The Financial Reporting Council of Nigeria has published a new Code of Corporate Governance

For a deeper discussion, please contact your PwC team or:

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Introduction

The Federal Government of Nigeria has unveiled the Nigerian Code of Corporate Governance ("NCCG" or the "Code") drafted by the Financial Reporting Council of Nigeria ("FRC").

Background to the new NCCG

Sometime in 2016, the FRC released three draft Codes of Corporate Governance for Private Companies, Public Companies and Not-for- Profit Entities. The Codes were suspended as a result of the controversy generated after the release.

In exercising its functions based on Sections 11c and 51c of the FRC Act, the FRC drafted a new Code that consolidates the Codes for private and public companies while the Code for Not-for-Profit entities remain suspended.

Objectives of the Code

The Code seeks to institutionalise and encourage better corporate governance practices in Nigerian Companies.

In particular, the Code is principle based and requires the *"apply and explain"* approach. Companies are to adopt the practices in the Code and explain the reasons for adopting them in line with their activities.

The FRC will monitor the implementation of the Code through sectoral regulators, who will impose appropriate sanctions for infractions, based on the sectoral laws and regulations.

Structure of the Code

The Code is in 7 Parts and contains 28 Principles. It covers the Board of directors, Audit, Relationship with shareholders, Business conduct with ethics' Sustainability, Transparency and Definitions.

Key Points

Applicability: The Code applies to all Companies as there is no distinction between Private Companies and Public Companies or Public Interest Entities as is the case under the FRC Act.

Effective Date: The Code does not state an effective date, but we understand based on our discussions with the FRC that the Code will be effective from January 1, 2020.

Board of Directors: Expectedly, the Code places significant responsibilities on the Board of Directors comparable to global best practices from other countries in addition to the responsibilities contained in the Companies and Allied Matters Act.

External Auditors: The Code mandates a rotation of audit firms, and audit partners in a particular engagement, after a specified period. The Code also places an obligation on auditors to report any violations of the law by the company to the audit committee or the Board.

Whistle blowing: The Code mandates Boards to design a whistle blowing framework which allows for confidential disclosures of legal violations and company policy infractions.

Related Party Transactions: A Board should put in place a policy on related party transactions including disclosure based on a threshold.

Takeaway

Good corporate governance is critical for investment and sustainability. In line with global best practices, principle based Codes are more effective in driving the right behaviours and achieving the desired outcome.

Ultimately, the success will depend on the willingness by companies to adopt the Code and the ability of the FRCN to drive and monitor compliance.