About the Corporate Governance Rating System (CGRS)

Strong corporate governance and transparency are critical for business success. For investors, good governance is a good indicator of well-managed, resilient businesses. Sound principles of corporate governance are therefore critical to earning and retaining the trust of investors, team members, customers, suppliers and the general public.

The Nigerian Stock Exchange (NSE), in partnership with the Convention on Business Integrity (CBI) has established a Corporate Governance Rating System for listed companies in Nigeria.

The Corporate Governance Rating System (CGRS) will be used to rate all listed companies on the NSE, based on their corporate governance practice and ensure companies adhere strictly to sound corporate governance ethics, to sustain business and economic growth.

The Humboldt-Viadrina School of Governance (HVSG), Berlin has acted as an independent observer, reporting independently on the process applied to establish the Corporate Governance Rating System (CGRS).

The NSE plans to develop a Corporate Governance Index, which will be tradable, as well as a Premium Board for corporations meeting the CGRS threshold.

Objectives of the CGRS

The main objectives of the CGRS are:
- To elevate existing CG and corporate integrity practices in Nigeria, thus improving the overall perception and trust in the Nigerian capital market and business practices.
- To bring both integrity and transparency into the listed companies through the rating and ranking of the most compliant companies.
- To provide companies with an incentive to develop better governance practices.
- To provide an opportunity for companies to differentiate themselves in the marketplace.

Benefits of the CGRS

It is hoped the CGRS will do the following:
- increase credibility and attractiveness of companies that meet the rating threshold to both investors and partners alike
- lead to an increased inflow of long term Foreign Direct Investment (FDI) to companies and the economy
- offer an objective and independent analysis of corporate governance practices and its influence on corporate fairness in dealing with stakeholders
- provide valuable information for conducting research in various fields of governance
- provide a tool to enable regulators judge the progress of corporate governance reforms
- assist in discerning between poorly and well governed companies
- pre-empt and prevent adverse business situations by reducing company reputational risk

The CGRS forms the basis for listing on the NSE’s proposed “Premium Board” along with other criteria and is also a key element in the development of a tradable Corporate Governance Index (CGI).