

**ESG COMPLIANCE AND SUSTAINABILITY
REPORTING UNDER NIGERIA'S CORPORATE
GOVERNANCE FRAMEWORK**

 LAGOS | ABUJA | CALABAR



INTRODUCTION

The measure of a company's success is beyond the traditional balance sheet to include its broader impact on the world. This shift is defined by Environmental, Social, and Governance ('ESG') principles, which represent a holistic approach to evaluating corporate behaviour, prioritising companies that act as responsible stewards of the environment, maintain ethical relationships with their stakeholders, and operate under transparent, accountable leadership. In Nigeria, ESG principles are increasingly shaping how businesses are evaluated by investors, regulators, and the public. As Nigeria seeks sustainable economic growth amid environmental challenges, social inequality, and evolving regulatory expectations, ESG has emerged as a critical tool for promoting responsible business conduct and long-term value creation beyond financial returns.

This article examines the legal and regulatory evolution of ESG in Nigeria, tracing the shift from voluntary sustainability practices to an increasingly mandatory disclosure regime aligned with global standards such as the International Sustainability Standards Board ('ISSB'). It evaluates the statutory and governance frameworks underpinning ESG, analyses the practical and structural challenges limiting effective implementation, particularly the exclusion of SMEs, and explores how ESG integration strengthens corporate governance, accountability, and stakeholder trust.

THE LEGAL AND REGULATORY CONTEXT OF ESG IN NIGERIA

ESG generally refers to three key indicators used to evaluate how companies, government agencies, and other entities consider the environmental and social impact of their decisions, operations, and activities, as well as the quality of their governance structures. These indicators are also relied upon by investors and third parties to assess an entity's commitment to sustainable, ethical, and responsible business practices.¹

Environmental indicators evaluate how a company² manages its impact on the natural environment. These include the use of renewable and non-renewable materials, energy and water consumption, waste management and disposal methods, greenhouse gas emissions,³ pollution levels, and

¹ Environmental, Social, and Governance (ESG): Overview", authored by Practical Law Commercial Transactions; published on 31st December 2024.

² For example, Access Bank Plc has embedded ESG principles deeply into its institutional identity, becoming a signatory to the United Nations Environment Programme Finance Initiative and issuing Nigeria's first corporate green bond in 2019. The bank's sustained focus on gender inclusion, climate finance, and responsible lending has strengthened its reputation among international investors and positioned it as a benchmark for sustainable banking practice on the continent.

³ Dangote Cement Plc stands out as a leading example of ESG integration among Nigerian corporates. The company has publicly committed to reducing its carbon emissions intensity, invested significantly in alternative fuel programmes to reduce its dependence on fossil fuels, and

environmental protection expenditures. They also assess how companies manage environmental risks across their value chain, including the screening of suppliers and clients for environmental risks. In Nigeria, environmental responsibilities under ESG are strongly underpinned by statutory and regulatory frameworks that impose duties on corporate entities and their directors, thereby integrating environmental considerations into corporate decision-making and governance. Examples are the Companies and Allied Matters Act 2020⁴, which embeds environmental responsibility at the Board level by requiring directors to consider the environmental impact of a company's operations within the communities in which it operates and the Petroleum Industry Act, which prohibits gas flaring, and requires operators to submit plans for flare elimination and monetisation to reduce greenhouse gas emissions and environmental degradation.⁵

Social indicators focus on how a company manages relationships with its workforce, communities, and wider society. Key measures include employee benefits, workplace health and safety standards, training and development, gender representation and pay equity, the prevention of child labour, and investment in local community development initiatives. In Nigeria, social responsibilities are reinforced by statutory and regulatory frameworks that impose obligations on organisations, thereby embedding social considerations into business operations. Key examples include provisions in the Factories Act 1987, which mandates standards for employee health, safety, and welfare, the Employees' Compensation Act, which provides compensation and rehabilitation for work-related injury or disability, and the Federal Competition and Consumer Protection Act 2018, which protects consumer rights and promotes fair and ethical business practices.

Governance indicators assess the quality of corporate leadership, oversight, and accountability. These cover board structure and composition, strategic planning, compliance with laws and regulations, risk management frameworks, financial oversight, ethical standards, stakeholder engagement, performance evaluation, and crisis management and business continuity planning. The Nigerian Code of Corporate Governance 2018 ('NCCG') encourages companies to pay adequate attention to sustainability issues by disclosing their ESG activities in their annual reports.⁶ Boards will have to ensure timely disclosures are made to provide internal and external stakeholders with relevant and reliable information about the quality of the company's governance practices.⁷ The NCCG aligns closely with global ESG reporting frameworks through its emphasis on materiality and transparency. Frameworks such as the Global Reporting Initiative ('GRI'), the Sustainability Accounting Standards Board ('SASB') and the International Sustainability Standards Board ('ISSB') standards⁸ similarly require disclosure of environmental, social, and governance matters that are relevant to stakeholders and investors.

THE STRATEGIC SHIFT TOWARD MANDATORY DISCLOSURE

Despite growing awareness and global momentum, the practical implementation of ESG and sustainability reporting in Nigeria is constrained by institutional, economic, and cultural realities. One

produces annual sustainability reports aligned with the GRI framework, which proves that large-scale industrial operations can pursue profitability alongside environmental accountability.

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

⁵ Section 105, Petroleum Industry Act, 2021

⁶ Principle 28, Nigeria Code of Corporate Governance 2018

⁷ Principle 26, Nigeria Code of Corporate Governance 2018

⁸ A Practical Guide to Sustainability Reporting Using GRI and SASB Standards. <https://www.globalreporting.org/media/mlkjp1i/gri-sasb-joint-publication-april-2021.pdf>

of the most significant systemic barriers is the country's volatile macroeconomic environment. Persistent inflation, exchange rate instability, and high borrowing costs create an atmosphere in which organizations prioritise short-term liquidity and operational survival over long-term strategic investments. In such conditions, ESG initiatives are frequently treated as discretionary commitments rather than core governance imperatives, slowing meaningful integration into corporate strategy.

As organizations struggle with these economic pressures, the regulatory and policy landscape is moving decisively in the opposite direction. The Nigerian corporate ecosystem is undergoing a structural transition from a largely voluntary disclosure environment to a standardised and progressively mandatory ESG reporting regime. This shift was formally catalysed at COP27 in 2022⁹, where Nigeria became the first African nation to commit to adopting the ISSB standards.¹⁰ Consequently, Nigerian companies now operate at the intersection of economic fragility and escalating regulatory expectations, making ESG compliance not merely a reputational choice but an emerging governance necessity.

The NCCG 2018 and the SEC Guidelines on Sustainable Finance Principles ('NSFP') collectively move ESG considerations from voluntary corporate social responsibility initiatives to structured governance and reporting obligations, particularly for public interest entities and capital market operators. Boards are required to pay adequate attention to sustainability issues, including environmental, social, occupational, and community health and safety matters.¹¹ The NCCG adopts an "Apply and Explain" approach, which requires companies not only to comply with the NCCG but to clearly demonstrate how sustainability considerations are embedded within their governance frameworks, risk management systems, and long-term corporate strategy. This places ESG oversight squarely at the Board level and links sustainability performance to long-term value creation and corporate accountability.

Complementing the NCCG, the SEC's Guidelines on Sustainable Finance Principles for the Nigerian Capital Market 2021¹² encourage stakeholder engagement and internal capacity building and promote responsible financing of environmentally sustainable sectors, including green finance.¹³ It also advances human rights and gender inclusion through policies supporting equal remuneration, non-discrimination, and women's economic empowerment.¹⁴ Importantly, it mandates annual ESG reporting, either as a standalone sustainability report or incorporated into annual financial reports, with clear disclosures, targets, and measurable indicators aligned with recognised reporting standards.¹⁵

In reality, the integration of ESG principles into corporate frameworks should not be regarded as an unfamiliar shift, but rather as the formalization of values and practices that many organizations already apply in their daily operations. From recycling and digitizing records to reduce paper waste, to adopting solar energy over diesel generators, companies are already taking responsible, sustainable actions.

⁹ ISSB at COP27: Financial Reporting Council of Nigeria to adopt IFRS Sustainability Disclosure Standards

<https://www.ifrs.org/news-and-events/news/2022/11/issb-at-cop27-frc-of-nigeria-to-adopt-ifrs-sustainability-disclosure-standards/>

¹⁰ <https://frcnigeria.gov.ng/2024/12/20/progress-on-corporate-climate-related-disclosures-2-024-report/>

¹¹ Principle 26, NCCG 2018

¹² https://sec.gov.ng/documents/5/SEC-Guidelines-on-Sustainable-Financial-Principles-for-the-Capital-Market_Final.pdf

¹³ Principle 3, SEC Sustainable Finance Principles 2021

¹⁴ Principle 4, SEC Sustainable Finance Principles 2021

¹⁵ Principle 5, SEC Sustainable Finance Principles 2021

INTEGRATING SMEs INTO NIGERIA'S ESG FRAMEWORK

According to the Nigerian Small and Medium-Sized Enterprises Industry Report issued by Agosto & Co,¹⁶ there are over 41 million SMEs in Nigeria. The sector accounts for almost 50% of the Gross Domestic Product ('GDP') and 80% of total employment, highlighting its vital socio-economic importance. Notably, SMEs face distinct constraints in adopting ESG practices. The financial burden of compliance, which includes investments in data management systems, skilled personnel, and technical expertise,¹⁷ often present significant difficulties, since many SME owners operate on narrow margins and are unfamiliar with global sustainability reporting standards such as the GRI and ISSB.

For SMEs, ESG is more than a checkbox; it is a commercial necessity. SMEs increasingly face ESG expectations within supply chains, and failure to meet basic sustainability criteria risks exclusion from high-value partnerships. Embedding ESG within Nigeria's SME ecosystem requires deepening awareness¹⁸, financing, and coordinated institutional support.

THE ROLE OF ESG IN STRENGTHENING CORPORATE GOVERNANCE AND STAKEHOLDER TRUST

ESG practices play a critical role in strengthening corporate governance by embedding transparency, accountability, and ethical oversight into corporate structures. Through structured ESG disclosures, companies provide stakeholders with insight into environmental risk management, social responsibility initiatives, board composition, internal controls, and anti-corruption measures. This expanded transparency reduces information asymmetry between management and stakeholders,¹⁹ enhances board monitoring functions, and limits managerial opportunism.²⁰ By institutionalising sustainability metrics within governance frameworks, ESG transforms corporate governance from a compliance-based system into a proactive mechanism for responsible decision-making and long-term value creation.

ESG also reinforces the monitoring and accountability pillars of corporate governance. Regular sustainability reporting subjects corporate conduct to public scrutiny, encouraging adherence to regulatory standards and internal ethical codes. Where ESG principles are integrated into board oversight, risk management systems, and strategic planning, they strengthen internal controls and promote responsible resource allocation. In this way, ESG functions as both a governance tool and a performance framework, ensuring that environmental and social risks are treated with the same seriousness as financial risks.

Furthermore, ESG significantly enhances stakeholder trust by demonstrating organisational integrity, consistency, and responsiveness. Transparent ESG disclosures signal that a company is committed not only to profitability but also to responsible stewardship and social impact.²¹ Stakeholders are more

¹⁶ 2025 Nigerian SME Industry Report <https://www.agustoresearch.com/report/2025-nigerian-sme-industry-report/>

¹⁷ ESG Adoption by Nigerian MSMEs https://www.boi.ng/wpcontent/uploads/2025/10/ESG_Report_21x24cm_svn2_lo.pdf

¹⁸ According to the National Survey on ESG Adoption by MSMEs conducted by the Bank of Industry, 72% of the MSMEs know about ESG, learning through multiple sources including social media (38%), government programs (25%), or business associations (15%). Yet, 28% remain unaware, especially in rural areas or less tech-savvy sectors like creative industries. https://www.boi.ng/wp-content/uploads/2025/10/ESG_Report_21x24cm_svn2_lo.pdf

¹⁹ Principle 27, NCCG 2018,

²⁰ Ibid

²¹ Barman, E. Doing Well by Doing Good: A Comparative Analysis of ESG Standards for Responsible Investment. In Sustainability, Stakeholder Governance and Corporate Social Responsibility; Emerald: Bingley, UK, 2018; https://www.researchgate.net/publication/326721681_Doing_Well_by_Doing_Good_A_Comparative_Analysis_of_ESG_Standards_for_Responsible_Investment

likely to trust organisations that openly communicate their sustainability performance, address stakeholder concerns, and align corporate objectives with societal interests. Over time, this trust strengthens corporate reputation, improves investor confidence, and fosters long-term loyalty among customers, employees, and communities. Thus, ESG serves as a bridge between governance mechanisms and stakeholder confidence, reinforcing both corporate credibility and sustainable success.

CONCLUSION

Nigeria stands at a pivotal stage in its ESG evolution. Although the regulatory framework has progressed rapidly from voluntary initiatives to mandatory disclosure requirements aligned with global ISSB standards, the shift from policy to practice reveals significant implementation challenges that risk undermining the country's sustainability ambitions. As international ESG standards intensify and global markets increasingly require credible sustainability credentials, Nigerian businesses that delay ESG integration face competitive disadvantage and potential market exclusion.

The success of ESG implementation is measured not merely by compliance rates, but by tangible improvements in environmental performance, social outcomes, and governance transparency across sectors. The frameworks are already in place; what remains is the collective commitment to transform regulatory obligations into strategic advantage, ensuring that Nigeria's economic growth benefits not only shareholders but all stakeholders in a sustainable future.

CONTACTS



GRACE EREWELE
grace.erewele@advocaat-law.com



WHITNEY AGBO
whitney.agbo@advocaat-law.com



KHAIRAT BAKARE
khairat.bakare@advocaat-law.com



MIRACLE IKANI
miracle.ikani@advocaat-law.com



SOFOLAHAN IBRAHIM
sofolahan.ibrahim@advocaat-law.com

LAGOS OFFICE

13 Norman Williams Street
Off Keffi Street, Ikoyi
Lagos Nigeria

ABUJA OFFICE

Nigerian National Merit Award House Enspire
1st Floor Room 3
Plot 22 Aguiyi Ironsi Way Maitama Abuja
Nigeria

CALABAR

Akom Building
15 Murtala Mohammed Highway Calabar
Cross River
Nigeria

TELEPHONE: (LOS)+234 02014547932 (ABJ)+234 8105340496

EMAIL: info@advocaat-law.com

WEBSITE: www.advocaat-law.com