



# Implementing Effective Corporate Governance Strategies



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The implementation of effective corporate governance practices stands as a cornerstone of organisational success and sustainability in today's dynamic business landscape. By adhering to robust governance frameworks, companies can enhance transparency, accountability and ethical standards, fostering trust among stakeholders and investors. A commitment to governance not only mitigates risks but also drives long-term value creation and stakeholder confidence.

## Structure and Composition

In implementing effective corporate governance strategies, the Nigerian Code of Corporate Governance, 2018 ("NCCG") recommends that the structure and composition of the board of directors of a company have an appropriate balance of skills and diversity (including experience and gender) without compromising competence, independence, and integrity. There should also be an appropriate mix of executive, non-executive, and independent non-executive members with zero third-party/external Influence on the decisions of the Board.

## Establishment of Board Committees

The NCCG further recommends delegating some of the Board's functions, duties and responsibilities to well-structured committees. In establishing these committees, there should be a balanced distribution of power in respect of membership across committees. The Managing Director/Chief Executive Officer or an Executive Director should not serve as chairman of any board committee. The executive directors should not be members of the audit or nomination and governance committees and the chairman of the board should not be a member of any committee.

The NCCG recommends that a company's board should establish committees responsible for (i) Nomination and Governance, (ii) Remuneration, (iii) Audit, and (iv) Risk Management.



## Board Policies to guide Board Oversight

The NCCG recommends the development of 14 policies as follows: (i) Communication and Information Dissemination Policy, (ii) Conflict of Interest Policy, (iii) Delegation of Authority Policy, (iv) Diversity Policy, (v) Succession Policy, (vi) Remuneration Policy, (vii) Non-audit Services Policy, (viii) Related Party Transactions Policy, (ix) IT Strategy Policy, (x) Clawback Policy, (xi) Risk Management Policy, (xii) Stakeholder Engagement Policy, (xiii) Code of Business Conduct, and (xiv) Whistleblowing Policy. In addition to these policies, each board should have a charter, and each committee should have a terms of reference setting out its duties and responsibilities, among other matters. It is also recommended that an internal audit charter be put in place.

Furthermore, a company should have a delegation of authority matrix in place which delineates the duties of the finance department including provisions on (i) negotiation and procurement, (ii) co-signatory arrangements, (iii) safeguards for fund disbursement, (ix) adequate documentation, and (v) reviews and reconciliation.

## Clear Management Reporting Structures that aid Board Oversight

The following reporting structures should be adopted to aid board oversight (i) quarterly reports to the board and committees on Management's activities, (ii) internal audit reports, (iii) compliance reports, (iv) Board terms of reference documents, (v) approval and review of other policies, and (vi) whistleblowing mechanisms.

With regard to the whistleblowing mechanisms, the NCCG recommends a whistleblowing framework for reporting any illegal or unethical behaviour. The whistleblowing mechanism must be reliable and accessible, and guarantee confidentiality and the whistleblower's anonymity. It must be known to employees and external stakeholders, and the Board must continually publicly affirm its support for and commitment to the company's whistle-blower protection mechanism.



## Duties of Directors

Directors hold a significant responsibility in ensuring the establishment and maintenance of effective robust corporate governance structures. They are stewards of the company entrusted with upholding ethical standards, safeguarding the interests of stakeholders, and making strategic decisions.

Furthermore, sections 305-309 of the Companies and Allied Matters Act, 2020 provide that Directors are trustees of the company's money, properties and powers and as such shall, (i) account for all the money they exercise control over, (ii) refund any money improperly paid away, (iii) exercise their powers honestly in the interest of the company and all the shareholders, and not in their own or sectional interests, (iv) act with reasonable care, and (v) act in utmost good faith and in the best interest of the company. Sound corporate governance practices will ensure that the Directors act in accordance with their prescribed duties.

## Conclusion

Effective corporate governance practices are crucial as they provide a structure that defines the roles and responsibilities of the board, management, and shareholders. By establishing clear guidelines and procedures for decision-making, transparency, and accountability, corporate governance practices help to prevent conflicts of interest, mismanagement, and unethical behaviour within an organisation. Moreover, implementing sound corporate governance practices enhances investor confidence and trust. When stakeholders, including shareholders, employees, customers, and the public, see that a company is governed ethically and transparently, they are more likely to invest in, work for, and support that organisation. This, in turn, can lead to increased access to capital, improved performance, and long-term value creation.

Furthermore, effective corporate governance can safeguard against financial scandals, regulatory violations, and reputational damage. By promoting integrity, fairness, and compliance with laws and regulations, companies can mitigate risks and protect their reputations. In essence, implementing effective corporate governance practices is not just a best practice; it is a necessity for companies looking to thrive in today's complex and competitive business environment. Just like a well-oiled machine, a company with strong corporate governance practices is better equipped to navigate challenges, seize opportunities, and build a sustainable and successful future.