



# Code of Corporate Governance 2018:

## Effects of Compliance or otherwise

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# Objectives

- ❖ Exploring the effects of compliance and non-compliance with the Nigerian Code of Corporate Governance 2018.
- ❖ Positive outcomes of compliance and negative consequences of non-compliance with corporate governance principles.
- ❖ Legal implications, reputational risks, financial repercussions, and other effects associated with both compliance and non-compliance.



# Foundation of Corporate Governance



**Corporate governance  
should be done more  
through principles than  
rules.**

Adi Godrej



# The Impact of Corporate Governance Compliance on Business Success

[https://www.youtube.com/watch?v=g  
bU-4bF\\_pks](https://www.youtube.com/watch?v=g<br/>bU-4bF_pks)

# CORE PRINCIPLES

- Accountability
- Fairness
- Transparency
- Integrity





# Key Elements of Corporate Governance Code

Accountability and transparency.

Shareholder rights and stakeholder interests.

Board structure and responsibilities

Risk Management

Internal Control

Disclosures

Claw back

Whistleblowing

ESG Considerations

# The Importance of Corporate Governance

CG ensures accountability, transparency, and ethical business practices, leading to increased investor confidence and better decision-making.





# Benefits of Corporate Governance





Some examples...

 nomba

 Haul  
247

**taeillo**

**figorr**



# Effect of Non-Compliance with Corporate Governance Code

A. Negative impact on:

- ❖ Reputation
- ❖ Financial performance
- ❖ Shareholder trust

B. Negative legal and financial consequences

# Non-compliance Example...

Silicon Valley Bank:

<https://www.youtube.com/watch?v=BsTD2iF8jhA>





- ❖ First Bank one of strongest banks in Nigeria. Established in 1894
- ❖ 29th April 2021
  - ❖ the CBN televised sack of board of First Bank of Nigeria Limited/FBN Holdings PLC (including INEDs).
  - ❖ Reasons: CG tenets. Non-perfection of insider loans. Failure to structure credit facilities granted to insiders. Sack of MD etc
  - ❖ Fitch Ratings dropped to B- to “primarily reflect corporate governance weaknesses highlighted by the Central Bank of Nigeria (CBN) in April 2021”
- ❖ By September 2022:
  - ❑ “profit before tax growth of 40.0 per cent YoY to N60.0 billion
  - ❑ profit after tax grew by 42.3 per cent year on year to N53.3 billion
  - ❑ successful restructuring of our balance sheet
  - ❑ revamping of our risk management architecture.”
  - ❑ Fitch revised ratings upwards
  - ❑ Improved asset quality since FirstBank’s impaired loans

# Reputational risk

- ❖ Over 10,000 signatures alleging “gross misconduct based on ethical grounds”
- ❖ Twitter thread
- ❖ Threatened customer boycott
- ❖ Succumbed to pressure to probe
- ❖ MD resigned
- ❖





# Trends in Corporate Governance

- ❑ Harvard Law School article:
  - ESG
  - Human capital concerns
  - Data privacy
  
- ❑ PwC Article:
  - board effectiveness
  - ESG (equity, diversity and inclusive)

**Where there is  
no board...**

# Leadership is everything!

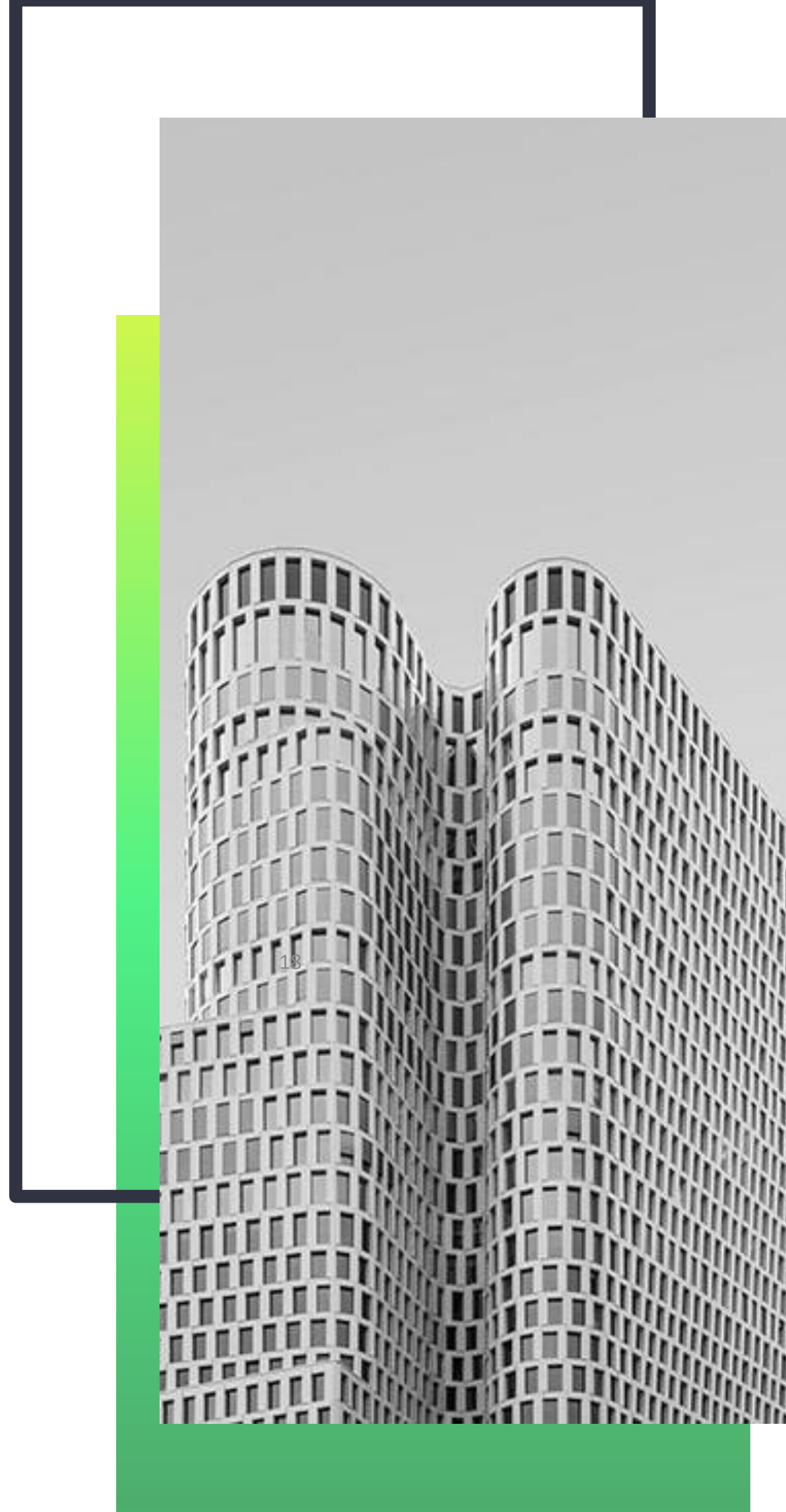
(sole proprietor)

EMPLOYEES	CUSTOMERS	VENDORS/COMMUNITY	REGULATORS
<ul style="list-style-type: none"> <li>Clearly define the roles and responsibilities of key individuals within the organization.</li> </ul>	Continuous Improvement	Code of Conduct	Regularly review and evaluate governance practices, policies, and procedures.
<ul style="list-style-type: none"> <li>Delineate decision-making authority</li> </ul>	Seek opportunities for improvement	Due diligence	Adapt to changing business environments and regulatory requirements
<ul style="list-style-type: none"> <li>Establish reporting lines, and assigning accountability for various areas of operation</li> </ul>	Learn from experiences	Transparency in dealings	
<ul style="list-style-type: none"> <li>Code of Conduct</li> </ul>	Adapt to changing consumer needs	Continuous improvement	
<ul style="list-style-type: none"> <li>Internal Control and regular Internal Audits</li> </ul>	Incorporate technology	Regular Engagement	
<ul style="list-style-type: none"> <li>Document Policies and Procedures</li> </ul>		Address concerns	
<ul style="list-style-type: none"> <li>Professional Development and Training</li> </ul>		Seek feedback	
		Consider in decision-making processes	



# FAMILY-OWNED BUSINESS

- Assign specific roles based on skills/qualifications
- Differentiate ownership and management roles. Establish clear boundaries to avoid conflicts of interest and ensure accountability.
- Create a family council or advisory board comprising family members and external advisors to guide and discuss business-related matters and long-term family goals.
- Hire professional managers from outside the family to bring expertise, objectivity, and fresh perspectives



- Create a family constitution outlining the governance structure including provisions for ownership transfer, conflict resolution, succession planning, and participation criteria for family members.
- Maintain proper accounting records and ensure compliance with accounting standards and regulations.
- Establish an external board of advisors comprising experienced professionals to provide independent advice and guidance on strategic matters, governance issues, and long-term planning

# FAMILY-OWNED BUSINESS CASE STUDIES

- Family Assembly: **Dangote Group**
- Professional Management and Succession Planning: **First Bank**
- Shareholder Agreements: **OandO**
- External Audits and Financial Reporting: **Elizade Group**
- Family Council and Constitution: **House of Ojukwu**
- External Advisory board: **Ibeto Group**
- Establish Board: **Flour Mills PLC**



# Health Check...



**1- No/NA;**

**2- Poor;**

**3 – Average/Discussions ongoing;**

**4- Good/Policy in place;**

**5- Great! Monitored/measured/regular report**

1. How is the board of directors composed? Are there independent directors? Is there diversity in terms of skills, experience, and backgrounds?
2. What mechanisms are in place for effective risk management and internal controls? How are risks identified, assessed, and monitored?
3. How transparent is the organization's disclosure of financial and non-financial information? Are there any gaps or delays in reporting?
4. How does the organization protect and enhance shareholders' rights? Are there mechanisms in place for shareholder engagement and participation in decision-making processes?
5. How is the organization's compliance with relevant laws, regulations, and codes of conduct ensured?



1. Are there mechanisms to address conflicts of interest among directors, officers, or employees?
2. How are ethical standards and a culture of integrity promoted within the organization?
3. How does the organization monitor and evaluate the performance of the board and its committees?
4. What mechanisms are in place for whistleblowing and reporting of unethical behavior?
5. How does the organization handle executive compensation? Is it aligned with performance and shareholder interests?

# Conclusion and Call to Action

Effective corporate governance practices are critical to the success of any organization. Take action now and implement best practices. **What actions will you take today?**





# Conclusion

Adopting a strong code of corporate governance is not only a legal requirement, but a crucial element in building a sustainable and successful business that benefits all stakeholders.





Thank You