



**THE Nigerian
STOCK EXCHANGE**

**FREQUENTLY ASKED
QUESTIONS (FAQS)
ON THE CORPORATE
GOVERNANCE INDEX**

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1 What is the Corporate Governance Rating System (CGRS)?

The CGRS is a joint initiative between The Nigerian Stock Exchange (NSE OR The Exchange) and The Convention on Business Integrity (CBI). The CGRS rates all companies listed on the Main and Premium Boards of the NSE. It was created in 2013 with funding from the Siemens Initiative and the Humboldt Viadrina School of Governance functioning as international independent observers during the CGRS development process. The CGRS rates companies based on the quality of their corporate integrity; corporate compliance; understanding of fiduciary responsibilities by their directors and their corporate reputation.

2 What is the NSE Corporate Governance (CG) Index?

The CGRS is a joint initiative between The Nigerian Stock Exchange (NSE or The Exchange) and the Convention on Business Integrity in Nigeria. The CGRS rates all companies listed on the NSE. It was created in 2013 with funding from the Siemens Initiative and the Humboldt Viadrina School of Governance functioning as international observers.

3 What is the relationship between the CGRS certification and the CG Index?

The CGRS certification is a key eligibility requirement for admission to the CG Index. Issuers that want to be admitted into the CG Index must be CGRS certified.

4 How many companies make up the CG Index?

There is no fixed number because the CGRS rating process is an ongoing process and listed companies will complete the process and become CGRS rated on a continuous basis.

5 What distinguishes the CG Index from other NSE indices?

- To showcase companies with good Corporate Governance (CG).
- To show the level of corporate governance practices amongst Nigerian companies.
- To reward companies on their CG policies through rebalancing of the CG Index.

6 What distinguishes the CG Index from other NSE indices?

- The CG Index is capitalization-weighted and free float adjusted. Market-capitalization weighted indexes (market cap or cap-weighted indexes) weigh their securities by market value as measured by capitalization. That is, current security price x outstanding shares. Like with most index providers, the cap-weighted index is adjusted using a free float factor, or the percentage of shares available for trading.
 - $\text{Free Float Shares} = (\text{Shares} \times \text{Free Float Factor})$



So the Free Float market cap would be:

- Float Market Cap = (Price x Shares x Free Float Factor)
- The CG Index is attribute-weighted such that a stock's weight in the index considers the score it obtained in the CGRS. In an attribute-weighted index, a stock's weight in the index is decided by the score it gets relative to the value attributes that define the criteria of a specific index. In the CG Index, it is the scores obtained by each company in the CGRS process.

So the free float market attribute-weighted cap would be:

- Float Attribute-weighted Market Cap = (Price x Shares x Free Float Factor x CGRS Score)

7 How often will the CG Index be rebalanced?

The CG Index will be rebalanced half yearly in June and December.

8 What is the benefit of the CG Index to investors?

- Presence among the listed companies on the CG Index gives a company the confidence that its corporate governance practices and culture are of internationally acceptable level.
- Makes a listed company attractive to capital committed to good corporate governance practices and sustainability.
- It gives listed companies the opportunity to differentiate themselves by showing good CG practices.

9 What is the benefits of the CG Index to investors?

The CG Index enables investors to make informed investment decisions as it is an additional factor for investors to employ to discern the listed companies that have good corporate governance.

10 What is the benefits of the CG Index to the nation?

To raise the national corporate governance “ceiling” by supplementing the existing national corporate governance framework of law, regulation, and code.

11 What is the benefits of the CG Index to the nation?

A listed company enters into the CG Index at the next rebalancing effort after it has obtained its CGRS rating. A listed company may be exited from the CG Index upon the occurrence of any of the following:

- Delisting from The Exchange.
- Falls below The Exchange's listing standards as may be prescribed from time to time.
- Falls below the CGRS rating standard upon periodic review.
- Has its CGRS rating suspended or withdrawn.
- Involvement in or connection with activities that in the opinion of The Exchange will bring the CG Index into disrepute.



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