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RESEARCH ARTICLE

The Evolution of Corporate Governance in Nigeria: 1886–2018

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ABSTRACT

This study aims to document the beginnings of corporate governance in Nigeria, from the earliest discernible attempts to hold companies accountable for their activities up to the emergence of codes that seek to formalize the principles that guide the conduct of agents who run companies on behalf of the owners and other stakeholders. Using the historical approach, the study describes and interprets past events within the business space in the territories that eventually became known as Nigeria. It is argued that the embryonic stages of sound corporate management in Nigeria are traceable to 1886 when the British Government granted Royal Charter to the Royal Niger Company. From then on, corporate governance progressed until 2018, when the Nigerian Code of Corporate Governance (NCCG 2018) was introduced. This study bridges the gap in corporate governance scholarship in Nigeria by documenting, in a systematic fashion, a chronological inquiry into the origins of corporate governance in Nigeria.

Keywords: Codes of corporate governance, Corporate governance, Evolution of corporate governance.

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1. Introduction

This study aims to document the beginnings of corporate governance in the geographical area known today as Nigeria. Even though there exists significant research on corporate governance, not much has been done to explore its origins in Nigeria. Thus, while Okike (2007) reviewed the colonial background of the concept dating back to the Companies Ordinance of 1922, no details are provided on what corporate governance was, if any, from the period before the Companies Act of 1968. Similarly, Ahunwan (2002) made a brief reference to the foreign origins of companies that operated in Nigeria between 1862 and 1912, when the first company legislation was enacted, but was silent on what corporate governance could have been like within that period.

Corporate governance research in Nigeria reflects varied themes, some of which are reviewed here briefly. For instance, Adegbite (2012) and Adewuyi and Olowookere (2013) have written about the governance code, regulatory institutions, structure, and processes; Adeyemi and Fagbemi (2010) analyzed the relationship between ownership structure and audit quality, while Uadiale (2010) and Ujunwa (2012) discussed board structure and characteristics. The law and practice of corporate governance in Nigeria is the focus of Ajogwu (2007).

Concerns about the efficacy of corporate control procedures in Nigeria have attracted considerable interest. The relationship between board effectiveness and committees (Ajogwu, 2009a), enhancing board effectiveness through board evaluation (Ogbechie, 2009), and the role of the board chairman (Ajogwu, 2009b) are some of the studies in this area. Others have focused on the audit committee (Owolabi, 2011), leadership (Ogbechie, 2013), and factors that hinder the implementation of sound governance in Nigeria (Okpara, 2011; Adekoya, 2011).

Concerns over firm performance and profitability have inspired studies on the relationship between corporate governance and shareholder value (Kyereboah-Coleman, 2007), the link between the structure of corporate governance and firm performance (Ehikioya, 2009), and the connection between corporate governance, risk management, and performance of quoted companies in Nigeria (Agamah, 2013). The related themes of disclosures and accountability have been found in Amao and Ameshi's (2008) work on shareholder activism and Adelopo's (2011) voluntary disclosures.

There is a growing body of research on corporate governance in banks and financial institutions in Nigeria. From Yakasai (2001) to Ogbuozobe (2009); as well as Olatunji and Ojeka (2011) to Akanbi (2012), scholars have explored

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varied themes such as the connection between governance, NEDs, and the performance of banks in Nigeria.

Some authors, like Marshall (2015), traced the development of corporate governance in Nigeria to the release by the SEC in 2003 of the Code of Corporate Governance in Nigeria (SEC Code 2003). However, a major limitation of this approach is that it fails to account for the processes by which companies were run (Cadbury, 1992) before the SEC Code 2003 was published. It is imperative for an inquiry into the origin of corporate governance in Nigeria to extend to the period prior to 2003 for a complete picture to emerge.

The SEC Code 2003 was the first formal code of corporate governance in Nigeria. It was meant to improve the way companies are run. This was followed by sector-specific codes in the banking, insurance, pensions, and telecommunications sectors, aimed at fine-tuning the processes of running the corporate entities that operate in those sectors. However, the definitive moment for corporate governance arrived on January 15, 2019, when the Financial Reporting Council of Nigeria (2018) released the Nigerian Code of Corporate Governance 2018 (NCCG 2018) with the objective of institutionalizing a sound and effective corporate culture aimed at raising the standard of company administration in Nigeria (NCCG 2018). Even though the NCCG 2018 applies to all the companies described in the *Regulation on the Adoption and Compliance with the Nigerian Code of Corporate Governance 2018* (Regulation 2019), this study focuses on public companies and private companies in the banking, telecommunications, insurance, and pensions sectors of the Nigerian economy.

This study has five sections. The first is the introduction, the second is the literature review, and the third examines the research approach. The fourth and the fifth sections deal with analyses of codes of corporate governance in Nigeria and conclusions, respectively.

2. Review of the Literature

2.1. Precursors of Corporate Governance in Nigeria

Commercial activities had existed in the vast geographical area known today as Nigeria long before the advent of European traders and colonialists in the late 15th century. Crowder (1978) records that organized kingdoms such as Benin, Ife, and Oyo traded actively with people from the inland before the arrival of Joao Affonso d'Aveiro in Benin in 1486, an event that has been described as "*a turning point in Nigerian history*" (p. 48). Additionally, states, empires, and the predominantly agrarian communities of the savannah and the far north not only traded with their counterparts from the south but also carried on trade with North Africa across the Sahara Desert (Crowder, 1978).

Trade in agricultural commodities and items such as salt, dried fish, and iron tools etc gave way to the commoditization and shipment of Africans across the Atlantic Ocean. This was to last from about the mid-16th century to the early 19th century, a period of about 400 years (Crowder, 1978).

While the activities of traders in consumables and powerful African middlemen who dealt with slaves are well-known, not much is on record as to whether these traders and middlemen operated based on organized guilds or cartels. This was the case even after the end of the slave trade and the ascendancy of normal trade in commodities.

The activities of traders from Liverpool in the United Kingdom and trading houses controlled by African chiefs and other powerful middlemen in the Delta area have been well documented (Ekundare, 1971; Crowder, 1978). Even though about 200 firms were said to be active in the Delta area (Crowder, 1978), boosted by the reported boom in trade in palm oil and palm kernel among the coastal communities and between them and the British traders (Njoku, 2003; Ekundare, 1971), there is no record of any of such firms being incorporated as legal entities in the Delta area (Nwangwu, 2018), or that they were run on any principles of modern company administration.

Moving further up the Niger River, factories and trading posts were reported to have been set up at Aboh, Onitsha, and further inland at Lokoja in the Niger-Benue confluence area (Crowder, 1978), but there was no reported case of any organized process by which those enterprises were run. Much later, in 1865, the British set up the Company of African Merchants to promote trade in the interior and explore commercial opportunities further north (Crowder, 1978). According to Crowder (1978), by 1878, four trading companies based in Glasgow, Liverpool, Manchester, and London were prominent along the Niger trade routes. By 1879, the major trading companies in the Niger area had coalesced into a single trading entity known as the United African Company (Crowder, 1978). This new entity metamorphosed into the National African Company, which was subsequently granted Royal Charter in 1886 and renamed the Royal Niger Company (RNC) (Pearson, 1971).

The empowerment of the RNC through the grant of the Charter changed the coloration of commercial activities in the Niger territories, which at that time had officially come under the sphere of influence of Britain by virtue of the consensus reached amongst the major European powers at the Berlin Conference of 1884–1885. The RNC promptly used the political authority embodied in the Charter to maximum effect. It quickly become a monopoly, imposing onerous tributes on indigenous traders and levying duties on imports and exports. In 1899, however, the British Government withdrew the Charter due to unfair trade practices and oppressive conduct towards the African people and traders (Crowder, 1978; Pearson, 1971).

A key feature of the companies that operated in the Niger Delta area and the interiors that would eventually become Nigeria was that their source of regulation was in faraway England. The remoteness of this source required that there would have been some local regulating authority in their immediate environment. However, there were no prospects of any local regulating authority. The British consular administrators and traders were pre-occupied with the establishment of control and order over vast areas occupied by nationalities that were constantly either at war with each other or were attacking or undermining British trading interests. The pressing need to subjugate and bring the indigenous population under their control to pave the way for the expansion into the interior, of

trading and, eventually, missionary activities from Lagos and the coastal areas of Calabar and Bonny, outweighed the necessity of enforcing sound governance in those firms. The trading entities were left to their own devices.

The question of whether the companies that operated in the Niger areas applied any form of corporate governance principle in their operations will be answered with reference to an incident that happened in the wake of the violent reaction of the people of Nembe, Brass, against the stifling trade policies of the RNC. In accepting some of the recommendations of Sir John Kirk, the government appointee who investigated the Nembe revolt, Sir George Goldie (the directing mind and will of the Company) was reported to have lamented to the Company's shareholders about his concern that he would be remembered for leaving a legacy of infamy despite his efforts to further the interests of the British (Flint, 1960).

Sir George Goldie's contrition before the shareholders of the RNC was indicative of some level of accountability by those who ran that Company, even though this was only one reported case and, therefore, not enough evidence of a general practice of accountability among companies in operation in the Niger areas at that time. There is no evidence of any structure in the business outfits controlled by the African middlemen that encouraged accountability akin to what has been observed in the RNC.

The Companies Ordinance of 1912, though only applicable to Lagos, marked the beginning of formal company regulation in Nigeria (Orojo, 1992). An outstanding feature of the 1912 Ordinance, according to Ayua (1984) and Orojo (1992), was the introduction in Nigeria for the first time of procedures for the incorporation of companies by registration. Prior to this time, the companies that operated in Nigeria were of foreign origin and were regulated by the laws of their country of origin. The absence of a local regulatory framework meant that indigenous companies ran without formal institutional controls, a situation that resulted in corporate failures, particularly among the local banks. This position finds support in Ebhodaghe (1991), who has attributed the collapse of local banks during this period to governance deficiencies.

The Companies Ordinance of 1922, which repealed the 1912 and 1917 Ordinances and had a country-wide application (Orojo, 1992), was amended in 1929, 1941, and 1954; re-christened Companies Act in 1963, and remained in force until it was repealed by the Companies Act of 1968 (Orojo, 1992).

The Companies Act of 1968, in some respects, presaged today's governance measures designed to protect shareholders (Ayua, 1984). Some of these measures include the requirement that directors prepare company accounts and present the same to members at a general meeting, along with the report of the auditors thereon and that of directors. Also, directors of companies were required to file annual returns with the Registrar of Companies, which must be accompanied by audited financial statements as laid before members at a general meeting to which the returns relate. The annual returns were accessible to the public. Additionally, the Act provided for the protection of minority rights through judicial enforcement where necessary (Orojo, 1992).

The Companies Act of 1968 pointed corporate entities in the direction of accountability, transparency, and corporate disclosures, which have become key features of today's corporate governance. These principles, which are aimed at protecting investors and others who may be affected by the activities of companies, have found expression in Section 6(2)(a) of the Financial Reporting Council of Nigeria (2018), as part of the objects of the Council. The relevance of these themes in today's corporate governance considerations is underscored by a survey of institutional investors undertaken by McKinsey (2000, 2002) and the IFC (2010). The survey revealed that transparency, the accuracy of disclosures as well as respect for shareholder rights are key factors that influence investors' decisions on whether to invest in emerging economies or not. Similarly, Sternberg (2004) believes that directors can be made answerable for their stewardship in the management of corporate resources through the enforcement of directors' duties and prompt periodic and truthful reporting to shareholders, among other corporate control mechanisms.

It is evident from the foregoing that a recognized setting for corporate governance existed in the Nigerian corporate environment long before the introduction of the SEC Code 2003.

A quick review of some key provisions of the Companies and Allied Matters Act of 1990 (CAMA, 2004), which repealed the Companies Act of 1968, buttresses the above finding. CAMA has enhanced the capacity of owners to control the actions of the company and enforce director-accountability through its provisions on meetings (Part VIII, Sections 211–243); directors (Part IX, Chapter 1, Sections 244–291); minority rights protection (Part X, Sections 299–330); as well as directors' responsibility for putting together financial statements, as well as audit and disclosures (Part XI, Chapter 1, Sections 331–356; Chapter 2, Sections 357–378).

The idea that corporate governance is a device for controlling or limiting the discretion of managers in their exercise of residual rights on behalf of the owners (Shleifer & Vishny, 1997) is implicit in the above review. An adjunct to this reasoning is Sternberg's (2004; see also Kyereboah-Coleman, 2007) argument that effective corporate governance can only take place when managers are made answerable for their role in the management of the corporation's assets and resources. Cadbury (1992) stressed this point when he enjoined directors to discharge their duties conscientiously.

Evidence exists to support the argument that even before the collapse of Enron Corporation in 2001 and the emergence of the Sarbanes-Oxley Act of 2002, corporate thinking in Nigeria had shifted towards strengthening corporate governance by making corporate boards more effective and accountable. In mid-2000, SEC, in response to the ripples created by the then Lever Brothers' suspected manipulation of financial statements (Ajogwu, 2007, 2013), initiated the process of reviewing and strengthening corporate governance practices in Nigeria, which gave birth to the first Securities and Exchange Commission Code, christened the "Code of Corporate Governance in Nigeria" (SEC Code, 2023). The 2003 Code was followed

by other codes in the banking, pensions, insurance, and telecommunications sectors between 2006 and 2016.

Even though SEC replaced the *Code of Corporate Governance in Nigeria 2003* with an enlarged *Code of Corporate Governance for Public Companies 2011*, the most significant contribution to the development of corporate governance in Nigeria came from the Investments and Securities Act of 2007 (Investments and Securities Act, 2007).

The Enron Scandal caused a change in corporate governance thinking and underscored the need for accountability and transparency in financial reporting as investor-protection mechanisms. While the United States addressed the mischief symbolized by Enron by the enactment of the Sarbanes-Oxley Act, 2002, Nigeria strengthened its institutional framework for corporate governance through Sections 60–65 of the ISA 2007. In broad terms, those provisions made it not only mandatory for public companies in Nigeria to file with SEC periodically, their audited financial statements but to also make obligatory disclosures certified by the Chief Executive Officer and Chief Financial Officer, vouching for the integrity of the financial statements, and the adequacy of internal controls, among others.

The standards laid down by the ISA 2007 were expected to strengthen board and management oversight of quoted companies in Nigeria. Was this expectation met? We will attempt to answer this question in subsequent studies of the evolution of corporate governance in Nigeria.

2.2. *Corporate Governance*

The collapse of Enron Corporation in 2001 was not the first corporate governance failure in history. However, that tragic event was significant because, for the first time, it threw up in bold relief the necessity for protecting investors through the enforcement of sound principles of governance. This was evident from the groundswell of regulations from governments around the world, which were aimed at addressing the weaknesses that Enron came to represent. While the United States of America rolled out the Sarbanes-Oxley Act in 2002, the United Kingdom followed with the (Higgs Review, 2003), while Canada's Bill 198 (Canadian Sox or C-Sox) of 2003 was enacted. In Australia, the *Corporate Law Economic Reform Programme Act* (CLERP 9) 2004 was passed, followed by Clause 49 of the Indian Stock Exchange Listing Agreement in 2005. Japan came out with the *Financial Instruments and Exchange Act* (J-Sox) in 2006; Nigeria had Sections 60–65 of the Investments & Securities Act of 2007; while the European Union released the Euro-Sox (The EU Directives on Statutory Audit and Corporate Governance) in 2008.

The perception of corporate governance as a means for moderating and controlling the behavior of the agents who manage the corporation is evident from the regulatory responses mentioned above. The underlying assumption is that without corporate governance, those who run corporations may pursue a self-seeking agenda that could destroy value for the owners. Corporate governance is thus seen as the answer to the problem created by the absence of convergence between owners and those who run corporations (Shleifer & Vishny, 1997; Eisenhardt, 1989; Berle & Means, 1991). This idea underpins Sternberg's (2004) portrayal of corporate governance as a device that ensures that corporate resources are channeled towards attaining the goals of the owners.

Shareholders are not the only people interested in the affairs of a corporation. Creditors, workers, contractors, clients, local groups, government, the public, etc., described as *stakeholders* (Freeman, 1984; Letza *et al*., 2004), are also concerned about the activities of companies. Thus, from a stakeholder standpoint, corporate governance could be regarded as a collection of procedures, practices, guidelines, regulations, and structures that influence the actions of a company in relation to those who are affected by its activities (Mostovicz *et al*., 2011).

Corporate governance is also understood as a means of achieving economic efficiency (Goergen *et al*., 2005). This view finds support in Keasey *et al*.'s (2005) description of the concept as an instrument that ensures discipline amongst corporate managers but also makes the managers answerable for their actions while guaranteeing that the company remains profitable. This perspective underscores the role of control and accountability in achieving the ultimate objective of corporate governance.

Holding managers accountable for their conduct on the use of corporate assets (Sternberg, 2004; Kyereboah-Coleman, 2007) is essential for understanding what corporate governance entails. In their seminal article on the *shareholding vs. stakeholding* debate, Letza *et al*. (2004) reviewed four theoretical models of corporate governance which provide an insight into how control and accountability can be achieved in a corporate setting. However, this article focuses on the first three of the theoretical models because they are more directly relevant to the study.

The *principal-agent* or *finance model*, according to the authors, posits that a combination of market discipline, the introduction of voluntary codes, and the appointment of non-executive directors (Letza *et al*., 2004) will limit the discretion of opportunistic or errant managers. The *abuse of executive power model*, on the other hand advocates statutory intervention in corporate governance, limiting the tenure of CEOs to a fixed term of four years, giving more powers to NEDs, and in what could be regarded as a precursor of today's INEDs, the independent nomination of directors (Letza *et al*., 2004). Proponents of the third model, the *stakeholder model*, believe that managers are less likely to misconduct themselves when employee participation is encouraged and business ethics are applied (Letza *et al*., 2004).

The idea that corporate governance can only thrive within a framework of structures, processes and principles which put restraints on the opportunistic tendencies of managers is implied from the foregoing discussion. It is expected that a properly governed company will have a board of directors comprising EDs and NEDs, which provide leadership; the existence of a risk management structure which incorporates an effective audit and internal controls system that vouch for the integrity of management action and financial information; timely and accurate disclosures; evaluation of the board at

periodic intervals; and the use of board committees to aid board decision-making, among others (OECD, 2004; Australian Securities Exchange Corporate Governance Council, 2007; Ross & Crossan, 2012). This study will attempt to evaluate the sector-specific codes using the foregoing as a guide.

It is evident from the literature review that the journey towards formalizing corporate governance in Nigeria had started well in advance of the introduction of the first code of corporate governance in 2003. A dominant feature of corporate governance practice in Nigeria is the use of codes as a regulatory mechanism. So ubiquitous have the codes become that in addition to the NCCG, 2018, some key sectors of the economy have their own codes. The literature review has also unveiled the theoretical origins of the use of codes of corporate governance. The introduction of codes of governance in Nigeria, whose application is mandatory for all companies in the relevant sectors, is an instance of the statutory intervention in governance which was advocated by the *finance model* and the *abuse of executive power model* (Letza *et al*., 2004) earlier reviewed in this study.

The section on *Codes of Corporate in Nigeria* will show the strong influence of the prescriptions of the theoretical models on the practice of corporate governance in Nigeria.

3. Research Approach

This study is about events that happened in the past. It is the story of corporate governance in Nigeria, the geographical entity that emerged from the amalgamation of the Protectorate of Southern Nigeria and the Protectorate of Northern Nigeria on January 1, 1914 (Ekundare, 1971; Crowder, 1978; Inyang & Bassey, 2014; Nwangwu, 2018).

This study covers the period from 1886 to 2018–a time span of 132 years. The year 1886 was picked as the commencement date because that was the year that the British Government granted Royal Charter to the RNC (Pearson, 1971). Crowder (1978) reports that the RNC was a product of the combination, in 1879, of the trading companies in the Niger area into a single entity known as the United African Company, later changed to the National African Company and subsequently rechristened RNC after the grant of the Royal Charter.

Two significant developments at this time gave hints that the need to make actors in the business environment answerable for their conduct had become an issue in the way companies ran their affairs. In 1899, the British Government stripped the RNC of its Charter due to the oppressive conduct of the company. Then, Sir George Goldie (the chief helmsman) was reported to have expressed contrition before the company's shareholders regarding the legacy he was leaving behind as the one who controlled the company at the time (Crowder, 1978; Flint, 1960). These developments suggest that the era of impunity in the way the trading companies operated at that period was gradually coming to an end and that some form of accountability was now being demanded in the corporate environment.

The year 2018 marked a breakpoint in the history of corporate governance in Nigeria. That was the year that concrete steps were taken, for the first time, to institutionalize a uniform framework for corporate governance.

The historical nature of the research required the adoption of a research approach that enabled the researcher to describe, interpret, and make meaning of "verifiable past [events]... as against unverifiable myths" (Porra *et al*., 2014, p.540). This necessarily implies that this study is rooted in interpretivist assumptions rather than the positivist tradition.

Historical research is the systematic examination of events of years gone by, which requires an explanation of the roles played by people and circumstances in creating those events, the objective being to enrich the knowledge of the past (Elena *et al*., 2010). Information required for historical research could be derived from primary or secondary sources. This study relies on a mix of both – primary sources like legislation and the codes of corporate governance and secondary sources comprising historical accounts written by authors who derived their information from official records, personal records, or published materials relating to the participants in the events being described (Gulam, 2016).

The authenticity of the sources can be established through corroboration by multiple sources, a form of triangulation (Buckley, 2016). This process aligns with Porra *et al*.'s (2014) notion that history should be considered as a collaborative endeavor of several researchers whose works represent an approximate depiction of the past. This still does not eliminate the subjectivity involved in interpreting past events. Concerns about the trustworthiness and accuracy of the events described could be addressed by relying on the authority of the authors, who are well known academics that have published scholarly articles in reputable journals or have published books that have won acclaim (Gulam, 2016).

4. Codes of Corporate Governance in Nigeria

4.1. The Code of Corporate Governance in Nigeria, 2003

Nigeria's first formal code was the *Code of Corporate Governance in Nigeria*, released in 2003 (Securities and Exchange Commission, 2003). It was the product of collaboration between the CAC and SEC. It aimed to promote corporate discipline, transparency, and accountability.

According to the SEC Code 2003, the board provides leadership Securities and Exchange Commission (2003), the board provides leadership for the company and, in the words of the Hampel Report (1998, para. 1.1), *"enhance[s] the prosperity of the business"* by creating value for shareholders, employees, and other stakeholders of the company. Even though the Code provided for a board comprising EDs and NEDs, which was to meet quarterly, the SEC (2003) was silent on the ratio of EDs to NEDs. Theoretically, therefore, it was possible for a board under the Securities and Exchange Commission (2003) to have more EDs than NEDs.

The SEC Code 2003 Securities and Exchange Commission (2003) did not prohibit, in clear terms, the issue of one person combining the roles of Board Chairman and Chief Executive Officer. Instead, it allowed a company to have a

Vice Chairman who was a strong non-executive independent director. Except for references made to independent directors in Clauses 3(c) and 6(iii), an indication that it might have been contemplated that boards should have independent directors, the SEC Code 2003 did not make any definitive provision for INEDs.

The SEC Code 2003 also underscored the need for open disclosures in the affairs of a company, including its going concern status; the obligation of the board not only to put sound internal controls in place but also to report on their effectiveness in the annual report; as well as the need for independent external auditors, and a board audit committee (Agamah, 2017).

4.2. *Sector-Specific Codes of Corporate Governance*

The CBN-driven banking consolidation of 2005–2006 saw the introduction of the CBN Code 2006 (CBN, 2006), but which was subsequently replaced by CBN Code 2014 (CBN, 2014). Every bank was obliged to apply these Codes. Note, however, that prior to the CBN Code 2006, the Bankers' Committee had adopted a Code of Corporate Governance for Banks and Other Financial Institutions in 2003. Even though the Bankers' Committee Code stressed the need for good governance anchored on board competence and integrity, probity, fiduciary responsibility, transparency, and accountability, banks were not compelled to apply its prescriptions.

The CBN Code 2006 (which was superseded by the CBN Code 2014) was followed in quick succession by the PENCOM Code 2008, NAICOM Code 2009, and the NCC Code 2014 (revised in 2016) (in this section, all collectively referred to as "the sector-specific codes").

The Table I below summarizes the key provisions of the sector-specific codes across five parameters, namely, the role of the board, board structure and tenure, decision-making structures, risk management, disclosures, and board evaluation.

The sector-specific codes all agree that the leadership responsibilities of the board include value creation for owners of the company and others through putting effective controls in place, risk management, strategy formulation, protection of assets of the company, performance evaluation, and value setting (Murphy, 2006; OECD, 2004).

The sector-specific codes prescribe a single board made up of EDs and NEDs, and a defined tenure for the directors. Except for the PENCOM Code (2008), which allows like numbers of EDs and NEDs, all the other sector-specific codes recommend more NEDs than EDs on the board. The CBN Code 2014 provides for a simple majority of NEDs, at least two of which should be INEDs. The NAICOM Code (2009) stipulates that there should be more NEDs (one of which one should be an INED) than

TABLE I: Corporate Governance Parameters Extracted from the 4 Sector-Specific Codes of Corporate Governance

Governance parameter	PENCOM code 2008	NAICOM code 2009	CBN code 2014	NCC code 2016
The role of the board	Strategy formulation; performance monitoring and evaluation; risk management; compliance monitoring; oversight of compliance, internal controls, and financial reporting.	To review corporate strategy, corporate policy formulation and risk management.	Strategy formulation and implementation; human capital management; executive and top management recruitment; and succession planning.	Governance of the company, determining the core values and ensuring a culture of ethical conduct.
Board structure and tenure	Equal number EDs and NEDs; at least one INED; no prescribed minimum or maximum number of directors; executive duality not allowed: however, where the Chairman and the CEO are related, this fact shall be disclosed.	Preponderance of NEDs over EDs; minimum of 7 and maximum of 15 members. Executive duality not allowed. At least one INED	Board size of 5 to 15 members, with preponderance of NEDs over EDs; at least two INEDs; executive duality not allowed; limited tenure for directors: NEDs shall serve for a maximum of 12 years; a CEO shall serve for a maximum term of 10 years; INED shall be appointed for a maximum of 8 years.	Large companies should have at least 5 directors, two of which should be EDs, one of which should be the CEO. Board size for smaller companies should be as prescribed by CAMA for small companies. Large companies should have at least two INEDs; small companies one INED. There should be more NEDs than EDs. Maximum term for directors is 15 years. Executive duality not allowed.
Decision-making structures	Regular board meetings, at least one per quarter; establishment of board committees; division of functions: matters exclusively reserved for the board.	Board meets at least once per quarter; must meet minimum attendance of 75%. The board works with committees.	Committees assist the Board with decision-making; Board Chairman must not sit on any Committee; non-executive directors to chair board committees; at least one board meeting per quarter.	The board functions through board committees. Board meets at least once per quarter.

TABLE I: Continued

Governance Parameter	PENCOM code 2008	NAICOM code 2009	CBN code 2014	NCC code 2016
Risk management	The board oversees risk management.	The board is responsible for risk management.	The board is responsible for risk management.	The board oversees risk management.
Disclosures	Matters to disclose include executive duality; outcome of board evaluation to PENCOM; and directors' remuneration to shareholders in audited accounts. Reporting requirements: corporate governance processes; conflicts of interest; composition of board committees; controls, and risk management systems.	Board performance appraisal to be forwarded to NAICOM. Capital structures and arrangements that give control to certain shareholders; major corporate changes; board remuneration policy; conflicts of interest involving directors, employees, or CEO; Internal Audit Report to be disclosed in Audited Financial Statements; disclosures required in Annual Accounts. Report of attendance at board meetings.	Board evaluation report to be presented at AGM.	Board evaluation should be disclosed in the audited accounts. A compliance report should be filed with the Commission annually.
Board evaluation	Board evaluation to be handled by an external 3rd party, or the board can appraise itself based on an appraisal template pre-approved by PENCOM.	Board evaluation by a consultant to be appointed by the shareholders.	Board performance evaluation by an independent professional; presented at AGM and thereafter sent to the CBN.	The board should be evaluated annually. File a return with the Commission confirming that board evaluation has been carried out.

EDs on the board, while the PENCOM Code (2008) prescribes no minimum or maximum board size but provides for one INED.

The NCC Code (2016) makes a distinction between *large companies* and *small companies*. Large companies must have at least one of these features: operate across three or more geopolitical zones; have turnover of more than N1billon; employ more than 200 workers; and have a subscriber base of not less than 500,000. Large companies should have at least five directors, two of which should be executives. Large companies are permitted to have at least two INEDs.

The NCC Code 2016 also states that board size for small companies should be as prescribed by CAMA[1], and they should have one INED. In all cases, there should be more NEDs than EDs on the board.

Another point worth noting is that while the sector-specific codes do not permit the fusion of the role of board chairman and CEO in an individual, executive duality is permissible under the PENCOM Code 2008 if this fact is disclosed.

The sector-specific codes recognize committees as vital decision-making organs of the board. The committees are required to meet quarterly. While the NAICOM Code (2009) and the CBN Code 2014 require a minimum of 75% attendance at board and committee meetings, only the CBN Code 2014 prohibits the chairman of the board from membership of any committee and executive directors from chairing board committees.

[1] The basic prescription for board composition under the Companies and Allied Matters Act (2020), is that all companies should have at least two directors, except small companies, which can have a single director. To qualify as a small company, an entity must be a private company with annual turnover of not more than N120m; net assets value of not more than N60m; must not have foreign member(s); and must not have any form of government participation. Section 394(3) CAMA 2020.

4.3. *Codes of a General Application*

In 2011, the Nigerian SEC released the Securities and Exchange Commission (2011), which was a vast improvement over the SEC Code 2003. Like its 2003 predecessor, the SEC Code 2011 applied to all public companies and those companies that looked to the capital market to raise funds. The SEC Code 2011 dealt with an array of subjects, from board composition to risk management, ethics, and integrity in financial reporting, to mention just a few. The power to administer the SEC Code 2011 was vested in SEC, being the primary regulator of public companies in Nigeria.

SEC had the responsibility for regulating corporate governance in public companies before the emergence of the NCCG 2018. SEC shared this role with sector-specific regulators in the banking, insurance, pensions, and telecommunications sectors of the economy. Companies operating in those sectors were required to apply codes prescribed by their respective regulators.

Even though not specifically annulled, it is doubtful whether the SEC Code 2011 is still relevant in view of the wide regulatory powers given to the FRC on corporate governance matters. Meanwhile, SEC now requires public companies to apply the SEC Corporate Governance Guidelines (SCGG), which according to SEC was derived substantially from the SEC Code 2011. The 14 Guidelines are on board structure and composition, family and interlocking directorship, officers of the board, INEDs, audit committee, risk management, appointment to the board, board evaluation, remuneration, internal audit function, business conduct, and ethics, sustainability, and disclosure. Public companies in Nigeria must comply with the NCCG 2018 and the SCGG.

The NCCG 2018 derives its legitimacy from Sections 11(c) and 51(c) of the FRC of Nigeria Act. These provisions, read together with Sections 7(2)(a), 8(1)(g) and (l), and 11(e), give powers to the FRC to oversee/enforce corporate governance in all sectors of the economy, as well as to promote public awareness of the same.

The NCCG 2018, with its seven parts, 28 principles, and several recommended practices, is broader in scope and more robust in perspective than the SEC Code 2011. A key difference between the two is that unlike the latter, which applies to public companies only, the NCCG 2018 applies to all *public interest entities* as defined in Section 77 of the FRCN Act 2011, whether they are public or private companies.

The debate about whether the NCCG 2018 has replaced all sectoral codes of corporate governance in Nigeria remains inconclusive, at least for now. While the NCCG 2018 recognizes the existence of the sectoral codes, there is no suggestion in either the FRCN Act 2011 or the NCCG 2018 that the sectoral codes have been nullified or subjected to the NCCG 2018. The conclusion that appears reasonable at this point, therefore, is that the NCCG 2018 and the sectoral codes will complement each other and continue to operate side-by-side under the overarching goal of the NCCG 2018 to ensure that companies in Nigeria are run properly for the owners and others who are affected by the activities of the companies.

5. Summary and Conclusions

This study is an account of the evolution of corporate governance in Nigeria. The study has traced the early beginnings of the concept to the Royal Niger Company, which exercised authority over much of the Niger Delta areas by virtue of the Royal Charter granted by the British Government in 1886. It is not clear from the literature whether the company was run on any discernible principle of corporate governance. However, Sir George Goldie, who was the controlling figure in the company, was reported to have shown some remorse before the company's shareholders following the rebuke by the British Government in the wake of the Nembe revolt. This was the only indication from the literature that there was accountability in the running of the company.

The formal footing for corporate governance in Nigeria began with the Companies Ordinance of 1912. However, it was the Companies Act of 1968 that gave corporate form to the notions of accountability, transparency, and corporate disclosures, which are central to the protection of investors and constitute the core objective of company legislation in Nigeria today.

Nigeria has witnessed a succession of codes of corporate governance, starting with the SEC Code 2003, followed by the various sector-specific codes, and the SEC Code 2011. The defining moment for corporate governance in Nigeria was, however, the introduction of the NCCG 2018, which set for itself the objective of bringing corporate governance practice in Nigeria under one regulatory umbrella.

More research is required to ascertain the effectiveness of the codes of corporate governance in Nigeria. It might also be necessary to appraise the NCCG 2018 to offer a prognosis on its likely impact on the way companies are run in Nigeria. This will form the theme of further research on the corporate governance environment in Nigeria.

Conflict of Interest

The authors declare that they do not have any conflict of interest.

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