Corporate governance and accounting ethics

EDITOR

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AG EDITOR

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Contribution Page

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Abstract

The modern business environment needs corporate governance and accounting ethics, as the main pillars of organizational accountability, transparency, and sustainability. This textbook is a complex study of both notions, combining classical theories, modern rules and regulations, and ethical norms of both national and international levels. The text critically reflects on the interaction of the governance structures, the responsibilities of the boards and shareholder roles in influencing ethical financial reporting and sustainable corporate behaviors by drawing on multidisciplinary theories such as the agency theory, stakeholder theory, institutional theory as well as political economy frameworks. The Nigerian context is highlighted with the help of the main regulatory tools, including the Companies and Allied Matters Act (CAMA, 2020), the Nigerian Code of Corporate Governance (NCCG, 2018), and the ethical statements made by the professional organizations, i.e., the Financial Reporting Council of Nigeria (FRCN), the ICAN, ANAN, and the international organizations, i.e., IFAC and OECD. Students are influenced through essential domains such as internal control mechanisms, auditing processes, sustainability governance and professional code of ethics. The book combines theory with practice with real life corporate case studies, empirical studies and critical commentary of failures and reforms in governance in developing and developed economies. The text empowers the students of the university, practitioners in the accounting profession, and policy analysts by equipping them with the competency to understand the principles of governance, assess ethical issues and put accountability systems in place that support integrity, transparency, and long-term value generation in companies.

Keywords: Corporate Governance; Accounting Ethics; Shareholder Rights; Ethical Codes; Corporate Social Responsibility; Sustainability Governance.

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Chapter 1

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Theoretical Framework for Corporate Governance

Learning Objectives

At the end of this chapter, students should be able to:

1. Define and explain the concept of corporate governance.
2. Identify and discuss major theories underpinning corporate governance.
3. Understand the importance and objectives of good governance practices.
4. Relate theoretical perspectives to practical governance mechanisms in business entities.

1.1. Introduction

Corporate governance is now one of the most pronounced issues in the modern business and financial management. Enron, WorldCom, Cadbury Nigeria (2006) and collapses of some of the financial institutions, served to illustrate the effects of poor governance structure. The concept makes certain that the directions and controls of companies are transparent, accountable and ethical.

Tricker[1] says that corporate governance is worried about maintaining the balance between economic and social objectives, as well as individual and communal objectives. It is a scheme of achieving the goals of a company, covering the practically all management domains, including action plans and internal controls, as well as the performance measurement, and disclosure.

Corporate governance became a source of concern in the Nigerian environment in the wake of the establishment of the Code of Corporate Governance that is currently known as the Securities and Exchange Commission (SEC) Code of Corporate Governance (2003) and subsequently the Financial Reporting Council of Nigeria (FRCN) Code of Corporate Governance (2018)[2] that governs both publicly and privately listed companies.

1.2. Meaning and Definition of Corporate Governance

Corporate governance has evolved with time based on the dynamic nature of the global business environments, financial crises and growth of complexities in the operations of corporations. In its fundamental definition, corporate governance is what gives companies the structure through which they are guided, controlled, and held responsible in whatever they do. It is a system (structure and mechanisms) as well as a process (decision making and accountability practices) which assures the corporate integrity, transparency, and performance.

1.2.1. The definition of Corporate Governance

Various scholars and institutions have come up with different definitions of corporate governance and this has shown the interdisciplinary nature of the subject.

So, the Organisation for Economic Co-operation and Development (OECD)[3] defines corporate governance as the set of relations between the management of the company and the board, its shareholders and other stakeholders. Corporate governance gives the framework within which the company goals are established, and the avenue of achieving the goals and monitoring performances is established.

Corporate governance according to the Cadbury Report, describes corporate governance as a system that controls and guides companies. This definition has been one of the most commonly referenced and the basis of numerous international codes of governance.

In Solomon, the term corporate governance is defined as the system of rules, relationships, systems, and processes that corporations exercise and govern authority.

In its definitions, the Financial Reporting Council of Nigeria (FRCN)[(4)] stated that corporate governance refers to a system that establishes strategic direction of the company and proper monitoring of management, as well as accountability of the board in relation to the company and its shareholders.

Based on such views, corporate governance can be defined as a framework that guarantees congruence between corporate goals and the demands of any stakeholders via accountability, equity, transparency and accountability.

1.2.2. Historical Development of Corporate Governance

Corporate governance has its origins in the first joint-stock companies of the 17th and 18th centuries, in which control was separated and the ownership was separated. But it took modern resonance following the big company meltdowns like:

- The Cadbury Report (1992) which was a result of the Maxwell Communications and Polly Peck collapses (UK, 1990s).
- Scandals of Enron and WorldCom (USA, 20012002) that led to the Sarbanes-Oxley Act (2002).
- The Global Financial Crisis (2008) that led to governance changes that focused on risk management and ethical controls.

Corporate governance became a popular topic in Nigeria following the accounting fraud of Cadbury Nigeria Plc (2006), the banking crisis (2009), as well as provisions of the codes of governance by the SEC (2003, revised 2011) and subsequent FRCN.[(4)] These incidences showed that there is the necessity of effective governance mechanisms to ensure that investors are secure and that people have confidence to invest in corporate organisations.

1.2.3 Significant Factors of Corporate Governance

According to OECD[(3)], and demonstrated in the Nigerian Code of Corporate Governance FRCN[(4)], corporate governance is based on four fundamental principles:

1. Accountability: The management and the boards should be accountable to shareholders and other stakeholders regarding the decision and performance. Some of the accountability mechanisms entail annual general meetings (AGMs), audit reports, and disclosure requirements.
2. Transparency: Firms should make the right information of their financial positions, operations and structure of governance available within reasonable time. Through transparent reporting, the stakeholders are able to make informed decisions.
3. Fairness: Equity should be applied to all the shareholders and stakeholders. The minority shareholders should not be oppressed by the majority shareholders.
4. Responsibility: The corporate leaders are in charge of operating in an ethical manner, risk management and adherence to legal and regulatory frameworks.

All these principles establish trust and bring about sustainable growth of the organization.

1.2.4 Corporate Governance Dimensions

Corporate governance may be discussed in terms of two dimensions, which are complementary to each other.

The *Internal (Micro) Dimension* entails the internal organization and procedures within the organization which lead to good supervision and management. The important internal governance mechanisms are:

- Board of Directors: Strategy and control.
- Executive Management: Strategies approved by the board were implemented.
- Internal Audit and Control Systems: Protections against asset and information integrity.
- Corporate Culture and Ethics: The rules of behavior and conduct.

The *External (Macro) Dimension* is the institutional and regulatory context that defines the governance conduct. Examples include:

- Legal and Regulatory Systems CAMA 2020, FRCN Act 2011 and SEC regulations.
- Capital Market Institutions: (NGX), Securities and Exchange Commission (SEC).
- Professional Bodies: Institute of Chartered Accountants of Nigeria (ICAN), Chartered Institute of Management Accountants (CIMA) and International Federation of Accountants (IFAC).
- Societal and Cultural Norms: Social responsibility, sustainability and ethical business practices.

The two dimensions interact to create a holistic governance handicraft.

1.2.5. Corporate governance mechanisms

The tools and structures by which the principles of governance are operationalized are referred to as corporate governance mechanisms. These controls are normally divided into internal and external:

a) Internal Mechanisms
   - Board Composition and Independence: fair representation of executive and non-executive directors to prevent any conflict of interest.
   - Audit Committee: Another independent control of financial statements and control systems.
   - Remuneration and Nomination Committees: Make executive compensation performance-based and make appointments transparent.
   - Risk Management Framework: Strategic and operational risks identification and reduction.

b) External Mechanisms
   - Regulatory Oversight: Adherence to legislative codes (ex: FRCN 2018, SEC 2011).
   - Market Discipline: Informal governance tools of investor responses and media attention.
   - External Auditors: Financial statement validation.
   - Corporate Reputation: Perception in the market is one factor that affects the actions and responsibility of a firm.

1.2.6 Corporate Governance within the Nigerian setting

The corporate governance in the country is indicative of mixed legal and economic environment in Nigeria. In the past, the Common Law system that was inherited in Nigeria affected corporate governance in the country, which has undergone several reforms. The following are the key milestones include:

1. Companies and Allied Matters Act: provides a system of corporate structure, responsibilities of the director, and the rights of the shareholders.

2. SEC Code of Corporate Governance: this has been issued to provide accountability and board oversight to the listed businesses.
3. Code of Corporate Governance at all financial institutions, including the Central Bank of Nigeria: Central bank code.
4. Code of conduct - Governance of insurance companies: National Insurance Commission (NAICOM) Code.
5. Financial Reporting Council of Nigeria (FRCN) Code: Unified national governance framework that is applicable in all sectors.

The FRCN Code also lays stress on the principle of Compliance based on principles- i.e. the organizations should implement every principle and demonstrate how they get it implemented. The Practical example: are few and the following are:

1. Nestle Nigeria has compliance with CAMA, which makes the board approves strategic investment and timely filing of financial statements with Corporate Affairs Commission (CAC). The shareholders have voting rights at the AGMs, which affect the key decision-making processes including dividends and remuneration of the executives.
2. Guaranty Trust Holding Company (GTCO) adheres to the SEC Code since it has a board composed of 7 independent directors, an audit committee led by an independent director, and announced its governance practices in its annual report. This has increased confidence of investors and minimized operational risks.
3. Zenith Bank Plc uses CBN Code by setting the risk management committee that will be in charge of monitoring credit, market, and operational risks. Compliance is checked on the regular basis by internal auditors who check whether the compliance is in accordance with the regulatory expectations.
4. Leadway Assurance Company is compliant with NAICOM Code as it has an audit committee that approves the actuarial reports and solvency ratios. There are transparent disclosures on premiums, benefits and claims to the policyholders.
5. Dangote Cement Plc adheres to the FRCN Code by releasing a Corporate Governance Report, which covers board committees, board meetings, and risk management schemes that board committees implement. This is a reporting principle that shows that they are accountable to both stakeholders and regulators.

The governmental environment in Nigeria has developed in terms of sector specific codes (SEC, CBN, NAICOM) and national frameworks (FRCN Code, CAMA). The firms have already been called upon to adopt a principle-based approach showing the application of the governance principles in practice. Nestle, GTCO, Zenith Bank, Leadway Assurance and Dangote Cement can be used as real-life examples of how these codes improve transparency, accountability of the board and trust of the stakeholders.

The issues of the Nigerian corporate governance are:

- Interference of politics in social businesses.
- Laxity in the implementation of regulatory codes.
- Low board diversity and autonomy.
- Ethical abuse and bribery.

However, positive gains have been registered because of convergence in regulations, improved disclosure practices, and increased institutional investors.

1.2.7 Priority of Corporate Governance

The success and sustainability of any business enterprise is pegged on corporate governance.

It can be considered important in the following dimensions:

1. Economic Significance: It improves efficiency of the capital markets, investor confidence and availability of finance. Good governance is a big attractant of foreign investment as the good performance of Nigerian banks that had undergone reforms led to good performance due to better governance.
2. Managerial Significance: Governance enhances the quality of strategic decisions, managerial incentives, and corporate objectives, as well as minimizing agency costs.
3. The social and ethical implications are: It enhances moral behavior, sound management and social responsibility. Ethical consciousness has been adopted in the annual reports in firms like MTN Nigeria and Nestle Nigeria that have included sustainability governance in their annual reports.
4. Regulatory and Legal Significance: This law may be considered an important one in the regulatory domain

Corporate governance priorities also make sure that it complies with the laws and international standards, minimizing litigation and reputational risk.

1.2.8 Corporate Governance and Performance

Empirical research has associated good governance with high firm performance. For instance, Kiel et al.[5] discovered that the composition of boards and their expertise have a great influence on the profitability of firms. Klapper et al.[6] have shown that good governance practices enhance firm valuation, particularly in the emerging markets.

In Nigeria, Okike[7] described that the companies that comply with SEC and FRCN codes are more likely to file transparent and reliable financial reports. Therefore, good governance is not just another regulatory requirement but one of the strategic assets of the company that boosts competitiveness and sustainability.

1.2.9 Corporate Governance and Ethics

Ethics are directly connected with corporate governance. Whereas structures and accountability systems are determined by governance, behaviour and moral decisions are determined by ethics. Even a well-constructed governance system which lacks ethical commitment can end up in failures as experienced in the case of Enron whereby such elaborate structures of governance were compromised by fraudulent activities.

Ethical governance means thus the development of integrity, fairness, and responsibility at all levels of corporate decision-making.[8]

Corporate governance incorporates principles, systems and relationships of directing and controlling the organizational behaviour. It also relies on regulatory frameworks and the commitment of the leadership, the corporate culture and ethical conduct.

In third world nations such as Nigeria, corporate governance is a significant issue to enhance sustainable economic growth, curb corruption and investor confidence. With the growing impact of globalization, the competitive advantage of the Nigerian firms in the international market will remain under the influence of international governance standards (e.g.,OECD[3], IFAC[9] and FRCN[4]).

1.3 Corporate Governance Theoretical Frameworks

Corporate governance can be explained on the basis of various theories that are not isolated but rather interconnected and help to understand how corporations are oriented, controlled, why bad governance occurs, and how the relations between stakeholders can be effectively organized. Such theories present various approaches- economic efficiency and managerial responsibility to legitimacy and social responsibility. The knowledge of such frameworks will enable the students and practitioners to value both the philosophical and practical foundations of the system of governance in different jurisdictions.

According to some researchers,[1,10,11], governance is never a universal mechanism but a dynamic process that depends on the national institutions, the system of ownership, and cultural values. The applicability of global governance theory to the local context of Nigeria, where families own businesses, and firms with state influence, has to be restructured to local factors, including the absence of good regulations and concentrated ownership.[7,12]

The theory domain of corporate governance is also represented by the Agency Theory, Stewardship Theory, Stakeholder Theory, Institutional Theory, Resource Dependence Theory, and Legitimacy Theory. Each is discussed below.

1.3.1 Agency Theory

Origin and Core Assumptions

The most important theory of corporate governance is the agency theory, which was propounded by Jensen et al.[13] It describes the term principal (shareholders) and agent (managers) in which the latter has responsibilities of administering the resources of the firm on behalf of the former. It is a theory that, the agents are self-interested risk-averse individuals who are not always acting in the best interest of the principals. As a result, corporate governance systems are aimed at aligning the interest of managers with those of the shareholders by monitoring, controlling, and in motivating systems.

Mechanisms of Control

The common mechanisms that are based on agency theory are:

- Independent Board Oversight: This is whereby the non-executive directors are involved in checking the performance of the management.
- Performance-based Compensation: Linking managerial pay and shareholder pay.
- Auditing and Disclosure: External audits lessen information asymmetry amid the management and the proprietors.
- Market of Corporate Control: There is a threat of being taken over which encourages managers to operate efficiently.[14]

Critiques

Although the agency theory is a rational and efficient approach to governance, it has been criticized due to its limited economic assumptions. It ignores both moral and social aspects and human actions are thought of as opportunistic.[15] Excessive emphasis on control over trust can lead to a conflict between boards and the management, particularly in a family-centric business in the Nigerian context.[13]

1.3.2 Stewardship Theory

Philosophy and Perspective

Agency theory was opposed by the stewardship theory. It assumes that managers are custodians of corporate resources and they are not only driven by self-interest but by a spirit to see organizational success and common good.[15] In this theory, the trust and empowerment of managers are assumed to enable them to well represent the long-term interests of the firm.

Governance Implications

The Stewardship theory claims in favour of:

- Empowerment of executives by means of trust and not strict control
- Increased executive representation in the board.
- It focuses on integrity and commitment of leadership.
- Strategic orientation in the long term as opposed to short term shareholder value.

Applicability to Developing Economies

The cultural values of stewardship exist in the sense of trust in the society and the collective good in many Nigerian organizations especially in family and indigenous businesses. Nevertheless, stewardship is not effective in those environments where weak institutions cannot control the power of managers to misuse it.[7,16]

1.3.3 Stakeholder Theory

Conceptual Foundation

The concept of a stakeholder theory was proposed by Freeman[17] as an expansion of the shareholder-focused understanding of governance through the identification of many groups of individuals who are impacted by the activities of companies, namely, employees, customers, suppliers, creditors, communities, and governments. It also claims that good governance must be based on the balancing and not focusing on the shareholders alone.

Stakeholder-Based Governance Practices

- Social responsibility programs (CSR).
- Open interaction and discussion with stakeholders.
- Employee/community representatives in governance.
- ESG reporting frameworks.

Application in Nigeria

Stakeholder governance is especially important in Nigeria with the need of corporate social responsibility as a factor of community relations as it concerns mining and energy sectors. [18] Indicatively, oil companies in the Niger Delta have resorted to the use of stakeholder engagement strategies in order to deal with conflicts and social license to operate.

Critiques

Critics believe that the stakeholder theory can be ambiguous because when formulating numerous interests, the managerial responsibility will be diminished, and efficiency will be decreased.[19] However, it is still core to the contemporary governance codes which focus on the sustainability and social legitimacy.[3]

1.3.4 Institutional Theory

Theoretical Background

DiMaggio et al.[20] created the institutional theory according to which organizations adhere to governance practices not just because they promote efficiency, but also because they expect to achieve legitimacy and conformity in their institutional settings. The development of governance practices is then a product of isomorphism, through which organizations develop to be similar as a result of coercive, imitative, and normative pressures.

Categories of Institutional Pressures

1. Coercive Isomorphism: This occurs due to legislation and regulations e.g. adherence to FRCN and SEC codes in Nigeria.

2. Mimetic Isomorphism: Firms follow other firms that are deemed successful or legitimate such as following international standards of governance like OECD.
3. Normative Isomorphism: Accounting and legal professional bodies tend to influence governance with the aid of professional norms and values.[20]

Relevance to Nigeria

Many firms in Nigeria have been embracing international governance practices as a result of institutional pressures offered by global investors, regulatory bodies and professional institutions. Nevertheless, this is usually a symbolic, as opposed to substantive, implementation, referred to as decoupling.[7,12]

1.3.5 Resource Dependence Theory

Overview

Recent studies suggest the board of directors as one of the most important tools to obtain external resources and legitimacy proposed by Pfeffer et al.[21] Firms require outside sources including investors, regulators and suppliers of resources that are essential to their survival. Boards are hence a way of contact with the environment and the organization.

Governance Implications

- Hiring directors possessing good networks, experience and political links.
- Forming board committees to control relations with external stakeholders.
- Stressing on diversity and autonomy in order to elevate external credibility.[22]

Nigerian Perspective

The theory applies to the situation in Nigeria, as political and social relations frequently impact the appointment of the board and corporate access to government contracts or funds.[12] Although these relationships may enable the access of resources, they increase governance risks like patronage and conflict of interest.

1.3.6 Legitimacy Theory

Core Assumptions

The theory of legitimacy is based on sociology and the institutional theory that states that organizations will strive to act within the confines and standards of their societies by Suchman.[23] Companies do this to have practices of governance and disclosure to ensure social legitimacy that will secure their acceptance by the stakeholders and the general population.

Corporate Governance Usage

- Sustainability and ethical performance public disclosure.
- Compliance with the societal requirements towards fairness, environmental responsibilities, and human rights.
- Corporate reporting (e.g. CSR, integrated reports) to show legitimacy.

Relevance to Nigerian Firms

In Nigeria, companies operating in the oil and financial industry have been implementing social and environmental reporting as a strategy to achieve legitimacy and restore confidence among people following a series of governance scandals.[24] This type of disclosure acts as a means of showing how the company is in line with the values and norms that society requires.

1.3.7 Political Economy Theory

Concept and Explanation

In corporate governance, Political Economy Theory highlights that the local organizational behavior and the outcome of governance is highly affected by the political and economic environment. According to this school of thought, corporate governance cannot be studied out of context of the policies of the government, organizational regulations and power transformations in the society.[25,26]

According to the theory, corporate decision-making, board independence, and accountability are determined by ownership, regulatory institutions and political environment. When the government or politically related people are influential in the environment, the governance can be used to serve the interests of the political people rather than those of the shareholders or stakeholders.

Critique

The Tae of Political Economy Theory is useful in explaining the governance in the emerging markets and those that are state-owned, but it can also give too much weight to the external political factors and can thus underrate the internal governance systems.

- It can take deterministic effects implying that all politically controlled organizations are ill run which in no case are always empirically false.[27]
- It is sometimes difficult to operationalise the theory to practical governance interventions as it is concerned with forces at the macro-level.

Practical Example in Nigeria

In most of the government owned enterprises in Nigeria like the Nigerian National Petroleum Corporation (NNPC) and the Nigerian Ports Authority (NPA), political appointments tend to affect the board structure. Decisions can be based on political goals, e.g. patronization or regional balancing, instead of on the financial performance or interests of shareholders. This may result in an ineffective governance and therefore inefficiency and corruption.[12]

1.3.8 Systems Theory

Concept and Explanation

In Systems Theory, an organization is perceived as a group of sub systems (finance, human resources, production, marketing, etc.) that are interdependent and interrelated to accomplish the overall goals by Kast et al.[28] and Boulding.[29] In terms of corporate governance, this theory implies that governance must be coordinated to allow all organizational sub systems to be coordinated so that they can achieve synergy, sustainability and strategic alignment.

Board of directors serve as the integrating body and they control the decision making within the various departments to make sure that they are in tandem with corporate goals, risk management framework and ethical standards. Government frameworks, internal controls and audit perform the role of ensuring a systemic balance.

Critique

Systems Theory is very holistic and it views interdependence as well as coordination. It can however undervalue the impact of the external environment, i.e. regulatory changes or market shocks.

- The theory presupposes rational coordination, whereas in reality, the subsystems (e.g. finance vs. production priorities) may conflict and it may result in governance issues.
- It is more abstract than normative in giving a reference to comprehend intricacy as

opposed to actual prescriptions of governance.

Practical Example in Nigeria

In the Nigerian banks, Zenith Bank and Access Bank, the boards of the banks organize the liaisons between the risk management units, compliance units, operations and finance units, to facilitate the consistency in strategies. As an example, lending policies should be determined in line with risk control, financial reporting and ethics so as to establish systemic stability. The systems perspective is demonstrated by the failure of one of the subsystems (e.g., weak risk management) to cause turbulence in the whole organization.

1.3.9. Comparative Analysis of Governance Theories

Table 1.1. Comparative Analysis of Governance Theories

Theory	Focus	Key Assumptions	Governance Mechanisms	Limitations
Agency Theory (Jensen et al.[13])	Relationship between owners (principals) and managers (agents).	Managers may act in self-interest, diverging from shareholders' goals.	Monitoring through boards, audits, incentive-based compensation, disclosure.	Overemphasis on shareholders; neglects other stakeholders and social responsibility.
Stewardship Theory (Donaldson et al.[15])	Managers act as stewards of corporate assets.	Executives are trustworthy and motivated by organizational success.	Empowering managers, trust-based relationships, participative leadership.	Assumes universal managerial integrity; ignores power abuse and corruption risks.
Stakeholder Theory (Freeman[17])	Balancing interests of all stakeholders.	Organizations exist to serve broader stakeholder needs, not only shareholders.	Stakeholder engagement, CSR reporting, ethical governance.	Difficult to measure stakeholder satisfaction; potential conflicts of interest.
Institutional Theory (DiMaggio et al.[20])	Governance practices shaped by institutional norms and pressures.	Firms conform to social and regulatory expectations for legitimacy.	Adoption of codes, compliance culture, mimetic practices.	May encourage symbolic rather than substantive compliance.
Resource Dependence Theory (Pfeffer et al.[21])	Boards secure critical resources and networks.	External environment influences organizational survival.	Strategic board appointments, interlocking directorates, partnerships.	May prioritize elite networks over performance; risk of collusion.
Political Economy Theory (Watts & Zimmerman, 1986)	Governance outcomes depend on political and economic power structures.	Corporate governance is influenced by state control, ownership, and politics.	Government regulation, public ownership oversight, political accountability.	Political interference can weaken governance; reforms often inconsistent.
Systems Theory (Bertalanffy, 1968)	Organizations function as interrelated subsystems.	Each subsystem (finance, HR, production) affects overall performance.	Coordinated governance systems, integrated reporting, holistic board oversight.	Complexity in managing interdependencies; difficult to implement in large organizations.

Legitimacy Theory (Suchman[23])	Firms seek societal approval for survival.	Companies disclose information to align with social norms and expectations.	CSR and ESG disclosures, community engagement, transparency.	Legitimacy may be superficial; difficult to measure societal approval.
Ethical or Moral Governance Theory (Kaptein[6])	Emphasizes moral integrity in governance.	Ethical leadership and value systems sustain corporate trust.	Codes of ethics, whistleblowing policies, ethical training.	Ethics are context-dependent; enforcement often weak.

1.3.10 Theories Integration to achieve Good Corporate Governance

Contemporary political regimes are moving towards a situation where more than one theoretical perspective is incorporated. For example:

- Agency and Stewardship theories unite the aspects of control and trust in order to achieve accountability.
- Sustainability and social responsibility are supported by the Stakeholder and Legitimacy theories.
- Institutional and Resource Dependence theories describe the process of adjustment of firms to environmental and regulatory pressures.

In the case of the Nigerian corporations, good governance necessitates the integration of these structures to be close to the global best practices and the local socio-economic conditions.

Corporate governance theories offer a methodology through which organizations are guided and managed in a certain way and why. Both theories provide an insight into management behavior, board dynamics, and relationships between stakeholders. In the case of developing economies such as Nigeria, the combination of these theories improves not only accountability, performance, but also ethical leadership as well as social legitimacy.

1.4 Hypothetical Current Problems of the Corporate Governance Theory

1. Digital Governance: Rise of AI and big data analytics presents novel boards oversight duties.[30]
2. Sustainability Governance: Strategic decisions with inclusion of ESG (Environmental, Social, and Governance) principles.[31]
3. Gender Diversity: It has been shown to have a positive relationship between board diversity and corporate performance.[32]
4. Cultural and Institutional Contexts: Governance practices are different across the countries because of the cultural and legal differences.[33]

This chapter laid the theoretical ground of corporate governance. It talked about various theories of corporate power and accountability including the Agency, Stewardship, Stakeholder, Resource Dependence, Institutional, Legitimacy, Political Economy and Systems theories. Learning these theories will equip the students to critically examine the corporate behavior and governance mechanisms and particularly in the Nigerian context where institutional, ethical and cultural factors interact to a great extent.

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Chapter 2

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Codes Of Corporate Governance

Learning Objectives

At the end of this chapter, students should be able to:

1. Explain the concept and objectives of corporate governance codes.
2. Identify and describe key local corporate governance codes in Nigeria (FRCN, SEC, CBN, NAICOM).
3. Discuss international codes and frameworks (OECD, UK Corporate Governance Code, US Sarbanes–Oxley Act).
4. Compare and contrast local and international corporate governance practices.
5. Analyze the significance of codes in promoting ethical leadership, accountability, and corporate sustainability.

2.1. Meaning of Corporate Governance Codes

Corporate governance codes are principles, rules, and best practices that manage how boards of directors and management should behave, structure and its obligations in organizations. They serve as a standard of accountability, transparency and integrity and make sure that corporations act in a manner that safeguard stakeholder interests and lead to the creation of long-term values.

Solomon(1) argues that governance codes are crucial tools that help to bring the abstract notion of good governance into practice, that is, into the form of guidelines to be followed by corporate behavior. According to OECD(2), codes of governance are described as soft law tools which are not binding but influential, which supplements the statutory laws and enhances corporate conduct.

The development of codes of corporate governance in the world was due to a succession of corporate collapses, including Enron, WorldCom, and local cases in Nigeria, Cadbury Plc and Oceanic Bank, which demonstrated internal control inefficiency, board supervision and ethics. These scandals made it apparent that formal governance structures are needed.(3)

Corporate governance codes thus serve the role of:

- Make the roles of management and board clear;
- Enhance disclosure and transparency;
- Secure shareholders and other stakeholders;
- Develop investor confidence and market integrity; and
- Promote morality and sustainability.

2.2. Codes of Corporate Governance Evolution

Codes of corporate governance have developed in waves:

1. First Generation (1990s): These were the early principles of board responsibility and executive compensation established by the UK Cadbury Report (1992) and Greenbury Report (1995).
2. Second Generation (2000s): OECD Principles (1999, revised 2004 and 2015) and the Sarbanes-Oxley Act (2002) in the US are the results of globalization.
3. Third Generation (2010s-2020s): Incorporation of sustainability, risk management and ESG issues- as in the example of the UK Corporate Governance Code and the FRCN Code(4) in Nigeria.

The gradual shift of the strictly compliance-grounded systems to the so-called principles-based systems is the indication of the transition to the ethical leadership and self-regulation.

2.3. Nigerian Codes of Corporate Governance

Nigeria has increasingly grown government structures to enhance accountability and ethical leadership. Some of the major national codes are those issued by the Financial Reporting Council of Nigeria (FRCN), Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN) and National Insurance Commission (NAICOM).

2.3.1. Code of Corporate Governance of Financial Reporting Council of Nigeria, 2018[4]

The FRCN has published the Nigerian Code of Corporate Governance (NCCG, 2018) that governs all sectors in Nigeria. It substituted various industry codes and standardized governance practices in the industries. The objectives of the FRCN Code (2018):

- Create corporate awareness about the necessary corporate values and ethics;
- Improve non-financial and financial reporting;
- Promote good leadership, risk management;
- Improve the relationships with stakeholders; and
- Create sustainable business and competitiveness in the long run.

The Code has several important principles (FRCN, 2018):

1. Board Leadership and Effectiveness: Boards ought to offer strategic direction and supervision.
2. Ethical Culture: Organizations should have values as well as policies that foster integrity.
3. Accountability and Transparency- Boards should have proper disclosure of operations and performance.
4. Risk Governance: Effective systems should be able to recognize and eliminate organizational risks.
5. Stakeholder Communication: There is a need to engage the stakeholders continuously and fairly.
6. Sustainability: Environmental and social issues in corporate strategy.

Implementation Mechanism

The code works on an Application and Explain principle, that is, the companies have to implement each of the principles and provide an explanation of how it was carried out. This facilitates flexibility and accountability.[5]

2.3.2. SEC code of Corporate Governance (2011) Securities and Exchange Commission

The first proper governance framework of the public companies in Nigeria was the SEC Code (2011). It was intended to enhance the protection and confidence in the financial market amongst the investors. The key Provisions:

- Effective separation of the duties of the Board Chairman and CEO;
- Compulsory board committees (Audit, Risk, and Governance Committees);
- One-third of board of directors must be independent;
- Tenure restrictions and compulsory performance appraisals on the part of directors;
- Frequent and prompt reporting of both financial and non-financial information.

Impact

The SEC Code helped to stabilize corporate practices within the capital market of Nigeria, but it was not enforced because of poor sanctions and poor awareness.[5]

2.3.3. Central Bank of Nigeria (CBN) Bank and Discount House Corporate Governance code (2014)

Due to the systemic role of banks, the CBN designed a specific code of governance that deals with the specificity of the financial industry. The key Features:

- Up to tenure of Managing Directors (10 years).
- Compulsory division of the Board Chair and CEO.
- Board Audit Committee, Board Risk Management Committee and Board Remuneration Committee.
- At least two non-executive directors.
- Outlawing of insider-related credit and conflicts of interest.
- Certification of compliance done annually to CBN.

Rationale

There is poor governance in Nigeria, which has contributed to the 2009 banking crisis in Nigeria whereby the banks incurred huge non-performing loans due to poor risk management and insider lending.(6) The CBN Code therefore aimed at ensuring that the same would not happen again by improving board oversight and risk management systems.

2.3.4. Code of Good Corporate Governance of National Insurance Commission (NAICOM) (2009)

The NAICOM Code offers standards of governance to insurance and reinsurance companies. It focuses on good governance of risks, internal control, and protection of the policyholders.

Key Principles:

- Minimum independent numbers of directors;
- Separation of Chair/CEO positions;
- Remuneration policies disclosure;
- Introduction of risk and investment committees;
- Annual governing report to NAICOM.

The code is in line with the international standards provided by the International Association of Insurance Supervisors (IAIS).

2.3.5. Sectoral Harmonization and Problems

Irrespective of numerous sectoral codes, the governance practices in Nigeria were challenged by:

- Duplicated regulations and incompatible requirements prior to 2018;
- Laxity of enforcement and monitoring compliance;
- Poor awareness of the small and medium enterprises (SMEs);
- Political and lack of independence of the board.

The FRCN Code(5) sought to fill these gaps through the governance expectations across all sectors being unified and harmonized.

2.4. Global Codes of Corporate Governance

Corporate governance is guided by a number of global frameworks. These global codes have impacted reforms in domestic governance of Nigeria and are essential to the multinational companies and foreign investors.

2.4.1. OECD Principles of Corporate Governance (2015)

In 1999, the Organisation for Economic Co-operation and Development (OECD) published its original principles of governance, which were revised in 2004 and 2015. These principles are the international standards of the policy-makers and regulators. There are six core principles:

1. Establishing the Groundwork to a Good Governance System: the legal and institutional underpinnings of good governance should be in place.
2. Rights and Equitable Treatment of Shareholders: Avert shareholder rights and fair treatment.
3. Institutional Investors, Stock Markets, and Intermediaries: Encourage open markets and investment.
4. Role of Stakeholders- appreciated the input of stakeholders to corporate success.
5. Disclosure and Transparency: Timely, accurate and accessible information.
6. Board responsibilities: To be board accountable, board-integrate and board-competent.

Global Significance

G20, World Bank and a number of national regulators have incorporated the OECD Principles forming the basis of most governance codes in the world.

2.4.2. UK Corporate Governance Code (2018, Revised 2024)

UK Corporate Governance Code published by the Financial Reporting Council is one of the most powerful frameworks of governance as known the world over. It is applicable mostly to firms traded in the London Stock Exchange but it can be used as a reference to other jurisdictions. The key provisions:

- Company purpose and board leadership.
- Sharing of responsibilities between Chairman and CEO.
- Board makeup, succession and review of the board.
- Internal control functions, audit and risk functions.
- The remuneration of the executives in relation to long-term performance.

“Comply or Explain” Approach

Companies must abide by the provisions or justify the non-adherence. The method supports flexibility, responsibility, but is not over-regulated.[7]

2.4.3. United States: SOX of 2002 Sarbanes Oxley

Enron and WorldCom were corporate scandals that warranted the enactment of the SOX Act. SOX is a strict compliance legislative framework unlike principles-based codes. The key provisions:

- CEOs and CFOs should sign certificates of correctness of financial statements.
- Setting up of independent audit committees.
- Whistleblower protection.
- Internal control testing (Mandatory), (Section 404).
- Strict criminal punishment of fraud in reporting.

SOX makes accountability, transparency, and protection of investors.

2.4.4. World Bank and IFC Principles of Corporate Governance

Corporate Governance Manuals and Toolkits in emerging markets have been developed by World Bank and International Finance Corporation (IFC). These guidelines emphasize:

- Board organization and independence;

- Shareholder rights protection;
- Good disclosure and transparency;
- Ethics and anti-corruption procedures of the corporation.

The IFC[8] emphasizes the need to integrate sustainability and ESG reporting into the concept of good governance, especially among developing economies.

2.5. Comparative Codes Analysis

Tabla 2.1. Comparative Codes Analysis

Framework	Nature	Scope	Approach	Unique Features
FRCN (Nigeria, 2018)	National	All sectors	Apply & Explain	Sustainability and ethics focus
SEC (Nigeria, 2011)	National	Listed companies	Mandatory	Emphasis on investor protection
CBN (2014)	Sectoral	Banks & finance	Mandatory	Risk governance and tenure limits
OECD (2015)	International	Global benchmark	Principles-based	Shareholder and stakeholder balance
UK Code (2018/2024)	National	Listed firms	Comply or Explain	Board effectiveness & culture
SOX (2002)	Legislative	U.S. firms	Rules-based	Strong sanctions and audit control
IFC (2021)	International	Developing economies	Advisory	ESG and sustainability inclusion

2.6. The importance of Corporate Governance Codes

Corporate governance codes are useful mechanisms of enhancing:

- Investor confidence and integrity of the capital market.
- Financial reporting transparency and disclosure.
- Corruption minimization and ethical behavior.
- Efficiency of risk management and internal control.
- Resilience and sustainability of the corporation in the long run.

According to Adegbite[9], codes are most useful when they are supported by a robust enforcement culture, ethical leadership and when they are supported by an empowering institutional nature. Ethical and accountable corporate conduct is anchored on corporate governance codes. They represent the best practices in the international arena modified to fit the local reality so that corporations become responsible and transparent. In the case of Nigeria, the harmonized FRCN Code is a step towards harmonizing governance with international standards as well as pulling out the local issue of poor institutions and malpractice. Close compliance with these codes is still vital in the stability of companies, investor confidence and long-term growth of the country.

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Chapter 3

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Governance Structure of a Company

Learning Objectives

By the end of this chapter, students should be able to:

1. Understand the organizational structure that underpins corporate governance.
2. Explain the composition, roles, and responsibilities of the Board of Directors.
3. Distinguish between executive and non-executive directors.
4. Discuss the role of management in governance implementation.
5. Describe the functions of the company secretary and governance committees.
6. Analyze the interactions between the board, management, and shareholders in governance.

3.1. Introduction

Corporate governance exists in a specific organizational framework that stipulates the line of authority, responsibility in decision making and accountability. This structure will make the company operate efficiently and in tandem with the principles of the good governance, transparency, and accountability.

As Tricker[(1)] stresses, the governance of the firm determines the framework under which the objectives are established, the performance is tracked, and the compliance with the ethical norms is ensured. The governance system outlines the contact between the board of directors, management, shareholders and other stakeholders who all have a role in determining corporate output.

3.2. Concept Governance Structure

Governance structure can be defined as institutional and procedural set-up which determines the way corporate power is shared and wielded by various organizational organs. It defines:

- Decision-making (authority);
- The decision-making process (process); and
- Who is accountable (responsibility)?

Solomon[(2)] states that a proper structure of governance balances interests of the shareholders, management, employees and other stakeholders by determining distinct roles, duties and reporting relationships. While the OECD[(3)] considers the structure of the corporate governance as the basis through which the corporations are guided and managed to guarantee accountability and equity in the corporate transactions.

3.3. Elements of Governance Structure of a Company

The governance structure of a company typically has 3 levels:

1. Shareholders (Owners).
2. Board of Directors (Governors).
3. Management (Executives).

All these elements play various roles which are related to one another which maintain corporate performance and integrity.

3.3.1. Shareholders

The owners of the company are shareholders. They contribute capital and take residual risks, and in this way, they have the final say to appoint directors and make significant corporate decisions.

Key Responsibilities:

- Elect the members of the board of directors during Annual General Meetings (AGMs).
- Sanction audited transactions of finances and dividends.
- Approve mergers, acquisitions and re-structuring proposals.
- Make boards accountable to the performance of the company.

Nonetheless, practically, shareholders do not have to participate in daily decisions but entrust the board and the management with such aspects because they still possess takeover capabilities in the form of voting power and disclosure obligations.[4]

3.3.2. The Board of Directors

The highest decision-making organ in a corporation is the Board of Directors. It is the connection point between shareholders and management to have a strategic direction of the company to conform with the interests of the stakeholders.

According to the Financial Reporting Council of Nigeria (FRCN)[5], all companies are expected to enjoy proper leadership, enterprise, integrity and good judgment in the way the companies are being operated.

Functions of the Board:

1. Strategic Direction: Endorsing and managing the strategic plan of the company.
2. Control and checks: Management performance should be in line with corporate objectives.
3. Risk Management: This involves the identification as well as the mitigation of the possible risks in the organization.
4. Financial Integrity: Endorsing budgets, significant investments, and financial statements.
5. Ethical Leadership: Advancing corporate values and ethics.
6. Succession Plans: Making sure that there is continuity in leadership and development of management.
7. Compliance: Making sure that there is compliance with laws, regulations, and codes of governance.

Boards may be single tier (unitary, in Nigeria and the UK) or two-tier (supervisory board and management board, in Germany). Nigeria adheres to the unitary model which incorporates the executive and non-executive directors in a single board.

3.4. Composition of the Board

A board of directors ought to have an equal representation of skills, experience, gender and independence. FRCN Code 2018[5] suggests boards to have majority of non-executive directors, and they should have adequate number of independent directors not connected with any relationship that can affect objectivity.

Categories of Directors:

1. Executive Directors (EDs):
    - Full-time workers in day-to-day activities.
    - Add the Chief Executive Officer (CEO) or the Managing Director (MD).
    - Accountable in the implementation of the board-approved strategies.

2. Non-Executive Directors (NEDs):
    - Not participating in the day to day running but offer supervision and independent advice.
    - Make sure that the management choices are made in the best interest of the company.
3. Independent Directors:
    - No material association with the company.
    - Increase objectivity and defend minority shareholders.
    - Mandatory in the FRCN (2018) and SEC 2011[(6)] codes.

Board Size:

Although this is not a strict limit, efficient boards tend to have 7 to 15 members that make them diverse without making their decision-making processes inefficient.

3.5. Chairperson and Chief Executive Officer (CEO)

The board is headed by the Chairperson and the management by the CEO. The separation of such positions is the requirement of good governance to avoid the concentration of power and possible conflict of interests.

Key Distinctions:

- The Chairperson manages the board meetings and makes sure that directors make their contributions effectively.
- CEO: the CEO deals with the day-to-day running and executing board policies.
- The SEC Code (2011) and CBN Code (2014) specify that one person cannot be a Chairman and CEO at the same time.

3.6. Management and Executive Leadership

The functioning arm of corporate governance is the management. They implement the plans, which are accepted by the board, and are responsible to the performance of the corporation.

Key Functions:

1. Put in strategic plans and budgets.
2. Manage human, financial and technological resources.
3. Maintain internal controls and make sure that policies are adhered to.
4. Report to the board on a regular basis on operational performance.

The FRCN (2018) highlights that the management should maintain ethical standards and corporate culture within the company values.

3.7. The Company Secretary

The Company Secretary is very important in maintaining board efficiency and regulatory compliance. Under the Companies and Allied Matters Act (CAMA)[(7)], a company in Nigeria has to employ a qualified company secretary.

Key Duties:

1. Give corporate governance and legal advice.
2. Notices and minutes of the board meetings should be prepared and circulated.
3. Have board induction and training.
4. Statutory record keeping and filing with Corporate Affairs Commission (CAC).
5. Facilitate information sharing between shareholders, the management and the

board.

The company secretary serves as the governance conscious of the company.[8]

3.8. Board Committees

In order to increase efficiency, boards assign certain tasks to committees consisting primarily of non-executive directors.

Common committees include:

1. Audit Committee: Manages financial reporting, internal controls and external audit.
2. Risk Management Committee: Recognizes risks and tracks enterprise risks.
3. Nomination and Governance Committee: takes care of the appointment of directors and governance review.
4. Remuneration Committee: Establishes executive compensation and incentive systems.
5. Sustainability or CSR Committee: Manages social responsibility and sustainability reporting.

FRCN Code [5] and OECD[3] promote the independence of the committees and reporting to the board.

3.9. Interrelationships between Board, Management and Shareholders

A good system of governance ensures cooperation and responsibility of the three levels of corporate leadership.

- Board and Management: this is where the strategic direction is determined by the board and executed by the management. Accountability is maintained through constant reporting and performance review.
- Board and Shareholders: the shareholders demand accountability of the board by way of general meetings and disclosures.
- Communication: the management has a role to play in communicating with the shareholders via, reports, press releases, and annual meetings.

Fama et al., assert that agency problem arises because of the separation between ownership (shareholders) and control (management), and thus, corporate governance mechanisms are meant to reduce the occurrence of agency problem.

3.10. Typical example of a Corporate Governance Structure (Nigeria)

A good example is the Nigerian Breweries Plc.

The company has a unitary board of directors that consists of 12 members (a combination of executive and non-executive directors).

1. Board Chair is not affiliated to the management.
2. It has Audit, Risk Management, and Remuneration Committees.
3. The Company Secretary will make sure that the FRCN Code (2018) and CAMA (2020) are adhered to.

This structure is an indication of compliance to both the Nigerian and international best practices of governance.

3.11. The Problems of Corporate Governance Structure in Nigeria

Irrespective of the progress, the challenges facing Nigerian companies are:

- Board control by large shareholders.
- Laxity in applying codes of governance.

- Poor independence of directors.
- Limited gender diversity.
- Weak culture of disclosure and reporting.

Increased enforcement systems and culture of ethical boards is paramount to strengthening.[9,10]

The effective governance is the skeleton of corporate governance structure. It establishes chain of command, encourages responsibility and promotes ethical business practice. In Nigeria, the roles are clear because of the compliance with the FRCN Code (2018) and CAMA (2020) and help to improve transparency.

A perfect structure will not only ensure adherence but also ethical leadership, sustainability and trust that will be the key to the success of the business in the long run.

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Chapter 4

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Codes Of Corporate Governance

Learning Objectives

By the end of this chapter, students should be able to:

1. Define and explain the role of shareholders in corporate governance.
2. Identify different categories of shareholders and their rights.
3. Discuss shareholder participation and voting mechanisms.
4. Explain shareholder activism and its influence on governance.
5. Analyze the legal and institutional frameworks for shareholder protection in Nigeria.
6. Examine comparative global perspectives on shareholder involvement.

4.1. Introduction

The shareholders are critical in the corporate governance since they are the real owners of the company. As long as the day-to-day activities are operated by the management, the shareholders are the ones who bring in capital and leave their resources in the hands of the directors to achieve sustainable returns. Therefore, they are very important stakeholders whose participation fosters accountability, transparency, and corporate performance.

Tricker(1) argues that corporate governance may be considered to be one that balances the interests of the shareholders (owners) and management (agents). The involvement of shareholders makes directors to operate in the best interests of the company and not to misuse their fiduciary powers.

According to the OECD(2), shareholders must be allowed to receive the right to secure means of ownership registration, transfer or convey shares, receive pertinent and timely information, and be involved in important corporate decision-making.

4.2. Concept of Shareholders

A stockholder (or shareholder) is an individual, collective or institution that possesses at least one share of a company, thus, has a fractional ownership stake. Investors put their money and, in the process, seek dividends and share value appreciation.

Shareholders are not just investors in the governance context, but active participants in the governance process, shaping the composition in the board of directors, executive compensation, and corporate strategy.

According to Fama et al.(3), the residual claimants to the firm are the shareholders, the ones who assume the risks of being a shareholder and therefore have the ultimate control rights of the firm since they have the right to vote.

4.3. Types of Shareholders

Understanding the types of shareholders will lead to the understanding of the differences in the impact of shareholders on the governance processes.

4.3.1. Majority Shareholders

They are persons or groups that possess over half of the stock in a company and therefore, they are in a position to dictate board membership and critical decisions. In Nigeria, founders, families, or institutional investors are common shareholders in majority.

4.3.2. Minority Shareholders

These possess lesser interests and can influence less. The systems of corporate governance also focus on the protection of minorities to avoid oppression or non-participation in key decision-making.

4.3.3. Institutional Shareholders

The influence of institutional investors (pension funds, insurance companies, and mutual funds) is important in terms of equity stakes and governance, as these actors are engaged in collective action and activism. They foster openness and generation of long-term value.[4]

4.3.4. Retail (Individual) Shareholders

These are small individuals who make personal investment. They are usually at the disadvantage of information and dependent on the regulatory protection and disclosure systems.

4.3.5. Government or State Shareholders

The government is allowed to own equity and be represented in the board in state-owned or privatised companies, which affects strategic and policy-level decisions.[2]

4.4. The rights and liabilities of shareholders

Corporate governance structures acknowledge the shareholders as the major agents of control and supervision. Law, regulatory codes and company constitutions contain their rights and responsibilities.

4.4.1. Fundamental Shareholder Rights

The rights of the shareholders in accordance with CAMA (2020) and FRCN Code (2018) are:

1. Right to Vote: Attend and vote at the general meetings (AGM and EGM) on matters concerning the selection of directors, mergers and auditors.
2. Right to Dividends: Share equal distribution of proclaimed profits.
3. Right to Information: Get ready, proper and full financial and governance information.
4. Right to transfer Shares: transfer ownership rights or at will.
5. Right to Major Decisions: Endorse mergers, acquisition, capital increase or dissolution.
6. Right to Fair Treatment: Encountering equal access to information and safeguarding against insider trading.

4.4.2. The Responsibilities of the Shareholder

Just as rights are important, shareholders too, have their governance obligations, the obligations are:

1. Be an active part in meetings and decision making.
2. Make prudent votes based on the performance of the company and its ethics.
3. Constructively engage boards through accountability.
4. Encourage sustainability and ethical investment actions.

According to the OECD Principles (2015), responsible shareholders can make a contribution to corporate success by actively engaging and not passively owning the company.

4.5. Meetings and Mechanisms of Voting

General Meetings and voting are the main forms through which the shareholders use their governing powers.

4.5.1. Annual General Meeting (AGM)

Held yearly to:

1. Authorize approved financial statements;
2. Declare dividends;
3. Elect or re-elect directors;
4. Appoint auditors; and
5. Talk about corporate performance.

4.5.2. Extraordinary General Meeting (EGM)

Assembled to discuss urgent or special matters like company mergers, takeovers, or the company constitution amendments.

4.5.3. Voting Rights

Voting may occur by:

1. Show of Hands (one vote each person present);
2. Poll Voting (votes based on shareholding); or
3. Proxy Voting (representation by a different shareholder).

In Nigeria, the use of electronic and hybrid AGMs is increasing as remote participation is allowed by the Companies and Allied Matters Act (CAMA, 2020).[5]

4.6. Shareholder Activism

Shareholder activism is a term that is used to refer to the behavior of shareholders in an attempt to manipulate the behavior of a company through the exercise of their rights and powers.[4] provide that activism entails:

1. Proxy contests: Defying the management proposals or board elections.
2. Engagement: Conversations with the management in order to impact policy or ethics.
3. Litigation: Lawsuits against misconduct of the management or suppression.
4. Public campaigns: Media (or advocacy) campaigns to bring to attention governance issues.

4.6.1. Shareholder Activism Forms

1. Governance-Based Activism: this type of activism is intended to enhance accountability of boards, transparency and independence of boards.
2. Financial Activism: Attacks high executive compensation or unhealthy practices in dividend policy.
3. Social and Environmental Activism: Sustainable, diversity, and corporate social responsibility (CSR).

4.6.2. Activism in Nigeria

Nigeria has been experiencing increased shareholder activism with organizations like the Independent Shareholders Association of Nigeria (ISAN) assisting in this process. Nevertheless, it is threatened by barriers like low quality of investor education, institutional inadequacy, and indifference of the retail shareholders.[6]

4.7. Safeguarding the Rights of the Shareholders in Nigeria

Shareholder rights are secure in Nigeria due to the legal and regulatory frameworks.

4.7.1. Companies and Allied Matters Act (CAMA, 2020)

The most important law that regulates corporate conduct in Nigeria is CAMA. Key provisions include:

1. Equal protection to shareholders (Section 110).
2. The right to know information and company registers inspection (Section 331).
3. The right to sue oppression or bad management (Section 353).
4. Compulsory AGMs and equal voting system (Sections 240242).

4.7.2 Financial Reporting Council of Nigeria (FRCN) Code (2018),

Promotes participation, transparency and disclosure of shareholders by companies. The principle 23 is particularly concerned with fair treatment and involvement.

4.7.3. Securities and Exchange Commission (SEC) Rules (2011)

SEC Code means that the shareholders of listed companies can obtain the quality information, equal dividends and the redress of grievances using the Investors Protection Fund.

4.7.4. Nigerian Exchange Group (NGX) Listing Rules

These rules make listed companies disclose suitable material information on time and conduct regular investor briefings. Failure to comply is sanctioned hence enhancing transparency.

4.8. Minorities Shareholder Protection

The minority shareholders are likely to be pushed into the periphery by the majority shareholders. Governance systems seek to offer institutional protection including legal redress.

Mechanisms include:

1. Derivative actions: The minorities shall be allowed to sue directors on the basis of fiduciary breach.
2. Cumulative voting: Allowing the minorities to have at least one representative on the board.
3. Disclosure laws: Being completely transparent in related-party transactions.
4. Judicial review: Not only can the courts interfere in order to safeguard fairness in corporate acts.

Section 354 of CAMA 2020[5] allows the minorities to seek relief against oppression or prejudice.

4.9. Shareholder Engagement and Stewardship

In modern governance, full ownership is promoted, which implies that the shareholders are stews not passive investors.

Stewardship, according to the UK Stewardship Code (2020) and IFC Corporate Governance Toolkit (2021) implies:

- Surveillance of the performance of the investee companies.
- Communicating with boards and management.
- Making responsible votes on corporate resolutions.
- Inclusion of environmental, social, and governance (ESG) in the investment decision-making.

Nigeria has institutional investors, including the Pension Commission (PENCOM) and the Nigerian Sovereign Investment Authority (NSIA), who are increasingly becoming expected to practice stewardship in a manner that is consistent with sustainability.

The shareholder roles are regarded differently by the various cultures around the globe, thus:
United Kingdom

Shareholders in the UK have extensive right of voting and the right to requisition general meetings (UK Companies Act 2006). The UK Corporate Governance Code (2018), encourages shareholders by engaging in open communication and reporting.

United States

Sarbanes-Oxley Act (2002) added more power to the shareholders by demanding accountability on financial reports by the CEO/CFO. Heavy governance roles are played by activist hedge funds and pension funds (e.g., CalPERS).

OECD Countries

The OECD Principles (2015) recommend fair treatment of shareholders and ability to engage in critical decisions, dispute resolution mechanisms and insider abuse protection.

Emerging Markets

In emerging markets such as Nigeria, the rights of shareholders are becoming more advanced but remain limited by a poor enforcement system, low investor education and through a concentrated ownership system.[7]

4.10. Nigeria Shareholders Problems

Shareholders have a number of challenges in spite of all this progressive reforms:

1. Weakness in the enforcement of the governance laws and disclosure laws.
2. Poor access to information of the retail investors.
3. Ineffective shareholder literacy and activism.
4. Family and state ownership suppressing independence.
5. The bad corporate morality and insider trading in the capital markets.

The need to deal with these issues is to have more powerful institutions, regulatory synergy and investor education.

4.11. Technology and Shareholder participation

The move towards digitalization is changing the shareholder involvement in the governance.

- Virtual voting and E-AGMs increase inclusiveness.
- Share registries based on blockchain will provide ownership transparency.
- Online investor relation portals enhance transparency and good governance.

Hybrid meetings are now allowed by the Corporate Affairs Commission (CAC) and NGX (2022) and allow participation regardless of the location of the discussion, which is a significant advance to corporate democracy.

The shareholders will still form the underpinning of corporate governance. They determine the process of direction and control of the companies through ownership, voting rights and activism. Proper shareholder engagement fosters transparency, accountability and ethical leadership.

Shareholder protection and participation have been enhanced in CAMA (2020) and the FRCN Code (2018)[8] reforms in Nigeria. Nevertheless, lifelong learning, use of technology, and enforcement of regulations are critical to establish that shareholders make use of their rights and obligations to the maximum in the formation of sustainable corporate governance.

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Chapter 5

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Role of Board of Directors and Board Committees in Corporate Governance

Learning Objectives

At the end of this chapter, students should be able to:

1. Define and describe the structure and composition of a corporate board of directors.
2. Explain the roles and responsibilities of the board in corporate governance.
3. Distinguish between executive and non-executive directors and their governance implications.
4. Identify and evaluate the functions of key board committees, including the audit, risk management, nomination, and remuneration committees.
5. Analyze how effective board leadership and independence influence corporate performance and accountability.
6. Assess real-world examples of board practices in Nigerian and international corporations.

5.1. Introduction

The highest internal governance organ of any corporate is the Board of Directors (BoD). It is the connection between the shareholders and the management and it is mainly involved in the role of making sure that the company is strategically oriented, managed and answerable to the stakeholders. Board effectiveness is a vital factor that defines the performance of the firm, transparency, and ethical behavior.[1,2]

The law of the Nigerian context specifies the structure, composition and functions of boards and their committees in the Companies and Allied Matters Act[3], the Nigerian Code of Corporate Governance[4] and others, including the rules of the Securities and Exchange Commission (SEC).

5.2. Board of Directors Organization and Structure

Codes of corporate governance focus on the fact that an efficient board should be sized correctly, be diverse, and balanced in terms of executive, non-executive directors.[5] The make-up of the composition is such that there is no dominant decision maker and also that the board serves the common interest of the company.

- The company has Executive Directors who are members of the management. They are involved in day-to-day business and practice.
- Independent oversight of the management performance and policies can be done by Non-Executive Directors (NEDs) as they bring outside views to the management.
- Independent Directors according to the definition of the NCCG[3] are the individuals who are not connected or do not have interests that may affect their objectivity.
- In case of listed companies in Nigeria, the NCCG suggests that most of the board members are supposed to be non-executive and at least one-third of the board members is supposed to be independent directors.
- Diversity in terms of gender, skills, experience, and nationality is becoming more and more acknowledged as enhancing the quality of board decision-making and the reputation of the firm.[6,7]

5.3. Board Functions and Responsibilities

The board functions are multi-dimensional, which includes the strategic, fiduciary, ethical, and oversight roles.

5.3.1. Strategic Role

The board determines the strategic goals, mission, and corporate vision, which should be in line with interests of shareholders and other stakeholders. It sanctions long-term strategies and major investments, as well as, major changes in the organization.[2]

5.3.2. Fiduciary Role

Fiduciary duties of good faith, good care and loyalty are owed by directors to the company. They should be honest, free of conflict of interest and make sound judgment in every decision they make CAMA.[3]

5.3.3. Oversight Role

The board oversees the performance of the management, internal controls and risk management structures in order to ensure that the organization is performing efficiently and ethically.

5.3.4. Ethical and Compliance Role

Boards have a role of entrenching systems of compliance and ethical culture. They also make sure that regulatory obligations, environmental standards, and professional codes are followed (OECD, 2023).

5.4. Leadership and Independence by the Board

It is recommended by the NCCG (2018) and OECD (2023) that the roles of the Chairman and the Chief Executive Officer (CEO) should not be combined because concentration of power will occur. This implies that:

- The Chairman is the leader of the board, sets meeting agenda and maintains good communication between the directors.
- CEO takes care of the operation management and realizes the strategies that are approved by the board.

The independence of the board is a guarantee of objectivity. The independent directors introduce impartial judgments especially on performance evaluation, risk and audit. It has been demonstrated through empirical data that board independence has a positive impact on a firm and transparency.[10]

5.5. Role of Board Committee in Corporate Governance

The boards have special committees which undertake specific governance roles in order to increase efficiency. According to the NCCG[4], the following core committees must be constituted by listed firms:

5.5.1. Audit Committee

Audit Committee oversees integrity of financial statements, adherence to the accounting standards and the internal control systems. It is provided in the Section 404 of CAMA[3] in Nigeria that any public company must have an audit committee, which includes directors and shareholder representatives in equal measures.

- It audits performance and scope of the internal and external auditors.
- It investigates the process of risk management and whistle-blowing systems SEC.[9]

5.5.2. Risk Management Committee

This committee recognizes, evaluates, and tracks the crucial business risks. It makes sure that risk-taking is done in a manner that is consistent with the risk appetite and strategic objectives of the company.[8]

5.5.3. Nomination and Governance Committee

The nomination and governance committee are in charge of performance appraisal, succession plans and board composition. It makes sure that the appointment of board members is made on merit, competence, and the diversity factor.[5]

5.5.4. Remuneration Committee

The executive compensation is designed and considered by this committee in order to coordinate incentives to the managers with long-term shareholder value. It encourages openness and equality in the compensation policies.[11]

5.5.5. Sustainability or CSR Committee

Several companies have started to create sustainability committees to manage the environmental, social, and governance (ESG) performance. This is an indication of the increased value of corporate sustainability reporting and responsibility to the ethical.[12,13]

5.6. Board Evaluation and Accountability

The boards will also be required to go through performance appraisals yearly to determine their performance level, leadership, and quality of decision making. They could be internal evaluation (by the company secretary) or external evaluation (by independent consultants).

The mechanisms of accountability are:

- There is open reporting of the board business and meetings.
- Remuneration based on performance.
- Disclosure of conflict of interest.
- Governance compliance reporting.[4]

Aguilera[10] argues that transparency in the performance of the board will promote the confidence of the investors and the credibility of the market.

5.7. Boards in Nigeria: Challenges

1. Lack of effective enactment of governance codes -Most companies do not enforce their codes symbolically but use them as mere facades.
2. Politicization of appointing boards to boards- The appointment of a board is occasionally done on the basis of relationships as opposed to merit.
3. Little independence - Family/majority shareholders can control decision making.
4. Lack of diversity - There is lack of diversity in terms of gender and skills.
5. Moral violations and bribery - Cases of invalid financial reporting or insider trading will affect the credibility of the governance.[14]

5.8. Best Practices of Effective Boards

Usually are there are best practice of effective board. The following could be termed are boards best practice:

1. Have a good board size (8 -12 members suggested by NCCG).
2. Make most of the non-executive directors independent.
3. Lower Case gender and professional diversity.
4. Impose board and committee reviews on an annual basis.
5. Promote transparency and accountability.
6. Have frequent board training and orientation.

5.9. Case Study: Board Governance practices in firms in Nigeria

A comparative study of Dangote Cement Plc and Zenith Bank Plc reveals that both companies have undergone progressive governance structure. According to their annual report, they are over 60 percent board independent, they have active audit and risk committees, and they adhere to the guidelines of sustainability reporting.

The practices enhance investor confidence and corporate reputation, which demonstrates how sound governance at board level is.

This chapter has brought to light that the Board of Directors and the Board Committees play a pivotal role in effective corporate governance. The board offers a direction to the strategy, oversees the management, imposes the ethical standards, and protects the interests of the shareholders. Governance is made more efficient and accountable with specialized committees, such as audit, risk, nomination, remuneration and sustainability.

The boards that are effective are independent, diverse, transparent and loyal- all these enhance the corporate trust and sustainability.

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Chapter 6

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Internal control and audit procedures

Learning Objectives

At the end of this chapter, students should be able to:

1. Define internal control and explain its importance in corporate governance.
2. Describe the five components of internal control as defined by the COSO framework.
3. Understand the objectives and types of internal audits and external audits.
4. Identify the responsibilities of auditors in promoting transparency and fraud prevention.
5. Evaluate the relationship between internal control systems and financial reporting quality.
6. Apply internal control and audit procedures to practical case studies within Nigerian organizations.

6.1. Introduction

The quality of the financial reporting and the security of corporate resources is highly dependent on the quality of the internal control systems and efficiency of audit processes. The core element of good corporate governance is internal controls, which help to make sure that the organizational goals are attained in a cost-effective and ethical manner.[1,2]

Various corporate scandals in African countries, including the Cadbury Nigeria financial misstatement, Oando Plc governance failures, and failures in the financial sector, have emphasized the significance of strong internal control and auditing systems in the Nigerian business environment. According to the Nigerian Code of Corporate Governance,[3] Companies and Allied Matters Act and Financial Reporting Council (FRCN), firms must have in place and implement effective internal control systems and submit to external and internal audits.

6.2. Meaning and definition of internal control

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as:

An activity, performed by the board of directors, management, and other employees of an entity, and aimed at ensuring that there is reasonable assurance as per the accomplishment of the objectives that can be related to operations, reporting, and compliance.[1]

Internal control therefore gives a model of assuring the credibility of the financial reporting, protection of assets and adherence to legislations and regulations.

Important purposes of internal control are:

1. Both quality and fullness of financial information.
2. Asset security against fraud or abuse.
3. Adherence to the corporate policies and the external regulations.
4. Effective resource utilization.
5. Elimination and timely identification of mistakes and anomalies.

The first line of defense is internal controls against corporate fraud and ethical misconduct.

6.3. Internal Control Systems Components (The COSO Framework)

According to the COSO Internal Control-Integrated Framework, there are five components that make up an effective control environment, which are all interrelated.

6.3.1. Control Environment

This is the basis of the rest of the elements. It involves values of the company, integrity, management philosophy and the organization structure.

Elements include:

1. Adherence to ethical principles.
2. Board-level independence and control.
3. Staff competence and responsibility.
4. Precise corporate hierarchy.[2]

6.3.2 Risk Assessment

All organizations are exposed to risks that could make it fail to attain its goals. Risk assessment is a process of identification and analysis of these risks and subsequent decision on how to manage them.

Proper risk assessment has the effect of making internal controls preventive as opposed to reactive.

6.3.3 Control Activities

These are the actual measures that have been put in place by policies and procedures to control risks. Examples include:

1. Approval and authorization processes.
2. Segregation of duties
3. Asset physical controls.
4. Reconsolidations and performance appraisals.

6.3.4 Information and Communication

There should be flow of relevant and timely information to all levels within the organization. Effective communication would make employees aware of their control responsibilities and report irregularities in time.

6.3.5 Monitoring Activities

Monitoring refers to active or regular evaluation of internal control effectiveness by conducting internal audit reviews, management assessment, and external evaluation.[4]

6.4 Types of Internal Controls

1. Preventive Controls: Intended to prevent mistakes or fraud prior to their occurrence (e.g. authorization restrictions, passwords).
2. Detective Controls: Report or detect error or irregularities after they have arisen (e.g. reconciliations, variance analysis).
3. Corrective Controls: Take actions to rectify identified errors or anomalies (e.g. update of policies, training of employees).

Such types collaborate to guarantee accountability and reliability of operations.

6.5 Importance of Internal Controls

In the context of corporate governance, internal control systems are effective because they increase the overall governance framework by:

1. Cultivating good corporate culture.
2. Ensuring quality financial reporting.
3. Improving confidence of the investors.
4. Minimizing fraud and inefficiency in operation.
5. Maintaining regulatory conformity.

Internal control mechanisms are ethical checks and balances, which ensure that managerial activities are equated to the responsibility and transparency objectives of the organization.

6.6. Internal Audit Function

One of the pillars of the corporate governance process is the internal audit. Internal auditing has been defined as: an independent, objective, assurance and consulting activity that aims at value addition and enhancing operations of an organization. Internal auditor gives an ongoing evaluation of the sufficiency and capabilities of internal control system, risk management processes, and structures of governance.

The main internal auditor tasks are:

1. Risk management procedure appraisal.
2. Determining the adequacy of internal control.
3. Checking of the accuracy of financial and operating information.
4. Fraud detection and prevention.
5. Checking the regulations and laws adherence.
6. Recommending efficiency to the management.

Internal auditors are administratively accountable, but functionally to the Audit Committee of the board, so as to be independent.

6.7. External Audit and Corporate Governance

Where internal auditors give continuous evaluation, external auditors are independent in giving stakeholders an assurance of fairness of financial statements.

The functions of external auditors are specified by the International Standards on Auditing (ISA), the Companies and Allied Matters Act, and IFAC Code of Ethics.

The key roles of external auditors are:

1. Financial statement and supporting records examination.
2. Assessing internal control reliability.
3. Identifying and reporting material misstatements.
4. Giving audit opinions (unqualified, qualified, adverse, or disclaimer)
5. Increasing the integrity of stakeholders regarding finances.

Another important accountability measure of the board and management is external auditors. Their objectivity and independence are essential to good governance.[5]

6.8. Association between Internal Control, Risk Management and Audit

Incorporate mechanisms in corporate governance such as internal control, risk management and auditing are interdependent.

- Internal control reduces the risks by use of policies and procedures.
- Risk management recognizes and ranks the possible threats.
- Auditing measures, the efficiency of internal control as well as risk frameworks.

These elements need to coexist in a sound governance system that would guarantee the integrity, accountability, and sustainability of operations.[(6)]

6.9. Audit Committee and Supervisory Roles

CAMA[(7)] and FRCN[(3)] in Nigeria also require that all companies in the market that are public shall have an Audit Committee with an equal number of shareholders (not exceeding six) and board members.

The major roles will be:

1. Checking the areas and results of internal and external auditors.
2. Managing internal control and financial reporting systems.
3. Assuring rotation and independence of auditors.
4. Checking the risk management procedures.
5. Recommending financial integrity and ethics to the board.

Audit committee is therefore a very important interface between the management, auditors, and the shareholders.

6.10. Basic Weaknesses in Internal Control and Auditing Systems

Although codes and laws exist, several areas of weaknesses continue to develop in the developing economies like Nigeria, this basic weakness are:

1. Lack of good segregation of duties.
2. Inadequate documentation and record keeping.
3. Absence of independence of the auditors.
4. Poor employee training and skills.
5. Poor governance codes enforcement.
6. Control override by the management.

Osemeke et al.[(8)] have noted that most of the Nigerian companies implement a compliance-focused approach to governance, which restricts the performance of the audit mechanisms.

6.11. Enhancing Internal Control and Audit Effectiveness

Organizations should have to increase the contribution of internal control and audit in the governance.

1. New culture of ethics and accountability at the top.
2. Make the auditors independent and competent.
3. Carry out regular internal audits of risk.
4. Monitor in real time (e.g. data analytics, AI-assisted audit).
5. Put in place whistle-blowing and fraud reporting systems.
6. Secure effective rotation and disclosure of audit fees.
7. Implement periodical governance and control training of workers and board members.

6.12. Case Study of Internal Control Failures and Lessons

The following is case study of internal control failure and lessons:

Cadbury Nigeria Plc scandal entailed manipulations with financial statements to the value of

N 13 billion. Weak internal controls, management override as well as poor auditor oversight were found during investigations. The scandal made the company reorganize its audit committee, enhance internal audit independence, and implement COSO framework of internal controls.

This case highlights the importance of having good internal controls and the independent audit of the company as a prerequisite to ethical corporate governance.

Corporate governance integrity is based on internal control and audit procedures. Good controls preserve property, maintain proper accounting and maintain integrity. Internal and external auditors are watchdogs that identify irregularities, improve transparency and assure the stakeholders of credibility of financial information.

A governance system that lacks strong control and audit systems is prone to ethical irregularities, mismanagement and collapsing of the corporation. Therefore, there is a need to reinforce these systems to attain corporate sustainability and investor confidence.

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Chapter 7

Corporate governance and accounting ethics
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Role of Governance in Sustainability

Learning Objectives

At the end of this chapter, students should be able to:

1. Define corporate sustainability and explain its linkage to good governance practices.
2. Discuss the principles of environmental, social, and governance (ESG) responsibility.
3. Analyze how governance structures promote sustainable corporate strategies and long-term value creation.
4. Identify mechanisms through which boards and management integrate sustainability goals into decision-making.
5. Evaluate the impact of governance on corporate social responsibility (CSR) reporting and stakeholder engagement.
6. Discuss global and Nigerian examples of sustainable governance practices.

7.1. Introduction

The contemporary business world is now a place where corporate governance and sustainability cannot be discussed as two different concepts. The concept of sustainability is centred on the long-term value creation that aims at balancing economic performance, environmental responsibility, and social equity, i.e. the so-called Triple Bottom Line (TBL) model.(1)

Corporate governance offers the institutional context within which the sustainability strategies are made, put into practice, and observed. Proper governance guarantees that such principles of sustainability as ethical conduct, openness, responsibility, and inclusion of various stakeholders are incorporated into corporate culture and decision-making.(2, 3)

The concept of sustainability governance has become a central concern in the Nigerian context due to the introduction of the frameworks of Nigerian Code of Corporate Governance,(4) the FRCN Sustainability Disclosure Guidelines,(5) and the SEC Rules on ESG Reporting.(6)

7.2. Concept of Sustainability and Corporate Governance

Sustainability can be defined as long term viability of an organization (or company) through a combination of environmental, social, and governance (ESG) into its strategies and operations.(7)

Corporate governance, however, makes sure that companies are managed and governed in a way that is favourable to shareholders and stakeholders. Strong governance mechanisms boost the sustainability performance of a firm by improving accountable and ethical decision-making,(8) and responsibilities.(9)

Sustainability governance therefore gives the confluence of these two important fields:

- Corporate governance: Providing control, honesty, and transparency; and
- Sustainability management: Accountability in the long run, both environmentally, socially and ethically.

7.3. Dimensions of Corporate Governance Sustainability

There are three pillars of sustainability which are interrelated and these are the economic, environmental and social sustainability.

7.3.1. Economic Sustainability

Economic sustainability is concerned with sustained profitability, financial friends of the earth, and innovation without jeopardizing the long-term societal and environmental health. Good governance facilitates effective allocation of capital, sound risk management as well as ethical decision making in investments.[10]

7.3.2. Environmental Sustainability

Environmental sustainability is the concern of a firm that minimizes the adverse environmental effects like pollution, carbon emissions, and depletion of resources. Governance systems will make sure that there is adherence to the environmental laws and use of green technologies.[11]

7.3.3. Social Sustainability

Social sustainability concerns the roles of a company to the employees, customers, suppliers and communities. Fair labor, diversity, occupational health as well as the development of the community is ensured through governance mechanisms.[12]

The board control and ethical leadership helps to monitor and maintain these three dimensions.

7.4. Sustainability Governance mechanisms

In order to entrench principles of sustainability, corporations count on certain governance mechanisms including:

Board Oversight and Responsibility: The board must establish policies to verify that the administration processes do not violate any ethical standards or laws.[13]

7.4.1. Board Oversight and Responsibility

The board should develop the policies to ensure that the process of administration does not contravene any ethical or legal standards.[13]

The boards are very important in making sure sustainability is a strategic priority. The NCCG[4] states that the directors should guarantee the creation of long-term value is achievable through incorporating the risks and opportunities of sustainability into the corporate strategy.

Nigerian firms (e.g. Zenith Bank, Dangote Group, etc.) most of them have instituted Sustainability Committees, which monitor the ESG policy implementation and reporting.

7.4.2. Corporate Culture and Ethical Leadership

Ethical leadership will make sure that sustainability is not merely adhered to but it is practiced. The models of integrity, fairness, and stewardship are exhibited by leaders and create a culture of responsible corporate citizenship.[14]

7.4.3. Stakeholder Engagement

An effective governance situation must acknowledge that corporations have the responsibilities not only to the shareholders, but even to the employees, consumers, the regulators and communities.[10] Sustainable decision-making is based on the stakeholder theory, which asserts dialogue, transparency, and collaboration.

7.4.4. Internal Controls and Risk Management.

Sustainability is achieved through governance structures that identify environmental and social risks and incorporate them in enterprise risk management (ERM) systems, and enable adherence to them with internal controls.[15]

7.4.5. Disclosure and Reporting

Sustainability reporting has become a world governance prerequisite. The FRCN Sustainability Reporting Guidelines, which is in line with the Global Reporting Initiative (GRI) and IFRS Sustainability Disclosure Standards,(16) should be followed by Nigerian listed companies. Thus, opening up the report of ESG improves investor confidence and reputational capital.

7.5. Impact of the Board in Sustainability Driving

The boards should not see it as just a financial supervision but expand their scope to include environmental, social and governance (ESG) roles.

Key roles include:

1. Ratifying sustainability plans and objectives.
2. ESG monitoring risks and opportunities.
3. Sustainability report review.
4. Making sure that ESG metrics are integrated in executive compensation.
5. Managing the adherence to such international frameworks as the UN Sustainable Development Goals (SDGs).

Based on empirical data, it is argued that risk-resilient and profitability in the long term are stronger in firms where boards are active in sustainability-oriented activities compared to others.(17)

7.6. Sustainability Reporting and Accountability

Sustainability reporting increases transparency and trust to the stakeholders. Common frameworks include:

1. Global Reporting Initiative(18): provides environmental and social performance disclosure standards.
2. Integrated Reporting: this is a combination of financial and non-financial data that is used to demonstrate how an organization can generate value over time.
3. IFRS Sustainability Disclosure Standards(5): requires uniform reporting of ESG data worldwide.

Financial Reporting Council of Nigeria (FRCN) is currently obliging firms to make disclosure of sustainability in addition to annual financial statements. This change is based on the global trend of integrated thinking and responsible sustainability.(19)

7.7. Governance and Sustainable Development Goals (SDGs)

Using a blueprint on sustainable business practices, the United Nations Sustainable Development Goals (SDGs) offer a blueprint on how to conduct business sustainably. Corporate governance is consistent with SDGs in that:

1. SDG 8 (Decent Work and Economic Growth): Ensuring the ethical labor practice.
2. SDG 12 (Responsible Consumption and Production): the implementation of environmental responsibility.
3. SDG 13 (Climate Action): Climate risk in business strategy.

As a company, we are committed to upholding ethics and transparency, which is SDG 16 (Peace, Justice, and Strong Institutions).

Corporate boards engage in the process of linking organizational goals with the SDGs by having governance structures that facilitate their ethical development and social integration.

7.8. Sustainability Problems in developing Economies

In Nigeria and other African economies, there are a few systemic barriers of sustainability governance:

1. Lack of strong regulations that govern the environment and social issues.
2. Few knowledge and skills on sustainability reporting.
3. Short-term oriented to profits rather than long term sustainability.
4. Inadequate ESG metrics data collection systems.
5. Integrity of sustainability is compromised through corruption and ethical malpractices.

Nevertheless, companies like Dangote Cement, MTN Nigeria and Access Holdings have led by example by engaging in sustainability reporting and investment in renewable energy and community development through their annual reports.

7.9. The Advantages of the integration of Governance and Sustainability

Combining governance and sustainability is beneficial in the following ways:

1. Improved corporate image and confidence by the stakeholders.
2. There should an attributed to better access to capital, where investors have been focusing more on ESG performance.
3. Less operational and regulatory risks.
4. Greater innovation and sustainable profitability.
5. Global best practices and competitiveness.

Uwhejevwe-Togbolo[14] maintains that the convergence of ethics, governance, and sustainability is the source of the current corporate legitimacy.

7.10. The case study on sustainability governance in Dangote Group

Dangote Group, the biggest conglomerate in Africa, has incorporated the element of sustainability into its governance framework, into its Group Sustainability and Governance Committee.

The company complies with GRI Standards, releases annual sustainability reports and has environmental impact management initiatives in its cement, sugar and fertilizer units.

In 2024, the Nigerian Stock Exchange (NGX) listed Dangote as an excellent stock reporting firm in terms of sustainability. This reveals the importance of sustainability at the board level and ethical leadership to integrate sustainability within the corporate DNA (Dangote Group Sustainability Report, 2024).

Corporate governance is an important factor in achieving sustainability by ethical management, risk management, and accountability of the stakeholders. Sustainable governance does not stop at compliance, it involves the incorporation of social, environmental and ethical values in all business decision making.

The boards, regulators and accountants should work together to make sure that sustainability is a strategic imperative and not a mere show.

Over the long term, companies that incorporate sustainability into a governance structure are more resilient, highly regarded, and profitable.

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Chapter 8

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Ethical codes by FRCN, OECD, and other local and international agencies

Learning Objectives

At the end of this chapter, students should be able to:

1. Define and discuss the concept of ethics in corporate governance.
2. Identify and describe ethical codes issued by the Financial Reporting Council of Nigeria (FRCN), OECD, and other international organizations.
3. Understand the relevance of ethics in maintaining transparency, accountability, and stakeholder trust.
4. Compare and contrast Nigerian ethical frameworks with international standards.
5. Apply ethical principles to practical governance situations involving conflict of interest, disclosure, and integrity.
6. Critically evaluate how ethical codes influence governance effectiveness and compliance.

8.1. Introduction

Good governance is anchored on corporate ethics. Ethics is defined as the norms and standards that are used in making decisions in business. Credibility of governance should be based on a strong ethical, which provides transparency, accountability, integrity and justice.

Ethical frameworks and codes of practices formulated by bodies like the Financial Reporting Council of Nigeria (FRCN), Organization for Economic Co-operation and Development (OECD), International Federation of Accountants (IFAC), International Corporate Governance Network (ICGN) and others have been used to govern professional conduct of corporate governance and financial reporting.

These codes help in advising how organizations and individuals ought to behave themselves in order to keep the people of trust, and keep them in order to abide by the laws and support the name of the profession.[1,2,3,4]

8.2. Meaning and intent of Ethical Codes

An ethical code (or code of conduct) is a codified code of behaviors, values, and principles and it is the code that defines what is acceptable in a professional or organizational setting.[5]
Ethical codes help to:

1. Create expectations of professional behavior.
2. Encourage honesty/impartiality in decision-making.
3. Avoid conflict of interest and malpractice.

Protect social trust in a financial reporting and governance systems. Ethical codes serve as normative tools in corporate governance to apply broad ethical theories into practical advice to directors, auditors, accountants, and employees.

8.3. Ethical Codes of the Financial Reporting Council of Nigeria (FRCN) and the FRCN

The FRC Act, as amended (herein referred to as FRCN) was established with the purpose of creating a principle body that regulates financial reporting, corporate governance and professional conduct in Nigeria.

8.3.1. Objectives of the FRCN

1. To facilitate the high standard of corporate governance and financial reporting.
2. To maintain the accuracy, integrity as well as reliability in the published financial statements.
3. To maintain ethical and professional ethics to auditors, directors and accountants (FRCN Act, 2011).[2]

8.3.2. FRCN Code of Conduct and Ethics

The Code of Conduct of Professionals in FRCN and the Nigerian Code of Corporate Governance[1] provide the ethical requirement of the stakeholders in the corporate governance.

The major ethical principles are:

1. Integrity Professionals should be honest, and maintain ethical practices in every interaction.
2. Honesty: No bias, conflict of interest or undue influence should be used to determine the decisions.
3. Professional Competence and Due Care: It is required to be constantly professionally developed to remain competent and diligent.
4. Confidentiality: The sensitive information should be preserved and should not be disclosed to other parties unless legally obliged.
5. Professional Behavior: The professionals must act in accordance with the laws, must not act in a way that brings disrepute to the profession and they should instill confidence in the people.

The NCCG[1] also requires boards to foster the culture of ethics and compliance on all tiers of company organization.

8.4. OECD principles of corporate governance and ethical standards

Organization of Economic Co-operation and Development (OECD) is an important institution that influences the world governance and ethical practices. It has G20/OECD Principles of Corporate Governance that is used as the source of international best practice.

8.4.1. Principles of OECD Ethical Governance

There are six areas under concentration in the OECD Principles:

1. Still Ensuring the Basis of a Workable Governance Framework: The governance framework must advance transparency, uprightness and duty.
2. Rights and Fair Treatment of Shareholders: The shareholders should be treated justly and the minority shareholders should be sheltered against exploitation.
3. The Institutional Investors, Stock Markets and Intermediaries: These players must be ethical and transparent.
4. The Role of Stakeholders: Companies need to acknowledge the rights of stakeholders and ensure sustainability.
5. Disclosure and Transparency: Firms are required to disclose material financial as well as non-financial information in order to ensure accountability.
6. Board responsibilities: Boards are supposed to be independent in their judgment, they are expected to be ethical and to supervise ethical adherence.

8.4.2. OECD Code Ethical Aspects

The ethical focus of OECD is in:

1. Enhancing honesty and equities in business transactions.
2. Eliminating corruption and unhealthy influence.

3. Maintaining responsible corporate citizenship to the society and environment.

The OECD guidelines are the moral basis of corporate reforms in all the jurisdictions such as Nigeria, the UK and other Commonwealth countries.

8.5. Code of Ethics International Federation of Accountants (IFAC)

International Code of Ethics Professional Accountants publish is done by International Ethics Standards Board of Accountants (IESBA) which is an organization of International Federation of Accountants (IFAC).

This is a global code of ethics of accountants and auditors which is revised on a regular basis.

8.5.1. Basic Principles of the IFAC Code

1. Integrity: Be direct and honest with any professional and business associations.
2. Objectivity: Shun prejudice, conflicts of interests or influence.
3. Professional Competence and Due Care: Organize professional knowledge and skill to the necessary level.
4. Confidentiality: Hold confidentiality of information obtained.
5. Professional Behavior: Compliance with the applicable laws and regulations and do not discredit the profession.(3)

8.5.2. Ethical Threats by IFAC

Some of the ethical threats that accountants need to detect and address include:

1. Threats of self-interest (financial interest or incentive).
2. Self-review threats (auditing self).
3. Advocacy threats (selling the case of a client).
4. The threats of familiarity (close relations weakening autonomy).
5. Threats of intimidation (management pressure or client pressure).

Disclosure, exit of the engagement, or safeguards, including independent reviews are mitigation measures.(3)

8.6. Global Governance Principles International Corporate Governance Network (ICGN) Global Governance Principles

The ICGN(4) advances ethical standards of governance in the world as it proposes the best practice in the board behavior, shareholder participation, and integration of ESG.

Key ethical codes include:

1. Board members are expected to do it in good faith and not conflict of interest.
2. All disclosures should be based upon transparency and integrity.
3. The shareholders ought to be responsible with their rights.
4. Companies are expected to encourage sustainability and value creation in the long run.

ICGN principles are similar to the standards offered by OECD and IFAC and have shaped the governance changes in Africa and Europe.(4)

8.7. UNGC and Corporate Ethics, United Nations global compact

In 2000, the United Nations Global Compact (UNGC) was established which urges companies across the globe to direct their strategies and approach towards ten universal moral principles that encompass human rights, labor, environment, and anti-corruption.

UNGC Ten Principles:

1. Human rights Support and respect.
2. Make sure that you are not complicit in human rights violation.
3. Ensuring the freedom of association and abolition of forced labor.
4. Abolish child labor.
5. Get rid of discrimination in work.
6. Be in favor of a precautionary policy towards environmental issues.
7. Market environmental responsibility.
8. Promote technologies that are environment friendly.
9. Fight corruption of every kind such as extortion and bribery.

These principles increase ethical legitimacy and trust in the world by the corporate following them.

8.8. Ethical Standards of other Nigerian Professional Bodies

Nigeria There are many local professional and regulatory agencies that have worked out ethical frameworks in accord with the international best practices:

Table 8.1. Ethical Standards of other Nigerian Professional Bodies

Agency	Relevant Ethical Framework	Key Ethical Focus
Institute of Chartered Accountants of Nigeria (ICAN)	ICAN Code of Professional Conduct and Ethics	Integrity, independence, confidentiality, competence
Association of National Accountants of Nigeria (ANAN)	ANAN Code of Ethics and Professional Conduct (Revised 2021)	Integrity, objectivity, confidentiality, due care, professional behavior
Chartered Institute of Taxation of Nigeria (CITN)	CITN Code of Ethics (2021)	Transparency, fairness, tax compliance
Nigerian Bar Association (NBA)	Rules of Professional Conduct (2020)	Integrity, justice, confidentiality
Institute of Directors (IoD) Nigeria	IoD Code of Ethics and Corporate Governance (2022)	Board integrity, leadership ethics, accountability
Securities and Exchange Commission (SEC)	Code of Corporate Governance for Public Companies (2023)	Transparency, disclosure, investor protection
Financial Reporting Council of Nigeria (FRCN)	Nigerian Code of Corporate Governance (NCCG 2018)	Accountability, transparency, sustainability
Central Bank of Nigeria (CBN)	Code of Corporate Governance for Banks and Discount Houses in Nigeria (Revised 2014)	Risk management, prudence, fiduciary responsibility
National Insurance Commission (NAICOM)	Code of Good Corporate Governance for the Insurance Industry (2009)	Fair policyholder treatment, solvency, compliance

These codes of ethics are a supplement to the guidelines provided by FRCN to provide a holistic ethical framework in the corporate environment of Nigeria.

The ethical codes of conduct are essential in corporate governance as they are crucial in determining the morals of the corporate body and the business leader or manager.

Ethical codes can be regarded as the moral compass of the governance systems. Their benefits include:

1. Facilitating trust between stakeholders and the investors.
2. Avoiding corruption, fraud and immorality.
3. The need to improve accountability and professional discipline.
4. Strengthening institutional reputation and integrity.
5. Helping to make decisions in complicated ethical problems.

Ethical codes promote good governance and sustainable development when they are strictly upheld.

8.9. Enforcement and Compliance

Ethical codes can only work when they are enforced appropriately. Mechanisms include:

1. Regulatory control: FRCN, SEC and ICAN act by imposing compliance by way of inspection, sanctions and peer review.
2. Corporate training: Accountant and director awareness and ethics training.
3. Whistle blowing mechanisms: Mechanisms of reporting unethical practices in an anonymous manner.
4. Punitive measures: Loss of licenses, fines or professional suspension as a result of violations.

Ethics are preserved within the organization as an ongoing culture and not merely a policy document because of the enforcement and the education.

Responsible governance and financial reporting rely on ethical codes. Regardless of whether the FRCN, OECD, or IFAC formulated them, they all aim at enhancing integrity, transparency, fairness, and accountability in the professional conduct.

This compliance with such international ethical standards indicates that Nigeria is dedicated to international standards of governance and economic development.

Finally, corporate ethics is not a compliance with laws and rules, it is a strategic resource which makes people more confident and makes the governmental bodies more legitimate.

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Chapter 9

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Relevant Ethical Codes for Professional ACCOUNTANTS (IFAC Codes of Ethics)

Learning Objectives

At the end of this chapter, students should be able to:

1. Define the IFAC Code of Ethics and explain its importance in professional accounting practice.
2. Identify and describe the five fundamental ethical principles: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.
3. Explain various ethical threats (self-interest, self-review, advocacy, familiarity, intimidation) and corresponding safeguards.
4. Apply ethical judgment and professional skepticism to practical accounting scenarios.
5. Analyze contemporary ethical challenges in digital accounting, sustainability reporting, and global practice.
6. Evaluate case studies involving ethical dilemmas in accounting and corporate governance within Nigeria and internationally.

9.1. Introduction

Professional accountants play a pivotal role in the governance system. Their operations touch upon financial disclosure, corporate responsibility and investor trust. Accountants therefore have close ethical principles that guarantee integrity, objectivity and professionalism.

The worldwide recognised Code of Ethics to Professional Accountants is offered by the International Ethics Standards Board of Accountants (IFAC). This is the most recent updated Code, which has been in line with the international best practices and it is applied as a benchmark to accountants in the international viewpoint, including Nigeria.[1,2]

9.2. Accounting, Concept of Professional Ethics

Professional ethics refer to a code of conduct that regulates conduct in the accountancy career. It guarantees that accountants behave honestly, fairly and diligently in all their professional associations and duties.[3]

Ethics in accounting aims to:

1. Safeguard public interest.
2. Strengthen the financial information.
3. Eliminate misconduct, fraud or misrepresentation.
4. Enhance trust in the corporate governance and capital markets.

9.3. The IFAC Code of Ethics

The IFAC Code of Ethics[1] offers a systematic system of ethical standards to be used by all professional accountants in their practices in the public sector, industry, educational institutions, and government.

9.3.1 Basic Ethical Principles

The IFAC Code has five basic principles which are fundamental to professional behavior:

1. Integrity: This requires honesty, fairness and truth. The accountants should not conceal the facts with intentions to deceive the stakeholders.

Advice: When an accountant notice inflated revenue values, he/she has to report these anomalies despite the pressure exerted by management to conceal the anomaly.

2. Objectivity: Objectivity demands that accountants practice non-bias and non-conflict of interest.
Example: An auditor may not then offer consulting services to a client and at the same time audit their financial statements as this poses self-review risk.

3. Professional Competence and Due Care: Accountants should be competent, possess skills and knowledge and be diligent and abreast with regulatory and technological changes.
Examples: Competent practice can be guaranteed by means of continuous training on the changes in IFRSs, sustainability reporting, and the use of digital auditing tools.

4. Confidentiality: Accountants have access to sensitive information and they must ensure that they do not disclose it to unauthorized individuals.
Case in point: The personal investment decisions based on client financial information are purely unethical.

5. Professional Behavior: This principle entails adherence to laws and regulations and elimination of any action that can bring the profession into disrepute.
Case in point: Bribery, tax evasion, or financial misrepresentation are all actions that are against the standards of professional behavior.

These principles are interrelated and when one is not followed, the others tend to be influenced.

9.4. Risk to Ethical Compliance

According to the IFAC Code, the list of threats that can undermine the compliance with the main principles includes:

1. Self-interests Threats: In situations where the personal or financial interest may affect judgment.
2. Self-review Threats: Involves the accountant reviewing his or her work or recommendations.
3. Threats to Advocacy: A threat that occurs when advocating the position of a client or employer results in lack of objectivity.
4. Familiarity Threats: In cases where the close relationship with a client or the management affects the professional judgment.
5. Intimidation Threats: Threats of this nature refer to the situation where the independence of the accountant is affected by a threat, whether actual or perceived.

The Code offers protection to curb these threats, and they include:

1. Removal from the engagement
2. Review by other professional.
3. Communication of threats to relevant bodies of governance
4. Compliance and Safeguards (Expanded) Threats

The threats that can undermine ethical behavior mentioned by the IFAC Code are:

Table 9.1. IFAC Code are

Threat Type	Description	Mitigation/Safeguard
Self-interest threat	Financial or personal gain could bias judgment	Disclosure, recusal, or rotation of responsibilities
Self-review threat	Reviewing one's own work compromises independence	Independent review, peer review
Advocacy threat	Promoting client/employer interests	Avoid promoting client position that affects audit objectivity
Familiarity threat	Close relationships with clients or colleagues	Introduce rotation or external review
Intimidation threat	Pressure from clients or management	Escalate to audit committee or regulatory body

These safeguards ensure ethical compliance even in complex or high-pressure environments. (1)

9.5. Independence and Auditor Ethics

One of the pillars of audit quality is independence. Under the IFAC Code:

Auditors should be independent in fact as well as appearance. This should disclose or eliminate any financial or personal relationship with the audit client that may compromise independence.

The Code states that key audit partners' rotation is critical to prevent the threats of familiarity. The auditors of public interest entities are required to adhere to the full standards of independence established by IFAC, which enhances the levels of stakeholder confidence regarding financial reporting.

9.6. Ethical Codes application in Corporate Governance

Professional accountants are of key roles in governance, which includes:

1. Financial Reporting: This is where there is proper and fair reporting of financial statements.
2. Internal Control Oversight: Assessing the internal control systems and reporting the inherent weaknesses to the management or audit committees.
3. Fraud Detection and Prevention: Perceiving anomalies by applying professional skepticism.
4. Risk Management: Reporting to the management on financial, operational and compliance risks.
5. Sustainability Reporting: It is important to make sure that ESG disclosures are accurate and transparent.

Compliance with IFAC codes of ethics enhances the belief of accountants as custodians of corporate integrity.(4)

9.7. Applicability of IFAC Ethical Standards in Nigeria

The application of the IFAC Code in Nigeria is enforced by the various agencies:

1. Financial Reporting Council of Nigeria (FRCN): Regulates the accountants and auditors in terms of professional conduct and ethics.
2. Institute of Chartered Accountants of Nigeria (ICAN): Imposes ethical guidelines by use of disciplinary committees.

3. Association of National Accountants of Nigeria (ANAN): This offers control, authority and guidelines to its members.
4. Securities and Exchange Commission (SEC): Imposes ethics of the entities of the public interests and secures transparency to the investors.

Ethical code misconducts may lead to:
1. Cancellation or suspension of professional licenses.
2. Fines or monetary penalties
3. The Nigerian legal liability.
4. Injury to professional standing.

9.8. Ethical Bearing and Professional Skepticism

The code of ethics helps accountants to make challenging professional decisions. Two critical skills are:
1. Professional Skepticism: A questioning attitude and critical evaluation of audit evidence, which is necessary to identify an error or fraud.
2. Professional Judgment: Use of knowledge, experience and ethics to make good judgments.

Example: An auditor would be suspicious and examine all the facts when using odd transactions in and around the financial year-end rather than taking management explanations at face value.

9.9. Digital Accounting and Ethical Problems

New ethical issues become apparent with the emergence of digital accounting, cloud computing, and AI-based auditing:
1. Data Privacy and Security: Financial data will not be exposed to cyber-attacks.
2. Algorithmic Bias: Automated systems may bring in biases; accountants are to maintain fairness and transparency in decision-making by AI systems.
3. Remote Auditing Integrity: Virtual audits need strong compliance to the verification processes to attain independence and reliability.

Technology is implemented in a responsible manner, meeting professional standards because of adherence to IFAC ethical codes.[5]

9.10. Real-life Applications of Corporate Governance

Professional accountants apply the ethics of governance by:
1. Financial Reporting Integrity: The integrity of reporting to the management, investors and regulators is to be accurate, timely and transparent.
2. Internal Audit Monitoring: Fraud detection and prevention as well as protection of company property.
3. Board Advisory Role: Board advisory services on ethics, ESG and risk management.
4. Stakeholder Communication: Ethical reporting to stakeholders, such as material risk reporting, conflict reporting or abnormal reporting.

Accountants deal with practical challenges, which include:
1. Management pressures: Giving in to the executive on matters of independence.
2. Weak Enforcement: Regulatory agencies might have insufficient resources to be able to monitor compliance.
3. Cultural and Societal Norms: This may be in contradiction to social or corporate practice in emerging economies.

4. Blistering Technological Shift: AI and blockchain pose novel judgment and moral quandaries.
5. Globalization: It is not an easy task to operate in jurisdictions that have different ethical standards.

Additional Real-life Problems in ethical compliance.

1. Conflict of interest: The directors or accountants can be pressurized by the influential shareholders.
2. Management Override: The top-level management can override management or ethics.
3. Lack of awareness: There are limited awareness among accountants and auditors on the changes in ethical standards.
4. Weak Enforcement: At times the regulatory bodies do not have resources to enforce compliance.
5. Cultural Pressures: Social demands can go against professional ethics. [6]

To cope with these issues, it is necessary to provide regular ethics training, effective regulation, and corporate adherence to ethical culture. In such a way, Effective governance means continuous training, ethical leadership, and regulation help in order to reduce these difficulties.

9.11. Case Study: Accounting Ethics in the Nigerian Accounting practice

One prime example is Oando Plc where accountants had to deal with ethical conflicts concerning the difference in financial reporting.[7] The external auditing and internal whistle blowing which was directed by the IFAC ethical principles was instrumental in the detection of misconduct and the restoration of investor confidence.

The case illustrates how compliance with the IFAC codes would provide transparency, reduce the risk of fraud, and enhance corporate governance.

9.12. Corporate Sustainability and Professional Ethics

Accountants that are ethical play an important role in sustainability reporting:

1. Checking the accuracy and transparency of ESG measurements.
2. Securing corporate compliance with environment and social responsibility.
3. Incorporating corporate ethical risk assessment into corporate strategy.
4. This is in line with financial integrity and long-term sustainability objectives strengthening corporate legitimacy.

The IFAC Code of Ethics offers a global guide to professional accountants and builds on integrity, objectivity, professional competence, confidentiality, and professional behavior. To be ethically compliant is required of:

1. Enhancement of corporate governance.
2. Increasing investor confidence in accounting.
3. Enlarging accountability and transparency.
4. Promoting sustainable business activities.

Ethics within organizations are major custodians of professional accountants. Compliance to these codes, makes the corporate decisions to be made on an honest, just and responsible manner.

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Additional information

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