

Nigeria

Aina Blankson

Corporate governance for public companies

The Nigerian Securities and Exchange Commission (SEC Nigeria) recently published its Code of Corporate Governance for Public Companies 2011. It applies only to public companies. However, SEC Nigeria encourages other companies not covered by the Code to adopt its principles in the conduct of their affairs.

The Code is anchored on five main principles, which include leadership, effectiveness, accountability, remuneration and relations with shareholders.

Leadership

The board of directors of each public company is responsible for the performance of the company, and required to protect and enhance shareholder value. Furthermore, the Code imposes on the board the responsibility of ensuring compliance with corporate governance requirements.

The Code provides for the appointment of officers of the board comprising the chairman, chief executive officer/manager, executive directors, non-executive directors and independent directors. The chairman has the primary responsibility of ensuring the effective operation of the board, but cannot engage in the company's day-to-day operations. The positions of chairman and CEO must be separate and held by different persons. Executive directors are responsible for the departments they head and answerable to the board through the CEO, while non-executive directors are expected to bring independent judgement and necessary scrutiny to the actions of management and executive directors.

Companies are required to have a minimum of one independent director, who must not have any relationship with the company or its management which may impair, or appear to impair his ability to make independent judgements.

Effectiveness

The board should be of a sufficient size relative to the scale and complexity of the company's operations and composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. The board

may operate through its committees, including its audit, risk management and governance/remuneration committees.

Upon joining the company, all directors must receive induction and training, and participate in relevant continuing education programmes to update their knowledge and skill.

The Code requires all directors to submit for re-election at regular intervals of at least once every three years. To guide the decision of shareholders, the board should furnish names and sufficient biographical details of directors nominated for re-election together with performance evaluation results and other relevant information.

Accountability

The Code requires companies to make financial disclosures beyond statutory requirements. Such disclosures must be accompanied by statements from the CEO and head of finance of every public company certifying that the financial statement represents a true and fair view of the affairs of the company.

The board is required to conduct annual risk assessment of all aspects of the company's business and update its risk-management framework, as well as make sufficient disclosure of the company's risk policy, risk appetite and risk limits.

Every company should have a whistle-blowing policy, which should be known to employees and stakeholders such as contractors, shareholders, job applicants, and the general public.

Remuneration

The Code stipulates that the level of remuneration should be sufficient to attract, motivate and retain skilled and qualified persons needed to run the company successfully.

Relations with shareholders

The board should ensure that shareholders are treated fairly and given equal access to information about the company. Institutional and controlling shareholders of companies are expected to demand the board's compliance with the principles and provisions of the Code, or seek explanations from the board in the event of non-compliance.

It is hoped that the Code will create avenue for sound corporate governance practices in Nigeria.

Chinonyelum Uwazie

Contacts:

Vincent Iweze
Chinonyelum Uwazie

5/7 Ademola Street
S.W. Ikoyi
Lagos

Tel: +234(1)8980882-3 271 0566

Fax: +234 1 271 0566

Email: viweze@ainablankson.com
c.uwazie@ainablankson.com

Web: www.ainablankson.com