



**How to Establish Professional, Business & Ethical Standards
towards Attracting Investors
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INTRODUCTION

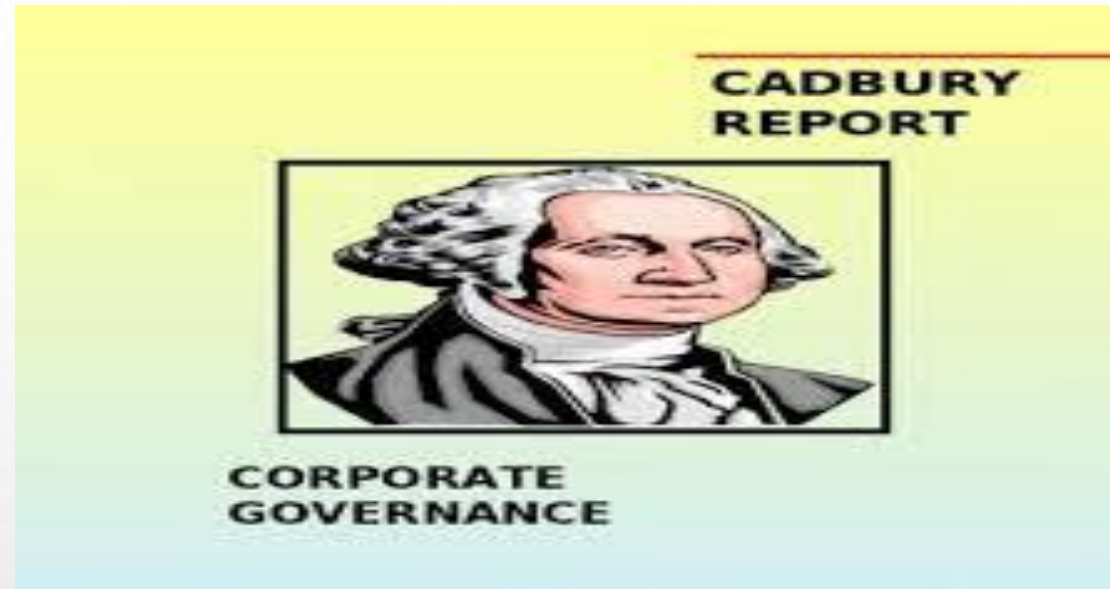


- The topic speaks to an entrenched corporate governance structure that can attract investors, whether local or foreign.
- No other mechanism or process can address this topic beyond the concept of Corporate Governance. It comprises the professionalism and ethical standard necessary to attract investors, the absence of which would deter them.

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WHAT IS CORPORATE GOVERNANCE?

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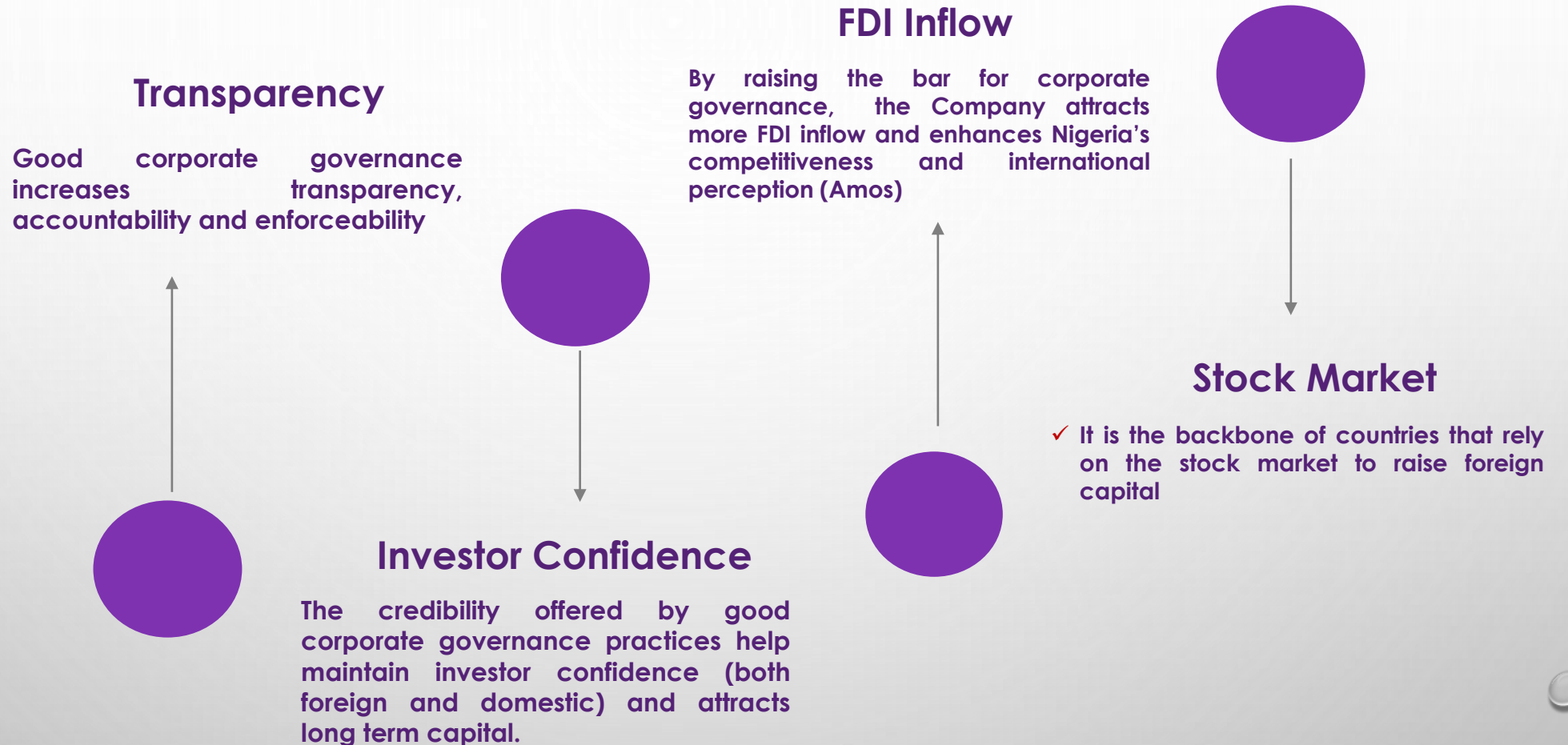


- The Cadbury Report graciously provided a short and precise definition of Corporate Governance when it defined it as: “the system by which companies are directed and controlled”
- How well the companies are directed and controlled will determine whether investors will be attracted to them or would run away from them.

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IMPORTANCE OF CORPORATE GOVERNANCE

IMPORTANCE OF GOOD CORPORATE GOVERNANCE



WHY IS CORPORATE GOVERNANCE IMPORTANT TO INVESTORS

- ✓ It is important to investors because it is like a picture that shows the company's direction and business integrity. Therefore, if this picture is there to be viewed or seen by all, it will ultimately attract investors.
- ✓ It is like a score card of who truly you are and not the cosmetic type. It is for the investor and other stakeholders to judge whether what you say you are is true or false.

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ON INVESTMENTS GENERALLY

Who is an investor

- ✓ Any person or entity (such as a firm or fund) who commits capital with the expectation of receiving financial returns.
- ✓ Investors can analyze opportunities from different angles, and generally prefer to minimize risk while maximizing returns.
- ✓ Investors rely on different financial instruments to earn a return and accomplish important financial objectives.

Investments & Investing includes

- ✓ Foreign Direct Investments (FDI)
- ✓ Portfolio investments (FPIs)
- ✓ Domestic investments
- ✓ Stocks or Equity investments
- ✓ Credits or Debt market investments (Bonds, Debentures, CPs, Tbills)
- ✓ Funds (Mutual Funds, Trust, Index, Hedge etc.)



Primary Objectives of Investment

- ✓ Capital preservation or Safety
- ✓ Income generation
- ✓ Capital gains

Other Objectives

- ✓ Tax minimization
- ✓ Liquidity
- ✓ Employment creation
- ✓ Strategic reasons e.g. Education, Health, Agriculture

- ✓ All economists agree on the fact that local and foreign direct investments are key to a nation's economic growth (Economists don't agree often)
- ✓ Any country seeking economic prosperity must attract investment.

As such, Investment is particularly needed to...

- ✓ Accelerate or spur economic growth
- ✓ Transfer of appropriate technology, knowledge and access to foreign markets.
- ✓ Boost employment and creating jobs
- ✓ Reduce inflation
- ✓ Augment food production
- ✓ Improve the living standards of the people.

CASE STUDY

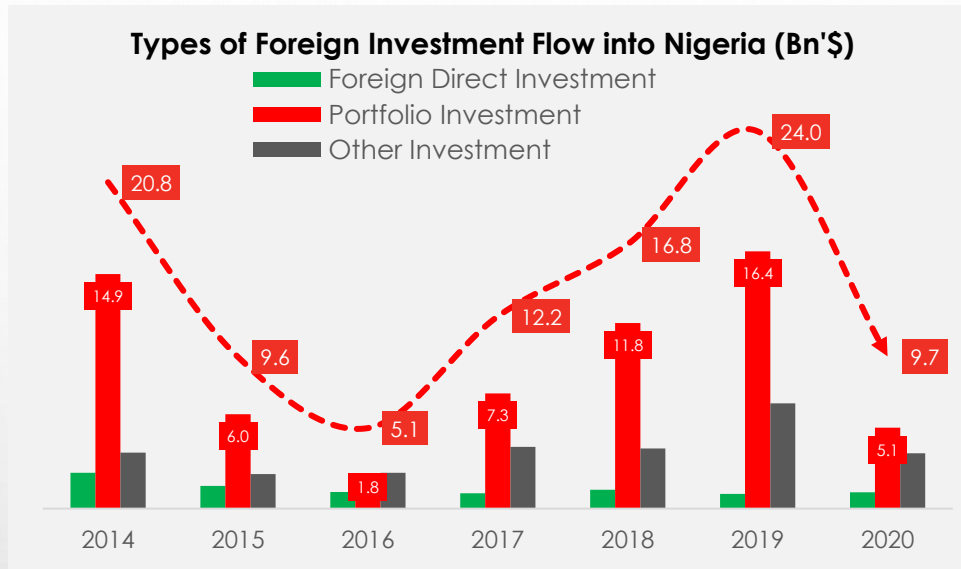
Singapore: a small British colony with a population of 1.6 million in 1960, transformed itself to one of the richest nations in the world through attracting foreign investment to itself.

China: China is the factory of the world today, making it the world's leading economic superpower. But till 1978, it was one of the least developed nations of the world.

These two countries achieved this feat through:

- ✓ Bold economic and market friendly reforms
- ✓ Anti-corruption & Justice system
- ✓ Massive investment in Human capital
- ✓ Socio-Political stability
- ✓ Security of lives & Property
- ✓ Infrastructural development
- ✓ Ease of doing business/operating environment
- ✓ Leadership quality and Vision

TREND AND NATURE OF FOREIGN INVESTMENTS IN NIGERIA



More recently; investment flow has been slowing due to;

1. Poor policy framework
2. Weaker oil prices and poor exchange rate & monetary policy stance
3. Not-so-friendly market friendly policy stance
4. Very weak economic growth numbers
5. High inflation rate and poor investment returns
6. Covid-19

- Over the last 7 years, investment flow into Nigeria has been dominated by portfolio investment rather than FDIs.
- However, both FPIs & FDIs have continued to dwindle as shown by data from NBS.
- Between 2000 and 2010, factors that attracted investment into Nigeria included:
 1. Bold reforms across sectors and sound economic policy decisions
 2. Nigeria's huge demographic appeal
 3. Political efforts
 4. Attractive returns on investment
 5. Fast-paced economic growth
 6. Improvement in oil prices & pro-market exchange rate and monetary policy stance

Implications

- High unemployment rate
- Low economic growth
- Exchange rate crisis
- Galloping inflation
- Social unrest, kidnapping & general insecurity

How to fix it

- ✓ Government must create an enabling environment for businesses to thrive
- ✓ Implementation market and business friendly policies to attract investment
- ✓ Ensure Security of lives & property as well as political stability
- ✓ Investment in critical infrastructure such as Ports, road, Storage etc.
- ✓ Develop man power in relevant technological skills
- ✓ Upholding of the rule of law
- ✓ Put an end to impunity, part of which consists of a robust and independent judiciary, impartial and prompt adjudication of disputes.

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EFFECT OF POOR CORPORATE GOVERNANCE



- It casts doubt on the integrity and reliability of the company and ultimately affect the share price of companies which may take a dive where breaches are rampant.
- Recall the scandal that rocked Volkswagen AG in September 2015 over support for illegal activities. The company was alleged to have deliberately rigged engine emission equipment in its cars in order to manipulate pollution test results. Share price took a dive as a result and shares lost nearly half of the value.

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CONVENTION FOR BUSINESS INTEGRITY

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- It is in recognition of the need for professional business and ethical standards towards attracting investors, that the Convention for Business Integrity (CBI) was established. It is Nigeria's first rating system responsible for incentivizing sound corporate governance practices.
- It was established with the aim of promoting ethical business practices, transparency and fair competition in the private and public sectors. Its mission is to empower people, their transactions, systems and practices against corruption by intervening to minimize risk of deviance from acceptable benchmarks, through the wide publication of ratings and rankings performed on such entities, enabling more transparent, consistent and predictable transactions that people can observe, affect and benefit from.



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CORPORATE GOVERNANCE RATING SYSTEM



The Corporate Governance Rating System (“CGRS”) was designed to rate companies that are listed on the NSE based on their corporate governance and anti-corruption culture. The process comprises 3 segments:

- An independently verified, self-assessment by the company,
- A certification of director awareness of their fiduciary duties, and
- Corporate integrity assessment where feedback on actual company behaviour is sought from internal and external stakeholders.

Where there is any reason to believe that a public company is in breach of any governance policy, and has been sanctioned by the sector regulator, the Steering Committee of the CGRS will

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BUSINESS CONDUCT AND ETHICS



- By virtue of Principle 24 of the Nigerian Code of Corporate Governance 2018, the establishment of professional business and ethical standards underscores the values for the protection and enhancement of the reputation of the Company while promoting good conduct and investor confidence.
- Need for a Code of Business Conduct and Ethics for Directors and Senior Management to produce the desired result that would build investor confidence and attraction.



ETHICAL CULTURE



- Principle 25 states that the establishment of policies and mechanisms for monitoring insider trading, related party transactions, conflict of interest and other corrupt activities, mitigates the adverse effects of these abuses on the Company and promotes good ethical conduct and investor confidence.
- Closed Period

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DISCLOSURES



- Principle 28 of the NCCG 2018 states that “Full and comprehensive disclosure of all matters material to investors and stakeholders, and of matters set out in this Code, ensures proper monitoring of its implementation which engenders good corporate governance practice.
- Annual Report must contain clear information on the Company’s governance structures, policies and practices

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SUSTAINABILITY



- Principle 26: Paying adequate attention to sustainability issues including environment, social, occupational and community health and safety ensures successful long-term business performance and projects the Company as a responsible corporate citizen contributing to economic development.
- Business policies, safety, working conditions, health and environmental responsibilities are key to the projection of a Company as a responsible corporate citizen worthy of attraction.

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HOW TO COMMUNICATE CORPORATE GOVERNANCE PRACTICES

HOW TO COMMUNICATE CG PRACTICES

Investor Relations Desk

An investor relations desk would consistently communicate and outline its corporate leadership to the market and to the world in general. This would involve disclosing who are the Board Members, the Executive Management, the Board Committees and their respective Charters. There must be a Committee that deals with governance, although it need not be termed 'governance' perse. It suffices if it has at least a nomenclature called 'Nomination'. The investors and stakeholders would determine whether there are appropriate structures when the read through the Charters.

Environmental Policies

Governance is not really about profitability perse i.e. being profitable. Profitability is good but it is not the main determinant of governance. While it is true that good governance can drive profitability, a company with poor governance can also make profit. Governance here is about policies that show care and concern for the environment, such as a company's Sustainability Policies and how friendly they are to the environment or how responsive they are. Therefore, organizations with good sustainability and environmental policies tend to attract investors.

Thank You



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- **Amos N. Dombin “Role of Corporate Governance in Attracting Foreign Investments in Nigeria”, Journal of Educational and Social Research, MCSER Publishing, Rome-Italy, Volume 3, No.9, November 2013**
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- **Cadbury Report 1992**

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