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# CORPORATE GOVERNANCE AS A COMPETITIVE TOOL FOR GROWING THE NIGERIAN STOCK MARKET

By

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# Outline

- Overview of Corporate Governance
- Key Elements and Principles
- Legal and Regulatory Framework
- Corporate Governance: NSE Listing Perspective
- Benefits of Good Corporate Governance Practices



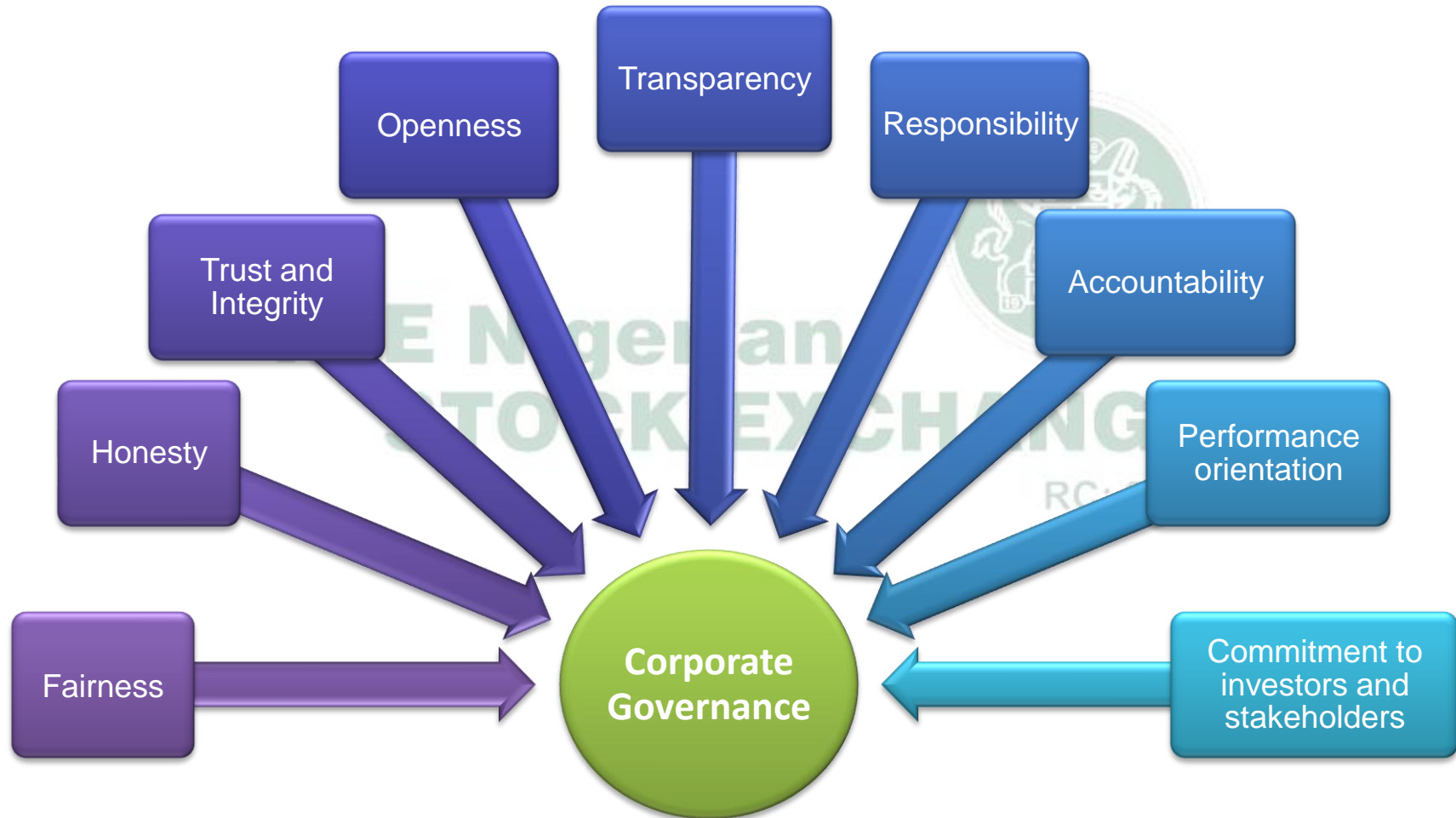
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# Definition

Corporate Governance is all about managing a company within the legal and regulatory framework, with the view of creating and enhancing shareholders' value.

# Key Elements



# Key Principles



# Corporate Governance Legal Framework

- Companies and Allied Matters Act 2004 imposes a legal responsibility on the directors to ensure that a company is well run
  - It defines the roles of the directors
  - It enables shareholders participation
  - It enables independent audit evaluation by the *Audit Committee*

# Regulatory Framework

- Codes of Regulatory Agencies
  - SEC Code for Public Companies
  - CBN Code for Banks and Other Financial Institutions
  - NAICOM Code for Insurance Companies



# Legal and Regulatory Framework

- **Efficacy:** Are the structures sufficient to stimulate growth in the market?
- **Implementation:** Should adoption be voluntary?
- **Capacity:** Do the agencies have capacity to verify statement of compliance?
- **Sanctions:** Are the sanctions sufficient to encourage compliance?



# Legal and Regulatory Framework contd.

- **Direction:** Corporate governance is evolving from voluntary adoption of Codes to compulsory application.
- **Nigeria:** The absence of penalties for non-compliance with Corporate Governance Codes has rendered a lot of the codes unenforceable.
- NSE does not have a separate Corporate Governance Code for listed companies.



# Corporate Governance: Listing Perspective

- **NSE:** Frontline regulator for listed companies with Listing Requirements which align with global best practices.
- **Rules:** Corporate Governance principles embedded.
- **Listing Requirements:** Unlike other corporate governance codes, is enforceable.
- **Compliance:** Companies that are desirous of maintaining their listing must comply with our Rules.

# Corporate Governance: Listing Perspective contd.

- Listing requirements are designed to:
  - Ensure that the market is fair and transparent
  - Promote market efficiency
  - Engender trust
  - Protect the investing public from market



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**The market rewards companies that imbibe high corporate governance practices, and it punishes defaulters.**

# Corporate Governance Principles: NSE Listing Requirements

## Transparency and Disclosure

- Complete Transparency
- Accuracy in Disclosure (operations, performance risk and financial position)
- Requirement for maintaining “street” credibility (*i.e., investor and market interest and confidence*)
- Key to liquidity



## Accountability

- Identifiable and measurable for performance of responsibilities
- *You are accountable to your investors*
- Ensures proper management of the business and a higher return on investment (ROI)

# Corporate Governance Principles: NSE Listing Requirements

## Responsibility

- Board responsibility, individually and as a group
- Board is responsible for formulating strategy and overseeing management to ensure implementation
- Professional and ethical responsibility
- Responsible for establishing corporate values and governance structures
- Comply with legal and regulatory requirements

## Fairness and Equitable Treatment

- Delineation of shareholders' rights
- Enable shareholder participation
- Equal treatment of shareholders
- Equal access to information
- Fairness and equitable treatment in all dealings between managers, directors and shareholders

# Who Benefits?

The Company and its Customers



Investors and Stakeholders



The Capital Market



# Benefits to the Company

- Improves corporate performance and operational efficiency
  - Direct benefit to clients
- Provides access to long term investment capital at lower cost
- Improves stakeholder relations
- Reduces operational, investment and reputational risk
  - Adds value to the firm
- Increases visibility for market and investors
  - Local and international
- Attracts and maintains investments
- Markets and investors reward well-managed companies with high valuation

# Benefits to Investors

- Maximizes shareholders wealth
- Boosts investors confidence
- Well-managed companies have consistent dividend policies



# Benefits to the Market

- Minimizes cost of regulation
- Increases informational efficiency
- Enhances liquidity
- Builds and boosts investors confidence
- Develops the depth and breath of the capital market
- Reduces investment risk



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# Weak Governance Systems

- Failure to establish effective and strong Governance practices affects the value of investments in the company
- Leads to increased risk
  - Operational risk
  - Accounting risk
  - Asset risk
  - Liability risk
  - Legal and Regulatory risk



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# Conclusion

***Empirical evidence shows that good corporate governance practices lead to more competitive listed companies, better investor returns, and sound markets.***



# Thank You

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