

CORPORATE GOVERNANCE PRACTICES AT FIDSON HEALTHCARE PLC

FIDSON HEALTHCARE PLC as one of the leading pharmaceutical and healthcare companies, not only in Nigeria but also in the West Africa sub-region we have imbibed best practices and ethical standards in all aspects of our operations.

We are cognizant of the fact that contemporary business entities are faced with challenges and demands from the various stakeholders. Our corporate governance strategy and initiatives are geared towards (1) complying with the SEC Code of best practice (2) maintaining an amicable relationship with the various stakeholders on which our continued existence rely and (3) imbibing best practices in our dealings. Our second approach to Corporate Governance is to use the doctrines of good governance to engender sustainability of our operations. We therefore realize the need for professionalism and to that extent; various departments and units of the organization are run by world-class professionals.

For instance, driving our Corporate Governance practices is the Company Secretary who is a Fellow of the Institute of Chartered Secretaries and Administrators, London and Nigeria. He has over 15 years unbroken practice in Company Secretarial Practice and Corporate Governance. He is currently a member, National Steering Committee on Corporate Governance.

We have continued to subject our operations to periodic examinations and audit by independent auditors which include the current Good Manufacturing Practice (cGMP) and National Agency for Food and Drugs Administration and Control (NAFDAC). Each audit/examination report is made the subject for consideration by a committee headed by an executive director for proper review and implementation.

Overseen by the Board of Directors, corporate governance practices are constantly under review, in line with the dynamics of the business environment. The Corporate Governance policies adopted by the Board of Directors are designed to ensure that the company's business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.

The day-to-day affairs of the company are run by the Executive Management Committees. Each executive committee is headed by an executive director who reports to the Board of directors on the activities of their respective committee.

In line with Section 32 of the Corporate Governance Code, a standard procedure for reporting any form of misdemeanour either by staff or any of our key/strategic business associates is put in place to ensure the sanity of our operations and enhance our reliance on key operational supports. This is considered important in order to ensure overall sustainability of our business.

The framework for our corporate governance is hinged on:

1. Code of Corporate Governance issued by SEC in 2011.
2. Various Standard Operations manual and ISO compliance requirements
3. Provisions of the Companies and Allied Matters Act, 2004
4. The listing rules of the Nigerian Stock Exchange as well as Securities and Exchange Commission's rules.
5. Good Manufacturing Practice.

THE BOARD

The Board of fidson is made up of experienced bureaucrats. They are men of integrity who for all intents and purposes are paradigm of astute business management professionals with high sense of ethical conducts. They collectively have over 200 years working experience.

Frequency of meetings:

The Board of Directors holds at least 4 (four) meetings in each financial year. Each meeting is scheduled to receive quarterly operating results among other reports on the company's operations. All matters reserved for the Board are duly considered and resolved. These include consideration and approval of budgets, major capital expenditures, corporate strategy; review of policies on internal risk management review of performance and generally direct the affairs of the company's operations.

Attendance at Board meetings during the year under review was impressive. In line with Section 258 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the record of Directors attendance at Board meetings is available at the annual general meeting for inspection.

Responsibilities of the Board of Directors:

It is the responsibility of the Board of Directors to:

1. ensure that the company's operations are conducted in a fair and transparent manner that conforms with high ethical standards,
2. ensure the integrity of the company's financial and internal control policies,
3. ensure the accuracy, adequacy and timely rendition of the statutory returns and financial reporting to the regulatory authorities, namely, The Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), National Agency for Food and Drug Administration and Control (NAFDAC) and shareholders through the Company Secretary.
4. ensure value creation for the shareholders, employees and other stakeholders,
5. review and approve corporate policies, strategies, annual budgets and business plans,
6. monitor implementation of policies and the strategic direction of the company,
7. set performance objectives, monitor implementation and corporate performance

8. review and approve all major capital expenditure of the company
9. ensure that the statutory rights of all stakeholders are protected at all times and
10. institute appropriate mechanism for measuring adherence by management to all regulations.

Information flow to the Board: The executive management ensures that the board received adequate information on a timely basis. Board papers are circulated at least two weeks before every board meeting.

As part of the Board's resolve to ensure adequate compliance with and to engender good corporate governance, at every board meeting *Corporate Governance Report* is presented by the Company Secretary for consideration by the Board. This way, the Board is constantly kept abreast of the regulatory, statutory and ethical requirements expected of listed companies in Nigeria.

Independence of the Board: There are a total of 9 (nine) directors on the Board of our company. Out of this number 5 (five) are non-executive directors. The non-executive directors exercise their independence by having discussion about the affairs of the company in the absence of any executive director. Outcome of such discussions are passed to the Management for implementation through the Managing Director.

Board evaluation and appraisal: The Board is aware of the requirement to appraise itself and the individual directors. A process is being put in place for the formal evaluation of the Board commencing from the financial year ending 31st December 2012.

BOARD COMMITTEES

In line with the requirements of Corporate Governance, the following committees, in addition to the statutory audit committee are in place. Membership of the committees have been reviewed and in some cases enlarged in line with the need for independence and objectivity of the Board. The committees are as follows:

S/N	NAME OF COMMITTEE	MEMBERS
1	Nomination committee	Prof. O O Akinkugbe (Chairman) Mr. E. E. Imoagene Mrs. A. P. Sadauki
2	Remuneration committee	Mr. E. E. Imoagene (Chairman) Mrs. O O Ayebae Mrs. A. P. Sadauki Mr. O. B. Olanipekun
3	Finance and General purpose committee	Prof. O O Akinkugbe (Chairman) Dr. F. A. Ayebae Mr. O O Olayeye Mr. A. A. Adebayo Mr. O B Olanipekun
4.	Credit Control Committee	Mr. O. B. Olanipekun (Chairman)

		Mr. O. O. Olayeye Mr. Abiola Adebayo Two other Senior Management staff
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The Company Secretary acts as Secretary to all Board committees.

COMMITTEES' TERMS OF REFERENCE

The terms of reference for all the committees are in line with the provisions of the Corporate Governance Code 2011 and best practices. The Committee's terms of reference in summary are as follows:

1. **Nomination Committee:** The committee's main responsibility is to assist the Board in developing policies to fill any vacancy on the however occasioned and to ensure at all times that competence gaps are closed so that the company is not short of the required skills.

In doing this, the committee considers the need to attract, motivate and retain suitably qualified individuals to the Board.

The mode of operations of the Committee is in line with Section 13 of the Corporate Governance Code, 2011.

2. **Remuneration Committee:** The responsibility of the committee is mainly to recommend a competitive remuneration package for the executive management and the Board. In doing this, the committee considers to the need to maintain both internal and external competitiveness. It is also the responsibility of the committee to ensure that remunerations paid to the employees of the company are adequate and commensurate to performance.
3. **Finance and General Purpose committee:** The committee assists the Board in ensuring that the company's strategic initiatives and objectives are translated into actions and processes. In doing this, the committee:
 - (a) review and appraise all investment decisions;
 - (b) appraise all capital expenditure requests;
 - (c) assist the board to appraise the viability and feasibility of all new projects; and
 - (d) review the financial position of the company from time to time.
4. **Credit Control Committee:** The committee assists the Board in the monitoring, reviewing, and the administration of the credit policy.

These four committees meet as the need arises to discharge their functions.

There are other management committees which include the *Budget committee, HSE Committee, and Risk Management Committee.*

THE AUDIT COMMITTEE

In accordance with section 359 (3) of the Companies and Allied Matters Act, Cap C13 LFN 2004, the audit committee is made up of six (6) members, three representatives of the shareholders and three representatives of the Board of directors. Members of the audit committee are elected at the annual general meeting.

The committee was engaged maximally in all aspects of its responsibility as stipulated by the law. Current members of the committee are as follows:

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| 1. Emeritus Professor Oladipo O Akinkugbe | (Chairman) |
| 2. Mr. O O. Olayeye | Director |
| 3. Mrs. O O Ayebae | Director |
| 4. Alhaji Abdulkabir B Sarumi | Shareholder |
| 5. Mr. Femi Oduyemi | Shareholder |
| 6. Mr. Solomon S Akinsanya | Shareholder |

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICE

The Board and the various committees meet regularly and their attendance is reported to the members in general meeting.

Our Corporate Governance practice is based on generally accepted ethical standards and principles of mutual benefit, responsible product stewardship, tolerance, good corporate conduct; including the following:

1. Trustworthiness
2. Integrity
3. Reliability
4. Transparency
5. Accountability
6. Honour
7. Professionalism

INVESTORS' & BUSINESS RELATIONS: Fidson recognizes the prominent position our various investors and stakeholders. Four officers of the Company, namely the Managing Director/Chief Executive Officer, Finance Director, Company Secretary and the Corporate Services Manager are all positioned to ensure that investors/stakeholders within their respective job functions are given opportunity to air their views on

matter relating to the company. This is in addition to maintaining an open door policy when dealing with the public.

We are in good relationship with major Shareholders' Association and have started to harness the values of engagement with them through the annual Shareholders' forum. A forum held before the Annual General Meeting (AGM) to dialogue with investors.

We also belong to various business associations where we play major roles. These include The Lagos Chambers of Commerce and Industry (LCCI); Manufacturers Association of Nigeria (MAN); Nigerian Association of Chambers of Commerce, Industry Mines and Agriculture (NACCIMA); Nigerian-British Chamber of Commerce (NBCC) amongst others.

We leverage on these association to enhance internal efficiency and to keep abreast of development in both economic and business environment.