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The Unveiled Nigerian Code of Corporate Governance (NCCG) 2018: Progress or Setback for Corporate Governance, Corporate Nigeria and Sectoral Regulators?

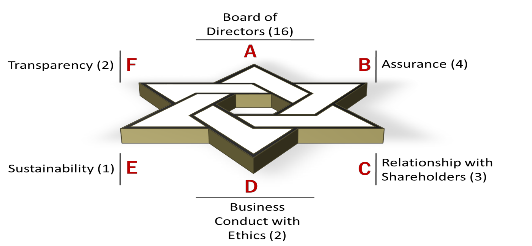
On January 15, 2019, the Vice President of the Federal Republic of Nigeria, Professor Yemi Osinbajo, the Honourable Minister of Industry, Trade and Investment (the Minister), Dr. Okechukwu Enelamah, and the Financial Reporting Council of Nigeria (FRCN) unveiled the Nigerian Code of Corporate Governance (NCCG or the Code) 2018. The NCCG, is made and issued pursuant to the powers of the FRCN and the Minister under Sections 11(c), 50, 51(c) and 73 of the Financial Reporting Council of Nigeria Act, 2011 (FRCN Act). The NCCG was hoisted on the website of the FRCN on January 17, 2019. This seems to mark the end of the quest for a national code of corporate governance by Nigeria and Nigerians, which commenced on January 17, 2013, with the inauguration of the Steering Committee on the Development of a National Code of Corporate Governance for Nigeria by the former Honourable Minister of Trade and Investment, Mr. Olusegun Aganga. The main objectives of the NCCG, as encapsulated by the FRCN, are to:

- institutionalise high corporate governance standards and practices in Nigerian companies;
- promote public awareness of essential corporate values and ethical practices to enhance the integrity of the Nigerian business environment,
- rebuild public trust and confidence in the Nigerian economy; and
- facilitate increased trade and investment.

Following South Africa (King IV Report on Corporate Governance for South Africa 2016) and Mauritius (The National Code of Corporate Governance for Mauritius 2016), Nigeria became the third country to adopt the "Apply and Explain" approach to implementing and reporting on corporate governance. According to the FRCN, the "Apply and Explain" approach assumes the application of all principles and requires companies to explain how the principles are applied, thus, giving companies the opportunity to demonstrate how the specific activities they have undertaken best achieve the outcomes intended by the corporate governance principles specified in the Code. The FRCN further posits that the adoption of the "Apply and Explain" approach will help to prevent a "box-ticking" exercise as companies deliberately consider how they have (or have not) achieved the intended outcomes. Although the Code recommends practices to enable companies apply the 28 principles contained in the Code, it allows companies to tailor these practices to industry or specific companies' needs. By implication, the FRCN is open to the application of alternative practices, if necessary, but the alternative practices and how the implementation of the alternative practices support the achievement of the applicable principle(s), and by extension the outcome envisaged by the principle, must be explained along with all recommended practices applied. With such flexibility, the FRCN concludes that the Code can be applied in a wide range of circumstances and scalability, in terms of being applicable to companies of varying sizes and complexities across industries, as well as those in different levels of growth phase.

Structure of the Code

Structure of the Code (Six Parts – A to F): Pictorial Representation



The Code consists of six parts (A to F) and 28 principles together with "Recommended Practices" to engender the effective implementation of the principles contained in the Code. Of the 28 principles, 16 relate to "Board of Directors," four to "Assurance," three to "Relationship with Shareholders," two to "Business Conduct with Ethics," one to "Sustainability" and two to "Transparency." The table below outlines the principles contained in the Code.

The Nigerian Code of Corporate Governance (NCCG) 2018		
S/N	**Parts**	**Principles**
A	Board of Directors	1. A successful company is headed by an effective board 2. There should be appropriate balance of skills and diversity on the board 3. The chairman is responsible for the overall leadership of the board 4. The MD/CEO is the head of the management team 5. Executive directors' primary role is to support the MD/CEO 6. Non-Executive Directors (NEDs) bring to bear their knowledge, expertise and independent judgment on board issues 7. Independent Non-Executive Directors (INEDs) bring a high degree of objectivity to the board for sustaining stakeholders' trust and confidence 8. The company secretary plays an important role in supporting the effectiveness of the board 9. Directors can seek independent professional advice from external consultant where they consider it necessary to discharge their responsibilities as directors 10. Meetings are the principle vehicle for conducting the business of the board 11. To ensure efficiency and effectiveness, the board conducts most of its activities through its committees 12. The selection of directors is undertaken through a formally written, clearly defined, rigorous and transparent procedure 13. Directors should attend formal and well-structured induction programme on joining the board, as well as be exposed to regular training interventions to assist directors with effective discharge of their duties 14. Annual board evaluation 15. Annual corporate governance review 16. Board oversight over fair, responsible and transparent remuneration
B	Assurance	17. A sound framework for managing risk and ensuring effective internal control system 18. Establishment of an effective internal audit function 19. Deployment of effective whistle-blowing framework 20. Appointment of external auditor
C	Relationship with Shareholders	21. The use of general meetings as a platform for the board to engage with shareholders 22. The establishment of a system of regular dialogue with shareholders 23. Equitable treatment of shareholders and the protection of their statutory and general rights
D	Business Conduct with Ethics	24. The establishment of professional business and ethical standards 25. The establishment of key policies and mechanisms for monitoring conflicts of interest related issues
E	Sustainability	26. Paying adequate attention to sustainability issues
F	Transparency	27. Open and transparent communication and interaction with stakeholders 28. Full and comprehensive disclosure of all matters material to investors and other stakeholders

To be continued tomorrow

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