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CIRCULAR

SEC Corporate Governance Guideline and Revised FORM 01

10/10/2020

Click here to download the template for reporting compliance (SEC FORM 01)

GOVERNANCE GUIDELINES

The Financial Reporting Council of Nigeria issued the Nigerian Code of Corporate Governance (NCCG) in 2018, which replaces all existing sectorial Codes of Corporate Governance in Nigeria. The Securities and Exchange Commission subsequently developed the SEC Corporate Governance Guidelines (SCGG). Public companies are required to comply with the provisions of the NCCG and the SCGG.

The Nigerian Code of Corporate Governance (NCCG) 2018 is applicable to all sectors of the economy. However, given the peculiarity of the Capital Market, the SEC hereby issues additional recommended practices, largely obtained from the 2011 SEC Code of Corporate Governance for Public Companies in Nigeria, as Guideline. It is believed that these guidelines would add to the standards of transparency, accountability and good corporate governance of companies, without unduly inhibiting enterprise and innovation.

These Guidelines are structured along the Principles of the Nigerian Code of Corporate Governance 2018.

Public companies are to mandatorily comply with the requirements of the Nigerian Code of Corporate Governance 2018 and the SEC Corporate Governance Guidelines.

NEWS

Workshop – Internal Control Over Financial Reporting In Public Companies

Revised Schedule for the 2023 Capital Market Committee 2nd Webinar Meeting

3rd West Africa Capital Market Conference (WACMaC) in Lagos

Warning Against Investing With Binance

SEC Financial Statements Duly Audited Over The Years

Circular on the Activities of Binance Nigeria Limited

The Guidelines are as follows;

Guideline 1 – BOARD STRUCTURE AND COMPOSITION

Membership of the Board shall not be less than five (5).

Guideline 2 – FAMILY AND INTERLOCKING DIRECTORSHIP

2.1. To safeguard the independence of the Board, not more than two members of the same family shall sit on the Board of a public company at the same time.

2.2. To safeguard the objectivity and independence of the Board, cross membership on the boards of two or more companies should be discouraged. However, where it will lead to a conflict of interest situation as in cross-membership(s) on boards of competing companies, then it shall be disallowed.

Guideline 3 – OFFICERS OF THE BOARD

Board papers should be made available to every member of the Board at least one week prior to the date of the Board or committee meeting.

Guideline 4 – INDEPENDENT NON-EXECUTIVE DIRECTORS

4.1. Every public company shall have a minimum of one Independent Director on its Board.

4.2. An Independent Director:

1. Shall not be a Partner or an Executive of the company's statutory audit firm, internal audit firm, legal or other consulting firm that have a material association with the company; or
2. Has not been a partner or an executive of any such firm for three financial years preceding his/her appointment.

Guideline 5 – NOMINATION AND GOVERNANCE

The Nomination and Governance Committee shall perform the following:

1. Review the performance and effectiveness of the subsidiary company Boards on an annual basis where applicable;
 2. Prepare a job specification for the Chairman's position, including an assessment of time commitment required of the candidate; and
- Provide input to the annual report of the company in respect of Director compensation.

Guideline 6 – AUDIT COMMITTEE

Whenever necessary, the Committee may obtain external professional advice.

Guideline 7 – RISK MANAGEMENT COMMITTEE

The CEO/MD, Executive Directors and the Head of the internal audit unit must be in attendance at the meetings of the Risk Management Committee.

Guideline 8 – APPOINTMENT TO THE BOARD

8.1. In appointing a person to the Board, Shareholders should be provided with any real or potential conflict of interest, including whether a proposed appointee is an interlocking director.

8.2. The letters of appointment should cover the following:

1. Synopsis of Director's rights;
 2. Director evaluation programme used by the company, and
- Any other contractual responsibilities.

Guideline 9 – BOARD EVALUATION

The Chairman shall oversee the annual evaluation of the performance of the Chief Executive Officer. The CEO/MD shall similarly perform an annual evaluation for the Executive Directors based on agreed criteria or performance indicators.

Guideline 10 – REMUNERATION

10.1. The Remuneration policy should define a process, if necessary with the assistance of external advisers, for determining Executive and Non-Executive Directors' compensation.

10.2. The Board shall approve the remuneration of each Executive Director including the CEO individually taking into consideration direct relevance of skill and experience to the company at that time.

10.3 Where share options are:

1. adopted as part of executive remuneration or compensation, the Board shall ensure that they are not priced at a discount except with the authorization of the SEC. Any such deferred compensation shall not be exercisable until one year after the expiration of the minimum tenor of directorship; and
2. granted as part of remuneration to Directors, the limits should be set in any given financial year and be subject to the approval of the Shareholders in general meeting.
 - o Companies shall disclose in their annual report, details of shares of the company held by all Directors, including on an "if-converted" basis. This disclosure shall include indirect holdings.
 - o All Directors shall be required to disclose their shareholding whether on a proprietary or fiduciary basis in the public company in which they are proposed to be appointed as Directors, prior to their appointment.
 - o The Board shall undertake a periodic "peer review" of its compensation and remuneration levels to ensure that the company remains competitive.

Guideline 11 – INTERNAL AUDIT FUNCTION

The annual risk-based internal audit plan shall:

1. address the broad range of risks facing the company, linking this to a risk management framework; ii. identify audit priority areas and areas of greatest threat to the company;

- indicate how assurance will be provided on the company's risk management process; and
1. indicate the resources and skills available or required to achieve the plan.

Guideline 12 – BUSINESS CONDUCT AND ETHICS

Directors, Management and other employees have an obligation to comply with the principles of the Code of Business Conduct and Ethics at all times, including to:

1. protect and ensure the efficient use of the Company's assets for legitimate business purposes;
 2. make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally, towards achieving its goals;
- not engage in conduct likely to bring discredit upon the company, and should encourage fair dealing by all employees with the Company's customers, suppliers, competitors and other employees;
1. not take advantage of Company property or use such property for personal gain or to compete with the Company;
 2. keep confidential, information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law.

Guideline 13 – SUSTAINABILITY

13.1. Companies shall recognise corruption as a major threat to business and to national development and therefore as a sustainability issue for businesses in Nigeria.

13.2. Companies, Boards and individual directors must commit themselves to transparent dealings and to the establishment of a culture of integrity and

zero tolerance to corruption and corrupt practices.

Guideline 14 – DISCLOSURE

In order to foster good corporate governance, companies shall engage in increased disclosure beyond the statutory requirements in the CAMA.

PENALTY FOR NON COMPLIANCE WITH THE NIGERIAN CODE OF CORPORATE GOVERNANCE (NCCG) AND SEC CORPORATE GOVERNANCE GUIDELINES.

Any Company/Entity that violates the provisions of Nigerian Code of Corporate Governance and the SEC Corporate Governance Guidelines shall be liable to a fine of N500,000.00 in the first instance and a further sum of N5, 000.00 for every day the violation persists and or any other sanction as the Commission may deem fit in the circumstance.

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