

A Review of Nigeria's Legal and Regulatory Framework for Corporate Sustainability and Stakeholder Engagement

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Abstract

Original Research Article

This study provides a comprehensive analysis of the legal and governance frameworks for sustainability and mandatory stakeholder engagement in Nigeria. It examines how the legal position has changed from a voluntary, profit-oriented practice to a mandatory requirement for stakeholder involvement. This is guided by new statutes, regulations, codes, and, more importantly, some landmark court decisions. There are substantial gaps in the implementation and enforcement of sustainability practices in Nigeria. Enforcement mechanisms are often weak, characterised by regulatory failure, inconsistent judicial decisions on the same issue, and a lack of political will, which gives room for corporate manipulation of sustainability practices. The reliance on the judiciary for the enforcement of environmental rights is constrained by procedural hurdles, such as a lack of specialised courts and statutory lacunas. While Nigeria is making efforts towards a new legal and regulatory framework for corporate sustainability and stakeholder engagement, its ultimate success is highly dependent on dedicated institutional and legal enforcement. Efforts must be made to strengthen regulatory authorities, judicial consistency, and mandatory compliance to realise the socio-economic and environmental objectives of sustainability. This is to ensure that sustainability and stakeholder involvement are not merely rhetorical and academic discussions, but legal and business imperatives for long-term value creation.

Keywords: Sustainability, Sustainability Reporting, Stakeholder Engagement, Reporting Standards.

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1. Introduction

Nigeria is a developing economy with abundant human, material, and natural resources, particularly in the mining and petroleum sectors. The attendant effects of these industrial activities are that the country has long faced the consequences, including environmental pollution, oil spills, degradation, and outright confrontations with the host communities, resulting in human and material losses running into billions of dollars.

The hitherto dispositions of corporate organisations focusing almost exclusively on the interests of shareholders fall short of addressing the complex external expectations of what successful business operations entail. The environmental and social challenges facing Nigeria, particularly in the resource-rich Niger Delta and other regions where mining and extraction activities are taking place, call for a comprehensive, unified legal and regulatory framework for the regulation of corporate



activities, particularly on environmental sustainability. The current legal system is a combination of general corporate law, different statutes for each, and many non-binding voluntary codes, thereby leading to uncertainties and noticeable enforcement gaps.

1.1 Overview of Sustainability and ESG Practices in Nigeria

Sustainability has gained worldwide attention, but it is a relatively new concept in Nigeria that is being studied and embraced gradually. This is one of the reasons that none of the Nigerian companies is listed among the 9400 companies assessed in the year 2023 World's Sustainability Year Book 2024 edition, while South Africa, with a less developed economy than Nigeria, received a worthy mention¹.

The word "sustainability" is derived from the Latin word *sustenere* which means to hold up. Something is sustainable if endures, persists or holds up over time.² Sustainability is meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. It focuses on the long term, a concern for future generations: leaving society, business and the planet better than it is today. Sustainability cannot happen in isolation and requires a coordinated approach from the government, business promoters, investors, society and the operating environments. Thus, sustainability encompasses a triple bottom line which includes economic, social and environmental considerations.

Companies must consider their current operational techniques while providing for and preserving the environment for optimal future use. They should be socially and legally accountable for the beneficial and harmful

effects of their activities on the society and environment in which they are located and operating.³

In Nigeria, as everywhere, sustainability is not merely an abstract concept or a contrivance; it is a fundamental part of the country's economic and social fabric. The ability of a company to continue in business is inextricably tied to its disposition to sustainability practices and the maintenance of the ecosystems that support human life.⁴ Consequently, attention is diverted from the sole focus on profit to a general consideration of Environmental, Social, and Governance (ESG) factors. According to Oloko,⁵ shareholders expect sound financial output from companies, but this should not be at an irreparable cost to society.

Thus, sustainability is a multidimensional concept that comprises environmental, social, and governance factors.⁶ It is not an isolated concept, but rather a general reference point indicating that a company is successful in meeting the demands of its stakeholders, including achieving good financial results, maintaining sound environmental performance, and conducting itself in a socially acceptable and responsible manner. ESG provides a legal and practical framework for measuring this in the form of comprehensive non-financial disclosures on environmental protection, social responsibility, governance practices, and good management.⁷ These disclosures go beyond financial reports to provide first-hand information on how companies manage resources, engage with external stakeholders, and bring corporate practices within the precincts of the United Nations' Sustainable Development Goals (SDGs).⁸ The Financial Reporting Council of Nigeria (FRCN) issued a guideline that specifically cover sustainability under Economic, Environmental, Social, and

¹ The Sustainability Yearbook 2024 Rankings.

<<http://spglobal/esg/csa/yearbook/2024/ranking/index.xml>> assessed July 3, 2025

² Thiele Leslie Paul, *Sustainability* (3rd edn, Polity Press 2024).

³ Theresa Ijeoma Okechukwu & James Ike Ugwu, 'Effect of Corporate Sustainability on Firms' Performance in Nigeria (2011 – 2020)'. (2023) 6 (2) *African Journal of Accounting and Financial Research*; 92.

⁴ Temitope Oloko, 'Corporate Sustainability Compliance in Nigeria: Challenges And Prospects'. (2025).

ResearchGate.

<https://www.researchgate.net/publication/390755792_> accessed September 17, 2025.

⁵ *Ibid*.

⁶ *Ibid*

⁷ M, Etim, 'Sustainability Reporting in Nigeria: The Growing Imperative'. (2024). *1st Attorneys*. <<https://1stattorneys.com/articles/2024/09/19/sustainability-reporting-in-nigeria-the-growing-imperative/>> accessed September 17, 2025.

⁸ *Ibid*. 5.

Governance factors, with the aim of directing companies to do more than mere compliance and adapt sustainability as part of their day-to-day operations.⁹

In the past, Corporate Social Responsibility (CSR) in Nigeria was largely a voluntary practice by companies in the form of philanthropic activities that companies undertook to promote and polish their corporate image, while covering the negative aspects of their operations to society.¹⁰ However, CSR has been proven to be insufficient in addressing the rising environmental and social challenges. Recent legal and regulatory changes, particularly new laws and corporate governance codes, have made this no longer tenable.¹¹ Nigeria is now transitioning to IFRS standards, thereby increasingly making sustainability a mandatory compliance practice. This transition is a result of a combination of demands by local and international investors, regulatory action, and other recent landmark judicial rulings.¹² Companies are now sensitised that sustainability practices are no longer a choice but an indispensable aspect of corporate operations in line with national and international frameworks.¹³

2. Stakeholder Engagement within the Context of Sustainability in Nigeria

Stakeholder engagement (SE) is defined as the proactive involvement of individuals, groups, and organisations affected by or impacting the business activities of a company.¹⁴ The stakeholders can be either internal or external. The internal stakeholders of a company include shareholders, employees, debenture holders, and

directors, while the external stakeholders include customers/consumers, suppliers, investors, regulators, and local communities.¹⁵ Engaging with these stakeholders is not for cosmetic or superficial purposes, but a very important part of management function that is indispensable for the success, risk mitigation, and long-term value creation of the company.¹⁶ The purpose of engagement is to understand the views, perspectives, concerns, and opinions of stakeholders, and address these accordingly to ensure the long-term sustainability of the company.¹⁷

In Nigeria, corporate and community relationships are often fragile and are often on the edge, thereby making effective SE essential for building trust, ensuring mutual benefits, mitigating risks and finding mutual solutions to ecological worries.¹⁸ Isike and Ajeh¹⁹ have noted that corporate organisations in the Niger Delta have notoriously paid little attention to SE, viewing it as a waste of time, and this has proven detrimental to the existence and continued operation of some corporate businesses in the area.

3.0 The Statutory Framework for Corporate Sustainability in Nigeria

The legal framework for corporate sustainability in Nigeria is fragmented, complex and just emerging as a body of statutory law. While there is no single statute or law that contains comprehensive provisions for sustainability practices in Nigeria, a combination of general and sector-specific laws creates a series of express legal SP for companies and other corporate organisations.

⁹ (n. 7).

¹⁰ Christopher Isike, & Alice Ajeh, 'Stakeholder Engagement as a Core Management Function: Analysing the Business Value of Stakeholder Engagement for Nigerian Business Organizations'. (2017) 9(1(J). *Journal of Economics and Behavioral Studies*. <[https://doi.org/10.22610/jeb.v9i1\(J\).1556](https://doi.org/10.22610/jeb.v9i1(J).1556)> accessed September 17, 2025

¹¹ Sustainability Reporting in Nigeria: The Growing Imperative. *Op cit*.

¹² (n. 10).

¹³ *Ibid*. p 1

¹⁴ David O Olutimehin and others, 'Corporate governance and stakeholder engagement in Nigerian enterprises: A

review of current practices and future directions'. (2024) 21(03). *World Journal of Advanced Research and Reviews*; 736.

<<https://wjarr.com/sites/default/files/WJARR-2024-0737.pdf>> accessed September 17, 2025.

¹⁵ *Ibid*. p.4.

¹⁶ (n. 13)

¹⁷ (n. 18)

¹⁸ Government of Anambra State. 'Stakeholder Engagement & Communication Toolkit'.

<<https://anambrastate.gov.ng/wp-content/uploads/FRILIA-Stakeholder-Engagement-Toolkit.pdf>> accessed September 17, 2025,

¹⁹ (n. 13)

3.1 The Constitution of the Federal Republic of Nigeria 1999²⁰

The 1999 Constitution contains a foundational, but legally contested, provision for sustainability and environmental protection. Section 20 of the 1999 Constitution expressly provides that the state "shall protect and improve the environment and safeguard the water, air and land, forest and wildlife of Nigeria". However, this provision is contained in Chapter 2 of the Constitution, under the Fundamental Objectives and Directive Principles of State Policy, which renders it non-justiciable, meaning it cannot be legally enforced in an action before any court of competent jurisdiction. This legislative lacuna, where environmental protection was made a directive principle without a clear legal process for enforcement, created a significant gap in the entrenchment of sustainability in Nigeria.

Consequently, the Nigerian courts, through several landmark jurisprudential decisions, have found a way to enforce the right to environmental protection. This was achieved by interpreting Section 20 in conjunction with the fundamental rights guaranteed under Chapter IV of the Constitution, particularly the right to life (Section 33) and the right to human dignity (Section 34). This judicial radicalism and substantive-justice interpretation have fundamentally transformed the legal system in Nigeria, thereby placing environmental rights on the same level as fundamental rights.²¹

In addition to the above, the African Charter on Human and Peoples' Rights (the Charter),²² which has been domesticated as part of the law in Nigeria, provides a stronger legal basis for environmental claims. Article 24 of the Charter guarantees the right to a "general satisfactory environment favourable to development", and the Supreme Court has affirmed that the Charter has "a greater vigour and strength" than ordinary

domestic statutes, making its provisions directly enforceable.

In the case of *Centre for Oil Pollution Watch v Nigerian National Petroleum Corporation*,²³ the full bench of the Supreme Court of Nigeria, led by Onnoghen, CJN (as he then was), gave a fundamental judgment that reshaped the position of the law thus:

"The present action concerns an oil pipeline that burst, allegedly spilling crude oil into waterways, polluting drinking sources and destroying aquatic life, plant life, and fauna, and also endangering the health and lives of the people of the community. In this regard, Section 33 of the Constitution of the Federal Republic of Nigeria, 1999 provides for the right to life. Any act or omission which threatens the health of the people of the community also threatens their lives and is in breach of the guarantee of the right to life provided by the Constitution of the Federal Republic of Nigeria, 1999."

Continuing, the Noble Lord held that:

"Section 33 of the 1999 Constitution guarantees the right to life whilst Section 20 of the Constitution provides that 'the State shall protect and improve the environment and safeguard the water, air and land, forest and wildlife of the country.' See also: Article 24 of the African Charter on Human and Peoples' Rights, which provides 'All peoples shall have the right to a general satisfactory environment favourable to their development.' These provisions show that the Constitution, the legislature and the African Charter on Human and Peoples' Rights, to which Nigeria is a signatory, recognise the fundamental rights of the citizenry to a clean and healthy environment to sustain life."

Thus, the Supreme Court, through this and other decisions such as the case of *Owodunni v Regd Trustees of CCC & ORS*,²⁴ has revolutionised the

²⁰ The Constitution of the Federal Republic of Nigeria 1999 (as amended). <<https://faolex.fao.org/docs/pdf/nig164561.pdf>>accessed Sept 17, 2025.

²¹ Collins Okeke, 'Environmental Rights as Constitutional Rights: Nigeria's Legal Evolution'. (2025). *OAL Publication*. <[https://oal.law/environmental-rights-as-](https://oal.law/environmental-rights-as-constitutional-rights-nigerias-legal-evolution/)

[constitutional-rights-nigerias-legal-evolution/](https://oal.law/environmental-rights-as-constitutional-rights-nigerias-legal-evolution/)>accessed September 17, 2025,

²² See African Charter on Human and People's Rights (Ratification and Enforcement) Act. <<https://placng.org/lawsofnigeria/print.php?sn=24.>>

accessed September 18, 2025

²³ (2019) 5 NWLR (Pt. 1666) 518.

²⁴ (2000) LPELR-2852 (SC)

law by holding companies accountable where express legislative provisions are absent or weak.

3.2 The Companies and Allied Matters Act, 2020 (CAMA 2020)

CAMA 2020 also introduced changes to Nigerian company law. It introduces a new provision that expands the fiduciary duties of directors of a company. While acting or articulating the interests of the company, directors are now required under the law to pay utmost attention to the impact of the operations and activities of the company on the environment in which it operates or the host community. This new provision of CAMA is a very important statutory obligation, shifting corporate focus from the known shareholder-centred priority, whereby the duties of directors were exclusively to the company and its shareholders.²⁵

This specific requirement of CAMA for directors to consider environmental impact shows legislative recognition and concern that corporate success is inseparable from the general societal and ecological well-being. The lacuna in this provision is that it does not specify the means or process for enforcing this duty and the liabilities for directors who fail to comply, thus questioning the effectiveness of this provision alone in enforcing environmental sustainability.²⁶

3.3 The Petroleum Industry Act, 2021 (PIA)

PIA 2021²⁷ is a landmark law that codified specific environmental obligations and mandatory stakeholder engagement frameworks.²⁸ Under the PIA, oil companies

operating in the upstream and midstream sectors of the industry are statutorily required to submit an environmental management plan for any project that necessitates an Environmental Impact Assessment (EIA).²⁹ The PIA further makes provision for the establishment of a trust fund for the development of host communities where oil exploration is taking place.³⁰ This trust fund is to be funded every year by companies engaged in petroleum operations in the area by contributing 3% of their actual annual operating expenditure from the preceding financial year.³¹

This provision of the law is of utmost importance as it creates a direct and statutory financial contribution to host communities, thereby establishing a financial framework for direct benefit/sharing of derived oil revenue. This addresses a long-standing, major source of conflict in the Niger Delta. In this way, PIA stands as a powerful tool on how sector-specific legislation is being used to create express and mandatory sustainability requirements.

3.4 The Environmental Impact Assessment Act³² (EIA)

The Environmental Impact Assessment Act (EIA) is a cornerstone of mandatory stakeholder engagement in Nigeria.³³ It is a mandatory requirement of the Act that an Environmental Impact Assessment must be conducted before the commencement of any public or private project that is anticipated to have an unfavourable impact on the environment.³⁴

The provisions of the Act expressly state that "consideration must be given to all stakeholders" before a project begins, and providing for the "involvement and input of all stakeholders

²⁵ Emmanuel Adegbite, Kenneth Amaeshi & Chizu Nakajima, 'Multiple Influences on Corporate Governance Practice in Nigeria: Agents, Strategies and Implications'. (2013) (22) 3. *International Business Review*; 524. <<https://doi.org/10.1016/j.ibusrev.2012.07.006>> accessed September 17, 2025.

²⁶ Hannatu Adamu, 'AN ANALYSIS OF NIGERIAN COMPANY LAW ON ENVIRONMENTAL SUSTAINABILITY' (2024) (6). *Ife Business Law Review*; 20.

²⁷ Petroleum Industry Act, 2021. <https://pia.gov.ng/wp-content/uploads/2022/08/PIA-2021_compressed-1.pdf>accessed September 17, 2025.

²⁸ (n. 31)

²⁹ Section 102 (1), PIA

³⁰ Sections 235-257, PIA

³¹ Section 240, PIA

³² The Environmental Impact Assessment Act. <<https://www.placng.org/lawsofnigeria/laws/EI2.pdf>> accessed Sept 18, 2025

³³ Stakeholder Engagement Plan for Nigeria Distribution Sector Recovery Programme. <<https://documents1.worldbank.org/curated/en/659851607029403718/Stakeholder-Engagement-Plan-SEP-Nigeria-Distribution-Sector-Recovery-Program-P172891.docx>>accessed Sept 18, 2025.

³⁴ Sections 2-7, EIA

affected by a proposed project".³⁵ This legal requirement ensures that no company can proceed with a project that may likely have serious environmental implications without first identifying and consulting with all affected persons or communities in the locality. The EIA Act serves as an important mechanism for mitigation of risk, and ensuring that the views, opinions, and reservations of people or a community are formally taken into consideration and integrated before any project work with environmental impact is carried out.

3.4 The PIA 2021 and the Host Community Development Trust

The PIA also introduces a novel regulatory framework for stakeholder engagement in the oil and gas sector in Nigeria, providing for the creation of a Host Community Development Trust —a legally required mechanism that enables petroleum companies to contribute directly to the development of their host communities.³⁶ This provision elevates corporate responsibilities beyond the traditionally known CSR by providing a well-structured and legally binding regulation for benefit-sharing and risk mitigation. The compulsory annual funding/deductions, amounting to 3% of the actual operating expenditure of the preceding year, directly tie corporate financial performance to community development.³⁷ This legalises engagement and benefit-sharing, thereby addressing a long-standing source of conflict in the Niger Delta and establishing a clear, legally defined channel for direct engagement between oil companies and their host communities.

3.6 Other Sectoral and Planning Legislation on Stakeholder Disclosure

Beyond the PIA and EIA Acts, other laws and regulations reinforce the principle of stakeholder

disclosure. The Nigerian Urban and Regional Planning Act, for example, requires that land development plans be disclosed to stakeholders to prove that such projects would not harm the environment or constitute a nuisance.³⁸ Additionally, the Freedom of Information Act provides a legal basis for stakeholders, including private citizens and civil society organisations, to access public records from government institutions and, importantly, from private organisations that provide public services, perform public functions, or utilise public funds.³⁹ This provision empowers stakeholders with the right to information, enabling greater scrutiny of corporate activities and creating a powerful tool for enhanced engagement and accountability.

4.0 The Impact of Soft Law on Sustainability Practices in Nigeria

The legal framework for corporate sustainability in Nigeria is not chiefly comprised of statutory laws. A significant number of the framework is derived from "soft law", which refers to codes, guidelines, standards and principles issued by regulatory bodies as a result of market pressure and regulatory enforcement, and which have now acquired a quasi-mandatory nature.⁴⁰ These sets of soft laws are vital to shaping corporate behaviour towards sustainability.

4.1 The Nigeria Code of Corporate Governance 2018⁴¹ (NCCG)

NCCG 2018 is a set of codes published by the Financial Reporting Council of Nigeria (FRCN) as a critical component of the governance framework for sustainability practices in Nigeria. Principles 26 to 28 of the NCCG Codes specifically contain provisions for sustainability and stakeholder engagement that should be adopted by the Board of Directors of a company.

³⁵ Section 7, EIA

³⁶ n. 31

³⁷ Section 240 (2), PIA

³⁸ n. 38

³⁹ See Section 1 and 2 of the Freedom of Information Act, 2011.

⁴⁰ Ahmed Arif and Md. Jahid Mustofa, 'ROLE OF SOFT

LAW IN ENVIRONMENTAL PROTECTION: AN OVERVIEW'. (2016) (4) 2. *Global Journal of Politics and Law Research*; 1.

⁴¹ The Nigeria Code of Corporate Governance 2018. <<https://frcnigeria.gov.ng/wp-content/uploads/2025/04/Nigerian-Code-of-Corporate-Governance-2018.pdf>> assessed Sept 17, 2025.

Although it is technically termed a "soft law," the NCCG Codes contain practices and principles that public companies, holding companies of public companies and regulated private companies are expected to follow. The provisions of the NCCG Code aim to promote important corporate values and ethical practices, with a specific focus on sustainability matters, to ensure successful long-term business performance and to project companies as responsible corporate citizens.

A noticeable lapse in the NCCG code is that it does not abolish the older and other sector-specific codes, which can lead to a state of multiple regulations for the same industrial or corporate setup. This exposes companies to the need to comply with multiple overlapping frameworks, further leading to indeterminate sustainability practices.⁴²

4.2 The Nigerian Exchange (NGX)

The NGX, Nigeria's foremost securities exchange, has implemented measures to promote and encourage sustainability reporting among publicly quoted companies by unveiling its Sustainability Disclosure Guidelines (NGX Guidelines) on Tuesday, March 19, 2019.⁴³ These guidelines are primarily to encourage all the listed companies to disclose their ESG practices.

The primary motive of these guidelines is to create meaningful interactions and cordial relationships between local and foreign investors and companies listed on NGX regarding first-hand information about the ESG compliance.⁴⁴ The NGX Guidelines provide methodological steps for companies to follow when adopting sustainability practices and approaches into their

corporate operations, which should be reflected in their annual disclosures to the NGX.

Similarly, the Securities and Exchange Commission (SEC) has issued guidelines on Sustainable Financial Principles, which require regulated entities to report on their implementation frameworks for ESG principles. These frameworks, which are in line with international best practices, create a powerful encouragement for compliance by companies because they are tied to market access and the interests of the investors. The threat of delisting on the NGX for non-compliance, for example, gives these guidelines a legal backup in the form of a statutory law, even though they are not.⁴⁵

5. The Interaction of Regulatory Guidelines and Statutory Law

The sustainability practices in Nigeria is regulated by a combination of statutes and subsidiary legislation. The NCCG 2018 and NGX guidelines, though not enacted laws, are enforced through the regulatory bodies and market forces.⁴⁶ Thus, the interplay of soft law and the statutory law is a common feature of the legal and regulatory framework in Nigeria, showing that that corporate obligations are not limited to what is expressly stated and codified in a statute. Rather, they are also controlled by the expectations of regulators and the demands of the capital markets.

The legal and regulatory framework in Nigeria are not only fragmented, but also is an indeterminate state, where various governmental components, industrial regulators, the judiciary, and international bodies are creating different laws and rules. The NCCG 2018, for instance, creates its own layer of requirements that must

⁴² O Ezeani, 'The Legal Framework of Corporate Governance in Nigeria'. (2025). *ECGI*. <<https://www.ecgi.global/publications/codes/countries/corporate-governance-in-nigeria>> accessed Sept 17, 2025.

⁴³ Nigerian Exchange Group Sustainability Disclosure Guidelines. <<https://ngxgroup.com/wp-content/uploads/2020/12/Sustainability-Reporting-Seminar-NSE-Disclosure-Guidelines.pdf>> assessed Sept 17, 2025.

⁴⁴ Nigerian Exchange Group. <<https://ngxgroup.com/corporate-citizenship/marketplace/>> accessed September 18, 2025.

⁴⁵ Lawuyi Rotimi, 'Corporate Governance Compliance and Enforcement in Nigeria'. (2022) *SSRN Electronic Journal*. <10.2139/ssrn.4107906> accessed September 18, 2025 .

⁴⁶ Financial Reporting Council of Nigeria. 'A Roadmap for the Adoption and Implementation of International Sustainability Standards Board (ISSB) Standards in Nigeria.' (2024). <<https://frcnigeria.gov.ng/wp-content/uploads/2024/07/FINAL-COPY-OF-SUSTAINABILITY-ROADMAP1.pdf>> accessed September 18, 2025.

be reconciled with general laws like CAMA and sector-specific ones like the PIA, thereby leading to a complex, confusing and often contradictory compliance.

6.0 Judicial Activism and Landmark Precedents

In the absence of a unified, consolidated, and comprehensive legislative framework for corporate sustainability in Nigeria, the judiciary has stepped in to fill the gaps, creating and enforcing new legal obligations through a series of landmark judgments and rulings. This judicial activism has brought major transformation in the legal regime, making environmental rights a fundamental and enforceable right, thereby expanding corporate liability.

6.1 *Jonah Gbemre v Shell Petroleum Development Company Nigeria Ltd & Ors*⁴⁷

The Federal High Court sitting in Benin on July 21, 2005, delivered a landmark judgment in the case of *Gbemre v Shell Petroleum Development Company Nigeria Ltd. & Ors*, marking a watershed moment in Nigerian environmental law. For the very first time, the judiciary recognised environmental rights as an integral and inalienable part of the fundamental human rights to life (Section 33) and human dignity (Section 34) as enshrined in the 1999 Constitution.⁴⁸ The court ruled that the practice of gas flaring was a violation of these constitutional rights, establishing a powerful new precedent that allows litigants to use the fundamental rights enforcement proceedings to seek redress for corporate environmental-induced hazards.⁴⁹ This innovative ruling effectively circumvented the non-justiciability provisions of the environmental provisions in the Constitution, thereby establishing that the judiciary is not merely applying the law but is actively updating it to meet modern societal realities.

⁴⁷ Unreported FHC/B/CS/53/2005

⁴⁸ Ndube Akunne, 'Environmental Litigation in Nigeria: Trends, Challenges, and Judicial Activism'. (2025). *Olaniwun Ajayi Law*. <[https://oal.law/environmental-litigation-in-nigeria-trends-challenges-and-judicial-](https://oal.law/environmental-litigation-in-nigeria-trends-challenges-and-judicial-activism/)

6.2 *Mobil Producing (Nig) Unlimited v Ajanaku & Anr*⁵⁰

The legal jurisprudence in this area of law in Nigeria was further reinforced by the Court of Appeal in the case of *Mobil Producing (Nig) Unlimited v Ajanaku & Anr*. In that case, although the Court of Appeal set aside the judgment of the Federal High Court on a narrow procedural ground, it nevertheless did a substantive justice by giving a broad and substantive interpretation of environmental rights. Delivering the lead decision, Honourable Justice O F Ogbuiya (JCA) held that a right to life as guaranteed under Section 33 of the Constitution could not be achieved or realised in the absence of unfettered access to a serene and livable environment, clean water, unpolluted air, land, forests, and wildlife. Relying on *COPW v NNPC (earlier cited)*, the Court of Appeal held that socio-economic rights and environmental rights are inseparably linked to the enforcement of the right to life and are therefore enforceable.

This decisive judicial pronouncement provides legal backing for the fact that a peaceful and clean environment is inseparable from the quality of life, a view that reinforces the legal significance of environmental degradation as a violation of fundamental rights.

7. The Strategic Use of Foreign Jurisdictions: The Rise of Transnational Environmental Litigation

Despite these notable pronouncements by the courts, the judiciary is not in unanimity on the enforcement of environmental rights as part of fundamental rights under the Constitution. The analysis of conflicting interpretations in cases like *Opara v. Shell* and *Ajanaku v. Shell* reveals that some courts have taken a more conservative position, requiring the strict proof of direct personal injury or loss before environmental rights can be enforced.⁵¹ These inconsistencies in the positions of the courts on ecological cases create a degree of uncertainty for litigants.

⁴⁹ [activism/>](#)

⁴⁹ Ibid.

⁵⁰ (2021) LPELR-52566 (CA)

⁵¹ n. 56

In response to the legal intricacies and challenges in Nigeria, communities and NGOs are now turning to foreign jurisdictions to seek justice and redress in environmental-related litigations. This involves suing the international parent companies of Nigerian subsidiaries in their home countries. The legal basis for this approach is that a parent company, through its control over the operations of its subsidiary, owes a duty of care to the communities affected by the operations of its subsidiaries, and should be held liable in case of any infraction.⁵² In the case of *Okpabi v Royal Dutch Shell*,⁵³ held in the United Kingdom, this legal strategy was given judicial recognition. In that case, the UK Supreme Court ruled that the claimants from Nigeria had an arguable case to sue the parent entity of Royal Dutch Shell for pollution allegedly caused by its Nigerian subsidiary. This ruling, and others like it, have led to landmark settlements, such as the £55 million payment to the Bodo community over oil spills.

Transnational litigation is not merely an alternative; it is a powerful strategic judicial procedure that can be used to bypass legal barriers and challenges in Nigeria, compelling multinational corporations to answer for their liabilities in an international court. This creates a new and unavoidable legal risk for any company operating in Nigeria with an international parent company. The legal liabilities are now linked to the legal system of the home country of the parent company or any other internationally recognised jurisdictions, which may have more efficient legal and judicial systems and a more liberal approach to environmental liability. This means that inadequate disclosure and poor ecological performance by a local subsidiary company are no longer a Nigerian problem but a potential international legal tussle.

8. Findings and Identified Challenges in the Legal and Regulatory Framework of Corporate Sustainability in Nigeria

While the legal framework for corporate sustainability is still evolving, its

implementation is hindered by significant challenges and gaps that prevent it from realising its full potential. These issues are both systemic and institutional, contributing to a substantial disparity between legal obligations and actual reality in practice.

8.1 Fragmentation and Regulatory Weakness

The legal framework for sustainability in Nigeria is weak, complex and often contradictory, as there are overlapping compliance provisions in general statutes, such as the CAMA 2020, the PIA and multiple codes from various regulatory bodies. This fragmentation leads to a lack of standardisation and an often unclear hierarchy of legal obligations.

In addition to the above, the regulatory bodies responsible for enforcement, such as the National Environmental Standards & Regulations Enforcement Agency (NESREA), NGX, the National Oil Spill Detection and Response Agency (NOSDRA) and others, are often underfunded and politically and economically restrained.⁵⁴ The outcome of these is that many companies escaped liabilities and are not being brought to book for sustainability infractions, thereby leading to a widespread prevalence of "greenwashing", where companies turn in their sustainability reports for mere statutory and regulatory compliance without checks and verifications.

8.2 Enforcement Gap

Another major challenge is the disconnection between legal victories and their practical enforcement. In cases where litigants are successful in their claims before the courts, as in the landmark cases, the full execution of the judgments is not guaranteed, thereby leaving the affected litigant or the communities they represented without the actualisation of the damages awarded by the court.

The enforcement gap is a colossal weakness in the Nigerian legal system, making it difficult for communities/litigants to get justice and for

accessed September 17, 2025.

⁵² n. 25

⁵³ *Okpabi v Royal Dutch Shell*. (Unreported). <<http://www.supremecourt.uk/cases/uksc-2018-0068>>

⁵⁴ n. 56.

companies to face the full consequences of their actions. This systemic failure to enforce the law undermines the very purpose of the progressive legal and judicial frameworks that have been established.⁵⁵

8.3 The Shareholders' Interest vs. Stakeholders' Interest

At the centre of all this are the two competing interests of a purely shareholder-centred governance model and a more inclusive stakeholder model.⁵⁶ While laws like CAMA introduce an extended duty of care, the entrenched corporate culture is still struggling to adapt to this.⁵⁷ This is particularly prevalent in the Niger Delta area, where research analysis reveals that companies often see stakeholder engagement as a mere cosmetic exercise rather than a core management function with a dedicated budget.⁵⁸ This position undermines the effectiveness and purpose of engagement, treating it as a superficial activity rather than a strategic imperative for long-term value creation.

8.4 The Financial and Technical Barriers to Compliance and Litigation

Complying with complex international sustainability reporting standards, such as the IFRS Sustainability Disclosure Standards, can be very costly and requires specialised technical expertise, especially for Small and Medium-sized Enterprises (SMEs).⁵⁹ This creates a significant barrier to compliance and can worsen the enforcement gap, as many smaller companies lack the resources for credible reporting and assurance.⁶⁰

Similarly, the road to justice for affected communities and individuals is fraught with financial and procedural difficulties. High litigation costs, judicial delays as a result of many adjournments, and the technical complexity of presenting environmental claims, which often require expert evidence and

scientific data, may discourage many meritorious claims.⁶¹

9.0 Recommendations:

For Policymakers and Legislators

9.1 Pass a Unified and Comprehensive Sustainability Law: To address the current legal and regulatory fragmentation, the legislature and policymakers should collaborate to develop a single, comprehensive sustainability law that consolidates all the extant provisions, scattered across different statutes, guidelines, standards and codes. This would clarify and guide corporate obligations, streamline enforcement, and reduce the complex, confusing and conflicting interpretations in the current framework.

9.2 Strengthen Enforcement Mechanisms:

The new proposed legislation should have a comprehensive enforcement mechanism. The legal and oversight powers of regulatory agencies like CAC, NGX, SEC, NESREA and NOSDRA should be strengthened to enable them to monitor compliance, investigate infractions, and enforce judgments effectively.

9.3 Constitutional Amendment: While the judiciary has made significant pronouncements, the Constitution should be amended to bring environmental rights within the same pedestal as all other fundamental rights. This would provide a more stable and less contested foundation for corporate accountability and responsibility.

9.4 Recommendations for Companies and Corporate Legal Professionals

9.4.1 Proactive Adoption of a Stakeholder Model: Companies and other corporate organisations should proactively adopt a stakeholder-centric model of governance, and take engagement as a strategic and indispensable imperative rather than a mere regulatory

⁵⁵ n. 56

⁵⁶ n. 30

⁵⁷ *Ibid.*

⁵⁸ n.13

⁵⁹ n. 63

⁶⁰ *Ibid.*

⁶¹ n. 56

compliance. This approach, as contained in the EIA Act and PIA, is essential for mitigating risks and securing a long-term "social license to operate".⁶²

9.4.2 Adoption of International Standards:

Companies should not wait for mandatory deadlines set by the FRC, but should begin the adoption of international standards like the IFRS Sustainability Disclosure Standards, ahead of the 2028 roadmap set by the FRC. This is an important step to attract international capital, enhance brand reputation, and ensure the long-term viability of their operations in an increasingly international market.

9.4.3 Recognise Judicial and Transnational Risk:

Legal professionals must advise their clients that regulatory compliance is the minimum standard. The risk of private litigation from CSOs and the threat of transnational lawsuits, as seen in the *Okpabi* case, necessitate a proactive and comprehensive approach to environmental and social responsibility that goes far beyond regulatory compliance.

10. Conclusion

The legal framework for corporate sustainability in Nigeria is not a single, unified body of law, but rather a fragmented and emerging ecosystem law. This framework is underlined by a definite and deliberate shift from voluntary Corporate Social Responsibility to mandatory compliance with sustainability practices, driven by an interplay of several forces, including legislation and codes, the preemptive actions of regulatory bodies, and the pursuit of substantive justice by the judiciary. For a country facing persistent environmental and social challenges, this move

is an important step toward entrenching sustainable development and promoting responsible corporate citizenship.

The future of corporate sustainability and stakeholder engagement in Nigeria will be shaped by a convergence of international standards, proactive legislative reform, and the growing recognition of ESG as a strategic imperative. Nigeria is gradually bringing its regulatory framework in line with international ESG standards. The Financial Reporting Council of Nigeria (FRC) has launched a phased roadmap for mandatory sustainability reporting by 2028, based on the IFRS Sustainability Disclosure Standards (S1 and S2). This is a direct response to international standards and practices, as more than 70% of institutional investors in Africa now integrate sustainability metrics into their investment decisions.⁶³

The roadmap launched by FRC is a move towards an internationally aligned, state-mandated consolidation of reporting requirements. Furthermore, international regulations, such as the Corporate Sustainability Reporting Directive (CSRD) of the European Union, are having a real intercontinental impact.⁶⁴ The CSRD requires EU businesses to report on their entire value chain, which means that Nigerian service companies and suppliers that are part of an EU company's value chain must now comply with the CSRD requirements on emissions, labour relations, and anti-corruption, notwithstanding the position of the Nigerian law.⁶⁵ This creates a dual standard for corporate sustainability in Nigeria: one for companies in the EU's value chains and another for purely Nigerian companies. This approach is a compelling imperative for the adoption of more stringent standards in Nigeria, as its compliance becomes a prerequisite for accessing the international market.

⁶² n. 13

⁶³ n. 63

⁶⁴ Oke Epia. 'CSRD: What the European regulation means for multinationals in Nigeria'

.Sustainabilityweekly *ThisDayLive*. (Lagos 28 September, 2025)

<<https://www.thisdaylive.com/2025/09/17/sustainability-weekly/>> accessed September 28, 2025.

⁶⁵ *Ibid*