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# CORPORATE GOVERNANCE CODE FOR THE NESI:

IMPLICATIONS FOR POWER  
SECTOR LICENSEES



## INTRODUCTION

Pursuant to Sections 34 and 226(1) of the Electricity Act 2023 (the “Act”), the Nigerian Electricity Regulatory Commission (“NERC”) published the Code of Corporate Governance for the Nigerian Electricity Supply Industry (the “Code”) on May 30, 2025. The aim of the Code is to promote accountability and transparency of Licensees within the Nigerian Electricity Supply Industry (“NESI”), thereby restoring stakeholder confidence and attracting the much-needed investment for sustainable growth.

In this article, we juxtapose the Code with the Nigerian Code of Corporate Governance 2018 (“NCCG”), highlighting key improvements and sector-specific enhancements introduced under NERC’s framework.

## SCOPE OF APPLICATION

Prior to the introduction of the Code, the NCCG served as the primary corporate governance framework, setting minimum standards for regulated entities across different Sectors. With the advent of the Code, all Generation, Transmission, Distribution and Supply, System Operation and Trading Licensees (“Licensees”) within the NESI, are now also subject to minimum governance requirements under the Code.<sup>1</sup>

## KEY HIGHLIGHTS OF THE CODE

### 1. Minimum Governance Requirements for Small and Large Entities:

The Code outlines varying governance requirements for small and large entities/companies within the NESI. While the Code does not provide a threshold for categorising companies as “small” or “large”, it adopts by reference, the thresholds set by the Companies and Allied Matters Act 2020 (“CAMA”).

Under CAMA, a small company is defined as a private company with a turnover and net asset value not exceeding N120 million and N60 million respectively;<sup>2</sup> its membership excludes aliens, government entities and its directors between themselves hold at least 51% of its share capital, where the company has a share capital.<sup>3</sup> Although CAMA does not define “large companies,” any entity falling outside the threshold of a small company might be considered a large company under the Code.

<sup>1</sup> Paragraph 1.2 of the Code

<sup>2</sup> Or as may be prescribed by the Corporate Affairs Commission from time to time

<sup>3</sup> Section 394 of CAMA



## 2. Appointment and Reappointment to the Board:

Under the NCCG, the committee responsible for nominations is required to ensure that candidates presented for Board appointments are fit and proper persons.<sup>4</sup> The Code, however, goes a step further by mandating the Governance, Remuneration and Nomination Committee to conduct thorough background checks on prospective appointees and disclose the findings to both the Board and shareholders before any appointment is made.<sup>5</sup> Furthermore, while the NCCG recognises attendance at meetings as a criterion for re-election,<sup>6</sup> it defers the specific threshold to the Director's letter of appointment.<sup>7</sup> In contrast, Paragraph 3.5.4 of the Code requires attendance of at least two-thirds at Board and Committee meetings as an eligibility criteria for reappointment.

## 3. Board Composition:

The NCCG<sup>8</sup> requires Boards to be of sufficient size for effective oversight, comprising a mix of Executive Directors ("ED"s) and Non-Executive Directors ("NED"s), with a preference for a majority of Independent Non-Executive Directors ("INED"s). In contrast, the Code sets more specific thresholds: large companies must have at least 7 Directors,<sup>9</sup> consisting of a majority of NEDs,<sup>10</sup> a minimum of 2 each of INEDs<sup>11</sup> and 2 EDs (one of whom must be the Chief Executive Officer).<sup>12</sup> Small companies, must however, have at least 1 INED.<sup>13</sup>

## 4. Multiple Directorship:

The Code introduces a stricter limit on board memberships within the NESI, capping them at a maximum of two companies.<sup>14</sup> This marks a departure from the NCCG, which sets no such limit to board membership<sup>15</sup> and Section 307(3) of CAMA which permits individuals to serve on the boards of no more than five public companies.

## 5. Tenure:

While the NCCG does not prescribe a maximum tenure for members of Executive Management, EDs, and NEDs, it recommends that INEDs serve a maximum of three terms of three years each. The Code on the other hand fixes the tenure of each Director at a maximum of 3 terms of 4 years each<sup>16</sup> and the CEO at a maximum of 2 terms of 5 years each.<sup>17</sup>

## 6. Membership on Committees:

Unlike the NCCG, which places no limit on the number of Board Committees a Director can sit on, the Code restricts each Board Member to serving on no more than 2 Board Committees.<sup>18</sup>

## 7. The Audit Committee:

Under the Code, the Board Audit Committee is required to meet at least twice a year.<sup>19</sup> This is a departure from the NCCG which prescribes meeting once every quarter.<sup>20</sup>

## 8. Related Party Transactions:

Related parties include shareholders who control the company, entities under common control with the Licensee, significant shareholders, members of management, as well as their family members and close friends.<sup>21</sup> NCCG states that related party transactions which exceed threshold determined by the Board should be disclosed to the Board prior to the conclusion of such transactions.<sup>22</sup> However, the Code requires that all related party transactions be reported to the Audit Committee, which in turn shall provide recommendations or reports to the board for official action.<sup>23</sup>

<sup>4</sup> Principle 12.2 of the NCCG

<sup>5</sup> Paragraph 3.4 (b) – (c) of the Code

<sup>6</sup> Principle 10.2 of the NCCG

<sup>7</sup> Principle 12.5(e) of the NCCG

<sup>8</sup> Principles 2.1 and 2.3(b) of the NCCG

<sup>9</sup> Paragraph 3.2(c) of the Code

<sup>10</sup> Paragraph 3.2(d) of the Code

<sup>11</sup> Paragraph 3.2(f) of the Code

<sup>12</sup> Paragraph 3.2(e) of the Code

<sup>13</sup> Paragraph 3.2(f) of the Code

<sup>14</sup> Paragraph 7.9 of the Code

<sup>15</sup> Principles 2.8 of the NCCG

<sup>16</sup> Paragraphs 3.2(h) and 11.10 of the Code

<sup>17</sup> Paragraph 7.8 of the Code

<sup>18</sup> Paragraph 3.3© of the Code

<sup>19</sup> Paragraph 11.6 of the Code

<sup>20</sup> Principles 11.4.5 of the NCCG

<sup>21</sup> Appendix 2 of the Code

<sup>22</sup> Principle 25.1.4 of the NCCG

<sup>23</sup> Paragraph 13.0 of the Code





Each licensee must keep an annual record of related party transactions, detailing the names of parties, relationship, nature and monetary value of the transactions.<sup>24</sup>

## 9. Sector-Specific Governance Requirements:

The Code introduces Sector-specific governance provisions to address the unique operational realities within the NESI. For instance, it mandates that a Licensee's Board Charter must include a clear process for managing service lapses and failures.<sup>25</sup> It also expressly permits Boards to hold extraordinary meetings on short notice, where urgency justifies a waiver or reduction of the standard notice period.<sup>26</sup> Additionally, Paragraph 4.1(b) of the Code requires that each Licensee's Remuneration Policy should take into account the Licensees performance within the NESI; an important measure designed to ensure remuneration is proportional to the performance of the Licensee.

## 10. Compliance Reporting:

All Licensees and their appointed external auditors are required to submit a compliance report<sup>27</sup> to NERC annually, detailing the Licensee's adherence to the provisions of the Code.

In addition, Licensees are also required to submit a formal report on the Board evaluation exercise carried out during the year under review,<sup>28</sup> and confirm in their annual report whether such evaluation exercise was conducted.<sup>29</sup>

The Company Secretary is saddled with the responsibility of ensuring that the Board is aware of and implements the governance requirements under the Code, and must promptly alert the Board in the event of non-compliance.<sup>30</sup>

Failure of any Licensee to comply with the Code shall attract sanctions outlined in the Act and in regulatory instruments issued by NERC.<sup>31</sup> Specifically Section 215 of the Act provides that failure to comply with any code issued pursuant to the Act constitutes an offence punishable by a fine of N500,000 or imprisonment for up to 3 months, or both. Where the offence continues, an additional fine of up to N100,000 may be imposed for each day of non-compliance. Section 217 of the Act further provides that every principal officer employed by the Licensee at the time of the offence may also be held liable.

## 11. Minimum Eligibility Requirements for Executive Management Roles:

Applicants for Executive Management roles are required to file:<sup>32</sup>

- a. References from 3 previous employers attesting to the applicant's character and suitability for the position;
- b. Appropriate clearance after undergoing comprehensive security checks by relevant security agencies; and

- c. Disclose all interests and be clear of any conflict of interest.<sup>33</sup>

While the Code contains more elaborate fitness requirements for Executive Management roles within Licensees, detailed in the table below is a concise overview:<sup>34</sup>

<sup>24</sup> Ibid

<sup>25</sup> Paragraph 3.6(e) of the Code

<sup>26</sup> Paragraph 3.5.2 of the Code

<sup>27</sup> The template Annual Compliance Report for Licensees is provided for in Appendix 4 of the Code

<sup>28</sup> Paragraph 5.1(d) of the Code

<sup>29</sup> Paragraph 5.3 of the Code

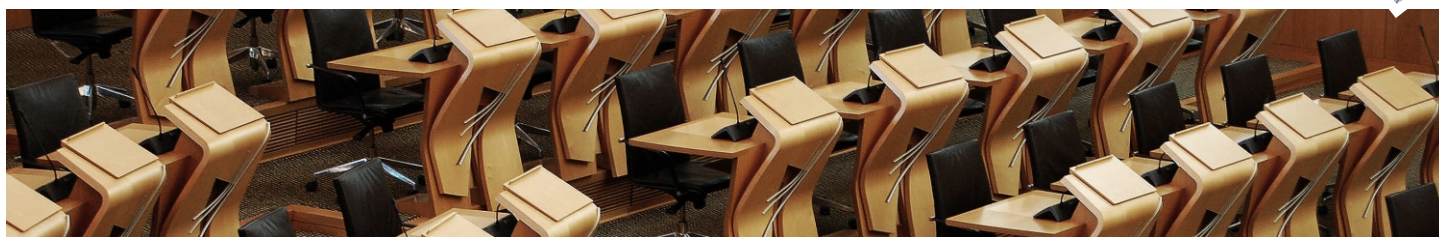
<sup>30</sup> Paragraph 8.1(a) of the Code

<sup>31</sup> Paragraph 1.3(d) of the Code

<sup>32</sup> Paragraph 1.2.1 of the Code

<sup>33</sup> It is not quite clear if these documents and disclosures are to be made to the relevant Licensee and NERC or to the Licensee only

<sup>34</sup> Schedule 1 of the Code; small companies are permitted to merge some roles for ease of administration e.g The role of the Legal Adviser and Head Regulatory Compliance Officer.



S/N	Roles	Minimum Qualification Requirements
1.	Managing Director/CEO	<ul style="list-style-type: none"> <li>A bachelor's degree in any discipline, with a minimum of 10 years' management experience.</li> <li>Demonstrated leadership skills and excellent financial literacy.</li> </ul>
2.	Lead/Chief/Head, Finance Officer	<ul style="list-style-type: none"> <li>A bachelor's degree in a relevant field such as Economics, Accounting, Finance, or Business Administration, with at least 10 years of professional and managerial experience.</li> <li>Membership or certification from a relevant professional body e.g., Institute of Chartered Accountants of Nigeria ("ICAN").</li> <li>Candidates must possess in-depth knowledge of tax law, investment regulations, data protection, and financial reporting standards.</li> </ul>
3.	Lead/Chief/Head, Administration/ Human Resource Officer	<ul style="list-style-type: none"> <li>Bachelor's degree in a relevant field such as Business Administration, Public Administration, or Management Sciences, with a minimum of 10 years' professional and managerial experience.</li> <li>Membership or certification from a relevant professional body e.g., Institute of Chartered Secretaries and Administrators of Nigeria ("ICSAN").</li> </ul>
4.	Executive Director, System Operator	<ul style="list-style-type: none"> <li>A bachelor's degree in a relevant field such as Electrical Engineering or Power Systems Engineering, with at least 10 years of professional and managerial experience.</li> <li>Professional certification in power system operations and registration with the Council for the Regulation of Engineering in Nigeria or an equivalent certification.</li> <li>Proficiency in technology.</li> </ul>
5.	Executive Director, Market Operator	<ul style="list-style-type: none"> <li>A bachelor's degree in a relevant field such as Economics, Accounting, Finance, Law, Business Administration, Engineering, or Statistics, with at least 10 years of experience in market operations management.</li> <li>Knowledge of trading systems.</li> </ul>
6.	General Counsel/Legal Adviser	<ul style="list-style-type: none"> <li>A minimum qualification of Barrister at Law in Nigeria, with 10 years of experience in corporate law.</li> <li>Membership of the Nigerian Bar Association ("NBA").</li> </ul>



7.	Company Secretary	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field such as Accounting, Law and Administration, with a minimum of 8 years of professional experience.</li> <li>• Meet the requirements under Companies and Allied Matters Act 2020 and the NCCG.</li> </ul>
8.	Lead/Chief/Head, Procurement and Contract Management	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field such as Economics, Accounting, Finance, or Law, with at least 10 years of professional experience in procurement and contract management.</li> <li>• Financial literacy.</li> </ul>
9.	Lead/Chief/Head, Regulatory Compliance Officer	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field, with at least 5 years of professional experience in regulatory management.</li> <li>• Membership in relevant professional bodies and regulatory associations.</li> <li>• Experience in policy analysis and stakeholder engagement.</li> <li>• Knowledge of regulatory compliance within the NESI.</li> </ul>
10.	Lead/Chief/Head, Technical Officer	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field, with at least 10 years of professional experience in technical affairs.</li> <li>• Registration with the Council for the Regulation of Engineering in Nigeria or any other relevant professional board.</li> <li>• Proficiency in technology.</li> </ul>
11.	Lead/Chief/Head, Health, Safety and Environment Officer	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field such as Engineering, Occupational Health and Safety, Environmental Science, or Public Health, with at least 10 years of professional experience in HSE management.</li> <li>• Professional certification in Health and Safety or membership of the Occupational Safety and Health Association or any other recognized body.</li> <li>• Proficiency in technology.</li> </ul>
12.	Lead/Chief/Head, Investment Officer	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field, with at least 10 years of professional and managerial experience.</li> <li>• Certification or membership of a recognized professional body such as ICAN, Chartered Financial Analyst or any other relevant qualification.</li> <li>• Potential risk identification and management skills.</li> </ul>
13.	Lead/Chief/Head, Risk Officer/Audit Officer	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field, with at least 10 years of professional and managerial experience.</li> <li>• Certification or membership of a recognized professional body such as ICAN or certification as a Chartered Financial Analyst or any other relevant qualification.</li> </ul>



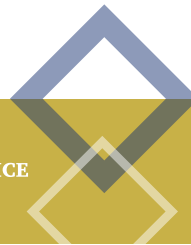


		<ul style="list-style-type: none"> <li>• Experience in risk management and internal audit.</li> <li>• In-depth understanding of financial reporting frameworks and regulatory requirements.</li> </ul>
14.	Lead/Chief/Head Research and Development/ Data Officer	<ul style="list-style-type: none"> <li>• A bachelor's degree in a relevant field, with at least 10 years of professional and managerial experience.</li> <li>• Certification or membership of a recognized professional body.</li> <li>• In-depth understanding of industry trends and emerging technologies.</li> </ul>



## CONCLUSION

In addition to existing corporate governance frameworks, the Code sets out clear, sector-specific governance requirements for Licensees tailored to the unique operational and regulatory landscape within the NESI. By promoting operational stability, long-term sustainability, enhanced transparency, accountability and board effectiveness, the Code seeks to strengthen operational resilience and support long-term sustainability across the value chain. Given the associated penalties for non-compliance, Licensees are advised to proactively assess, align and continuously improve their governance structures in accordance with the provisions of the Code.



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