



## Governance Simplified: FRCN's 2024 Corporate Guidelines for MSMEs

The Financial Reporting Council of Nigeria (FRCN) recently released its 2024 Corporate Governance Guidelines for Micro, Small, and Medium Enterprises (the "Guidelines"). These Guidelines aim to improve the governance framework for Micro, Small, and Medium Enterprises (MSMEs), enhancing their sustainability, access to capital, and overall contribution to Nigeria's economy. With a maximum asset base of ₦500 million and 10 to 199 employees, MSMEs make up a substantial portion of Nigeria's business landscape, and these Guidelines provide a structured pathway for their long-term success.

### Key Principles of the Guidelines

The Guidelines consist of principles drawn from the Nigerian Code of Corporate Governance 2018 and international best practices. Below are the major principles:

- 1. Simplified Governance for MSMEs:** The Guidelines recognize the need for simpler governance structures for small enterprises, ensuring MSMEs can implement effective corporate governance without the complexity required of larger organizations.
- 2. Formal Corporate Governance Framework:** MSMEs are required to adopt a formal governance framework that aligns with their vision, mission, and goals. This ensures clarity of roles among partners, shareholders, board members, and management.
- 3. Succession Planning:** MSMEs must have a succession plan to ensure smooth leadership transitions, maintaining business continuity and brand integrity.
- 4. Board of Directors:** MSMEs are encouraged to establish a formal board with a mix of internal



and independent members to enhance strategic decision-making, accountability, and oversight.

**5. Financial Reporting:** MSMEs must maintain accurate and credible books of accounts, preparing financial reports in line with FRCN standards, which should be audited by independent accounting firms.

**6. Internal Control and Risk Management:** MSMEs must have a strong internal control framework to protect assets, manage risks, and ensure financial integrity, with regular reviews to maintain business stability.

**7. Stakeholder Engagement:** Clear communication policies must be in place to promote transparency, accountability and long-term relationships with stakeholders.

**8. Family Governance:** Family-run MSMEs are advised to implement family governance structures like family constitutions to separate family interests from business operations.

**9. Environmental, Social, and Governance (ESG):** MSMEs should align their operations with sustainable practices, ensuring their activities do not harm the environment.

**10. Disclosure and Transparency:** MSMEs must disclose material information, including corporate governance reports, and maintain transparency in financial and operational matters.

### Benefits of Compliance with the Guidelines

- **Enhanced Access to Capital:** Adopting corporate governance best practices makes MSMEs more attractive to investors, increasing funding opportunities.
- **Improved Business Performance:** A structured governance approach enhances decision-making, risk management, and operational efficiency, ultimately boosting profitability.
- **Increased Competitiveness:** With strong governance, MSMEs can position themselves as credible and reliable players in local and international markets.
- **Sustainable Growth:** Aligning governance practices with the MSME's vision supports business continuity and long-term business goals.
- **Legal Protection:** Establishing clear roles and responsibilities reduces the likelihood of legal disputes and liabilities.
- **Reputation and Contractual Advantage:** Strong governance practices improve an MSME's negotiation power and brand value.

### Engage with SimmonsCooper Partners

The Guidelines offer a strategic roadmap for MSMEs to unlock their full potential. At SimmonsCooper Partners, we provide expert legal support to help MSMEs integrate corporate governance principles for sustainable growth and market competitiveness. For further insights, contact us at [info@scp-law.com](mailto:info@scp-law.com) or visit our website at [www.scp-law.com](http://www.scp-law.com).