee held four (4) meetings during the FY in review and all members of the Committee were in attendance.

Board Operations 3/3

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Regular and periodic Board and Committee meetings
- ▶ Efficient Company Secretary who supports Board activities
- ▶ Attendance of Directors to Board meetings

Key Findings

Director Remuneration

The Board Governance and Nominations Committee (BNGC) reviewed Directors' remuneration in 2021. This was in line with the recommendations of the external consultants engaged to conduct a remuneration benchmarking survey of the Board against its peers in the industry. The Bank's remuneration policy was also reviewed and updated in the light of changes to the Board' remuneration.

We observed that the new remuneration plan was presented to the Shareholders during the Annual General Meeting and was approved accordingly.

Further review of the Bank's Remuneration Policy showed that it aligns with regulatory requirements which specifies that the Bank are not allowed to pay sitting allowances to Executive Directors, while Non-Executive Directors will not participate in schemes designed for remuneration of executives.

Company Secretary

The Board is supported by a Company Secretariat which maintains records of the Board proceedings and other records of the activities of the Board. The Company Secretary also serves as the Legal Counsel to the Bank.

During the year in review, it was observed that the BGNC considered the development of a succession plan for the Company Secretary as the incumbent Company Secretary had notified the Board of her pending exit.

There was evidence that the BGNC interviewed some candidates for the succession role. Following the exit of the Committee secretary in Q4 2021, a new Company Secretary was appointed to fill the vacancy.

Feedback received from the Directors via the Directors' survey and interview sessions indicated overall satisfaction with the services rendered by the Secretariat in terms of organisation of meetings, documentation of Board papers and management of Board communications.

Board Risk Management Activities ^{1/2}

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Conduct of risk monitoring and oversight activities by the Board
- ▶ Holistic assessment of risks by the Board
- ▶ Existence of risk management policies

Key Findings

Board Oversight of Risk Management Activities

The Board of Coronation Merchant Bank oversees the risk management program of the Bank through the Board Risk Management Committee (BRMC). At the management level there are several risk management committees including the Enterprise Risk Management Committee which is responsible for implementing the Bank's Enterprise Risk Management Framework.

The Bank's risk management department is headed by a Chief Risk Officer who is a member of Senior Management and a member of the relevant management committees. We observed that the CRO attended all meetings of the BRMC and rendered the quarterly risk management reports to the committee.

We further observed that the Board had final oversight and approval of the Internal Capital Adequacy Assessment Process (ICAAP) as mandated by the CBN.

Risk Management Policies

In line with regulatory requirements, the Bank has a Board-approved Enterprise Risk Management Framework which highlights the key principles and guidelines applied with respect to the effective management of risk across the Bank in execution of the business strategy and covers the key risks to which the Bank is exposed as a result of its business. The ERM strategy is appropriately disclosed in the Bank's Annual Report.

The Bank also has several other regulatory risk management policies including, the Compliance policy, Anti-Money Laundering (AML) Policy, Anti-Bribery and Corruption Policy, Know your Customer Policy, Sanction Screening and Whistleblowing policy.

We also received representations that the BRMC reviewed and approved several new and existing policies within the year including the Board Charter, Board Induction and Training Policy, Board Appointment Policy and Investor Relations Policy amongst others.

Board Risk Management Activities ^{2/2}

Maturity			
Evolving	Functioning	Established	Advanced
			▲

Key Indicators

- ▶ Conduct of risk monitoring and oversight activities by the Board
- ▶ Holistic assessment of risks by the Board
- ▶ Existence of risk management policies

Key Findings

Internal Audit

The Bank's internal Audit function provides assurance and oversees the effectiveness of implementation of controls in the Bank. This process is supported by an Internal Audit Charter and Policy which outlines the purpose, authority and responsibility for the audit process.

Following the exit of the erstwhile Chief Audit Executive (CAE) in Q4 2021, the Bank appointed a new CAE to serve in that capacity. We further observed that the Bank has obtained the required CBN approval for the appointment of the new Chief Audit Executive.

Our review of the organisational structure of the Bank showed that the Internal Audit function reports directly to the Board and has a dotted reporting line to the Managing Director. The CAE presented quarterly reports to the Board Audit Committee on the progress of the execution of the Audit Plan and status of remediation of external audit exceptions.

In line with International Standards for the Professional Practice of Internal Auditing, we observed that there was an independent Quality Assurance Review of the Internal Audit function in FY2020.

External Audit

The Bank's has appointed a suitably qualified External Auditor to provide assurance on the reliability of the financial statements. The Board Audit Committee ensured that there was appropriate transition to a new external auditor following the expiration of the tenure of the erstwhile external auditors.

We observed that in Q1, the external auditors attended a Board Audit Committee meeting to present the Post Audit report for FY2020.

Relationship with Stakeholders 1/2

Maturity			
Evolving	Functioning	Established	Advanced
			↕

Key Indicators

- ▶ Effective communication amongst Board and other stakeholders
- ▶ Clear accountability for each stakeholder group
- ▶ Participation in CSR activities

Key Findings

Stakeholder Engagement

The Bank's Head of Corporate Communications is responsible for ensuring that the Bank's internal and external communications are reflective of the Bank's brand and values. The Board ensure that an appropriate level of communication exists with its stakeholders.

To support its communication program, the Bank has developed a Communication Policy which addresses the modalities of communication with both internal and external parties including shareholders, media, regulators and the general public.

Our review of the Bank's website also confirmed compliance with regulatory requirement of having an investor relations portal where information and updates from the Bank are published, including the Bank's Annual reports.

The Bank's Annual General Meeting (AGM) was held in April 2021 and various stakeholders were in attendance including Board members, shareholders, shareholder representative and external parties such as the Bank's auditors and consultants. All but one of the Bank's shareholders were present. We observed that while the meeting was held physically, some attendees joined the session virtually. Attendees were notified of the meetings well ahead of the proposed date.

In line with regulatory requirements, we observed that the External Audit Report was presented and approved by the shareholders. Other agenda items were also in line with regulation, this includes; confirmation of the appointment of the External Auditor following the expiration of the tenor of the incumbent, re-election of Directors due for rotation, approval of Directors remunerations and dividend declaration.

Corporate Social Responsibility (CSR) activities

We observed that there is a Head of Environmental, Social, and Governance (ESG) appointed to oversee the sustainability strategy of the Bank and other entities within the Coronation Ecosystem.

The Bank also engaged in a number of projects during the year to support the local community in which it operates. These included corporate philanthropy to local charities and several event sponsorships.

Maturity			
Evolving	Functioning	Established	Advanced
			↕

Transparency and Disclosures ^{1/2}

Key Indicators

- ▶ The Board maintains transparency in dealing with its stakeholders.
- ▶ Existence of an effective whistle blowing policy.
- ▶ Existence of a code of conduct.
- ▶ The Board complies with regulatory disclosure requirements.

Key Findings

Annual Reports

The Bank’s Financial Statement and Annual Report was documented in line with regulatory requirements. We reviewed the report for FY 2020 as the report for FY 2021 was still being prepared at the time of our review.

Our review of the Board proceedings for the year showed that the Board Audit Committee was responsible for ensuring that the exceptions raised by the Auditors were properly addressed, and that the Bank’s financial statements, accurately and fairly represented the state of affairs of the Bank.

We reviewed the Annual Financial Statement for the year ended 31st December 2020, and observed that the External Auditors reviewed the accounting records, controls, financial statements and included an opinion that the statements were true and fairly stated in accordance with International Financial Reporting Standards (IFRSs), the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011 and other relevant guidelines.

Furthermore, the Annual report contained the relevant corporate governance disclosures including Board composition, details of Directors, remuneration and shareholding structure, Board Committees, terms of reference and responsibilities amongst others.

Transparency and Disclosures ^{1/2}

Maturity			
Evolving	Functioning	Established	Advanced
			↕

Key Indicators

- ▶ The Board maintains transparency in dealing with its stakeholders.
- ▶ Existence of an effective whistle blowing policy.
- ▶ Existence of a code of conduct.
- ▶ The Board complies with regulatory disclosure requirements.

Key Findings

Whistleblowing

The Bank has a Whistle-blowing Policy establishes guidelines for Employees, Management, Directors and third parties such as service providers and other stakeholder(s) to report any form of unethical behavior. Whistle-blowing reports can be made through any of the channels established by the Bank which includes; mobile hotlines, email, or a weblink. Whistle-blowers also have the option of reporting directly to the CBN. The whistle-blowing policy and channels are also published on the Bank’s website as recommended by the Central Bank. We tested the level of responsiveness of the channels and received prompt feedback and confirmation that the channel is both functional and monitored.

While the Bank’s whistle-blowing channels are externally managed, reports are forwarded to the Board Audit Committee. We observed that the Committee provided effective oversight of the Whistle Blowing Program. During the year in review, we noted that the Committee convened an emergency meeting to review and resolve two reported cases.

In line with regulatory requirement, we observed that a preliminary investigation was conducted by the Chief Audit Executive, and a report on the outcome was rendered to the Chairperson of the Board Audit Committee.

Management presented their report on the Whistle-blowing cases while the Committee reviewed Management actions and recommended strategies to resolve the issues. We further observed that a follow-up report was presented in the subsequent Committee meetings, containing updates on the level of implementation of the Board’s recommendations regarding the cases.

Transparency and Disclosures ^{1/2}

Maturity			
Evolving	Functioning	Established	Advanced
			↑

Key Indicators

- ▶ The Board maintains transparency in dealing with its stakeholders.
- ▶ Existence of an effective whistle blowing policy.
- ▶ Existence of a code of conduct.
- ▶ The Board complies with regulatory disclosure requirements.

Key Findings

Code of Conduct

The Bank has a Board Ethical Conducts and Values Policy which establishes the guidelines for the Board to conduct its activities in an ethical manner. Our review of the policy showed that the document contained key regulatory expectations for Board conduct. The Board Governance and Nominations Committee ensures that the right tone is set for the employees of the Bank regarding professional conduct and business ethics.

The Board Ethical Conducts and Values Policy is subject to a review cycle of three years and was last reviewed in 2021. There was also evidence of Board approval of the Policy.

We observed that all Directors signed the annual attestation to the code of conduct as well as the annual declaration of interests.

Feedback received from the survey indicates that the Board is taking responsibility for establishing a strong tone at the top for ethical conduct



4

Improvement Opportunities

Improvement Opportunities

Based on our review of the Bank's document, responses received from the Director's survey and interactions held with the Directors, we have identified the following areas of improvement for Coronation Merchant Bank Limited.

Focus Area	Observations	Recommendation
Quality of the Board	Based on the Board training calendar, we noted that Directors participated in three training courses during the year, however our observations and feedback received from Directors showed that the Board members need to undergo technical trainings that are specific for their individual roles on the Board. A training plan has developed by the Company Secretary in this regard.	The Board should implement the training plan developed by the Company Secretary. In addition, the Board may also consider some of the following training subjects as areas of interest indicated by Directors in the Board Evaluation survey. <ul style="list-style-type: none">• Finance Management• Digital Innovation• Financial Technology
	There was no evidence that any member of the Audit committee has accounting qualification as mandated by the new FRC audit regulations	The Board Audit Committee should include a member of a professional accounting body in Nigeria to comply with section 26.2 of the Audit Regulation 2020.



5 Appendices

Appendix A: List of Documents Reviewed

The table below shows the list of documents reviewed

Document Checklist			
1	List of Board members, contacts, date appointed, telephone number and e-mail	14	Annual Report 2020
2	Organization Structure including Board Structure	15	Risk Management reports
3	List of Board committees, its members and position held by each member	16	Strategy Plan Document
4	Minutes of meeting of the Board for the year 2021 (Full board and the Board committees)	17	Whistle Blowing Policy
5	Notice of Board meetings detailing agenda of meeting for 2021 (Full board and the standing committees)	18	Corporate Governance framework
6	Profile and CV's of Board members	19	Evidence Independent assessment of Internal Audit function in the last 3 years
7	Board and Board Committee Charters	20	KYC Policy
8	Remuneration Policy	21	ABC Policy
9	Evidence of training provided for the Board members.	22	Code of conduct and ethics policy
10	List of key management staff including name, level, qualification and responsibility	23	Company communication policy
11	Succession plan for key management positions	24	Compliance policy and manual
12	Articles and memorandum of association.	25	Directors' attestation for the year 2021
13	Sample Letter of Director's appointment	26	2020 AGM Minutes

Appendix B - Members of the Board of Directors

The table below shows the members of the Board of Directors as at 31st December 2021.

S/N	Name	Role
1	Mr. Babatunde Folawiyo	Chairperson
2	Mr. Adebajo Adegbohunge	Managing Director
3	Mr. Babatunde Dabiri	Independent Director
4	Ms. Suzanne Iroche	Independent Director
5	Ms. Olubunmi Fayokun	Independent Director
6	Ms. Evelyn Oputu	Non-Executive Director
7	Mr. Idaere Ogan	Non-Executive Director
8	Mr. Adamu Atta	Non-Executive Director
9	Mr. Larry Ettah	Non-Executive Director
10	Ms. Funke Feyisitan Ladimeji	Executive Director

Appendix C - Board Committee Membership

Board Credit and Investment Committee (BCIC)	
Name	Role
Mr. Babatunde Dabiri	Chairman
Mrs. Suzanne Iroche	Member
Ms. Olubunmi Fayokun	Member
Ms. Evelyn Oputu	Member
Mr. Larry Ettah	Member
Mr. Idaere Ogan	Member
Mr. Adamu Atta	Member
Mr. Banjo Adegbohunge	Member
Mrs. Funke Feyisitan Ladimeji	Member

Board Audit Committee (BAC)	
Name	Role
Mrs. Suzanne Iroche	Chairperson
Ms. Olubunmi Fayokun	Member
Mr. Babatunde Dabiri	Member
Mr. Idaere Ogan	Member
Ms. Evelyn Oputu	Member

Appendix C - Board Committee Membership

Board Risk Management Committee (BRMC)	
Name	Role
Ms. Evelyn Oputu	Chairperson
Mrs. Suzanne Iroche	Member
Ms. Olubunmi Fayokun	Member
Mr. Babatunde Dabiri	Member
Mr. Idaere Ogan	Member
Mr. Adamu Atta	Member
Mr. Banjo Adegbohunge	Member
Mrs. Funke Feyisitan Ladimeji	Member
Mr. Larry Ettah	Member

Board Governance and Nominations Committee (BGNC)	
Name	Role
Mr. Larry Ettah	Chairperson
Mrs. Suzanne Iroche	Member
Mr. Adamu Atta	Member
Mr. Babatunde Dabiri	Member
Ms. Olubunmi Fayokun	Member

Appendix D - Board Meeting Attendance

The tables below represent the number of meetings held by the Board of Directors as well as the attendance at the meetings.

Board of Directors								
Name of Director	22 nd Jan	23 rd Apr	29 th Jul	2 nd Nov	13 th Dec	Total	Expected	% Attendance
Mr. Babatunde Folawiyo	✓	✓	✓	✓	✓	5	5	100%
Mr. Adebajo Adegbohunbe	✓	✓	✓	✓	✓	5	5	100%
Mr. Babatunde Dabiri	✓	✓	✓	✓	✓	5	5	100%
Ms. Suzanne Iroche	✓	✓	✓	✓	✓	5	5	100%
Ms. Olubunmi Fayokun	✓	✓	✓	✓	✓	5	5	100%
Ms. Evelyn Oputu	✓	✓	✓	✓	✓	5	5	100%
Mr. Idaere Ogan	✓	✓	✓	✓	✓	5	5	100%
Mr. Adamu Atta	✓	✓	✓	✓	✓	5	5	100%
Mr. Larry Ettah	✓	✓	✓	✓	✓	5	5	100%
Ms. Funke Feyisitan Ladimeji	✓	✓	✓	✓	✓	5	5	100%

✓ - Present
X - Absent
NM - Not Member

Appendix D - Board Committee Meeting Attendance

The tables below represent the number of meetings held by the Board Committees as well as the attendance at the meetings.

Board Credit and Investment Committee (BCIC)											
Name of Director	18 th Jan	4 th Mar	19 th April	3 rd June	19 th July	7 th Sept	19 th Oct	7 th Dec	Total	Expe cted	% Atte ndan ce
Mr. Babatunde Dabiri	√	√	√	√	√	√	√	√	7	7	100%
Mrs. Suzanne Iroche	√	√	√	√	√	√	√	√	7	7	83%
Ms. Olubunmi Fayokun	√	X	√	√	√	√	√	√	7	7	100%
Ms. Evelyn Oputu	√	√	√	√	√	√	√	√	7	7	100%
Mr. Larry Ettah	√	√	√	√	√	√	√	√	7	7	100%
Mr. Idaere Ogan	√	√	√	√	√	√	√	√	7	7	100%
Mr. Adamu Atta	√	√	√	√	√	√	√	√	7	7	100%
Mr. Banjo Adegbohungebe	√	√	√	√	√	√	√	√	7	7	100%
Mrs. Funke Feyisitan Ladimeji	√	√	√	√	√	√	√	√	7	7	100%

√ - Present
X - Absent
NM - Not Member

Appendix D - Board Committee Meeting Attendance

The tables below represent the number of meetings held by the Board Committees as well as the attendance at the meetings.

Board Audit Committee (BAC)									
Name of Director	19 th Jan	15 th Feb	20 th April	3 rd June	20 th July	20 th Oct	Total	Expected	% Attendance
Mrs. Suzanne Iroche	✓	✓	✓	✓	✓	✓	6	6	100%
Ms. Olubunmi Fayokun	✓	✓	✓	✓	✓	✓	6	6	83%
Mr. Babatunde Dabiri	✓	✓	✓	✓	✓	✓	6	6	100%
Mr. Idaere Ogan	✓	✓	✓	✓	✓	✓	6	6	100%
Ms. Evelyn Oputu	✓	✓	✓	✓	✓	✓	6	6	100%
Mr. Larry Ettah	✓	✓	NM	NM	NM	NM	2	2	100%

✓ - Present
X - Absent
NM - Not Member

Appendix D - Board Committee Meeting Attendance

The tables below represent the number of meetings held by the Board Committees as well as the attendance at the meetings.

Board Risk Management Committee (BRMC)							
Name of Director	19 th Jan	19 th April	19 th July	18 th Oct	Total	Expected	% Attendance
Ms. Evelyn Oputu	✓	✓	✓	✓	4	4	100%
Mrs. Suzanne Iroche	✓	✓	✓	✓	4	4	83%
Ms. Olubunmi Fayokun	✓	✓	✓	✓	4	4	100%
Mr. Babatunde Dabiri	✓	✓	✓	✓	4	4	100%
Mr. Idaere Ogan	✓	✓	✓	✓	4	4	100%
Mr. Adamu Atta	✓	✓	✓	✓	4	4	100%
Mr. Banjo Adegbohunge	✓	✓	✓	✓	4	4	100%
Mrs. Funke Feyisitan Ladimeji	NM	✓	✓	✓	3	3	100%
Mr. Larry Ettah	NM	✓	✓	✓	3	3	100%

✓ - Present
X - Absent
NM - Not Member

Appendix D - Board Committee Meeting Attendance

The tables below represent the number of meetings held by the Board Committees as well as the attendance at the meetings.

Board Governance and Nomination Committee (BGNC)											
Name of Director	18 th Jan	16 th Feb	20 th April	6 th May	7 th June	22 nd July	16 th Aug	22 nd Sept	Total	Expected	% Attendance
Mr. Larry Ettah	✓	✓	✓	✓	✓	✓	✓	✓	8	8	100%
Mrs. Suzanne Iroche	✓	✓	✓	✓	✓	✓	✓	✓	8	8	83%
Mr. Adamu Atta	✓	✓	✓	✓	✓	✓	✓	✓	8	8	100%
Mr. Babatunde Dabiri	✓	✓	✓	✓	✓	✓	✓	✓	8	8	100%
Ms. Olubunmi Fayokun	✓	✓	✓	✓	✓	✓	✓	✓	8	8	100%
Mr. Idaere Ogan	✓	NM	NM	NM	NM	NM	NM	NM	1	1	100%

✓ - Present
X - Absent
NM - Not Member

Appendix E - Maturity Assessment Scale

Strategy

Key Indicators

- ▶ Clear strategic objectives, values, responsibilities and accountabilities.
- ▶ Short term plans are determined to meet long term strategic directions.
- ▶ The Board specifically considers the risks and rewards of alternative strategies when making decisions.
- ▶ The Board ensures that there is a sufficient succession plan in place.

Evolving	Functioning	Advanced	Leading
<ul style="list-style-type: none"> ▶ The vision of the firm is not clearly articulated or documented ▶ There is a lack of clarity regarding corporate values ▶ Board decisions are directly aligned to short or long term strategic planning ▶ Board agendas and/or minutes are not maintained ▶ Strategy proposals are inconsistent in form and content ▶ Risk appetites are not defined or documented ▶ Communications are undertaken on an ad hoc basis ▶ Roles and responsibilities between the Board and Management are not clearly defined and documented 	<ul style="list-style-type: none"> ▶ There is a simple documented vision and value statements which are communicated to the organisation ▶ The Board has agreed a long term strategic objective for the organisation supported by a high level strategic plan ▶ Board agendas and minutes are recorded, documenting key decisions, attendance and follow up activity ▶ A standardised approach is implemented for strategic proposals, capturing basic information requirements for analysis ▶ Risk appetites are implemented ▶ The Board takes an active responsibility in communicating strategy and values to the organisation ▶ Roles and responsibilities of the Board and of Management are defined and documented without direct alignment to the Board strategy 	<ul style="list-style-type: none"> ▶ The Board has developed a clear and documented vision and values statements which are communicated to the business periodically ▶ Both a long term strategic plan and short term plans are developed and operating across the organisation ▶ Board agendas and minutes evidence discussion and challenge of key issue and decisions, with a tracking mechanism implemented for action items ▶ Strategic proposals are structured with sufficient detail and risk/reward assessments made ▶ Risk appetites are regularly reviewed against strategy and key decisions ▶ Roles and responsibilities of the Board collectively and individually are periodically reviewed and aligned to the overall Board strategy 	<ul style="list-style-type: none"> ▶ Board has a clear, well articulated and documented vision and values for the organisation. These are regularly reviewed and communicated ▶ The corporate vision translates into practical short-term action plans and provides long-term strategic direction ▶ The corporate values are clearly and practically communicated to the organisation ▶ Board minutes and agendas document that sufficient time is assigned to formulating strategy and reviewing it annually ▶ Board minutes evidence that strategy proposals and risk appetites are sufficiently challenged by the Board, in particular by NEDs, including discussion of risks and rewards inherent within proposals, supported by action tracking and ownership of issues ▶ Communication strategy is in place to the business for implementation of the strategy ▶ Risk appetites are regularly reviewed against strategy and key decisions ▶ Board appoints the CEO and gauges top talent of the firm with NEDs responsible for determining appropriate remuneration levels of executive Directors and a prime role in their appointment.

Appendix E - Maturity Assessment Scale

Quality of the Board

Key Indicators

- ▶ The Board comprises of an appropriately diverse group of Directors who collectively possess the technical skills, competencies and experiences to deliver the best outcomes for stakeholders.
- ▶ Board members take individual and collective responsibility for ensuring that they keep abreast of market knowledge, technical knowledge and professional skills.
- ▶ Board and Board members have clearly defined roles and responsibilities.

Evolving	Functioning	Advanced	Leading
<ul style="list-style-type: none"> ▶ Board members do not have clearly defines and documented roles and responsibilities ▶ The appointment of Directors is undertaken through an ad hoc, informal process ▶ There is no formal annual assessment of Director competence against roles and responsibilities ▶ The collective Board composition and competence is not reviewed ▶ No induction or ongoing training programmes are available 	<ul style="list-style-type: none"> ▶ A director appointment process is documented ▶ High level Director duties are identified and documented ▶ Opportunities for ongoing training are available, though induction training is undertaken on an ad hoc basis ▶ Limited external resources are used for training Board members ▶ A formal assessment of Director competency is undertaken periodically ▶ An annual assessment of the collective Board competence is undertaken ▶ Succession planning policy is documented 	<ul style="list-style-type: none"> ▶ There is a formal director appointment process which is documented and operational and clearly defines and articulates roles and responsibilities ▶ Director duties are formally documented with a clear divide between roles and responsibilities of executives and NEDs and these are operationally effective ▶ Director induction programme and ongoing Director training is in operation ▶ Annual training requirements are assessed against existing Board competence and experience ▶ Directors build on their knowledge and experience through participation in external forums and seminars ▶ Competency assessments of all Directors are undertaken annually, with training opportunities identified and competency discussed in Board meetings ▶ Succession planning is operational 	<ul style="list-style-type: none"> ▶ Competency assessments are undertaken periodically against these roles and responsibilities with reporting in the annual reports ▶ Induction and ongoing training programmes are operational and tailored for individual requirements ▶ Training materials are available evidencing a full, formal and tailored induction on joining, with regular Director assessments in terms of their training and development needs ▶ Board effectiveness assessments identify any training needs and appropriate action is taken to address these ▶ Attendance trends confirm quorum is met at all meetings and appropriate SMEs are in attendance when required ▶ Directors actively build on their existing knowledge, skills and experience, attending, for example external seminars, governance training and industry forums ▶ Appointment of new Directors incorporates an assessment of the relevant competencies ▶ Directors are able to coach and mentor other Board members and prospective Executives ▶ Director roles and responsibilities are incorporated into succession planning, identifying required competencies to meet Board expectations

Appendix E - Maturity Assessment Scale

Board Structure and Composition

Key Indicators

- ▶ Balanced and cohesive Board with a suitable balance of Non-Executive and Executives Directors
- ▶ The position of the Chairperson and MD/CEO are not occupied by the same individual.
- ▶ Adequate diversity of Board membership.

Evolving	Functioning	Advanced	Leading
<ul style="list-style-type: none"> ▶ Board comprises of a group of Directors which largely similar in background/ experiences. ▶ Chairman is focused on the immediate makeup of the Board and the Executive team. ▶ Board succession is on an adhoc basis ▶ Chairman singlehandedly determines Director appointments 	<ul style="list-style-type: none"> ▶ Board has a small number of NEDs appointment ▶ Balance on the Board with an Independent Chairman appointed ▶ Board comprises of a range of experience and skills, with Director experience and board financial service industry understanding ▶ Roles and responsibilities of Directors have been established, but clarity on the divide between Executives and NEDs is lacking, with duties not fully fulfilled ▶ Board size inadequate to support the organisation ▶ Succession planning policy is maintained ▶ A director appointment policy is maintained ▶ Diversity of membership 	<ul style="list-style-type: none"> ▶ Balanced and cohesive Board with a strong, independent Chairman and a suitable number of NEDs/Executives ▶ Composition of the Board is periodically reviewed against the Board composition policy ▶ Most Directors have relevant experience and possess a good knowledge of the insurance industry ▶ Board and Director roles and responsibilities are documented, with a clear divide between the roles of Executives and NEDs ▶ A formal and rigorous process for the appointment of new Board members is documented and operational ▶ A formal director remuneration policy is in place ▶ Succession planning is formalised in policy and periodically reviewed ▶ NEDs conduct separate NED meetings ▶ Diversity of membership 	<ul style="list-style-type: none"> ▶ Current composition of the Board is consistent with a documented policy on Board composition and is deemed appropriate by the Chairman and the Directors, this is regularly reviewed and discussed when membership changes ▶ Board includes an appropriate combination of NEDs and Directors ▶ The skills and experience of Directors and the collective Board are appropriate with regards to the industry and the activities of the company ▶ Leadership structure allows the board to work effectively and collaboratively ▶ Formal, rigorous and transparent procedure for the appointment of new Directors to the Board ▶ All directors are submitted for re-election at a regular interval, subject to continued satisfactory performance ▶ Levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the company successfully. A significant proportion of executive director's remuneration is structured so as to link rewards to corporate and individual performance ▶ Formal and transparent policy for director remuneration ▶ A NED is appointed as a sounding board for the Chairman and an intermediary for the other NEDs ▶ NEDs build both inclusive and separate relationships; the Chairman holds meetings with NEDs only

Appendix E - Maturity Assessment Scale

Board Operations

Key Indicators

- ▶ The Board's committee structure is appropriate for the nature of the business, covering all areas that the Board deems to require additional focus, in particular audit, risk, nominations and remuneration.
- ▶ Roles and responsibilities, reporting lines and escalation mechanisms for each committee are clearly defined and the manner in which each working group operates is appropriate.
- ▶ Board and Board Committee meetings are conducted quarterly at the minimum.

Evolving	Functioning	Advanced	Leading
<ul style="list-style-type: none"> ▶ The board does not have a committee structure in operation ▶ The delegation of duties to the Board's committees remain unclear and effectiveness is limited ▶ There is no governance manual in place 	<ul style="list-style-type: none"> ▶ Separate Audit, Risk, Nominations and Remunerations committees are established, however all appropriate parties are not represented ▶ Reporting to the Board upwards from the committee is inconsistent ▶ Committees are too large with too many attendees ▶ Roles and responsibilities of each committee are not clearly identified or documented 	<ul style="list-style-type: none"> ▶ Committees have clearly defined roles and responsibilities, with the overall committee structure being sufficient for the current organisation activities ▶ Committee terms of reference, with delegated authorities and membership, are documented ▶ Committees are led by a separate, NED Chairman ▶ Reporting from the committees to the Board is clear, informative and consistent ▶ Committee agendas, minutes and papers are well presented, comprehensive and produced in a timely manner ▶ Issues and risks from committees are sufficiently and timely escalated to the Board ▶ Committee Membership is periodically reviewed 	<ul style="list-style-type: none"> ▶ The structure and nature of the Board committees is appropriate for the nature of the organisation, with key control functions, such as audit and risk, adequately represented ▶ Accountability is clearly defined across committee structure ▶ Committee mandates and terms of reference, with appropriate delegated authority, roles and responsibilities, and operations of the committee are adequately documented and periodically reviewed ▶ Committees are lead by NED chairman ▶ Committee agendas and minutes confirm that the responsibilities of the working groups are discharged correctly ▶ Escalation processes are operational between the committees and the Board, allowing the Board sufficient oversight of emerging risks and issues ▶ Membership of the committees is appropriate in terms of executive/NED capacities and relevant technical skills and experience ▶ Size of the committees is appropriate for the nature of the business ▶ A Risk committee is established that supports the Board in its role in approving the firm's risk appetite and oversees the risk professionals and infrastructure ▶ The Audit working group includes at least three NEDs and has an agreed written TOR

Appendix E - Maturity Assessment Scale

Board Risk Management Activities

Key Indicators

- ▶ The Board champions the risk culture within the Company through the provision of sufficient resources, frameworks and policies.
- ▶ Risk monitoring and oversight activities are performed by both the Board and its Committees.
- ▶ Risks are independently reported to the Board, openly discussed and assessed holistically .

Evolving	Functioning	Advanced	Leading
<ul style="list-style-type: none"> ▶ Key risks and issues are not escalated to the Board in a timely manner ▶ No risk appetite statement is available with the Board not formally determining the risks it is willing to take in achieving its strategic direction ▶ Legal entities are unable to influence strategy ▶ Weak oversight and inadequate scrutiny of management decisions b NEDs and the Board ▶ Oversight limited of some subsidiaries of the group 	<ul style="list-style-type: none"> ▶ Too many risks and issues are escalated to the Board ▶ Some elements of a risk appetite can be evidenced ▶ Board minutes are captured ▶ The implementation of actions resulting from Board meetings are not logged and monitored ▶ Management are partially accountable to the Board ▶ Reasonable level of challenge provided by the Board 	<ul style="list-style-type: none"> ▶ Management takes accountability for the operations of the business, with challenge to decisions and activities provided by the Board. This is documented in Board materials ▶ Risk appetite, tolerance and limits are established and approved by the Board ▶ A clear and monitored action log is in place with assigned action owners ▶ There is ongoing dialogue with stakeholders ▶ There is a good level of challenge documented at Board meetings ▶ Oversight of committees is effective ▶ Heads of IA and Compliance report either directly to the Board or through the Audit Committee ▶ Board and members have access to professional advice 	<ul style="list-style-type: none"> ▶ Governance framework is appropriate and agreed by the Board, with risks being a standing Board agenda item ▶ Risk and control frameworks are approved by the Board and undertake continual review and critical assessment of their capabilities and approach ▶ Board ensures that rigorous and robust processes are in place to monitor organisational compliance with the agreed strategy and risk appetite and with all applicable laws and regulations ▶ Board ensures that control professional balance the need for independent oversight and sustainable risk taking whilst maintaining a comprehensive view of the firm's risks ▶ Board establishes a Board level Risk committee that supports the Board in its role in approving the firm's risk appetite and overseeing the risk professionals and infrastructure ▶ An independent CRO is appointed who has stature and reports directly to the Board Risk Committee and the CEO, and who has the authority to find the appropriate balance between constraint and support of risk taking ▶ Board determines a risk appetite that is clearly articulated, properly linked to the firm's strategy, embedded across the firm and which enables risk taking

Appendix E - Maturity Assessment Scale

Relationship with Stakeholders

Key Indicators

- ▶ Communication amongst and between the Board, subcommittees of the Board, the NEDs, the Executives and other stakeholders operates effectively.
- ▶ Arrangements are in place for external communications.
- ▶ Accountability for managing communications with each stakeholder group is clear, including responsibilities in the event of a crisis.
- ▶ Board ensures that mandatory reporting is completed.

Evolving	Functioning	Advanced	Leading
<ul style="list-style-type: none"> ▶ No clear communication strategy exists ▶ No clear responsibility or ownership of Board communications 	<ul style="list-style-type: none"> ▶ Communications are undertaken on an ad hoc basis from the Board to the organisations ▶ Written communications are accurate and simple ▶ A communication framework is documented, outlining the required approvals 	<ul style="list-style-type: none"> ▶ A communication framework is in operation outlining the approach for different stakeholders and for the business ▶ Chair takes sole responsibility for all Board communications ▶ Written communications to the business and to stakeholders is well presented, professional, accurate and complete ▶ Information flows and the approach to sharing information is regularly reviewed ▶ Directors understand the roles and responsibilities of each director and committee, enabling strong communications between Board and committees ▶ Key external communications are suitably approved 	<ul style="list-style-type: none"> ▶ A communication framework is in operation outlining the approach for different stakeholders and for the business ▶ Accountability for communications to stakeholders is incorporated in Board/Director roles and responsibilities ▶ Written communications to the business and to stakeholders is well presented, professional, accurate and complete ▶ Information flows and the approach to sharing information is regularly reviewed and amended as required ▶ Directors understand the roles and responsibilities of each director and committee, enabling strong communications between Board and committees ▶ Communication documents at Board level, such as action logs, are consistently communicated ▶ Board has oversight of mandatory reporting requirements and that such reports have been filed accurately and timely ▶ Board listens to shareholder perspectives and communicates the Board's positions clearly ▶ Key External communications are approved by the Board, as well as legal/compliance ▶ Key Board members undertake media training

Appendix E - Maturity Assessment Scale

Transparency and Disclosure

Key Indicators

- ▶ The Board maintains transparency in dealing with its stakeholders.
- ▶ Existence of an effective whistle blowing policy.
- ▶ Existence of a code of conduct.
- ▶ The Board complies with regulatory disclosure requirements.

Evolving	Functioning	Advanced	Leading
<ul style="list-style-type: none"> ▶ Annual report contains disclosure of the directors of the company 	<ul style="list-style-type: none"> ▶ The Annual Financial Statement contains a fair reflection of the company's performance and provides appropriate context to the discussion such as the market environment in which the company operates. ▶ The Annual Financial Statement contains explanations of the industry and other relevant experience that external directors bring to the company; ▶ The Annual Financial Statement contains discussion of the overall risk management objectives and policies of the company; and Discussion of the risk management policies relating to the company's leverage. ▶ For ease of confirming compliance and effective communication companies should explicitly disclose their KPIs and not leave it up to the readers to deduce what management consider to be 'key'. 	<ul style="list-style-type: none"> ▶ The annual report contains discussions aligned to the strategic priorities, development, performance in the wider market context and disclosure of other Director appointments for each Director. ▶ More detailed discussion in the financial statements of the overall risk management objectives and policies; ▶ Quantitative information to support the discussion on risks; and ▶ Disclosure of the likelihood and impact of these risks and clear linkage to how they are managed and monitored. ▶ Discussion of the specific actions taken to address the environmental matters identified, supported by quantifiable evidence and specific targets where applicable; ▶ Extracts from a company's Corporate and Social Responsibility Report often provide the most relevant disclosure; this can be cross-referenced to avoid duplication. 	<ul style="list-style-type: none"> ▶ Transparency - reporting must meet or exceed the standards set out in the IFRS Standards. ▶ The annual report contains a balanced and comprehensive analysis of development and performance of the company's business during the year and position at the year end. ▶ A clear alignment of KPIs to the company's strategic priorities and remuneration policies so that their relevance as a basis for management's assessment of strategic success is clear; including an explanation of why each KPI has been included - it should be clear why this would be considered key; a definition of how they have been calculated; quantified trend data; and targets or milestones, whether qualitative or quantitative. ▶ A clear statement of the strategy and how this is used to underpin the remainder of the report; and a clear articulation of the company's strategy to explain the strategic themes, targets, time frames and add further clarity to the reporting. ▶ An explanation of how the business model builds on the strategy that is set out in the strategic report.

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