



DISCLAIMER

This document is an output of a baseline Survey on Corporate Governance in the Nigeria Agricultural Sector, carried out by Society for Corporate Governance Nigeria (SCGN) in partnership with the AFOS Foundation and with the support of the Financial Reporting Council of Nigeria (FRCN). The report is based on responses from the structured questionnaires distributed to selected Agricultural business owners covering the geopolitical structure of Nigeria, face to face interviews and a focus group discussion.

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ACKNOWLEDGEMENTS

This report is one of the outcomes of the partnership between the AFOS Foundation for Entrepreneurial Development Cooperation and the Society for Corporate Governance Nigeria on the project for the study of the practice of corporate governance by agricultural companies in Nigeria.

We appreciate the support of the Directorate of Corporate Governance of the Financial Reporting Council of Nigeria (FRCN) for providing us with the regulatory support to conduct this survey, given the need for corporate governance in the Agricultural sector in Nigeria.

We are grateful to the *Lagos State Commissioner of Agriculture, Ms. Abisola Olusanya* for graciously writing the foreword to this report. We appreciate the Ministry of Agriculture and Rural Development for their collaboration during the research work of this survey report and all the Agricultural associations who participated in the survey and shared information with us. This survey would not have been possible without the support of all the Agricultural Businesses covered during the primary research phase of questionnaires administration, which, apart from providing necessary information, also provided us access to their Board members, and granted interviews for the survey.

Our detailed discussions with these highly experienced individuals provided critical insights into the governance practices adopted by their institutions. The team is also grateful to the industry experts who participated in the survey focus group discussion and who provided their valuable perspectives that contributed to the success of the project.

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Our appreciation goes to the research team of the Society for Corporate Governance Nigeria for its support in designing the survey framework and providing insight and expertise that greatly assisted in undertaking the survey.

This study has benefitted from previous studies, research reports and discussion papers.

Chioma Mordi

Managing Director/CEO

Society for Corporate Governance Nigeria

NOTE TO THE READER

The report is divided into four sections, which include:

1. Executive summary,
2. Analytical review of research findings,
3. Recommendations, and
4. Appendix.

The appendix provides the details of Agric Business that participated in the survey as well as details of other interviewees.

The key findings are categorised into ten broad heads –

- Understanding the role of corporate governance in businesses;
- Company Structure;
- Board and Management (Responsibilities of the Board and Management);
- Board Size and Compositions;
- Separation of Powers;
- Board Committees and Board Meeting;
- Remuneration and Board Appraisal;
- Shareholders;
- Disclosure and Transparency; and
- Risk Management and Conflict of Interest.

ACRONYMS

AFOS	– AFOS Foundation for Entrepreneurial Development Cooperation
FRCN	– Financial Reporting Council of Nigeria
SCGN	– Society for Corporate Governance Nigeria
CEO	– Chief Executive Officer
GDP	– Gross Domestic Product
OECD	– Economic Co-operation and Development
NCCG	– Nigerian Code of Corporate Governance
IT	– Information Technology
CAMA	– Companies and Allied Matters Act
FRC	– Financial Reporting Council
MD	– Managing Director
NAFDAC	– National Agency for Food and Drug Administration and Control
FAO	– Food and Agricultural Organisation
CBN	– Central Bank of Nigeria (CBN)
BOA	– Bank of Agriculture
BOI	– Bank of Industry
NIRSAL	– Nigeria Incentive-Based Risk Sharing System for Agricultural Lending
NGO	– Non Governmental Organisation
FAO	– Food and Agricultural Organisation
WHO	– World Health Organisation
BDSPs	– Business Development Service Providers
SMEs	– Small and Medium Enterprises
IFC	– International Finance Corporation
SEC	– Securities and Exchange Commission
NGX	– Nigerian Exchange Group
NDIC	– Nigeria Deposit Insurance Corporation
NCC	– Nigerian Communications Commission
PENCOM	– National Pension Commission
JSE	– Johannesburg Stock Exchange
CSR	– Corporate Social Responsibility

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FOREWORD

It is indeed a great pleasure to write the foreword to this report on the well-timed Survey on Board Structure and Corporate Governance for Agricultural Sectors in Nigeria.

Good corporate governance is a system of rules, policies, and practices that dictate how a company's Board of directors manages and oversees the operations of a company, imbuing principles of transparency, accountability, and security. Whilst poor corporate governance, at best, leads to a company failing to achieve its stated goals, and, at worst, can lead to the collapse of the company and significant financial losses for shareholders. It is, however, of little worth without the word: "good".

This survey report is about understanding the nature of corporate governance in the Agricultural sector with the overall objective of ensuring a holistic review of the agricultural industry across the various value chain.

Agriculture contributes a significant part of the Nigeria's GDP. It is a key activity for Nigeria's economy after oil. In addition, agricultural activities provide livelihood for many Nigerians compared to other sectors.

In the first quarter of 2021, Nigeria's agricultural sector grew by 2.28 percent in real terms compared to the same period of the previous year. During the selected period, the contribution of agriculture to Nigeria's GDP experienced the highest increase in the last months of 2020, with a growth by over three percent, 1.11 percentage points more than in the same quarter of 2019.

Considering the indispensability of the Agricultural sector in fostering development of an economy, with the unrelenting reliance on the sector in Nigeria, the imperatives of a sound corporate governance structure among these establishments are, at this time, increasingly prominent; with priority given to Board effectiveness.

There is now a surge in Agric business owners and operation in Nigeria, making it progressively a more competitive environment in which maintaining or expanding market share is deemed a strategic objective and business plan. However, achieving this objective requires sharper focus and a vigilant monitoring of the operational efficiency, profitability, outreach, institutional stability, capital mobilisation, among others.

This survey report on Corporate Governance for the Agricultural sector is an output of an in-depth research on the Nigerian Agricultural sector. It also considers the Board structure/composition, Board activity, size, performance, peculiarities of sector in the light of established corporate governance principles and best practices.

This survey report further highlights the importance and the applicability of corporate governance principles and structures to Agricultural sector and how discourse around corporate governance can be made to suit the peculiarities of the sector, considering their potential effect on the Nigerian economy.

The findings contained in this report provides practical guidelines for; increased understanding of the role of governance in business sustainability, fiduciary duty of the directors or owners of Agriculture business, heightened awareness of poorly understood or controversial issues and recommend steps that can broaden knowledge in these areas in the future.

The report is well-researched and easy to understand. It captures and provides succinct insights on corporate governance and Board structures of Agricultural businesses in Nigeria and indeed timely as efforts are being made to strengthen and institutionalise sound corporate governance in every area of the Agricultural sector.

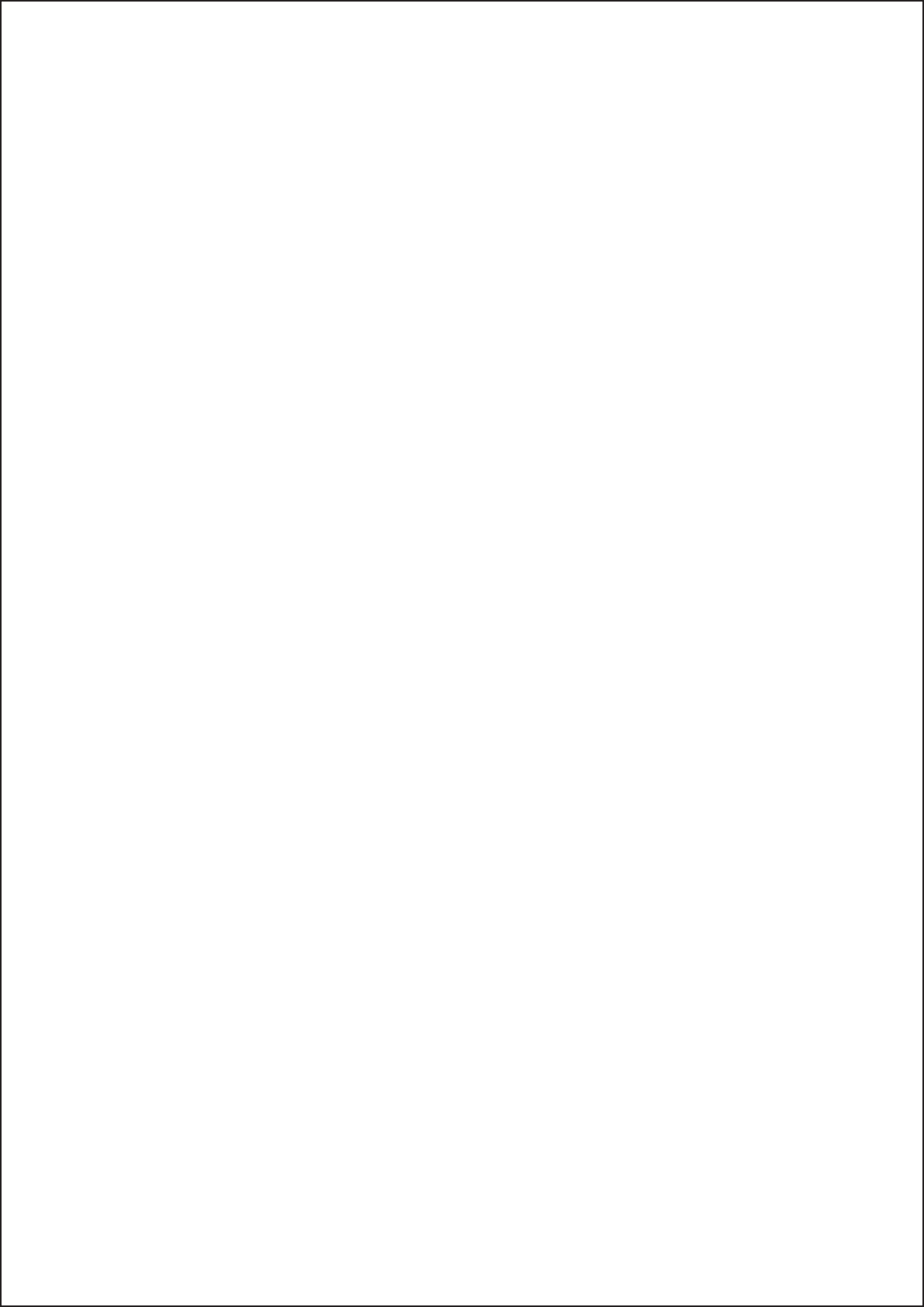
The Society for Corporate Governance Nigeria, AFOS Foundation and the Financial Reporting Council of Nigeria, recognise the significance of the Agricultural sector in boosting the nation's economy and deem it appropriate to collaborate to produce this report.

It is on that note that I recommend this report, to all subsisting and prospective investors, stakeholders, other regulators, directors, other financial/non-financial sectors, the academia, and indeed the general public.

Ms. Abisola Olusanya
Commissioner of Agriculture
Lagos State

PART A





EXECUTIVE SUMMARY

This survey was organized by the Society for Corporate Governance Nigeria, AFOS Foundation and the Financial Reporting Council of Nigeria as part of its project for developing a corporate governance culture for agricultural companies in Nigeria.

Undoubtedly, the agricultural industry is crucial to the Nigerian economy. The sector contributes a significant part of the country's GDP, accounting for 31 percent of the total real GDP between July and September 2020, an increase by over one percent compared to the same period of 2019.

Nevertheless, with the increasing growth and development of the Agriculture sector, there are pre-existing threats and novel challenges, even recently from COVID-19 disruptions to the industry, which beckon for an intervention in Nigerian Agribusiness sector. The challenges are:

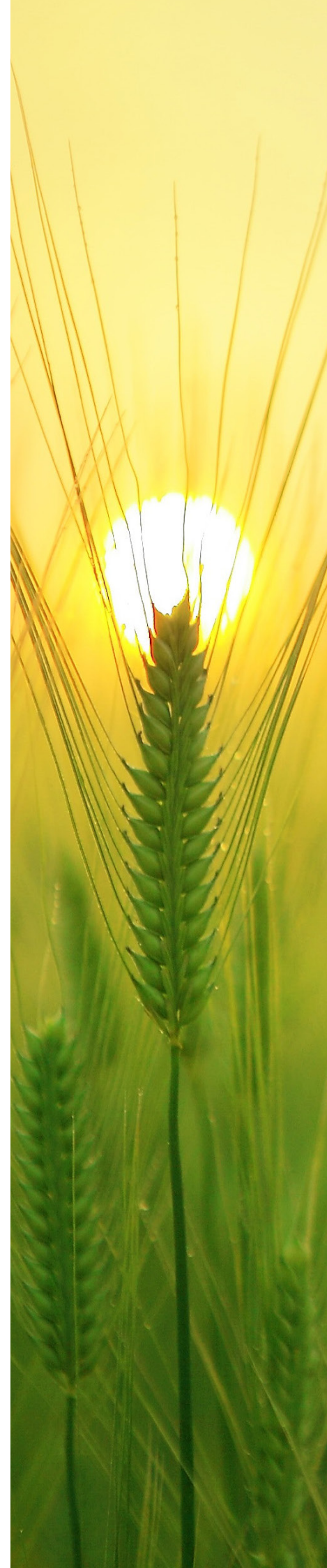
- Nigerian agriculture companies need to address effective environmental management, as there could be an increase in land degradation, pollution of the ecosystem and overuse of the environmental natural resources. This in turn necessitates formulation of strategies towards sustainable environmental practice, minimising waste as well as control environmental pollution by an effective Board.
- Also, Nigerian Agricultural companies operate in an unstable environment caused by ineffective laws and enforcement which hinders investment in this sector. The establishment of good corporate governance at the company level could instill confidence in the agricultural industry through increased level of transparency and accountability.
- Lastly, the Nigerian Agricultural industry faces new challenges introduced by COVID-19 pandemic including broken supply chains, causing increased volatility and losses as well as higher food prices. These challenges are not likely to fade with time and will call for an entrepreneurial and strategic leadership capable of making sustainable business decisions for the company.

Furthermore, research has shown an absence of vibrant regulations supporting governance best practices and peculiarities of the agricultural sector.

It is on this premise that the Society for Corporate Governance Nigeria and AFOS Foundation to develop a comprehensive corporate governance report for agricultural companies in Nigeria and further develop a capacity building programmes.

This will address the complexities and provide practical guidelines to increase understanding of the role of proper governance, ethics in business, sustainability, fiduciary duty of the directors, heighten awareness of poorly understood or controversial issues and recommend steps that can broaden knowledge in these areas for the future.

The Society for Corporate Governance Nigeria hopes that in recognition of the variegated nature of these institutions and the peculiarities that exist in Nigeria where they operate, the guideline developed, will serve as a sector specific guideline complementing the provisions of the Nigerian Code of Corporate Governance 2018 and other industry specific codes of conduct or Acts.





PART B

ABOUT THE STUDY

BACKGROUND OF THE SURVEY

The mandate is to conduct a comprehensive baseline survey on the agricultural industry in Nigeria and analyse the following:

- A holistic review of the agricultural industry across the various value chain
- Review relevant codes of Corporate Governance, especially the NCCG by the (FRCN) as it relates to the agricultural industry;
- Conduct a comprehensive baseline survey of the Board and corporate governance practices of agricultural companies in Nigeria;
- Organize a validation workshop for the presentation of the research findings to the stakeholders of the industry;
- To develop a comprehensive survey report on the corporate governance structure of the agricultural companies in Nigeria, which will address the complexities and provide practical guideline to increase understanding of the role of proper corporate governance ethics in business;
- Conduct bespoke training for key officers of some agricultural companies.

OBJECTIVES OF STUDY

Data as we all know is key to a survey: in this case, considering the cultivation of good governance in the Agricultural Sector in Nigeria. It was pertinent to gain the requisite information, that will aid proper insight, hence, the initiation of this study by the Society for Corporate Governance, Nigeria and AFOS Foundation.

The core objective for developing a corporate governance document for agricultural companies in Nigeria, is to address the peculiarity of the industry, proffer possible guidance and ensure their increased efficiency and productivity and also;

- To improve capital management of agricultural companies and credible investment protection;
- To improve company performance and sustainability;

- To create necessary regulations and ensure strict adherence to international best practice
- To reduce the risk of corporate and organisation crisis;
- Timeliness and accurate disclosure of all material and matters (including performance and financial);
- Encourage cooperation between company and its stakeholders in creating wealth, jobs, stability, and other industry goals;
- Compensate for ineffective laws and enforcement by establishing good corporate governance at company level.

APPROACH AND METHODOLOGY

We adopted an integrated qualitative and quantitative approach to achieve the objectives of this survey:

- Questionnaire- mainly quantitative
 - Collection of Survey Data and Design of Analysis
 - Random sampling to ensure representativeness of key business sector.
- Interviews
- Review of relevant literature
- Focus Group Discussion

LIMITATIONS OF THE SURVEY

- Insecurity in the nation – there is a high level of insecurity across states in Nigeria and this has prevented us from accessing some companies, as well as travel restrictions, especially in the southeast.
- COVID-19 – the pandemic is still around and there is certain level of restriction for business operations, hence getting key officers to fill the questionnaire is very difficult.
- Shut down of some companies – we were not able to access some companies on our mailing list, on arrival at locations, we were informed that the companies were no longer in existence.



Literature Review

Introduction

A good and effective corporate governance mechanism in an organisation is a major ingredient in the recipe for success in organisations. The significance of good corporate governance highlights the multiplicity of corporate governance codes in Nigeria. The premier of such codes is the sectoral-based Code of Corporate Governance for Banks and other Financial Institutions in Nigeria released by the Banker's Committee in August 2003.¹

Over the years, several industry regulators have also issued various codes of corporate governance, governing companies within their sphere of regulation. A few of them include the Code of Corporate Governance for the Telecommunications Industry 2016, issued by the Nigerian Communications Commission; the Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014, issued by the Central Bank of Nigeria; the Code of Corporate Governance for Insurance Industry in Nigeria 2009, issued by the National Insurance Commission; and the Code of Corporate Governance for Licensed Pension Fund Operators 2008, issued by the National Pension Commission. Furthermore, the Financial Reporting Council acting pursuant to the provision of Sections 11(c) and 51(c) of the Financial Reporting Council of Nigeria Act issued the Nigerian Code of Corporate Governance 2018.

Despite the enormity of codes of corporate governance in Nigeria, it is surprising to note that there is no code of corporate governance specifically suited for agro-allied companies in Nigeria. This research analyses the impact of the dearth of a Code of corporate governance for the agro-allied sector and the need for one to promote corporate governance in the sector.

The next sub-sections review literature on the concept of corporate governance and the benefits to agro-allied companies, legal framework for corporate governance in the agro-allied sector, salient corporate governance issues peculiar to agro-allied companies, sources of risks in agriculture, and the applicability of the Nigerian Code of Corporate Governance 2018 to agro-allied companies.

¹ See, 'Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria' (August 26, 2003) Available online at < <https://www.cbn.gov.ng/out/publications/bsd/2003/corpgov.pdf> > accessed on April 23, 2021

Concept of Corporate Governance and the Benefits to Agro-Allied Companies

The term corporate governance is an expression that has received varying descriptions and definitions. The term is defined in the Cadbury Report as the “system by which companies are directed and controlled”.² Richard Smerdon, emphasises the strikingness in the use of the word, system, in the description of corporate governance. He noted that the use of this word highlights the recognition of corporate governance as both a structure (the composition of the Board) and a process (provision of information, internal controls, financial reporting, terms of service agreements) as distinct from values and other behavioural, societal, and economic obligations of companies.³

Fabian Ajogwu defines corporate governance from a functional perspective. The learned author defined the term as “the mechanism by which individuals are motivated to align their actual behaviours with the overall participants”.⁴

A careful examination of these definitions portray certain indisputable facts about corporate governance which can be summarised thus: corporate governance deals with the management of structures and processes with the goal of ensuring organisational accountability and improving organisational performance.

The Organisation for Economic Co-operation and Development (OECD) enunciates certain principles for effective corporate governance in any organisation⁵. The principles include:

- a. Ensuring the basis for an effective corporate governance framework;
- b. The protection and facilitation of the right of shareholders and key ownership functions;
- c. Equitable treatment of shareholders;
- d. The recognition of the role of stakeholders in corporate governance;

² Richard Smerdon, *A Practical Guide to Corporate Governance* (Sweet & Maxwell, London, 2007) p. 1

³ *ibid* p. 2

⁴ Fabian Ajogwu, *Corporate Governance in Nigeria: Law & Practice* (Center for Commercial Law Development, Lagos, 2007) p. 2

⁵ OECD (2015), *G20/OECD Principles of Corporate Governance*, OECD Publishing, Paris. Available online at <http://dx.doi.org/10.1787/9789264236882-en> on April 23, 2021

- e. Disclosure and transparency; and
- f. The responsibility of the Board-monitoring management and accountability to shareholders.

These principles are geared towards ensuring an effective corporate governance structure in any organisation. Every company is advised to adhere to good corporate governance practices particularly because of the enormous benefits associated with compliance. In relation to Agro-businesses in Nigeria, there are several benefits for such business to establish and comply with good corporate governance practices.

Firstly, good corporate governance in organisations assist in risk management. It has been suggested and quite rightly too, that “strong corporate governance frameworks leave companies and employees with little room to maneuver and engage in unethical behaviour, corruption, ambiguities or inconsistencies that might increase risks”.⁶ Risk is identified as one of the foremost challenges faced by agricultural and related businesses in Nigeria. Alan Olufade, the Divisional Director of Leadway Assurance Company noted that: “as investments in agriculture continue to be on the rise, so do the attendant risks across the entire agricultural value chains. Agricultural risks usually have profound impact on any economy as they undermine possibilities of agricultural entrepreneurs, particularly farmers, to accumulate assets, invest in and develop businesses”.⁷ Good corporate governance structure in agro-related companies helps to mitigate and manage these risks.

Secondly, effective corporate governance structure assists in succession planning and sustainability in agro-businesses. It has been established that some of the problems facing agro-businesses (and many other indigenous businesses) in Nigeria is the inability to ensure continuity of business. The centrality of the agro-allied businesses in Nigeria underscores the need for a continuity of business which can be achieved with the existence of good corporate governance structure. For example, Principle 1, of the Nigerian Code of Corporate Governance 2018 (NCCG) provides for the establishment and implementation of a succession plan.⁸

⁶ Tobia Karmann, Rene Mauer & Tessa C. Flatten, ‘Entrepreneurial Orientation and Corruption’ (Journal of Business Ethics) (2016) 223-224. Available online at < <https://doi.org/10.1007/s10551-014-2305-6> > accessed on April 23, 2021

⁷ Femi Ibirogba, ‘Leadway emphasises Risk Mitigation in Agro-Allied Investments’ (published on April 29, 2019, Guardian Nigeria) Available online at <https://guardian.ng/features/leadway-emphasises-risk-mitigation-in-agro-allied-investments/> accessed on April 23, 2021

⁸ See, Principle 1 and Recommended Practices 1.5, Nigerian Code of Corporate Governance 2018

Idigbe, Tadema and Ojewumi highlighted the role of corporate governance in succession planning when they noted that: “corporate governance is a solid panacea in ensuring that succession planning is not only enshrined in family business but that proper and competent person or persons are in line to effectively run the business and ensure continuity”.⁹

Third, agro-businesses can also benefit from corporate governance structures by leveraging on its technology. Recent corporate governance codes require companies to take cognizance of technological realities and to develop information and technology strategies and policies. The Nigerian Code of Corporate Governance requires the Board of Directors (Risk Management Committee) to “review and recommend for approval of the Board, at least annually, the Company’s Information Technology (IT) data governance framework to ensure that IT data risks are adequately mitigated and relevant assets are managed effectively. The framework may include, the development of IT strategy and policy...”.¹⁰ Agricultural and other related business can take advantage of the enormous opportunities provided by technology by including technology as part of its corporate governance structures, developing an IT strategy and policy and implementing the same.

Finally, good corporate governance practices in agricultural businesses may attract funding from potential investors. A major advantage of the existence of an effective corporate governance structure in any organisation is the increased transparency and accountability it provides. Financial accountability and transparency are the major factors investors consider when opting to invest in any business. It is undoubted that, many agricultural businesses are hampered due to lack of or inadequate access to funding. An improved corporate governance structure may also improve a business’ chance to access funding from potential investors.

Legal Framework for Corporate Governance in the Agro-Allied Sector

The need to ensure that good corporate governance is imbibed in the agricultural sector is premised on the fact that agriculture is one of the vital tools for reduction

⁹ Elizabeth Idigbe, Olabunmi Tadema & Florence Ojewumi, ‘The Role of Corporate in Succession Planning for Family-Owned Enterprises in Nigeria (March 16, 2021) (Mondaq) Available online at <https://www.mondaq.com/nigeria/corporate-governance/1047490/the-role-of-corporate-governance-in-succession-planning-for-family-owned-enterprises-in-nigeria> accessed online on April 23, 2021

and eradication of poverty, securing the means of livelihood¹¹ and economic growth. The peculiar nature of agricultural product necessitates proper legal and administrative regulation to ensure the effective administration of the organisation and compliance with the prescribed standard for the sector. In Nigeria, there are several laws and regulations which prescribe the standards and principles for companies, including those in the agricultural sector in Nigeria. Some of these regulations include:

1. Companies and Allied Matters Act 2020

The Companies and Allied Matters Act 2020 (CAMA) is the primary legislation regulating companies in Nigeria. Any company registered in Nigeria and operating in the agro-allied industry is required to comply with the provisions of CAMA. The Act makes provisions for the duties of directors and disclosure of director's interest.¹² A director of a company stands in a fiduciary relationship towards the company and shall observe utmost good faith towards the company in any transaction with it or on its behalf.¹³ A director of a company in the performance of his duties is at all times required to have regard to the interest of the company, its employees as well as the interest of its members in general.¹⁴

Furthermore, section 306 of the Act provides that the interest of a director shall not conflict with any of his duties and shall not during management of affairs of the company or in the utilisation of the company's property, make any secret profit or achieve other unnecessary benefit. This section essentially makes the directors accountable to the company in the discharge of their duties.

The Act expressly provides for the limit to the number of companies in which a person can serve as a director in public companies to ensure effectiveness. Section 307 (2) provides that a person shall not be a director in more than five public companies. It further provides that any person who is a director in more than five public companies prior to the commencement of the Act shall resign from all but five of the companies after the expiration of two years from the commencement of the Act.¹⁵

¹¹ <https://www.un.org/en/ecosoc/docs/pdfs/governance.pdf>

¹² Companies and Allied Matters Act, 2020 Section 303 and 305

¹³ Companies and Allied Matters Act, 2020 Section 305 (1)

¹⁴ Companies and Allied Matters Act, 2020 Section 305 (3) and (4)

¹⁵ Companies and Allied Matters Act, 2020 Section 307 (3)

The Act also provides for disclosure of persons with significant control over a company. The detail of such person is required to be provided in the company's annual returns in respect of the year which the return is made.¹⁶ The above provisions of the Act are geared toward ensuring good governance in every company registered in Nigeria including companies operating in the agriculture and agro-allied industry.

2. Nigeria Code of Corporate Governance 2018

The Nigerian Code of Corporate Governance 2018 (the Code) was established by the Financial Reporting Council (FRC) Council in line with the powers conferred on it¹⁷. The Council issued the Code of Corporate Governance and guidelines to ensure good corporate governance practices in the public and private sectors of the Nigerian economy¹⁸. The Code also seeks to promote public awareness of essential corporate values and ethical practices that will enhance the integrity of the business environment in Nigeria.¹⁹

The Code essentially focuses on the management of companies and improvement of the overall performance of companies. Just as the Code of Corporate Governance applies to other companies, it also applies to the agriculture and agro-allied industries, specifically in the following sections:

i. Composition and Leadership of the Board of Directors

The Code provided that the Board of Directors are responsible for ensuring that the Board and its committees act in the best interests of the company. In doing this, the Board is required to ensure the establishment and implementation of a succession plan, appointment process, training mechanism and remuneration for not only the Board but senior management officers of the company.

The Code also empowers the Board to set out directions and standards to attain the appropriate balance of knowledge, skills, experience and diversity required to enable it function effectively.

¹⁶ Companies and Allied Matters Act, 2020 Section 119

¹⁷ Section 11c and 51c of the Financial Reporting Council of Nigeria (Establishment) Act .

¹⁸ Nigerian Code of Corporate Governance 2018 Paragraph A

¹⁹ Nigerian Code of Corporate Governance 2018 Paragraph B

Essentially, the Board is empowered by the Code to periodically appoint new members with the relevant skills and fresh perspectives which will invigorate its capabilities and ensure efficiency in administration.

The Code requires that there must be an appropriate mix of Executive, Non-Executive and Independent Non-Executive members with a majority of the members being Non-Executive Directors in the composition of the Board of Directors of every company²⁰. This system is essential in ensuring that there is proper compliance with the guidelines mentioned in the Code as well as sector specific laws, applicable to the industry in which that company operates.

In addition, the code prescribes that the positions of Chairman of the Board and the Managing Director/ Chief Executive Officer (MD/ CEO) of the company should be separated. This provision is to ensure that the role of the MD/ CEO is well defined in a contract of employment and there is an express prohibition of persons being members of the committee responsible for remuneration, audit, nomination or governance.

Also, directors are not permitted to be members of Boards of competing companies in order to prevent potential conflict of interest issues, breaches of confidentiality and diversion of corporate opportunity as well as divulgence of corporate information²¹.

ii. The Roles of Committees

The Code provides that the membership of Board Committees should be reviewed periodically²². The Board is required to set up Committees including the Nomination and Governance Committee, Remuneration Committee, Audit committee, Risk Management Committee. The primary aim of the committees is to act as an independent body which assists the Board in decision making in respect of the role assigned.

iii. Proper Financial Reporting System:

This provision basically ensures that companies have a proper accounting

²⁰ Nigerian Code of Corporate Governance 2018 Principle 2.3(b)

²¹ Nigerian Code of Corporate Governance 2018 Principle 2.5.3

²² Nigerian Code of Corporate Governance 2018 Principle 11.1.5

system for the income and expenses of the company. This requirement is fundamentally important for agricultural and agro-allied companies, especially those that are small scale or family businesses which aim to enhance their businesses in the future and achieve a seamless transition and expansion.

It is pertinent to note that proper accounting system and accountability contributes majorly to factors that attract foreign investors to a company, because, the evidence of proper financial reporting and auditing indicate a higher level of competence and diligence in the management of a company. The Code requires the Board to establish an internal audit function, whose purpose will be clearly and formally defined in an audit charter approved by the Board²³.

iv. Protection of Shareholders' rights and Transparency

The Code requires that the Board develop a policy that ensures appropriate engagement with shareholders and this policy should be hosted on the website of the company. Minority shareholders should be adequately protected from abusive actions by controlling shareholders²⁴. The code also requires that the Board adopts and implement a stakeholder management and communication policy to keep stakeholders conversant with the activities of the company.

In relation to disclosure measures, the Code requires that the Board ensure that the company's annual report includes a corporate governance report that provides clear information on the company's governance structures, policies and practices²⁵. The Company's corporate governance report should state the composition of the Board of Directors, the plan for achieving gender diversity on the Board and the progress made towards achieving gender diversity. More importantly, this report is also required to specify the nature of any related party relationships and transactions²⁶.

²³ Nigerian Code of Corporate Governance 2018 Principle 18.1

²⁴ Nigerian Code of Corporate Governance 2018 Principle 23.1.3

²⁵ Nigerian Code of Corporate Governance 2018 Principle 28.1

²⁶ Nigerian Code of Corporate Governance 2018 Principle 28.3

v. Sustainability

The Code provides that the Board of Directors should establish policies and practices regarding its social, ethical, safety, working conditions, health and environmental responsibilities as well as policies addressing corruption.²⁷ It essentially requires companies to pay adequate attention to the sustainability issues including environment, social, occupational and community health and safety of their employees and the host communities.²⁸ This is specifically of great importance to agriculture and agro-allied industries who have their production and manufacturing sites in rural areas. Good governance will require that the companies take proper care of the environment and ensure that their activities do not have adverse effect in the communities.

In prescribing the policies as required by the Code, companies should focus on the most environmentally beneficial options particularly for companies operating in disadvantaged regions or in regions with delicate ecology, to minimise environmental impact of the Company's operations in the communities.²⁹

3. Standards Organisation of Nigeria Act 2015

The Standards Organisation of Nigeria Act established the Standards Organisation of Nigeria which is charged with the responsibility of ensuring that goods and services in Nigeria are up to the minimum standard and quality required for operations in Nigeria. The Organisation has a division which is responsible for the development of standards covering food technologies, food safety, agricultural produce, livestock and livestock products, poultry, and poultry products.³⁰ Compliance with the regulation as to the standard for operation is undoubtedly a good governance principle which should be considered by Companies in agriculture and agro-allied industries.

²⁷ Nigerian Code of Corporate Governance 2018 Principle 26.1

²⁸ Nigerian Code of Corporate Governance 2018 Principle 26

²⁹ Nigerian Code of Corporate Governance 2018 Principle 26.2.4

³⁰ <https://son.gov.ng/about-our-standards>

4. National Agency for Food and Drug Administration and Control (NAFDAC) Act

NAFDAC is empowered by the NAFDAC Act³¹ to make regulations and guidelines regulating the activities of the companies involved in production, manufacturing, packaging, sales, import and export of food and drugs in Nigeria.³² It sets the minimum standard of operation for companies by prescribing a compulsory registration with NAFDAC for all companies producing/manufacturing and packaging food products.³³

The Agency took steps further to prescribe several regulations for the agriculture and agro-allied industries to ensure an effective administration of the sector. These regulations are geared towards ensuring the safety of consumers and efficiency of the companies operating in the agriculture and agro-allied industry. Some of these NAFDAC regulations include Cocoa and Cocoa Products Regulations 2019, Milk and Dairy Products Regulations 2019, Food Fortification Regulations 2019. Good corporate governance in agriculture and agro-allied industries requires adherence to the guidelines and standards prescribed by NAFDAC.

5. Food and Drugs Act³⁴

This Act make provision for the regulation of the manufacture, sale and advertisement of food, drugs, cosmetics, and devices in Nigeria. It essentially prohibits agriculture and agro-allied companies from the manufacture, sale, import and export of certain edible items which are poisonous or harmful to human beings.³⁵ The Act places the responsibility of compliance on the management of the corporate bodies in agricultural sectors by specifically providing that a company will be liable for non-compliance where such non-compliance is committed with the consent or connivance of, or to be attributable to any neglect on the part of the director, manager or secretary.³⁶ Thus, it is

³¹ National Agency for Food and Drug Administration and Control Act Cap NI Laws of the Federation of Nigeria (LFN) 2004 Section 5 and 30

³² <https://www.nafdac.gov.ng/about-nafdac/nafdac-vision-and-mission/>

³³ National Agency for Food and Drug Administration and Control; Food Products Registration Regulations Section 1

³⁴ Cap. F. 32 Laws of Federation of Nigeria 2004

³⁵ Food and Drugs Act 2004 Section 1 and 2

³⁶ Food and Drugs Act 2004 Section 17

the duty of the directors and the entire management of the companies in agricultural and agro-allied industries to ensure compliance with the laws.

6. Environmental Impact Assessment Act

Environmental Impact Assessment³⁷ act makes express provisions on the requirement of adequate assessment of the impact of any form of activities including the agricultural activities likely to have significant impacts on natural resources and the environment. The Act highlights the procedure and standard of the assessment to be carried out by both private and public entities.³⁸

The sole aim of the environmental impact assessment is to ensure that the potential environmental impact of the proposed agricultural or production activities are identified and evaluated prior to the approval of such activities. It is the duty of the management of a company in the agricultural or agro-allied industries to ensure that activities that are likely to have serious or significant environmental effects are not undertaken by the company.³⁹ The importance of the environmental impact assessment is emphasised by the provision of the Nigerian Code of Corporate Governance on sustainability.⁴⁰

7. The Food and Agricultural Organisation; Codex Alimentarius, or “Food Code”

The Codex Alimentarius, or “Food Code” is a set of standards, guidelines and codes of practice established by the Food and Agricultural Organisation (FAO)/ World Health Organisation (WHO) as part of their Food Standards Programme.⁴¹ The standards and guidelines are essentially prescribed to protect consumer health and promote fair practices in food trade. Some of the codes include Code of Hygienic Practice for Canned Fruit and Vegetable Products 2011, Code of Ethics for International Trade in Food including Concessional and Food Aid Transactions 2010, Code of Practice on Food Allergen Management for Food Business Operators 2020.

³⁷ The Environmental Impact Assessment Act Cap. E 12, LFN 2004

³⁸ The Environmental Impact Assessment Act Section 3 - 6

³⁹ Mercy O. Erhun ‘A Legal Framework for Sustainable Agricultural Practice in Nigeria’ Canadian Social Science Journal, Vol. 15, No. 10, 2019, pp. 19-32 available at <http://www.cscanada.net/index.php/css/index>

⁴⁰ Nigerian Code of Corporate Governance 2018 Principle 26

⁴¹ <http://www.fao.org/fao-who-codexalimentarius/about-codex/en/#c453333>

Salient Corporate Governance Issues peculiar to Agro-Allied Companies

There are certain salient Corporate Governance issues which specifically affects the Agricultural sector in Nigeria. One of such key Corporate Governance issues is risk management. Farmers make several risky decisions every day that affect their farming operations and productivity. These risks range from weather conditions, change in pricing, risks relating to the availability of the requisite farming tools/equipment, governmental laws, and policies etc. Therefore, just as it is with other industries, it is imperative for companies in the Agricultural sector to devise mechanisms for identifying and mitigating these risks as much as possible.

Sources of Risks in Agriculture

The most common sources of risk in farming can be divided into the following groups⁴²:

1. Production and Technical Risk

The effective production of crops and performance of livestock is dependent on weather conditions, pests and diseases infestation, among others, which is largely uncertain. Low rainfall or drought and other weather conditions may lead to low yields of crops and affect or wipe out the crops. Outbreak of pests or diseases in the farmland could also cause major yield losses in crops and livestock.

These factors are entirely outside the powers of the farmer who is unable to predict the weather conditions per time. The uncertainty of weather conditions is worsened by climate change which has made weather forecast more unreliable and unpredictable as the days go by. These uncertainties pose a great risk to production of crops and sustenance of livestock. However, regardless of these uncertainties, farmers must still plant crops and raise their livestock as this is necessary for survival.

Another source of production risk for farmers and companies in the Agricultural sector is the technical damage to farming equipment. For instance, a tractor

⁴² David Kahan "Farm Management Extension Guide; Managing Risk in Farming" (Food and Agriculture Organisation of the United Nations, 2008) , available at <http://www.fao.org/uploads/media/3-ManagingRiskIntern-Lores.pdf> accessed on May 5, 2021

or plough may break down while planting thereby reducing productivity and affecting the quantity of harvest. Also, the farmer is faced with several decisions, including whether to adopt new technology, new tools or new methodology to produce its crops or raise its livestock. The farmer or agricultural company can never really be certain as to the outcome or the impact of deploying new technology or adopting new tools to carry out its operations, hence another major risk in production.

2. Marketing risks

In terms of marketing, the marketing risk relate to the price of farm products, including the demand and supply of farm products. It is imperative to note that the changes in the prices of food are not within the powers of the farmers or the agricultural companies. In addition, the prices of the farm products would largely depend on the demand and supply of the product.

The demand for the product is usually affected by several factors including the customer's preference, consumers' level of income, the strength of the economy and the price of competing products generally. The supply of the product would also depend on the decision of the agricultural company to plant the crops or grow the livestock as well as the weather conditions and other factors that affects production. Accordingly, where agricultural companies or farmers decide to plant crops or grow a livestock, they are unable to predict the certain price of the products. In certain seasons, prices may rise whilst in other seasons, the prices might fall.

3. Financial Risk

Financial risk in agriculture occurs where the agricultural companies obtain debt capital to finance the agribusiness. There are various uncertainties in the agrobusiness which uncertain interest rates, return on investments, adequate returns and availability of capital. Also, for small scale farmers, there is the risk that they would be able to obtain requisite loans and be able to make repayment as at when due.

4. Institutional Risks

This relates to uncertainties that arise from the changes in the regulatory bodies and institutions that regulate the agricultural sector in Nigeria. It also involves uncertainties in governmental policies affecting farming and agribusiness

today such as price support and subsidies. Issues like food quality control, subsidies, rules for animal waste disposal, are examples of how decisions taken by government can have a major impact on the farm business⁴³.

5. Human and Personal risks

Human and personal risks refer to risks to the agribusiness caused by inadequate labour force, illness, or death of workers, all of which could disrupt and affect the productivity of the farmland. Labour availability may be affected by political and social unrest in the community, outbreak of a pandemic such as was experienced in 2020 by the COVID-19 pandemic.

These risks are all inter-related and it is imperative for companies in the Agricultural sector to be mindful of these risks, identify them early and devise mechanisms to mitigate and address them. It is also important to note that the extent of such risks would depend on the nature of the agribusiness, thus some agribusinesses may suffer more financial risk than others.

Accordingly, it is imperative for companies in the agricultural sector to have an effective Risk Management committee which would be committed to studying and identifying the weather conditions, political and social conditions, financial conditions, and other conditions/ factors that may affect their respective Agribusiness and pro-actively set up mechanisms to address these concerns.

To this end, Section 11.5 of the Nigerian Code of Corporate Governance, 2018 requires the Board to consider assigning the responsibilities for oversight of matters relating to risk management to a stand-alone committee or any other committee that can combine same with their existing functions. By the provision of Section 11.5.6 of the Nigerian Code of Corporate Governance, the Risk committee shall have the following functions:

- Review and recommend for approval of the Board, the risk management policies and framework, as well as assist the Board in its oversight of risk management strategy;
- Review the adequacy and effectiveness of risk management and controls in the Company;

⁴³ Ibid

- Exercise oversight over the process for the identification and assessment of risks across the Company and the adequacy of prevention, detection, and reporting mechanisms;
- Review the level of the Company's compliance with applicable laws and regulatory requirements which may impact the Company's risk profile;
- Periodically review changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile and those trends which may threaten the Company's business model, key strategies, future performance, solvency and liquidity and make recommendations to the Board as appropriate;
- Review and recommend for approval of the Board, at least annually, the Company's Information Technology (IT) data governance framework to ensure that IT data risks are adequately mitigated and relevant assets are managed effectively. The framework may include: (a) Development of IT strategy and policy; (b) Proactive monitoring and management of cyber threats and attacks as well as adverse social media incidents; (c) Management of risks relating to third-party and outsourced IT service providers; (d) Assessment of value delivered to the Company through investments in IT; and (e) Periodic independent assurance on the effectiveness of the Company's IT arrangements.

The Code of Corporate Governance also prescribes that the person charged with the responsibility for risk management should be a member of senior management of the company and a professional with relevant qualifications and experience and should attend meetings of the committee.

Another important corporate governance issue which concerns companies in the Agricultural sector is Sustainability. Due to the projected world increase in population and the demand on food supply, the issue of sustainability reporting has become very critical for companies and organisations in the Agricultural sector. As it is with other sectors and industries, Sustainability is rapidly increasing for companies along the agri-food supply chain largely because of increasing concern from consumers regarding the sustainability of the agricultural industry.⁴⁴

Mainly, some of the issues facing the agricultural sector are ensuring a secure

⁴⁴ Jessie Topp-Becker¹ & Jason D. Ellis "The Role of Sustainability Reporting in the Agri-Food Supply Chain"

food supply, addressing the environmental impacts of agriculture, practising fair labour standards, and providing safe and healthy products. These issues make it imperative for companies in the Agricultural sector to report on the impact of their activities on the environment, social and economic aspect of the society⁴⁵

Principle 26 of the Nigerian Code of Corporate Governance requires companies to pay adequate attention to sustainability issues including environment, social, occupational, health and safety, and to ensure a successful long term business performance that projects the Company as a responsible corporate citizen contributing to economic development. To this end, Section 26.1 of the Code of Corporate Governance requires the Board to establish policies and practices regarding its social, ethical, safety, working conditions, health and environmental responsibilities as well as policies addressing corruption. The policies should include:

- a. the company's business principles, practices, and efforts towards achieving sustainability,
- b. the management of safety issues including workplace accidents, fatalities, occupational and safety incidents,
- c. plans and strategy for addressing and managing the impact of serious diseases on the Company's employees and their families,
- d. the most environmentally beneficial options particularly for companies operating in disadvantaged regions or in regions with delicate ecology, in order to minimise environmental impact of the Company's operations,
- e. the nature and extent of employment equity and diversity (gender and other issues),
- f. training initiatives, employee development and the associated financial investment,
- g. opportunities created for physically challenged persons or disadvantaged individuals,

- Journal of Agriculture and Environmental Sciences June 2017, Vol. 6, No. 1, pp. 17-29, available at http://jaesnet.com/journals/jaes/Vol_6_No_1_June_2017/2.pdf ; accessed on May 7, 2021.

⁴⁵Ibid

- h. the environmental, social and governance principles and practices of the Company; and
- i. corruption and related issues.

The Board should monitor the implementation of sustainability policies and report on the extent of compliance with the policies.

Applicability of the Nigerian Code of Corporate Governance 2018 to Agro-allied Companies

Agriculture has the prospects to greatly improve economic growth in any nation, Nigeria inclusive, where the appropriate governance structures, laws and policies are put in place to maximise its great potential. Accordingly, just as with every other sector, companies in the Agricultural sector require good corporate governance to effectively achieve their set goals and objectives.

The FRCN Nigerian Code of Corporate Governance 2018 was released by the Financial Reporting Council of Nigeria to promote and ensure good corporate governance practices in the public and private sectors respectively. By the letters of the Code, companies with effective Boards and competent management that act with integrity and are engaged with shareholders and other stakeholders are better placed in a position to effectively achieve their goals and objectives in the Society. This position is the same for companies in the Agricultural sector.

The Code is divided into Seven parts with twenty-eight principles together with recommended practices for each principle. The various parts will be analysed vis a vis its suitability for Agro-Allied Companies.

PART	PRINCIPLES	SUITABILITY FOR Agro-allied COMPANIES
<p>A. Board of Directors and Officers of The Board</p>	<ul style="list-style-type: none"> • A successful Company is headed by an effective Board which is responsible for providing entrepreneurial and strategic leadership as well as promoting ethical culture and responsible corporate citizenship. • The effective discharge of the responsibilities of the Board and its committees is assured by an appropriate balance of skills and diversity (including experience and gender) without compromising competence, independence and integrity. • The Board is expected to exercise oversight and control to ensure that management acts in the best interest of the shareholders and other stakeholders while sustaining the prosperity of the company. • The Board of Directors consists of the Chairman, Managing Director and the Directors which may be Executive and Non-Executive directors. 	<ul style="list-style-type: none"> • These principles are very important for Agro-allied Companies. The successful management of a Agro-allied Companies begins with having the appropriate balance of skills and diversity on the Board. • In addition, Independent Non-Executive Directors are very crucial to making decisions for Agro-allied companies. This is because they provide their expertise and skill in the specific agricultural aspect of the company to aid in making specific sector-based decisions. • Just as with other companies, a Company Secretary is crucial in the corporate success of Agro- Allied companies as they provide guidance to the Board and management on compliance with relevant laws and regulations, assist in Board inductions and trainings, scheduling Board and committee meetings, among others.

PART	PRINCIPLES	SUITABILITY FOR Agro-allied COMPANIES
	<ul style="list-style-type: none"> • Whilst Executive Directors support the Managing Director/Chief Executive Officer in the operations and management of the company, the Non-Executive Directors bring to bear their knowledge, expertise and independent judgment on issues of strategy and performance on the Board. • Independent Non-Executive Directors bring a high degree of objectivity to the Board for sustaining stakeholder trust and confidence. • The Company Secretary plays an important role in supporting the effectiveness of the Board by assisting the Board and management to develop good corporate governance practices and culture within the Company. • To ensure efficiency and effectiveness, the Board delegates some of its functions, duties and responsibilities to well-structured committees, without abdicating its responsibilities • Annual Board evaluation assesses how each Director, the committees of the Board and the Board are committed to their roles, work together and continue to contribute effectively to the achievement of the Company's objectives. 	<ul style="list-style-type: none"> • Periodic Board evaluation is also important for Agro-allied companies to evaluate Board performance and allow for the inclusion of fresh ideas and fresh minds on the Board. • The Board may appoint a Nomination and Governance Committee to assist in the appointment of Board members in this regard.

PART	PRINCIPLES	SUITABILITY FOR Agro-allied COMPANIES
B. Assurance	<ul style="list-style-type: none"> • A sound framework for managing risk and ensuring an effective internal control system is essential for achieving the strategic objectives of the Company • An effective internal audit function provides assurance to the Board on the effectiveness of the governance, risk management and internal control systems. • An effective whistle-blowing framework for reporting any illegal or unethical behaviour minimises the Company's exposure and prevents recurrence. • An external auditor is appointed to provide an independent opinion on the true and fair view of the financial statements of the Company to give assurance to stakeholders on the reliability of the financial statements. 	<ul style="list-style-type: none"> • It is imperative for Agro-allied companies to set up a sound framework for identifying the potential risks and mechanisms for addressing these risks. • Potential risk which are peculiar to Agro-allied companies includes production risk, market risk, financial risks, institutional risks etc • Good corporate Governance practice would require Agro-allied Companies to set up an Internal Audit function which would be responsible for identifying the possible risks and advising the Board on the appropriate steps to take in mitigating/ avoid the risks where possible. • In terms of financial risks, it is imperative for Agro-allied companies to have an external auditor to audit the financial statement of the company and provide a true and fair view of the financial statement of the Company.

PART	PRINCIPLES	SUITABILITY FOR Agro-allied COMPANIES
		<ul style="list-style-type: none"> As much as is practicable and needed, Agro-allied companies may set up a whistle blowing framework for the reporting of any illegal or unethical behaviour which is inimical to the growth and success of the company. To adequately manage the risk aspect of the company, the Board may set up a Risk Audit to manage and oversee this aspect
<p>C. Relationship with Shareholders</p>	<ul style="list-style-type: none"> General Meetings are important platforms for the Board to engage shareholders to facilitate greater understanding of the Company's business, governance and performance. They provide shareholders with an opportunity to exercise their ownership rights and express their views to the Board on any areas of interest The establishment of a system of regular dialogue with shareholders balances their needs, interests and expectations with the objectives of the Company. Equitable treatment of shareholders and the protection of their statutory and general rights, particularly the interest of minority shareholders, promote good governance 	<ul style="list-style-type: none"> It is imperative for Agro-allied companies to engage their shareholders and other stakeholders in arriving at relevant decisions in the companies.

PART	PRINCIPLES	SUITABILITY FOR Agro-allied COMPANIES
D. Business conduct with Ethics	<ul style="list-style-type: none"> The establishment of professional business and ethical standards underscores the values for the protection and enhancement of the reputation of the Company while promoting good conduct and investor confidence. The establishment of policies and mechanisms for monitoring insider trading, related party transactions, conflict of interest and other corrupt activities, mitigates the adverse effects of these abuses on the Company and promotes good ethical conduct and investor confidence. 	<ul style="list-style-type: none"> Just as with other companies, it is imperative for Agro-allied companies to set up Code of Ethics which would underscore their values and regulate their standards.
E. Sustainability	<ul style="list-style-type: none"> Paying adequate attention to sustainability issues including environment, social, occupational and community health and safety ensures successful long term business performance and projects the Company as a responsible corporate citizen contributing to economic development. 	<ul style="list-style-type: none"> Considering the impact of environmental factors on the success of agricultural products, it is important for Companies in Agricultural sector to be responsible and committed to a sustainable environment.
F. Transparency	<ul style="list-style-type: none"> Communicating and interacting with stakeholders keeps them conversant with the activities of the Company and assists them in making informed decisions. Full and comprehensive disclosure of all matters material to investors and stakeholders, and of matters set out in this Code, ensures proper monitoring of its implementation which engenders good corporate governance practice. 	<ul style="list-style-type: none"> It is important for the Board of Agro-allied Companies to interact continually with stakeholders and be transparent with them.

Board Structure

- 1.1.1 Governance Models/Board Composition
- 1.1.2 Board Competencies/Appraisal/Evaluation
- 1.1.3 Fiduciary Duties of the Board/Owners
- 1.1.4 The Role of the Board
- 1.1.5 Board Charter
 - a. Governance Principles
 - b. Individual Director buy-in
 - c. Implementing the Charter
- 1.1.6 Governance within the Board
- 1.1.7 Statutory Board Committees and their Roles

1.2 Conventional Functions of the Board

- 1.2.1 Strategic Oversight Functions of the Board
- 1.2.2 Leadership Role

1.3 Board Officials

- 1.3.1 Chairman of the Board
 - a. Traditional Duties and Functions
 - b. Contemporary Roles of the Chairman
- 1.3.2 Chairman Selection
- 1.3.3 Chairman of the Board as President of Meetings
- 1.3.4 First among equals
- 1.3.5 Appointment of Directors

- 1.3.6 Appointment of Company Secretary
- 1.3.7 Appointment/Role of Compliance Officer

1.4 Board and Management

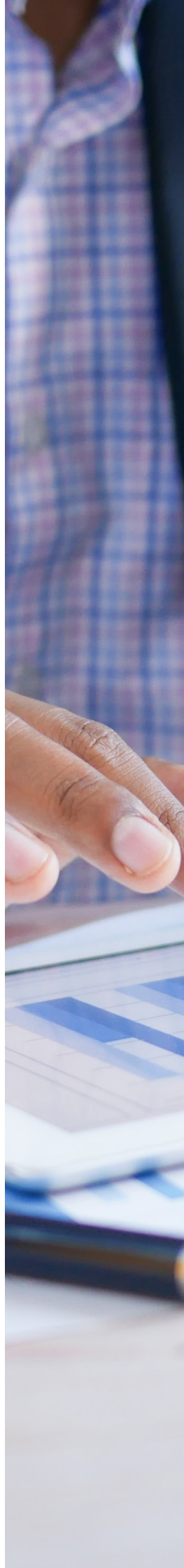
- 1.4.1 Responsibility of the Board to the Management
- 1.4.2 Clear Separation of Power/Authority
- 1.4.3 Related Party Relation
- 1.4.4 Disclosure, Transparency and Whistle Blowing Policy
- 1.4.5 Conflict of Interest and Compliance
- 1.4.6 Role and rationale for Non-Executive Directors
- 1.4.7 Independent Directorship

1.5 Board Communication, Meetings and Stakeholders Relationship

- 1.5.1 Board Access to Information
- 1.5.2 Board Meetings
- 1.5.3 Annual General Meetings
- 1.5.4 Filing of Accounts
- 1.5.5 Protection of Stakeholders/Shareholders Rights

1.6 Risk Management and Internal Control

- 1.6.1 Risk Management
- 1.6.2 Risk Management Committee
- 1.6.3 Internal Audit/Controls
- 1.6.4 Reporting, Transparency and Disclosure



PART C



ANALYTICAL REVIEW OF THE RESEARCH FINDINGS

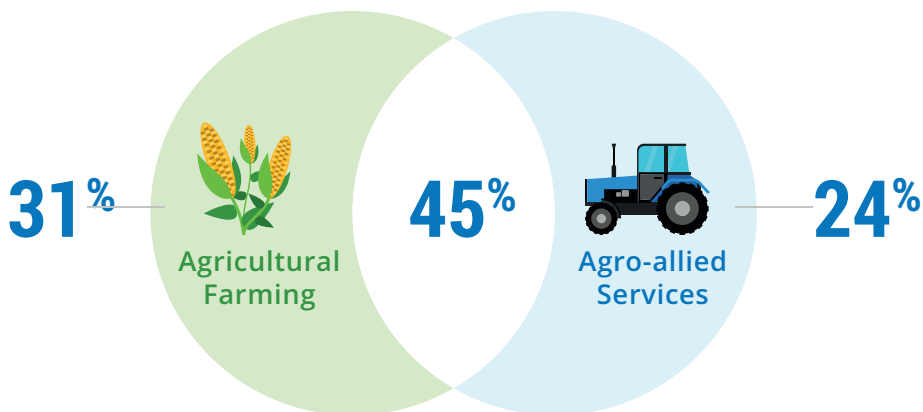
Company Structure

Analyzing the role of structured good governance on economic performance in Agricultural sector is important for development and food security.

Respondent Position

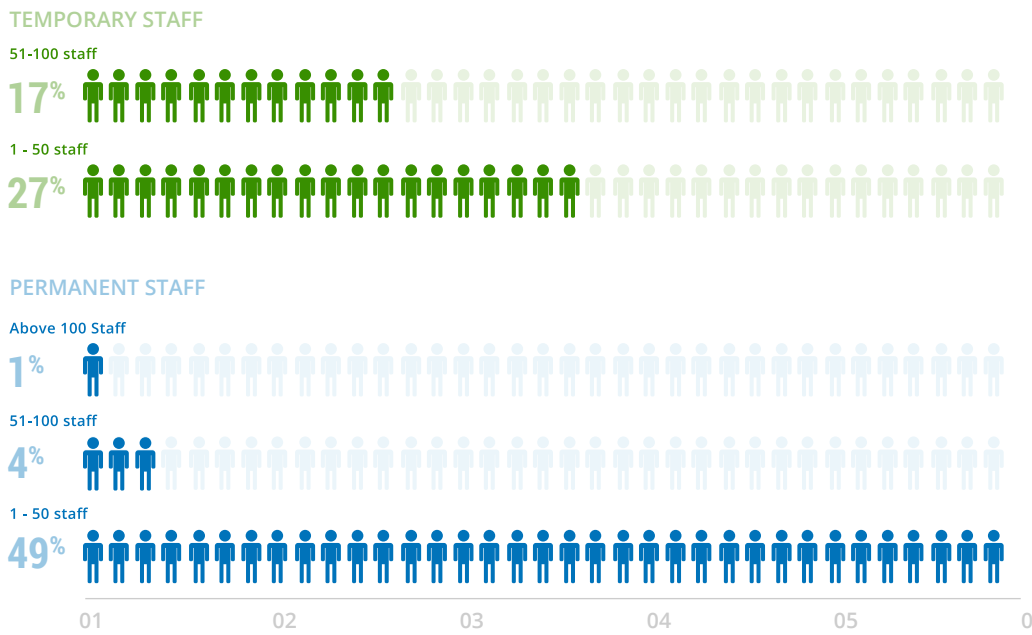


Nature of Agricultural Business

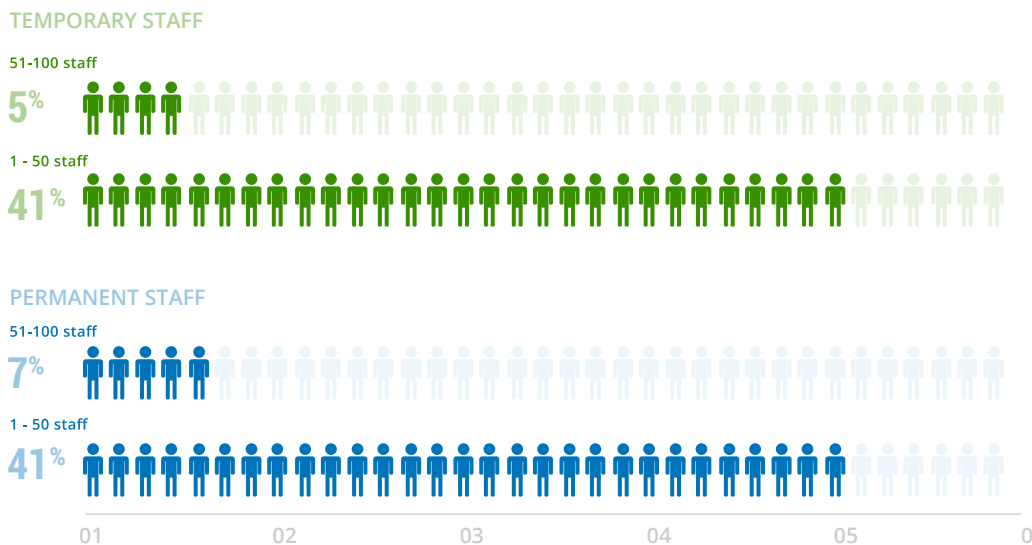


The sample audience for the purpose of this research are all within the Nature of Agriculture Businesses. 49% of respondents are Managing Directors/CEOs, while 29% and 22% are Compliance officers and Company secretaries respectively. Higher percentage of the sample quotient are into both Agricultural Farming and Agro-allied Services.

Staff Strength of Respondents in Agricultural Farming Business



Staff Strength of Respondents in Agro-allied Services

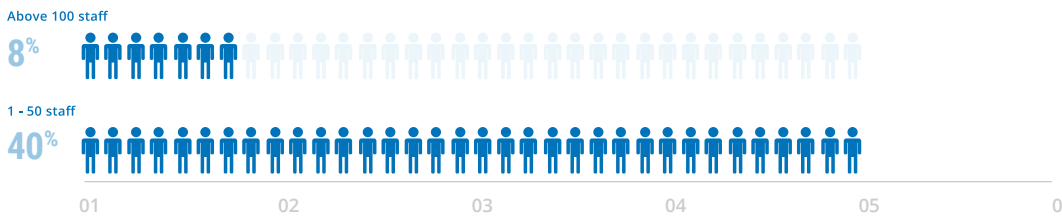


Staff Strength of Respondents in Agricultural Farming & Agro-allied Services

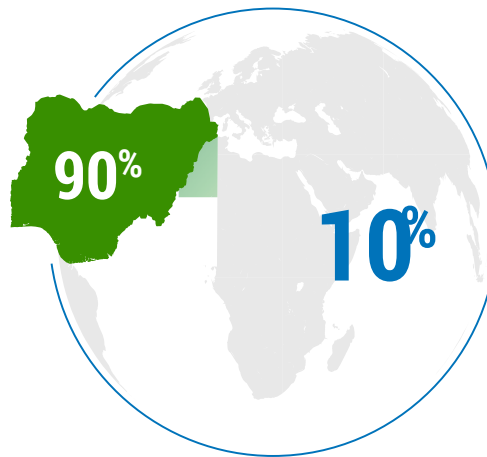
TEMPORARY STAFF



PERMANENT STAFF



10% of Respondents are Foreign based Agric Businesses



The Share of Agricultural contribution to the GDP as at July and September 2020 is 31%. Generally, every human is a part of the value chain in one way or the other as producers, consumers of goods and services, processors, retailers, finance providers, etc. As consumers we all eat and wear clothes, this makes us linked to many of the agricultural value chains such as grain crops, roots and tubers, fruits and vegetables, legumes, oils, and textiles.

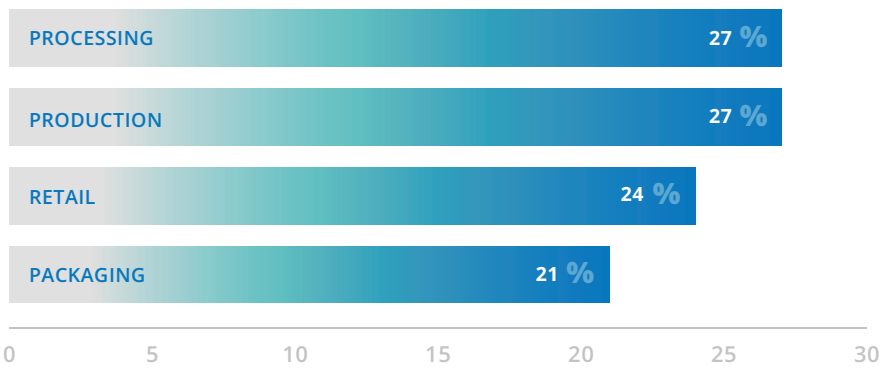
TOP FIVE VALUE CHAIN OPERATED BY RESPONDENTS



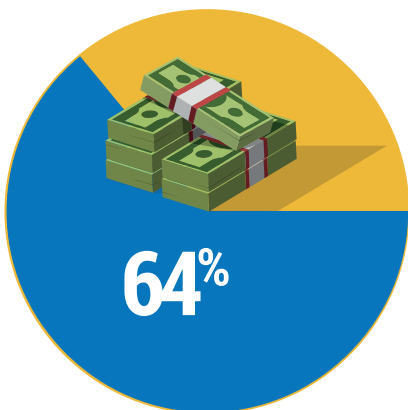
LEAST VALUE CHAIN OPERATED BY RESPONDENTS

- Pest Control
- Crop Cultivation
- Agricultural Mechanization
- Pat Cordial Service

27% of Respondents focuses mainly on processing and production as their specific line of Business



64% of respondents have above 7 million naira as their annual turnover



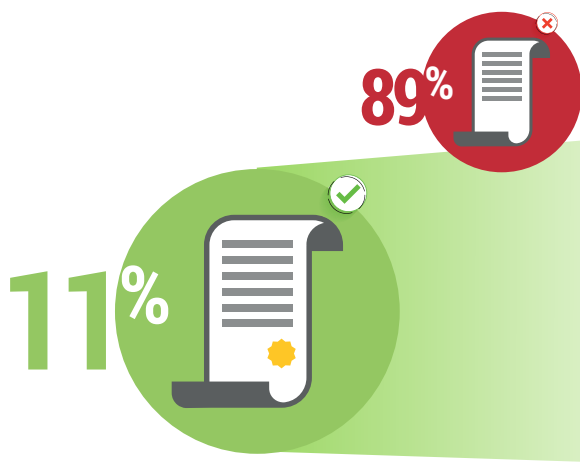
Respondents Have Above 7 Million Naira As Thier Annual Turn Over

6.6 million - 7 million	8%	2.6 million - 3 million	2%
6.1 million - 6.5 million	1%	2.1 million - 2.5 million	0%
5.1 million - 6 million	1%	1.5 million - 2 million	0%
4.6 million - 5 million	4%	1.1 million - 1.5 million	4%
4.1 million - 4.5 million	0%	500,001 - 1 million	6%
3 million - 4 million	0%	100,000 - 500,000	10%

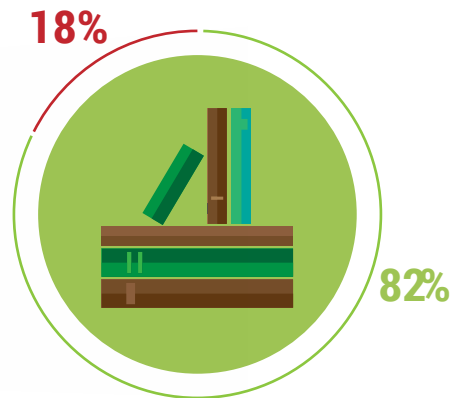
Board and Management

Governance is the process of making and implementing decisions that improve economic, political and social institutions.

Documented Corporate Governance Framework



% of respondent activities structure that align with the Nigerian code of Corporate Governance 2018



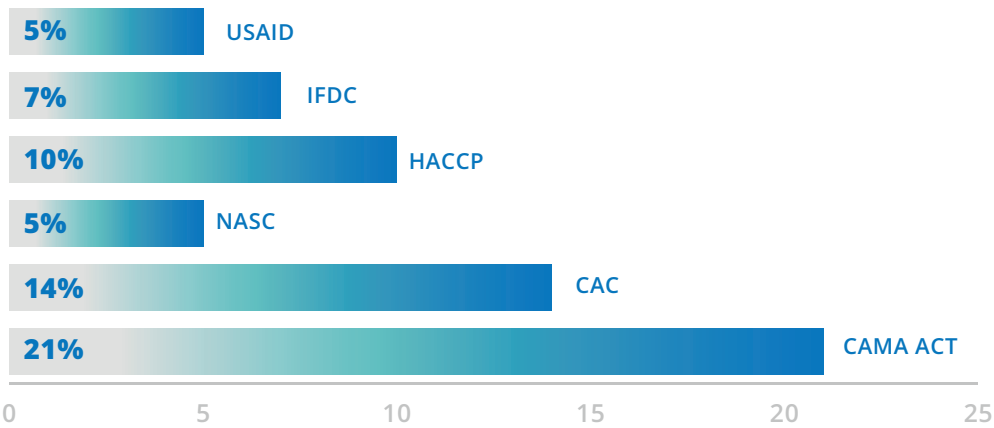
The above analysis reveals the users of documented corporate governance framework in Agriculture business. 11% are users of documented governance framework in Nigeria. From the percentage number of users, it is quite revealing to see that 82% align with the stated Code of Corporate Governance 2018.



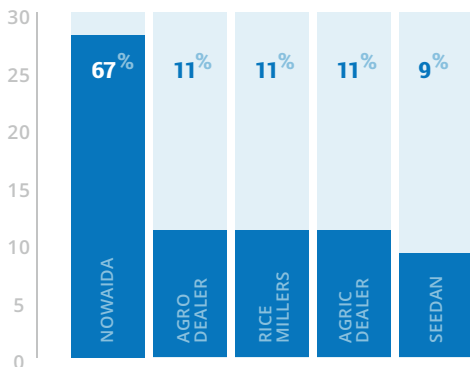
% of companies facing practical challenges in complying with Nigeria code of conduct governance 2018

93% out of the 82% that comply with the Nigerian code of corporate governance 2018 face NO CHALLENGE improving management of domestic resources and eliminating the internal and external barriers to development. The remaining 7% face challenges of MULTIPLE TAXATION & INADEQUATE FINANCING.

Respondents' selections based on local and international regulatory agencies observed by the company.



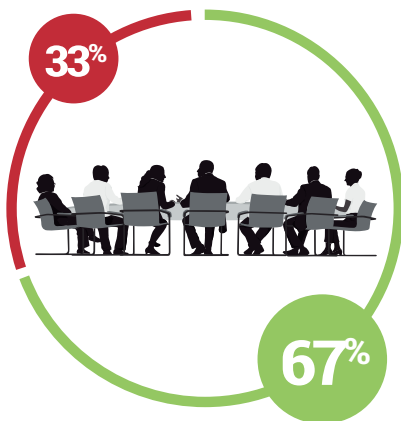
67% of Agric business members belong to the same Agricultural Business Association



% of top (5) agricultural association respondents belong.

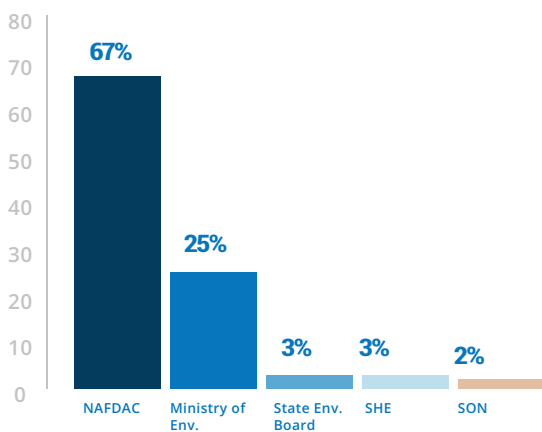
Analysis shows that 59% of respondents in Agric business do observe other regulations; Local or International. NORTH WEST AGRO INPUT DEALERS have 28% of members in the Agric Business compare to other Agricultural Associations

% of agric businesss with functional Board

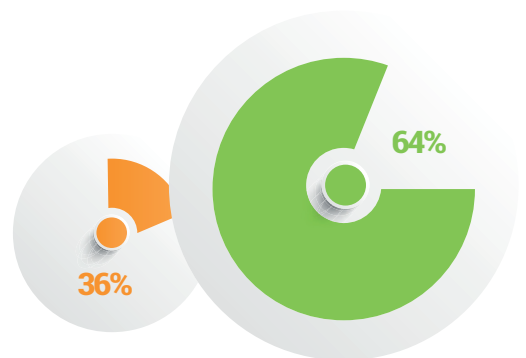


68% of the sample size have an Agriculture Business that operates under Health and Regulation Policy. As observed, NAFDAC is the leading regulatory agency for health and safety in Agricultural Businesses.

Regulatory Body/Policy For Health And Safety By Respondents

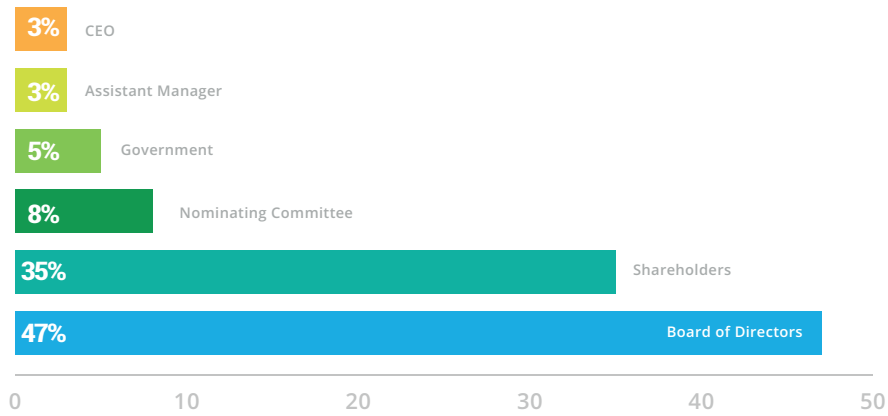


Response to question "is the Board accountable for the performance and affairs of the Agri business"?

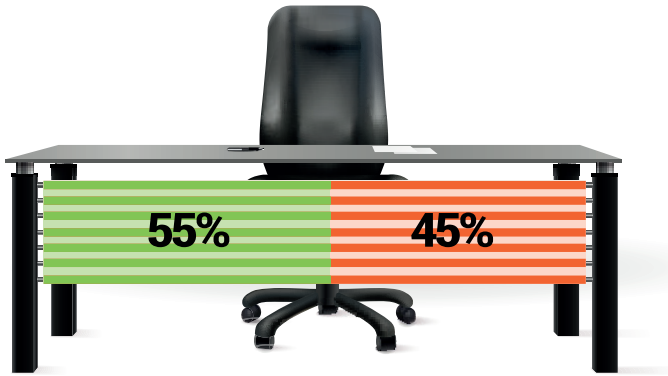


36% of respondents indicated that the Board is not accountable for the performance and affairs of the Agric Businesses.

47% of the Respondents indicated that the Board of directors appoint CEO/Top management in the Agric Business



Separation of Power



% of Company whose Chairman of the Board is also the Company CEO

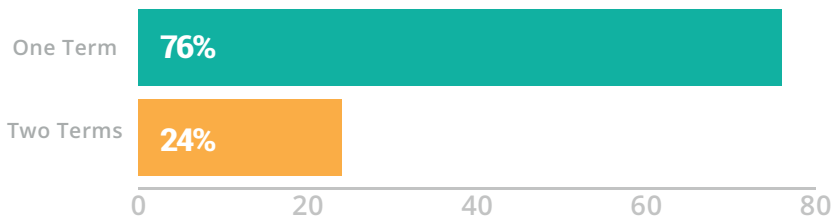


Delegation of power from the Board to management

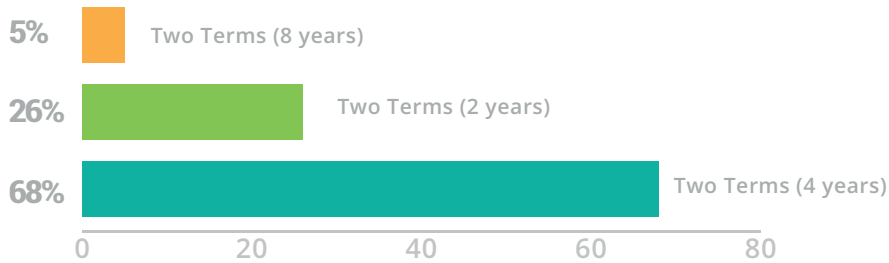
Delegation of power from the Board to the management is been carried out via minutes of Board meeting as reveal above. 55% of the respondents indicated that the Chairman of the Board is also the Company CEO.

Tenure for Directors

The analysis below shows that 76% of respondents have limitation in terms of tenure of the Non-Executive Directors to govern the business.

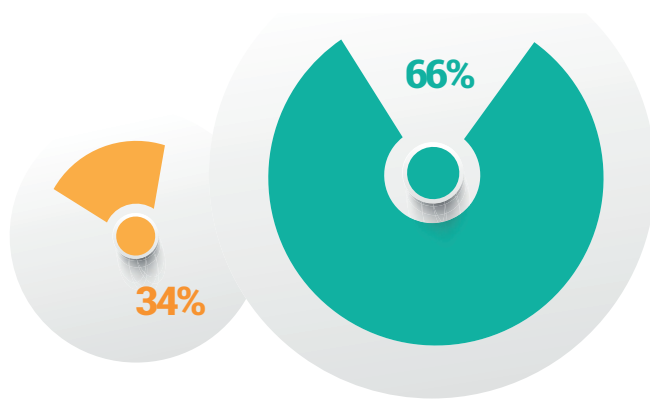


Respondents selection shows that there is limitation to the tenure of the Company CEO. 68% reveals that the CEO limitation is TWO TERMS (4 YEARS).



Board Committee

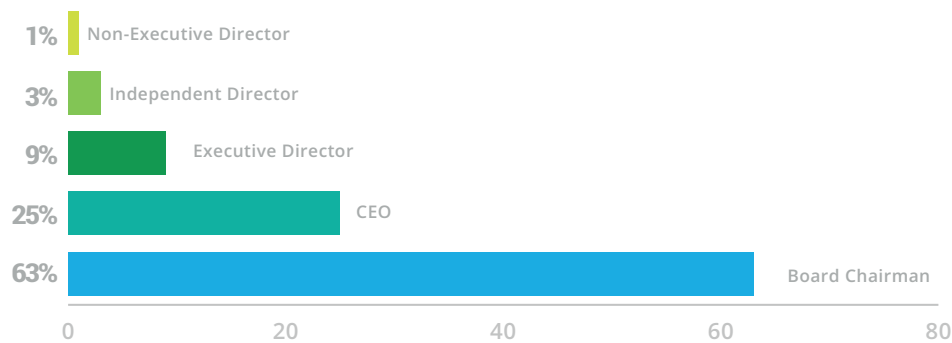
66% of Agric Business do not have established Board as revealed by the respondents.



66% of the respondents have an established business Board, 56% respondents reveals the Board consist of 4-6 persons.

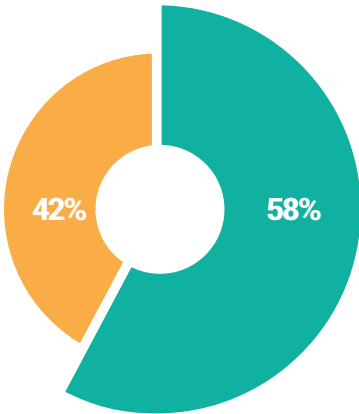


The analysis shows that the Board Chairman chair the Board committee in most Agriculture Business as reveal by respondents (63%).

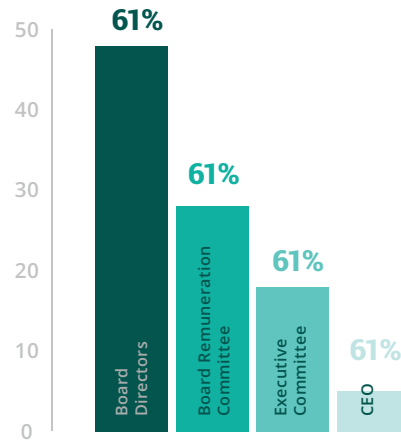


Remuneration

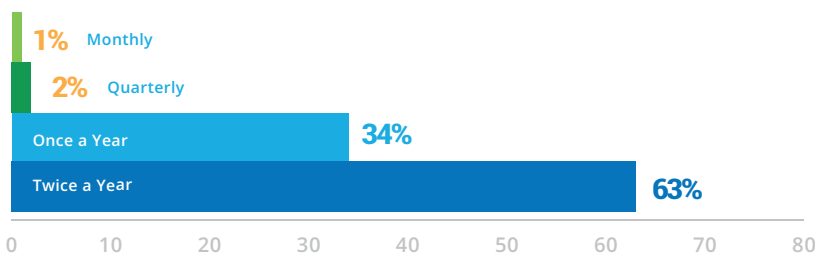
% of Agric business that have remuneration policy.



Company management that put remuneration policy into action.

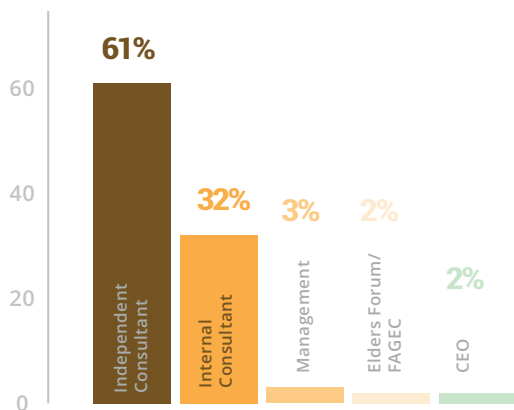


58% of respondents in Agric Business indicated that their company policies include a remuneration policy and 48% indicates that the Board of Directors execute the remuneration policy.



63% of respondent indicates the Board Assessment is carried out Twice a Year.

Response to the question "who conduct Board Appraisal/Assessment"?

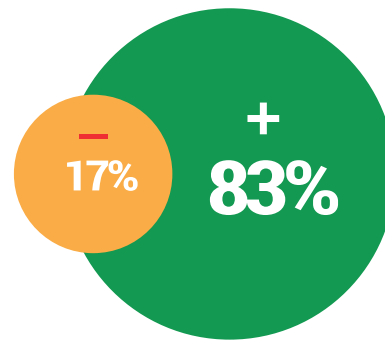
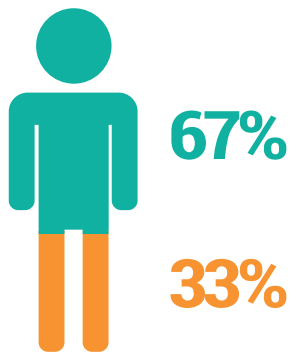


61% of the respondents shows that an independent consultant conducts the Board Appraisal/Assessment.

Shareholder's Protection

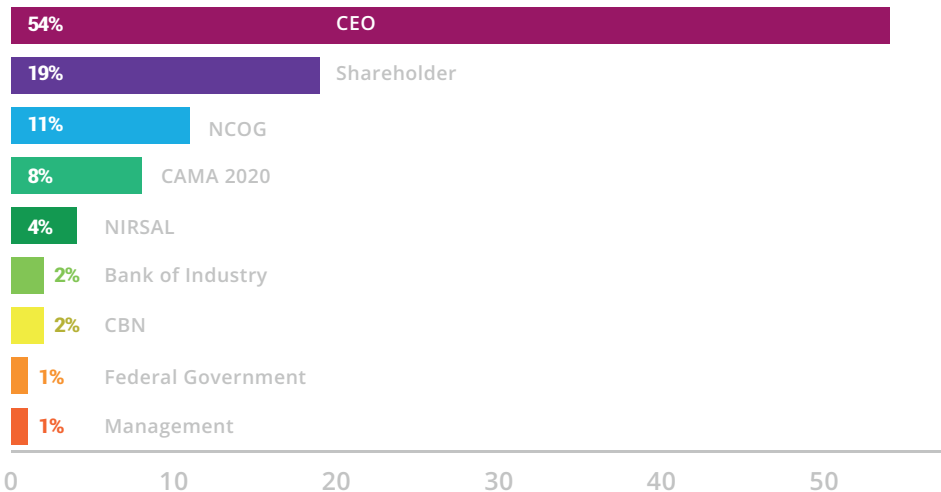
% of Respondent that allows shareholders to obtain relevant material information in the Agric Business

Board ensuring protection of minority shareholders



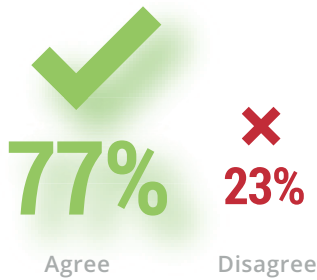
83% of respondents identify that the Board ensures the protection of minority shareholders over the influence of controlling shareholders in the Agric Business sector.

54% of the respondents indicated that the CEO should prescribe notice of general meetings

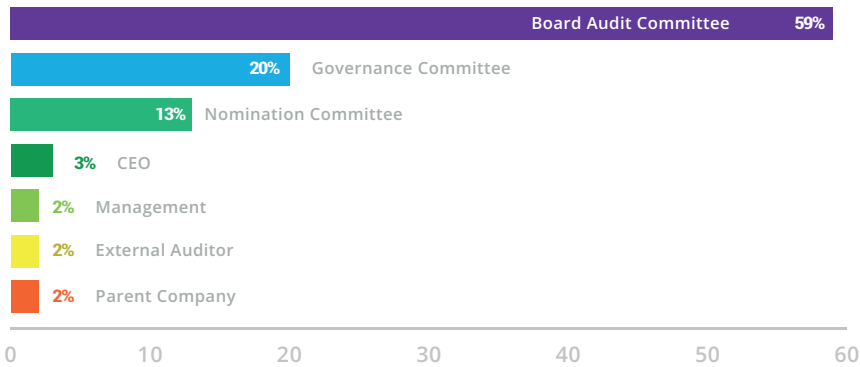


Disclosure & Transparency

77% of respondents agreed that the Annual report disclosure of an Agric Business must include Corporate Governance and Risk Management report



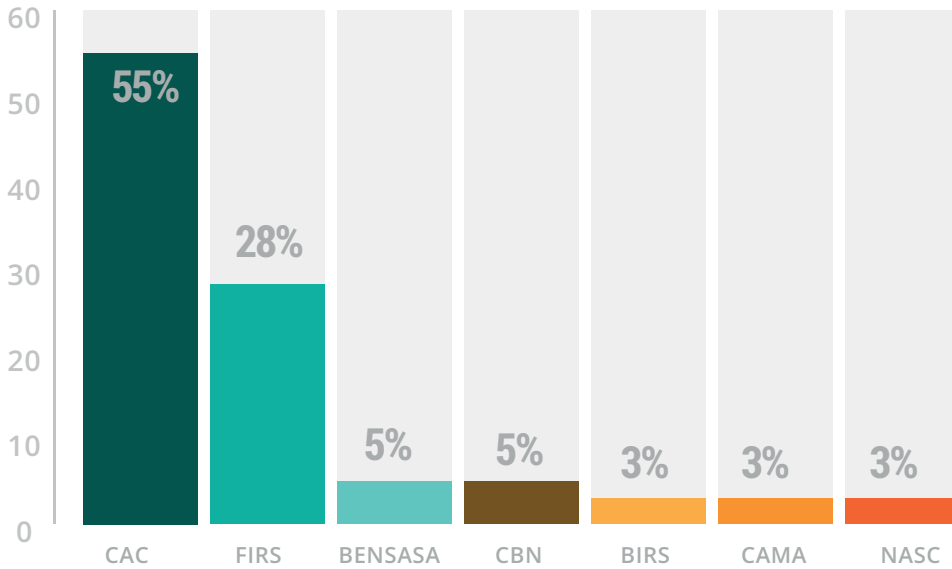
Good corporate governance support transparency in the business. The analysis shows 59% of target audience that align and follow the code allow the Board Audit Committee to review the integrity of the Agric Business financial report.



The analysis below shows that not all Agric Businesses have Chief Compliance Officers/Head of Internal Audit, with only 65% responding in the affirmative.

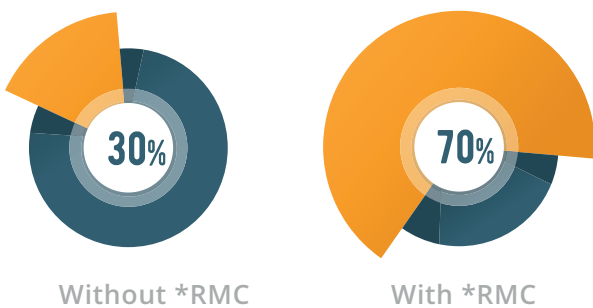


Higher percentage of respondents in Agric business disclose corporate activities to CAC compared to other government regulatory unit



Risk Management and Conflict of Interest

70% of Agric Business have a Risk Management committee as shown in the analysis



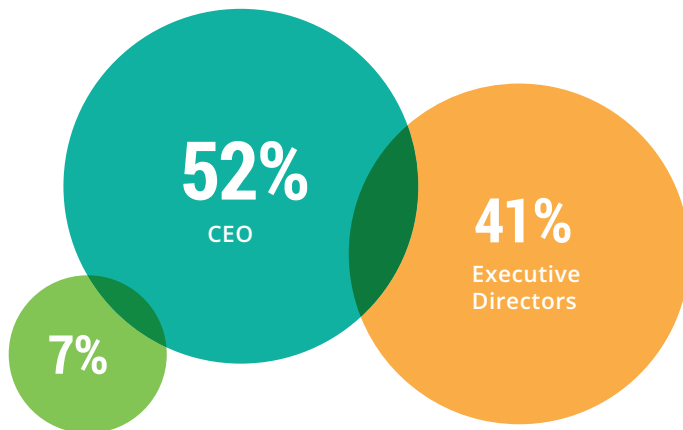
Without *RMC

With *RMC

*RMC - Risk Management Committee

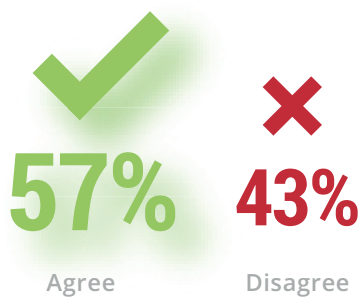
52% of people in the Agric Business sector preferred the Board Risk Management

The Board Committee of Agric Business should be chaired by CEO



Response to the question "Is there a separate committee for Audit and Risk Management?"

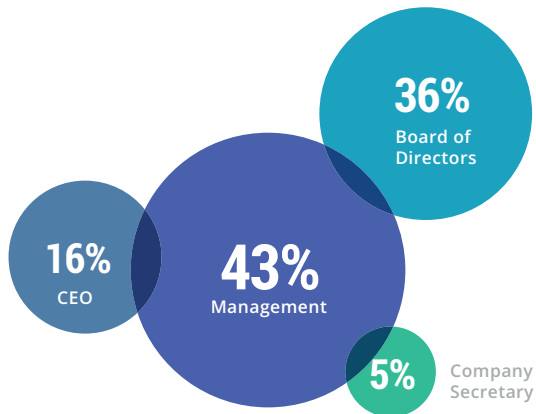
57% of respondents agree that the Agric business have a separate committee for Audit and Risk Management, while 43% disagree to the stated question.



The respondents (43%) indicated that The CEO should be responsible for the preparation of the Risk Management framework.

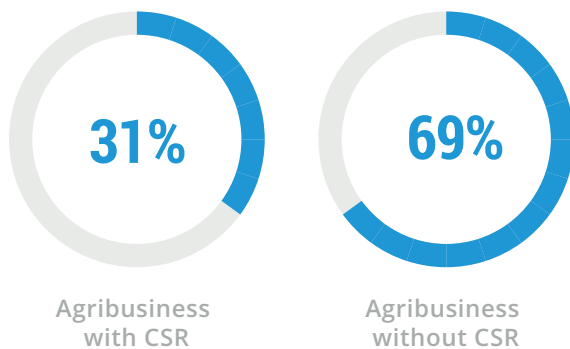


5% of the respondents in the Agric Business confirmed that the company secretary is responsible for company's conflict resolution, while higher percentage (43%) of the respondents indicated that the management is responsible for the resolution



Corporate Social Responsibility/Sustainability Reporting

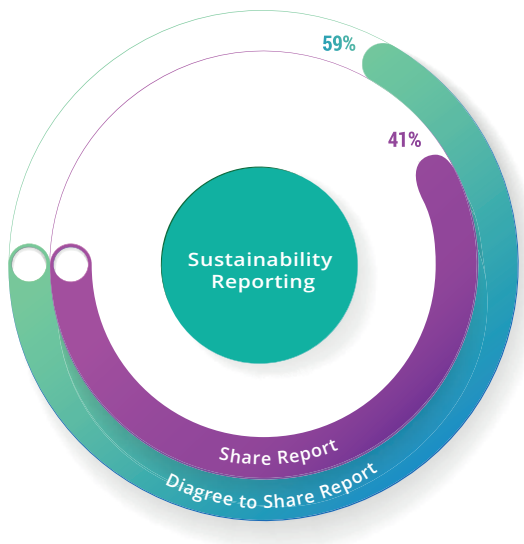
It is alarming that 69% of respondents in Agric Business have NO CSR committee



The analysis reveal the % of respondents that comply and ignore the “reporting of CRS activities in the annual report.” Few of the respondents (29%) comply to the stated quoted content.



41% of respondents in Agric Business shows that in their respective sectors in Agric Business, they prepare and share sustainability reports with their stakeholders



A stack of several books is shown from a side-on perspective, slightly angled. The spines of the books are visible, featuring various colors including red, blue, yellow, and orange. Some books have bright, colorful sticky tabs protruding from their pages. The text 'PART D' is overlaid in a bold, black, sans-serif font across the middle of the stack. The background is a plain, light-colored surface.

PART D

RECOMMENDATIONS/ CONCLUSION

Conclusion


There is no gainsaying that the agricultural sector plays a significant role in ensuring the economic growth in Nigeria. However, to significantly contribute to the economic growth in Nigeria, the sector must be well regulated and comply with the good corporate governance practices as highlighted in this report. Specifically, the following good corporate governance practices are recommended for stakeholders of the agricultural sector in Nigeria:

1. The agricultural sector must be properly structured and segmented across the value chain in all ramifications.
2. Sensitization on the benefits of corporate governance to the sector must be intensive for stakeholders to witness the level of economic growth and development which the sector promises.
3. Ensure agricultural and agro-allied companies are more aligned to corporate governance regulatory frameworks to improve their business value.
4. The government should fully function in its role in the pre-up stream as individual contributions are limited. The government's oversight and policy-making role must be fully and properly established across all sectors of the value chain. Ensure stakeholders' inclusion in making policies for the system to be workable.
5. Ensure that the Boards of agro-allied companies have the right composition and mix in terms of diversity, qualification, skill, and experience.
6. Conduct periodic and continuous Board trainings and Board evaluations for Board members to ensure that their actions are in the best interest of the company.

7. Set up relevant Board committees to address salient issues in Agro-allied companies, including the Audit Committee, Risk Committee, Nomination and Governance Committee, among others.
8. Set up mechanisms for stakeholder engagement and dialogue.
9. Ensure transparency and accountability by management and the Board.
10. Ensure that the activities, policies, and processes of Agro-allied companies are economically, environmentally, and socially sustainable.
11. There is need for stakeholders in this sector to be more aware of the right process, procedures, and mindset to improve the sector and be deliberate and conscious about achieving it.
12. This sector requires more experienced hands and experts in the field to help beginners (SMEs) thrive in the sector.
13. Businesses in this sector must have an agricultural structure hence, there is need for more Certified Business Development Service Providers (BDSPs) to guide them.
14. It is also important that the government selects a sector across the value chain and work on developing it, one at a time
15. Research findings in this sector should be experimented and ascertained to be workable and not just stored up, or the purpose of this research will be defeated. Hence, the research project should not just be conducted but implemented in a timely fashion to reap benefits therefrom.

Finally, it is imperative for the government to set up an agency/body which would be responsible for co-ordinating activities in the agricultural sector and ensuring compliance with good corporate governance practices.

Appendix

The image features a warm, golden sunset background with silhouettes of tall grasses in the foreground. The word "Appendix" is centered in a white, sans-serif font.

APPENDICES

APPENDIX I: Copy of the Structured Questionnaire

PART A: COMPANY STRUCTURE

S/N	QUESTIONS
1	Company Name
2	Position held by Respondent(s) Please Specify a. Managing Director/CEO b. Company Secretary c. Compliance officer
3	What is the nature of your Agri-business? • Agricultural Farming • Agro-Allied Services • All of the above
3b.	Size of company (permanent staff size) • 1-50 • 51-100 • Above 100 • Others (Please specify)
3c.	Temporal staff size • 1-50 • 51-100 • Above 100 • Others (Please specify)
4a	Is the Agri-business foreign based (multinational)? Yes [] No []

4b In what value chain do you operate?

- Poultry
- Animal Husbandry
- Aqua culture
- Horticulture
- Combined services (Please indicate)

4c In which aspect of the value chain do you operate (Specific line of business)?

- Processing (Value addition)
- Production
- Packaging
- Retail
- All of the above

5 Annual Turnover:
Please state

PART B: Board AND MANAGEMENT (RESPONSIBILITIES OF THE Board AND MANAGEMENT)

S/N	QUESTIONS
1.	Does the Agri-business have a documented corporate governance framework? Yes [] No []
2	If yes, does the company's activities and structure comply or align with the Nigerian Code of Corporate Governance 2018, other existing codes or guidelines on corporate governance? Yes [] No [] Others (Please specify)
2b	Are there other regulations, local or international, which the company observes? Yes [] (Please specify) No []
3	Is the Agri-business a member of any agricultural association? Yes [] (Please specify) No []

4 Are there practical challenges faced by your company in complying with Nigerian Code of Corporate Governance 2018 or other existing codes or guidelines on corporate governance?
 Yes [] No []
 If yes, specify the regulatory requirements and the reasons for the challenges.

5 Does the Agri-business have a functional Board?
 Yes [] No []

6 Does the Agri-business operate under any health and safety regulation policy?
 Yes [] No []

6b If yes, kindly state the regulatory body/policy for your health and safety

7 If yes, is the Board accountable for the performance and affairs of the Agri-business?
 Yes [] No []

8 Who appoints CEO/Top management of the Agri-business?
 a) Shareholders
 b) Nominating Committee
 c) Board of Directors
 d) Others (please specify)

PART C: Board SIZE AND COMPOSITION

Board OF DIRECTORS						
S/N	Name (Optional)	Designation	Qualification	Executive Directors	Non-executive directors	Independent Directors
1						
2						
3						
4						
5						
6						
7						
8						

PART C1: SEPARATION OF POWER

S/N	QUESTIONS
1	Is the chairman of the Board also company CEO? Yes [] No []
2	How is power delegated from the Board to the Management team? <ul style="list-style-type: none"> • Verbal communications • Documented authority matrix • Minutes of Board meeting • Others (please specify)

PART C2: APPOINTMENT AND TENURE FOR THE DIRECTORS

S/N	QUESTIONS
1	Is there any procedure of appointment to the Board of the Agri-business? Yes [] No []
2	Do the Agri-business have a time limit for the Non-Executive Directors? Yes [] No []
3	If yes to Q2, Please pick from these: <ul style="list-style-type: none"> • Maximum of three terms (4 years each) • Maximum of two terms (4 years each) • One term • Others (please specify)
4	Is there a time limit for the CEO? Yes [] No []
5	If yes to Q4 above, please specify

PART D: Board COMMITTEES AND Board MEETING

S/N	QUESTIONS
1	Does the Agri-business have an established Board Yes [] No []
2	If yes for Q1 above, please specify how many committees?
3	Which of these can chair a Board committee? <ul style="list-style-type: none"> • Board Chairman • Executive Director • Non-Executive Director • Independent Director • CEO
4	How many times in a year do the Board of Director meet? <ul style="list-style-type: none"> • Twice • Three times • At least once a quarter • Others (please specify)
5	In order to qualify for re-election, a Board member must attend at least two-third of all Board and Board committee meetings? Yes [] No [] Others (Please specify)

PART E: REMUNERATION AND Board APPRAISAL

S/N	QUESTIONS
1	Does the Agri-business have any remuneration policy? Yes [] No []

2	<p>If yes above, who put it in place?</p> <ul style="list-style-type: none"> • Executive committee • Board Directors • Board Remuneration Committee • Others (please specify)
3	<p>How often is Board assessment carried out?</p> <ul style="list-style-type: none"> • Never • Once a year • Twice a year • Others (please specify)
4	<p>Who conducts the Board appraisal/assessment ?</p> <ul style="list-style-type: none"> • Internal committee/member • Independent consultant • Others (please specify)

PART F: SHAREHOLDERS (EQUITY OWNERSHIP, PROTECTION OF SHAREHOLDERS AND MEETING)

S/N	QUESTIONS
1	<p>Do shareholders of the Agri-business have the right to obtain relevant and material information? Yes [] No []</p>
2	<p>Does the Board ensure the protection of minority shareholders over the influence of controlling shareholders? Yes [] No []</p>

- 3 Notice of the General meetings should be as prescribe by?
- Central Bank of Nigeria (CBN)
 - Bank of Agriculture (BOA)
 - Bank of Industry (BOI)
 - Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)
 - Financial Reporting Council of Nigeria
 - Nigerian Code of Corporate Governance 2018 (NCCG)
 - Companies Allied Matters Act (CAMA) 2020
 - Shareholders
 - CEO
 - Others (please specify)

PART G: DISCLOSURE AND TRANSPARENCY

S/N	QUESTIONS
1	Annual report disclosure of an Agri-business must include Corporate Governance and Risk Management report? Yes [] No [] Others (please specify).....
2.	Who is responsible for the review of integrity of the Agri-business financial reporting? • Nomination committee • Governance committee • Board audit committee • Others (please specify)
3	Does the Agri-business have a Chief Compliance Officer/Head of internal Audit? Yes [] No []
4	The Board Audit Committee consist of how many members. • 3 • 4 • 2 • 5 and above

5	The Board Audit Committee meets at least?
	<ul style="list-style-type: none"> • Once in a year • Twice in a year • Once every quarter • Three times a year
6	Does the Agri-business disclose corporate activities or compliance to any government regulator?
	Yes [] (Please specify) No []
7.	Are there reporting standards stipulated by the regulator for its regulations/guidelines?
	Yes [] (Please specify) No []
8	If yes to Q7, kindly state the frequency of reporting
	<ul style="list-style-type: none"> • Annually • Quarterly • Others (Please specify)

PART H: RISK MANAGEMENT AND CONFLICT OF INTEREST

S/N	QUESTIONS
1	Does the Agri business have a Risk Management Committee? Yes [] No []
2	The Board Risk Management Committee of an Agri-business should be chaired by? <ul style="list-style-type: none"> • Executive Director • Non-executive Director • CEO
3	Is there a separate committee for Audit and Risk Management? Yes [] No []
4	Who is responsible for the preparation of the Risk Management framework? <ul style="list-style-type: none"> • The CEO • Chairman of the Risk Management Committee • The Board of Directors

- 5 Who is responsible for the company's conflict resolution?
- Board of directors
 - Company secretary
 - Management
 - The CEO
- 6 Is there any recent conflict of interest in the business?
Yes [] No []
- 7 If yes to Q6 above, was it disclosed to the Board? Yes [] No []

PART I: CORPORATE SOCIAL RESPONSIBILITY/ SUSTAINABILITY REPORTING

S/N	QUESTIONS		
1.	Does the Agric-business have a CSR Committee?	Yes []	No []
2.	What is the company's CSR core values and activities?	Yes []	No []
3.	Does the company report on its CSR activities in its annual report?	Yes [...]	No []
4.	Does the company prepare and share sustainability reports with its stakeholders?	Yes []	No []

Board COMMITTEE SCHEDULE

S/N	Name of Committee	Designation	Qualifications	Executive Directors	Non-Executive Directors	Independent Directors
1						
2						
3						
5						
6						
7						
8						

APPENDIX II: A Report On The Focus Group Discussion On Corporate Governance And Board Structure In The Agricultural Sector In Nigeria

EXECUTIVE SUMMARY

This is a report of the Focus Group Discussion on Corporate Governance and Board Structure in the Agricultural Sector in Nigeria, held on Thursday, June 3, 2021 at Ibis Hotel, Toyin Street, Ikeja Lagos by 11:00am.

The discussion was organized by the Society for Corporate Governance Nigeria, the Financial Reporting Council of Nigeria and AFOS Foundation as part of its project for developing a corporate governance directive for agricultural companies in Nigeria.

This discussion provided an insight into the peculiarities of the sector in a bid to provide solutions and interventions with a core objective to ensure their increased efficiency and productivity in the post COVID era and also;

- To improve capital management of agricultural companies and credible investment protection;
- To improve company performance sustainability;
- To create necessary regulations and ensure strict adherence to international best practice;
- To reduce the risk of corporate and organisation crisis;
- Timeliness and accurate disclosure of all material and matters (including performance and financial);
- Encourage cooperation between company and its stakeholders in creating wealth, jobs, stability, and other industry goals;
- Compensate for ineffective laws and enforcement by establishing good corporate governance at company level.

INTRODUCTION

Various individuals and organizations in the Agricultural sector were present at the discussion which was hybrid and had about 26 persons physically present and about 13 virtual participants via the zoom teleconference.

The opening remark/introduction of the discussion was made by Mrs. Chioma Mordi, the MD/CEO, Society for Corporate Governance Nigeria. The regulatory remarks/session presentation was handled by Dr. Nelson Anumaka, Corporate Governance Directorate, Financial Reporting Council of Nigeria, while the Discussion and moderation was done by Dr Ikechukwu Kelikume.

DISCUSSION

Dr Nelson Anumaka, in the regulatory remarks on *Corporate Governance and Board Structure in The Nigerian Agricultural Sector* spoke extensively on the mandate of the Financial Reporting Council (FRC) of Nigeria, the Nigerian agricultural sector, challenges of the agricultural sector, Board structure and benefits of corporate governance to the Nigerian agricultural sector.

Some of the challenges of the agricultural sector mentioned were;

- Establishment of Boards and management structures.
- Outline ownership structure and shareholders' rights.
- Development of processes for change in control and transactions involving significant assets.
- Addressing foreseeable risk factors.
- Establishment of regular financial audits and disclosure of audit findings.
- Monthly financial management and accounts.
- Financial transparency and disclosure.
- Good record keeping systems.
- The absence of involvement of all stakeholders.
- Weak agricultural development policies.

Benefits of corporate governance to the Nigerian agricultural sector emphasized were;

- The Nigerian Agricultural Sector is sparsely regulated but the implementation of good corporate governance policies and practices will bring them into the regulatory net.
- Sustainable agricultural and agro-allied institutions that would outlive its founders.
- Efficient and effective agricultural and agro-allied institutions that will create wealth and employment.
- Attracting foreign and domestic investments in the agricultural sector.
- It will involve stakeholders and engender accountability and transparency.
- Government funding would readily become available to the agricultural sector.
- Good sector governance can also help the sector's competitiveness and international perception.
- Establishment of effective Board and management with high integrity and technical competence.

QUESTIONS & COMMENTS

The brainstorming session was geared by the following questions:

1. Can we truly structure the Agricultural sector and can it be dimensioned?

It was stated that the government have dimensioned the agricultural sector into four (4) basic structures; crop, livestock, fishery & forestry. Also, the central Bank of Nigeria captures these structure in looking at Gross domestic product (GDP). Furthermore, looking at the agric business the agric sector can be dimensioned as, beginning stage (Pre up stream- NGO's, Government institutions), upstream (direct farming), Mid-stream (those in the service sector of farming) and the downstream (multinational firms, importers and exporter).

2. Do we currently have regulations/control in the above dimensions, if yes are the controls enforceable?

It was stated that the sector can be regulated and is being regulated, but regulators have no firm grip on the management of the sector. Some of the policies are perceived to be unenforced, hence, companies and individuals in the sector do not enjoy adequate progress.

3. Who regulates the diverse structure?

The sector has various bodies, associations and influencers, but how sincere are these regulators to protect the sector. There is need to expose the ills and challenges. Most of the policies are theoretical and not practiced.

4. As private players in this sector do we have corporate governance?

5. Do businesses in this sector have a structure?

It was concluded that most businesses in this sector has no structure and there is need for agricultural business owners to go back to the drawing Board and reorganize their businesses to a structure that can stand the test of time.

APPENDIX III

REPORT ON THE VALIDATION WORKSHOP FOR THE REVIEW OF THE SURVEY REPORT ON CORPORATE GOVERNANCE AND BOARD STRUCTURE OF THE AGRICULTURE SECTOR IN NIGERIA

Tuesday, August 17, 2021

Venue: Ibis Hotel, Ikeja, Lagos

Abbreviations

SCGN - Society for Corporate Governance Nigeria

FRCN- Financial Reporting Council of Nigeria

FGD – Focus Group Discussion

CEO – Chief Executive Officer

GDP – Gross Domestic Product

Introduction/ Background

Under the auspices of the corporate governance space, the Society for Corporate Governance Nigeria (SCGN) in collaboration with AFOS Foundation and the Financial Reporting Council of Nigeria (FRCN) in June 2021 carried out a survey on Corporate Governance and Board Structure of the Agriculture Sector in Nigeria.

The aim of the survey was to assess the governance structure of the agricultural sector and better present the peculiarity of the industry.

In furtherance to the survey conducted, the Society for Corporate Governance Nigeria (SCGN) in collaboration with AFOS Foundation and the Financial Reporting Council of Nigeria organized a Focus Group Discussion (FGD) with business owners and investors in the Agric industry.

The FGD was held on June 3, 2021, at Ibis Hotel, Ikeja with representation from different states in Nigeria.

Following the FGD was a Validation Workshop which was opened to the public to further review the place of corporate governance in the agricultural space.

Methodology

Attendance: Present was the Commissioner for Agriculture Lagos State, Senior Special Assistant to the Governor of Lagos state, Managing Directors, Chief Executive Officers, Agric investors, large- and small-scale farmers, members of

the press, marketers in the Agric space and Observers, with a total of 36 persons physically present and 25 virtual participants

Facilitation: The validation workshop commenced with the welcome/opening remarks by the Managing Director/CEO of the Society for Corporate Governance Nigeria, Mrs. Chioma Mordi.

Keynote Address: A keynote address was delivered by a Director and Fellow of the Society for Corporate Governance Nigeria, Alhaji Tijjani Borodo. The keynote address was an eye-opener on why the Agric sector should embrace corporate governance and the need to attain global best practices.

Regulatory Remarks: Mr. Nelson Anumaka of the Financial Reporting Council Nigeria, delivered the regulatory remarks.

Special Guest Address: The special guest of honour was the Commissioner of Agriculture of Lagos state, Ms Abisola Olusanya, who was present but subsequently represented by the Senior Special Assistant to the Governor of Lagos state, Mr. Gbolabo Olaniwun who delivered the special guest address.

An overview of the background to the survey on Corporate Governance in the agricultural sector, and findings from the survey was presented by the Managing Director/CEO of the Society for Corporate Governance Nigeria, Mrs. Chioma Mordi.

Submissions and recommendation from the FGD held in June 2021 was further deliberated upon and validated. The outcome of the workshop will be shared with all participants.

According to Alhaji Tijjani Borodo, agriculture has been recognized to be one of the most promising mechanisms for reducing poverty and fortifying local livelihoods worldwide. One of the dire conditions required of the agricultural sector is to ensure that good governance structures and related policies are in place at all levels.

He added that despite the recommendations of the 1982 World Development Report that governments should focus on governance to improve agriculture, very little has been achieved in that regard to date. He mentioned that Policy biases, underinvestment, mis-investment, and lack of capacities underpin weak governance in agriculture and to address these issues, it is important to focus on the following key challenges.

He stated that the roles of the public sector, private sector and civil society with guidance and support should be invigorated. For the time has come for these sectors, especially the public sector to think and act differently in relation to agriculture in Nigeria and that the private sector and its role in dealing with agricultural governance need to be strengthened.

He also added that understanding market dynamics, refining macroeconomic policies, and ensuring that state policies are strengthened to compliment the needs of civil society are critical to ensuring that partnerships are stronger and more responsive to the emerging challenges of national and global agricultural scenarios.

He stressed that until effective governance systems are put in place, reforms in agriculture and their impact on achieving food security and poverty reduction will remain ineffective.

He also acknowledged that it is no doubt that the agriculture industry just like all other industries have experienced and is still facing economic downturn and the growing impact of climate change. However, declarations, commitments and speeches do not solve the issues, rather, a productive agricultural sector is what is needed.

All hands must be on deck to explore business solutions to foster growth and development in the agriculture sector. The aim is to strengthen each link in the value chain, from the smallholder, through the local trade agents, through agro-processing, to regional and national markets.

He mentioned that the key to addressing many of these value chain issues is through partnerships such as the collaboration between the Society for Corporate Governance Nigeria, AFOS and the Federal Reporting Council of Nigeria.

To this, he mentioned could be achieved with the commitment of all stakeholders –governments, private sector operators and investors alike. This commitment must be deeply rooted in transparent partnerships and geared toward closing the gap between downstream and upstream players. Only that way will it be possible to reposition agriculture to take its leading economic role, spur the growth of agribusinesses and advance the future of the Nigerian agriculture sector. With increased worldwide awareness of food security and sustainable food production, agriculture is rapidly growing as one of the key industries on both a global and local level.

Mr. Nelson Anumaka, while delivering his regulatory remarks, stated that good corporate governance is key in any business environment and most specially to help attract investors to such business. He went further to state that good corporate governance promotes the reputation of the business and the effectiveness of the board, quality decision making and help businesses continuity and sustainability that will outlive the founders.

Also, Mr. Gbolabo Olaniwun in his welcoming remarks on behalf of the Commissioner of Agriculture, Lagos state, Ms. Abisola Olusanya emphasized the need for corporate governance in the Agric space. He stated that the current administration in Lagos state is diligently revamping the agricultural industry. A comprehensive five-year road map has been drawn particularly around the red meat value chain, which is the major area of focus and the need to restructure the agricultural industry. He also mentioned that the Lagos State Government has created feed slots and produce hubs to verify the conditions of the food produced, thereby ensuring they are safe for consumers.

He added that the fate of the agricultural sector lies largely in the hands of the youth as they have a key role to play in the space. Hence, Lagos state has put in place capacity building for the youths at the training institute located in Epe, where youths are empowered in this space.

He also mentioned that government has a huge role to play, and efforts is constantly made to revamp the Agric space and flags down illegal Agric produce.

Finally, he commended the efforts made by the organisers of the validation workshop, for a job well done.

The Survey Report on Corporate Governance and Board Structure of the Agriculture Sector in Nigeria was Presented by Mrs. Chioma Mordi, MD/CEO of the Society for Corporate Governance Nigeria.

She mentioned that the mandate was to conduct a comprehensive baseline survey on the agricultural industry in Nigeria and analyse the following:

- A holistic review of the agricultural industry across the various value chain
- Review relevant codes of corporate governance, especially the NCCG by the (FRCN) as it relates to the agricultural industry.
- Conduct a comprehensive baseline survey of the board and corporate governance practices of agricultural companies in Nigeria.

- Organize a validation workshop for the presentation of the research findings to the stakeholders of the industry.
- To develop a comprehensive survey report on the corporate governance structure of the agricultural companies in Nigeria, which will address the complexities and provide practical guideline to increase understanding of the role of proper corporate governance ethics in business.
- Conduct bespoke training for key officers of some agricultural companies.

Why Agricultural Sector?

In Nigeria there is a renewed focus on growing the non-oil sector of the economy and the Agro-industry is experiencing a renaissance with dedicated government policies geared towards encouraging farmers and investors and increasing the contribution of the sector to the GDP.

Objective

Data as we all know is key to a survey: in this case, considering the cultivation of good governance in the Nigerian Agricultural Sector. It was pertinent to gain the requisite information, that will aid proper insight, hence, the initiation of this study by the Society for Corporate Governance, Nigeria and AFOS Foundation.

The core objective for developing a corporate governance document for agricultural companies in Nigeria, is to address the peculiarity of the industry, proffer possible guidance and ensure their increased efficiency and productivity and:

- To improve capital management of agricultural companies and credible investment protection.
- To improve company performance and sustainability.
- To create necessary regulations and ensure strict adherence to international best practices
- To reduce the risk of corporate and organisation crisis.
- Timeliness and accurate disclosure of all material and matters (including performance and financial).
- Encourage cooperation between company and its stakeholders in creating wealth, jobs, stability, and other industry goals.

- Compensate for ineffective laws and enforcement by establishing good corporate governance at company level.

She mentioned that an integrated qualitative and quantitative approach to achieve the objectives of the survey:

- Questionnaire - mainly quantitative
- Collection of Survey Data and Design of Analysis
- Random sampling to ensure representativeness of key business sector.
- Interviews
- Review of relevant literature
- Focus Group Discussion

She also stated some challenges facing the Agric sector as; lack of access to finance; Resource shortage; Violence and conflicts; Absence of value addition and supply-chain linkages; Insufficient supply to meet population growth and food demand; Outdated system of agriculture amongst others.

Recommendations

The agricultural sector plays a significant role in ensuring the economic growth in Nigeria. However, to significantly contribute to the economic growth in Nigeria, the sector must be well regulated and comply with the good corporate governance practices as highlighted in this report.

Specifically, the following good corporate governance practices are recommended for stakeholders of the agricultural sector in Nigeria:

- The agricultural sector must be properly structured and segmented across the value chain in all ramifications.
- Sensitization on the benefits of corporate governance to the sector must be intensive for stakeholders to witness the level of economic growth and development which the sector promises.
- Ensure the agricultural and agro-allied companies are introduced into the corporate governance regulatory net to improve ways of doing business.

- The government should fully function in its role in the pre-up stream as individual contributions are limited. The government's oversight and policy-making role must be fully and properly established across all sectors of the value chain.
- Ensure stakeholders are included in policy making.
- Ensure that the Boards of agro-allied companies have the right composition and mix with respect to diversity, qualification, skill, and experience.
- Conduct periodic and continuous Board trainings and Board evaluations for Board members to ensure their actions are in the best interest of the company.
- Set up relevant Board committees to address salient issues in agro-allied companies, including the Audit committee, Risk Committee, Nomination and Governance Committee, among others.
- Set up mechanisms for stakeholder engagement and dialogue.
- Ensure transparency and accountability by management and the Board.
- Ensure that the activities, policies, and processes of agro-allied companies are economically, environmentally, and socially sustainable.
- There is need for stakeholders in this sector to be more aware of the right process, procedures, and mindset to better the sector and be deliberate and conscious about achieving it.
- This sector requires more experienced hands and experts in the field to help beginners (SMEs) thrive in the sector.
- Businesses in this sector must have an agricultural structure hence, there is need for more Certified Business Development Service Providers (BDSPs) to guide them.
- It is also important that government selects a sector across the value chain and work on developing it, one at a time
- Research findings in this sector should be experimented and ascertained to be practicable. Hence, the research project should not only be conducted but implemented in a timely fashion to reap the benefits therefrom.

Conclusion

Finally, there is a need for the government to set up an agency/body which would be responsible for coordinating activities in the agricultural sector and ensuring compliance with good corporate governance practices.

The workshop came to an end with participants commending the efforts of the organisers and a virtual vote of thanks delivered by a representative of AFOS, Mrs. Tutu Ogunnaike.

ABOUT AFOS FOUNDATION FOR ENTREPRENEURIAL DEVELOPMENT

AFOS Foundation for Entrepreneurial Development Collaboration was founded in 2003 by members of the German Catholic Entrepreneurs Association. AFOS is convinced, that its value-based entrepreneurial approach to assist self-empowerment generates and stabilizes income, generates jobs and, thus, contributes to sustainable civic, economic, and social structures in its target countries. In Nigeria AFOS is interested in providing assistance to Micro-finance

Banks, micro-businesses and SMEs as well as their networks, business associations, professional associations, chambers of commerce, and economic think tanks and knowledge institutions to enhance the Nigerian private sector's role in realizing the government's economic agenda for the country. Through its "Partnership Principle, AFOS collaborates with best-practice institutions and organizations, which are able to add competence, innovation, experience and socioeconomic expertise to assist its core target groups by:

- supporting the achievement of efficiency and productivity
- facilitating tailored capacity building programs for diverse target groups
- promoting research and publications in areas of intervention
- providing cutting-edge consulting to project target groups
- facilitating access to microcredits and / or use financial services
- advancing the acquisition and utilization of marketing and sales skills
- facilitating the acceleration and scale up of business activities
- promoting continuous improvement of product and management quality standards
- facilitating self-organization of target groups into networks, associations, chambers of commerce etc.

ABOUT THE SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

The Society for Corporate Governance Nigeria (SCGN) is a registered non-profit organization committed to the development of corporate governance best practices and ethics.

It is the foremost institution committed to the development and promotion of corporate governance best practices in Nigeria and aims to be the recognized reference point both nationally and internationally in matters relating to corporate governance and provide a template for formulation and enforcement of corporate governance standards for Nigeria and other emerging economies, using the tools of rankings, research, seminars, workshops and trainings.

The Society has worked and is presently working with regulators and institutions that align with its vision. They include – The World Bank Group, International Finance Corporation (IFC); the Securities and Exchange Commission (SEC); Central Bank of Nigeria (CBN), NGX, Nigeria Deposit Insurance Corporation (NDIC); Nigeria Communication Commission (NCC); National Pension Commission (PenCom); Johannesburg Stock Exchange (JSE) and the Lagos Business School (LBS) amongst others. The Society has continued to deploy resources in pursuit of its objectives through programmes of learning on corporate governance, research, publications and advocacy, aimed at promoting the practice of corporate governance in various organizations in Nigeria and thereby attracting an increased direct foreign investment.

Some of its publications include: Journal of Corporate Governance; Leading an Effective Board: The Chairman's Guide; Directors' Handbook on Corporate Governance; Company Secretary's Guide on Corporate Governance, Corporate Governance Reporting in Nigeria: A Review of the Top 30 Most Capitalized Companies on the Nigerian Stock Exchange, Nigerian Observatory on Corporate Governance, C-Governance Newsletter, CorpGov Report, etc

Membership of the Society is guided by the constitution of the Society and is open to Individuals who occupy managerial positions in their organizations and all corporate organizations (private, public and registered firms.)

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