



**SOCIETY FOR CORPORATE
GOVERNANCE NIGERIA**
Leadership and Integrity



Analysis of PenCom's Revised Corporate Governance Guideline

2025



EXECUTIVE SUMMARY

The National Pension Commission has issued a Revised Corporate Governance Guideline for Licensed Pension Fund Operators (LPFOs) 2025, including Pension Fund Administrators (PFAs), Closed Pension Fund Administrators (CPFAs), and Pension Fund Custodians (PFCs), that fundamentally strengthens the governance framework for Nigeria's pension industry. This analysis examines the key reforms, their practical implications, and strategic recommendations requirements for affected operators.

While the guideline continues to build on the Nigerian Code of Corporate Governance 2018, this revision introduces significantly more prescriptive and enforceable mandates. What previously existed as best practice recommendations in the 2021 Guidelines are now mandatory requirements with explicit sanctions for non-compliance. Licensed operators should treat this as a compliance priority requiring board attention and action.



Key Reforms and Strategic Implications

1. Enhanced Board Independence Requirements

The revised guideline establishes a minimum threshold of either three members or 30% of the board composition as Independent Non-Executive Directors (INEDs), whichever is higher (Clause 2.2.7).

Additionally, boards must now conduct annual confirmations of the continued independence of each INED (Clause 2.3.5.3). This institutionalizes regular independence assessments and creates an ongoing verification mechanism that prevents the erosion of independence over time.

Practical Impact: Organizations will need to reassess current board composition immediately. Boards that previously maintained minimal independent representation will require restructuring to meet the new threshold. The annual confirmation requirement also necessitates the development of formal assessment protocols and documentation procedures.

2. Mandatory Board Diversity Framework

Clause 2.2.6 now requires boards to adopt formal diversity policies with measurable objectives covering gender, age, professional background, and culture. This moves diversity from aspirational language to an enforceable obligation.



Practical Impact: Boards must develop written diversity policies with specific, trackable metrics. These policies will likely be subject to regulatory review during PenCom inspections. Organizations should expect to demonstrate progress against stated diversity objectives over time.

3. Comprehensive Tenure Limits and Leadership Rotation

The guideline introduces clear maximum tenure limits across all board and executive positions:

Position	Maximum Tenure	Key Provisions
MD/CEO or Executive Director	10 years at same LPFO	Clarifies and enforces executive term limits
Cumulative Executive Service (ED + MD/CEO combined)	15 years maximum	New cumulative cap prevents indefinite service across executive roles
Non-Executive Directors	15 years maximum	First explicit limit on NED tenure
Independent Non-Executive Directors	9 years (three 3-year terms)	Aligns with international best practice standards

Cooling-Off Requirements: Executives who reach the cumulative 15-year limit may only serve at another LPFO after a mandatory 3-year break, and then for a maximum of 5 additional years.



Practical Impact: These provisions require immediate tenure mapping for all current directors and executives. Organizations approaching or exceeding these limits must initiate succession planning processes. The cumulative executive service cap particularly affects operators where individuals have moved between executive roles over extended periods.

4. Principal Owner Restrictions

The guideline introduces specific provisions governing the board participation of principal owners (defined as holding 50% plus one share or more):

- May serve as Non-Executive Directors only
- Cannot hold executive positions or qualify as INEDs
- Cannot chair Audit, Risk, Remuneration, or Nomination & Governance Committees
- Limited to one principal owner serving concurrently on any LPFO board

Practical Impact: These restrictions fundamentally alter governance dynamics for family-owned or closely-held pension operators. Boards must immediately review principal owner involvement in committee structures and make adjustments where conflicts exist with the new requirements.

5. Mandatory External Board Evaluations

Clause 2.13.3.vi now requires boards to engage independent consultants for performance evaluations at least once every two years. This replaces the previous discretionary approach where external evaluation was optional.



Practical Impact: Organizations must budget for biennial external evaluations. The requirement also necessitates selecting qualified evaluation consultants and implementing remedial actions based on evaluation findings. This creates both a cost implication and an operational requirement for documented follow-through on evaluation recommendations.

6. Formalized Succession Planning

The Nomination & Governance Committee (which must now be chaired by an INED per Clause 2.7.1) is required to implement succession planning policies covering all key leadership positions including Chairman, MD/CEO, Executive Directors, Non-Executive Directors, and INEDs (*Clause 2.7.4.i*).

Practical Impact: Succession planning transitions from an informal consideration to a documented, board-approved process. Organizations must develop written succession frameworks, identify potential successors, and maintain updated succession documentation for regulatory review.

7. Physical Meeting Requirements

While virtual board meetings remain permissible, every board member must now attend at least one physical meeting annually (*Clause 2.5.4*).

Practical Impact: Organizations relying heavily on virtual meetings must adjust their annual calendar to ensure compliance. This has logistics and cost implications, particularly for boards with geographically dispersed members.



Broader Regulatory Context

These governance reforms are part of PenCom's "Pension Revolution 2.0" modernization program, which includes new regulations on board appointments (with 3-year cooling-off for ex-PenCom staff), updated investment rules, and directives on securities lending and foreign currency contributions. This signals heightened regulatory scrutiny across all operational areas.

Enforcement Framework

Section 9.0 provides for administrative sanctions including financial penalties, director approval suspensions, operational restrictions, and public disclosure. Non-compliance at the effective date may trigger enhanced regulatory scrutiny beyond immediate sanctions.



2021 VS. 2025: KEY CHANGES IN PENCOM CORPORATE GOVERNANCE GUIDELINES

Governance Area	2021 Guideline (Superseded)	2025 Revised Guideline (Current)
INED Minimum Quorum	No explicit minimum percentage or number required.	Mandatory: At least three members or 30% of the Board must be INEDs, whichever is higher (<i>clause 2.2.7</i>).
INED Confirmation	Not explicitly stated.	Mandatory: Boards must annually confirm the continued independence of each INED (<i>clause 2.3.5.3</i>).
Nomination Committee Chair	Members should be NEDs, including at least one INED.	Mandatory: The Committee must be chaired by an <i>INED</i> (<i>2.7.1</i>).
Board Diversity	Generally encouraged or implied through NCCG.	Mandatory: Boards must adopt formal diversity policies with measurable objectives (<i>2.2.6</i>).



2021 VS. 2025: KEY CHANGES IN PENCOM CORPORATE GOVERNANCE GUIDELINES

Governance Area	2021 Guideline (Superseded)	2025 Revised Guideline (Current)
External Board Evaluation	The Board <i>may</i> consider the use of an external third party for evaluation	Mandatory: Mandatory: Boards must engage an independent consultant for evaluation at least once every two years (<i>Clause 2.13.3.vi</i>).
Executive Tenure Cap	Specific tenure limits varied but lacked a comprehensive cumulative cap.	New Cap: MD/CEO and EDs are limited to 10 years in the same LPFO. Cumulative Executive Service (ED + MD/CEO) is capped at 15 years maximum. (<i>Clause 2.15.2</i>)
NED Tenure Cap	Generally implied by company law and NCCG principles.	New Cap: Limited to 15 years maximum in the same LPFO. (<i>2.15.3</i>)
Succession Planning Scope	Focused primarily on MD/CEO and Eds.	Mandatory: Comprehensive: Must cover all key roles: Chairman, MD/CEO, EDs, NEDs, and INEDs. Responsibility of the Nominations and Governance Committee (<i>Clause 2.7.4.i</i>).



Governance Area	2021 Guideline (Superseded)	2025 Revised Guideline (Current)
Physical Meeting Rule	Not explicitly stipulated; relied on virtual meeting framework.	Mandatory: one physical/in-person meeting annually (2.5.4).
Principal Owner Restrictions	Not specifically detailed; general shareholder rules applied.	New Section: Owners (holding share 50%+1) cannot be Executive or INED, and cannot chair Audit, Risk, Nomination, or Remuneration Committees. (Clause 2.15.9 (ii) & (vi))

Strategic Recommendations

- 1. Prioritize Board Action:** Present this analysis at the next board meeting and establish a governance reform working group
- 2. Conduct Gap Analysis:** Assess current practices against all new requirements to identify compliance risks
- 3. Move Early:** First movers will have better access to qualified INEDs and governance consultants before market demand increase

4. **Engage Advisors:** Consider retaining specialists for policy development and compliance planning
5. **Monitor Developments:** Establish processes for tracking further PenCom guidance

Conclusion

The September 2025 guideline shifts PenCom's approach from discretionary standards to mandatory requirements with clear enforcement intent. The language change from "should consider" to "must" signals this regulatory shift.

Organizations must immediately assess their compliance position, develop required policies, and implement structural changes. We recommend treating this revision as an opportunity to strengthen governance infrastructure rather than approaching it purely as a compliance exercise. This strategic perspective will position organizations more favorably in the evolving regulatory environment.

At **SCGN**, we support organizations in navigating such transitions by conducting Board Evaluations and Corporate Governance Audits, reviewing Governance Frameworks, facilitating Board Recruitment, delivering targeted Trainings, and aligning structures with emerging regulatory expectations.

For further guidance on compliance, please contact our Board Advisory team

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