UNDERSTANDING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) AND THE ENVIRONMENTAL PILLAR WITH NIGERIA AS ITS SCOPE

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CERTIFICATION

I, **David Ikponwonsa OBANOR**, with Matriculation Number: **LAW2002898**, hereby certify that apart from references to other persons` works which have been duly acknowledged, the entire work is a product of my research, and this project has neither in whole nor in part been presented for another degree elsewhere.

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APPROVAL

We certify that this project was written and completed by, **David Ikponwonsa OBANOR**, with Matriculation Number: **LAW2002898**, in partial fulfillment of the requirements for the award of a Bachelor of Laws (LL.B) degree.

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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS

AG	Attorney-General
AHRLR	African Human Rights Law Reports
CBN	Central Bank of Nigeria
CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
ESG	Environmental, Social and Governance
FHC	Federal High Court
FMEnv	Federal Ministry of Environment
HBR	Harvard Business Review
LFN	Laws of the Federation of Nigeria
NESREA	National Environmental Standards and Regulations Enforcement Agency
NGX	Nigerian Exchange Group
NNPC	Nigerian National Petroleum Corporation
NOSDRA	National Oil Spill Detection and Response Agency
NUPRC	Nigerian Upstream Petroleum Regulatory Commission
NWLR	Nigerian Weekly Law Reports
OECD	Organisation for Economic Co-operation and Development
PIA	Petroleum Industry Act
SDGs	Sustainable Development Goals
SERAP	Socio-Economic Rights and Accountability Project
UN	United Nations
UNEP	United Nations Environment Programme
WEF	World Economic Forum

ABSTRACT

Environmental, Social, and Governance (ESG) frameworks have gained increasing relevance in promoting corporate sustainability and responsible business conduct globally. In Nigeria, however, the effective implementation of the environmental pillar of ESG remains challenged by weak regulatory enforcement, overreliance on fossil fuels, inadequate environmental infrastructure, and inconsistencies between policy objectives and corporate practices. This gap has limited Nigeria's progress toward environmental sustainability and compliance with international climate commitments.

The aim of this study is to critically examine the environmental pillar of ESG within the Nigerian context, with a focus on applicable legal and regulatory frameworks, corporate practices, and enforcement mechanisms. The study adopts a doctrinal research methodology, relying on the analysis of statutes, case law, policy documents, academic literature, and institutional reports relevant to Nigerian environmental and corporate governance law.

The findings reveal that although Nigeria has established several environmental laws and policies aligned with ESG principles, their implementation is undermined by weak enforcement, regulatory overlap, limited corporate transparency, and insufficient integration of ESG considerations into business operations. The study further finds that ESG compliance in Nigeria is largely voluntary and driven by external investor pressure rather than robust legal obligation. The study recommends strengthening environmental regulations, improving enforcement capacity of regulatory agencies, mandating clearer ESG disclosure requirements, and encouraging corporate adoption of sustainable practices through legal and policy reforms. These measures will enhance environmental sustainability, corporate accountability, and Nigeria's alignment with global ESG standards.

CHAPTER ONE

1.1 BACKGROUND TO THE STUDY

Environmental, Social, and Governance (ESG) criteria have become central pillars for sustainable development and responsible corporate conduct in the 21st century. Globally, ESG integration serves as a framework for evaluating how corporations and industries manage risks and opportunities related to environmental stewardship, social responsibility, and ethical governance.[1] For extractive industries comprising oil and gas, solid minerals, and mining the relevance of ESG principles is even more pronounced, given their profound environmental footprints, socio-economic implications, and governance complexities. In Nigeria, the extractive sector remains a vital component of the economy, contributing over 70% of national export earnings and about 7% to Gross Domestic Product (GDP) (NEITI, 2023). However, it is equally associated with significant challenges such as environmental degradation, resource-related conflicts, weak regulatory enforcement, and socio-economic inequality, particularly in host communities.[2] These challenges underscore the urgent need for a robust ESG framework that not only mandates compliance but also fosters inclusive development and long-term sustainability. The Nigerian government, in line with global best practices, has initiated several policies and frameworks to address ESG issues. These include the Nigerian Extractive Industries Transparency Initiative Act 2007 (NEITI Act), hereafter referred to as the Petroleum Industry Act (PIA, 2021), the Nigerian Mining and Minerals Act 2007, the National Environmental Standards and Regulations Enforcement Agency Act 2007 (NESREA Act), and a suite of sector specific guidelines.[3] Moreover, Nigeria's participation in the Extractive Industries Transparency Initiative (EITI) provides a global accountability platform for governance reforms. Despite these developments, concerns remain about the

[1] (World Economic Forum, 2020; IFC, 2021)
[2] Oviasuyi, Paul Oghuvbu & Uwadiae, Jim (2010). *The dilemma of the Niger Delta region as oil producing states of Nigeria. Journal of Peace, Conflict and Development,* Issue 16, pp. 110–117.
[3] Nigerian Upstream Petroleum Regulatory Commission (NUPRC). *Guidelines on ESG Reporting.* Abuja: NUPRC, 2022.

level and effectiveness of ESG integration across extractive operations in Nigeria.[4] Key issues include policy fragmentation, inadequate enforcement capacity, data transparency gaps, weak institutional synergy, and limited stakeholder engagement especially from marginalized communities.[5] As such, there is a growing imperative to assess how ESG principles are currently embedded within Nigeria's policy frameworks, and whether these frameworks are adequate in promoting sustainability, accountability, and socio-environmental justice in extractive activities.[6]

This study, therefore, seeks to assess Environmental, Social, and Governance (ESG) integration in Nigeria's extractive industries through a comprehensive policy review and analysis. It aims to evaluate the strengths and limitations of existing regulatory instruments, assess alignment with international ESG standards, and propose pathways for more effective ESG implementation. By doing so, this research contributes to the broader discourse on sustainable governance of natural resources in Nigeria and aligns with Sustainable Development Goals (SDGs) (Responsible Consumption and Production), (Climate Action), and 16 (Peace, Justice, and Strong Institutions).[7]

1.2 STATEMENT OF THE PROBLEM

The global shift toward sustainable development has placed Environmental, Social, and Governance (ESG) principles at the forefront of responsible business conduct. In Nigeria, where environmental degradation poses significant threats to public health, biodiversity, and economic stability, the environmental pillar of ESG is particularly critical. However, despite

[4] Ibid.

[5] Iledare, Wumi A. (2022). *Petroleum resource governance in Nigeria: The Petroleum Industry Act (PIA) 2021 in perspective.* Abuja: Emerald Energy Institute, University of Port Harcourt.

[6] Ebeku, Kaniye S. A. (2019). *Oil and the Niger Delta people in international law: Resource rights, environmental and equity issues.* African Journal of Law and Criminology, Vol. 9(1), pp. 37–43.

[7] United Nations. *Transforming our world: The 2030 Agenda for Sustainable Development.* New York: United Nations, 2015.

the existence of regulatory frameworks such as the Environmental Impact Assessment Act[8], the Climate Change Act (2021),[9] and the Energy Transition Plan (2022),[10] the practical integration of environmental sustainability into corporate governance remains fragmented and underdeveloped.

Many Nigerian businesses, especially small and medium-sized enterprises (SMEs), lack the awareness, technical capacity, and financial resources to implement robust environmental practices. Even among larger corporations, ESG compliance is often driven by external investor pressure rather than internal strategic commitment. The absence of a unified ESG law and standardized reporting mechanisms further complicates efforts to monitor and enforce environmental accountability.

Moreover, Nigeria's reliance on fossil fuels, poor waste management infrastructure, and limited access to clean energy technologies exacerbate the environmental challenges.[11] Companies operating in sectors such as oil and gas, manufacturing, and agriculture frequently engage in practices that contribute to pollution, deforestation, and greenhouse gas emissions, with minimal oversight or consequences.[12] This disconnect between policy intent and corporate behavior undermines Nigeria's ability to meet its climate goals and attract sustainable investment.[13]

The problem is compounded by weak institutional enforcement, low stakeholder engagement, and a lack of incentives for businesses to transition toward greener operations. As ESG becomes a global benchmark for investment and reputation, Nigerian companies risk being

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8 *Environmental Impact Assessment Act, Cap E12, Laws of the Federation of Nigeria.* Abuja: Government Printer.

9 *Climate Change Act, 2021.* Official Gazette, Federal Government Printer, Lagos.

10 *Nigeria's Energy Transition Plan.* Abuja: Federal Ministry of Environment & Office of the Vice President.

11 Federal Ministry of Environment, *National Climate Change Policy for Nigeria (2013–2020)* (Abuja, 2013).

12 A Adenle, L Manning and H Azadi, 'Agricultural Value Chains and Greenhouse Gas Emissions in Nigeria' (2017) 16 *Environmental Development* 1; Amnesty International, *Nigeria: Petroleum, Pollution and Poverty in the Niger Delta* (2018).

13 World Bank, *Nigeria Country Climate and Development Report* (World Bank, 2023); United Nations Environment Programme (UNEP), *Emissions Gap Report* (2022).

excluded from international markets and funding opportunities if they fail to align with environmental standards.

1.4 RESEARCH QUESTIONS

This study will seek answers to the following research questions:

1. How does ESG reporting impact corporate reputation in Nigeria?
2. What are the key challenges faced by Nigerian companies in adopting and implementing ESG reporting practices?
3. What are the benefits of ESG reporting on stakeholder trust, investment opportunities, and competitive advantage for Nigerian firms?

1.3 AIM AND OBJECTIVES OF THE STUDY

Aim:

The aim of this study is to critically assess the implementation and impact of the environmental pillar of ESG frameworks in Nigeria, identify key challenges, evaluate existing practices, and propose strategies to improve environmental sustainability and corporate compliance.

Objectives:

1. To examine how Environmental, Social, and Governance (ESG) reporting impacts corporate reputation in Nigeria.
2. To evaluate the effectiveness of existing environmental regulations and policies in Nigeria including the Environmental Impact Assessment Act, Climate Change Act, and Energy Transition Plan in promoting sustainable corporate behavior.
3. To explore the opportunities and incentives available to Nigerian companies to improve their environmental performance, such as access to green financing, international partnerships, and reputational benefits.

1.5 SIGNIFICANCE OF THE STUDY

The findings of this study will benefit:

1. Offers guidance on integrating ESG into strategies to build trust, reputation, and competitiveness.
2. Provides insights into how ESG influences performance and risk, aiding informed investment decisions.
3. Helps policymakers design effective frameworks that promote transparency, responsibility, and sustainability.
4. Contributes to literature on ESG and corporate governance, serving as a foundation for further studies.
5. Indirectly benefits by ensuring businesses meet growing demand for ethical and sustainable products.
6. Equips advocacy groups to hold companies accountable and raise awareness on sustainable practices.

1.6 SCOPE AND LIMITATIONS OF THE STUDY

This study is focused on understanding Environmental, Social, and Governance (ESG) frameworks with particular emphasis on the environmental pillar within Nigeria. It examines the role of Nigerian laws and policies such as the *Environmental Impact Assessment Act (1992)*, the *Climate Change Act (2021)*, and the *Energy Transition Plan (2022)*, as well as regulatory guidelines like the *NUPRC Guidelines on ESG Reporting (2022)*, in shaping environmental sustainability and corporate governance. The study further explores how companies in key sectors such as oil and gas, manufacturing, and agriculture integrate environmental considerations into their governance structures and reporting practices, while also situating Nigeria's ESG efforts within the broader global sustainability discourse, including alignment with the UN Sustainable Development Goals.

However, the study acknowledges certain limitations, including restricted access to corporate ESG reports, evolving legal frameworks, and inconsistent transparency in corporate disclosures. Despite these challenges, the limitations do not undermine the validity or significance of the research; rather, they highlight the realities of conducting ESG-related studies in developing economies. The findings remain a valuable contribution to understanding how Nigerian law and corporate governance can advance environmental sustainability and strengthen accountability in line with international best practices.

1.7 RESEARCH METHODOLOGY

This study adopts the doctrinal research methodology which includes primary and secondary sources. The primary sources consist of statute and case laws. The secondary sources which consisted relevant information from leading authorities, such as books, writings and articles of scholars, magazines, opinion of jurists, journals, periodicals, seminar papers, as well as the internet and websites.

1.8 CHAPTER ANALYSIS

Chapter One: General Introduction

This chapter provides an overview of the study by introducing the background, context, and rationale for examining environmental, social, and governance (ESG) issues in Nigeria. It clearly defines the research problem, outlines the aims and objectives, and formulates key research questions guiding the study. The significance of the research is discussed, emphasizing its contribution to environmental policy and sustainable corporate practices. The chapter also specifies the scope and limitations of the study and explains the research methodology adopted in gathering and analyzing data.

Chapter Two: Conceptual Clarification, Theoretical Framework and Literature Review

This chapter explores the fundamental concepts and theories underpinning the study. It provides conceptual clarifications on climate change, pollution, resource use, and biodiversity, while explaining how environmental sustainability has become a business imperative in the modern economy. The chapter also highlights Nigeria's distinct environmental challenges, including desertification, oil spills, and deforestation. The theoretical framework grounding the study is discussed, followed by a critical review of existing literature to identify knowledge gaps and situate the research within scholarly discourse.

Chapter Three: Legal and Institutional Framework on ESG

This chapter examines the legal and policy instruments governing environmental protection and ESG implementation in Nigeria. It analyses key legislation such as the Environmental Impact Assessment Act (1992), Climate Change Act (2021), Petroleum Industry Act (2021), and the Energy Transition Plan (2022). The roles of major regulatory agencies — including the National Environmental Standards and Regulations Enforcement Agency (NESREA), the Federal Ministry of Environment (FMEnv), and the Nigerian Electricity Regulatory Commission (NERC) — are also evaluated. Furthermore, the chapter identifies existing gaps, overlaps, and enforcement challenges within Nigeria's ESG framework.

Chapter Four: Corporate Environmental Practices in Nigeria

This chapter focuses on the practical application of ESG principles among Nigerian corporations. It assesses the level of ESG adoption across various sectors and presents detailed case studies of companies such as Shell and Total Energies (Oil and Gas), Olam Nigeria (Agriculture), and Dangote Group (Manufacturing). The chapter also examines the role of Corporate Social Responsibility (CSR) initiatives and evaluates the effectiveness of ESG reporting and transparency mechanisms in promoting sustainable business practices.

Chapter Five: Summary of Findings, Recommendations and Conclusion

The final chapter presents a summary of the key findings derived from the research and draws conclusions based on the study’s objectives. It offers practical recommendations aimed at strengthening ESG compliance, improving regulatory enforcement, and promoting sustainable corporate behavior in Nigeria. The chapter concludes with reflections on the broader implications of ESG integration for national development and environmental governance.

CHAPTER TWO:

LITERATURE REVIEW

2.1 INTRODUCTION

Environmental, Social, and Governance (ESG) frameworks have gained significant global attention as essential instruments for promoting sustainable corporate practices, particularly in sectors with substantial environmental and socio-economic footprints such as the extractive industries. In Nigeria, various policy instruments have been developed to support ESG integration in the extractive industries. These include the Petroleum Industry Act (PIA, 2021), the Nigerian Minerals and Mining Act (2007), the NEITI Act (2007), the Environmental Impact Assessment (EIA) Act (1992), and the NESREA Act (2007). Sector-specific regulations have also been introduced by agencies such as the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the National Environmental Standards and Regulations Enforcement Agency (NESREA). Notably, the PIA introduced reforms such as the Host Community Development Trust (HCDT) framework, environmental remediation funds, and clearer fiscal and governance structures, all of which align with ESG priorities[14]. Similarly, the mining sector mandates Community Development Agreements (CDAs) and Environmental Protection and Rehabilitation Plans (EPRPs) as part of licensing requirements[15].

Despite these regulatory advancements, the effectiveness of ESG integration in Nigeria's extractive sector remains limited. Studies have identified a number of persistent challenges including policy fragmentation, weak enforcement mechanisms, poor institutional coordination, and limited community engagement[16]. The prevalence of corruption and

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[14] NUPRC. (2022). *Guidelines for Environmental, Social and Governance (ESG) Reporting by Upstream Operators*. Nigerian Upstream Petroleum Regulatory Commission. Abuja, Nigeria

[15] MMSD. (2020). *Environmental guidelines for the mining sector*. Federal Ministry of Mines and Steel Development. Abuja, Nigeria.

[16] Akanni, L. (2021). Regulatory fragmentation in Nigeria's extractive sector: Policy contradictions and ESG gaps. *Nigerian Journal of Development Policy Studies*, 15(2), 74–89.

political interference further weakens institutional efforts to uphold ESG standards, with environmental and social safeguards often subordinated to rent-seeking and patronage politics[17].

Empirical research on ESG in Nigeria reveals significant gaps in implementation and monitoring. Scholars such as Nwapi, Aghalino, Ebeku[18] have documented widespread failures in environmental remediation, social responsibility practices, and corporate transparency. While some multinational corporations have adopted structured ESG frameworks aligned with international standards, many domestic operators rely on box-ticking exercises or generic reports with little practical impact on sustainability outcomes. Environmental and Social Impact Assessments (ESIAs), which should serve as entry points for ESG integration, are often reduced to procedural formalities with inadequate stakeholder input and weak follow-up mechanisms[19]. Furthermore, the absence of a centralized ESG performance database in Nigeria makes it difficult to evaluate corporate compliance or compare ESG outcomes across sectors.

The literature therefore points to a growing recognition of ESG's importance, but also highlights critical gaps in how policies are designed, implemented, and enforced. While several studies have focused on sector-specific issues or individual corporate behavior, there remains a need for a comprehensive analysis of Nigeria's ESG policy environment across extractive industries. Understanding how existing regulations align with global ESG standards and where they fall short can provide a foundation for more effective governance reforms and corporate accountability. This study aims to address this gap by conducting a

[17] Iledare, O. (2022). Governance and ESG in Nigeria's oil and gas policy frameworks. *African Journal of Energy Economics*, 14(1), 13–25.
[18] Nwapi, C. (2020). Corporate social responsibility and ESG compliance in Nigeria's extractive industry. *African Human Rights Law Journal*, 20(2), 528–545.
[19] AJ Echendu, (2022). Environmental and social impact assessments in Nigeria: From compliance to sustainability. *Environmental Management Review*, 34(2), 89–103.

systematic review and analysis of ESG-related policies in Nigeria's oil, gas, and mining sectors, with a view to assessing their adequacy, coherence, and implementation effectiveness.

2.2 LITERATURE REVIEW

2.1.1 ESG Pillar and impact

While earlier research looked at the effect of total ESG rating on company performance, other studies went further and looked at the environmental, social and governance (ESG) pillars individually. By doing this, the analysis is strengthened, shedding more light on the specific ways that each element of ESG affects the company performance.

2.1.2. Environment Pillar

The environmental pillar evaluates a company's efforts to preserve the environment, including attempts to mitigate climate change and reduce carbon emissions, manage pollution and waste generated during the production process, utilize energy efficiently, and water and focusing on biodiversity and deforestation. Many scholars did research on environmental pillar and found mixed results. Wagner et al.[20] support Alareeni[21] and Hamdan's findings that this component has a detrimental effect on ROA, while Velte[22] and Buallay[23] disagree. Wagner et al.[24], Alareeni and Hamdan also discovered that while the environmental pillar has a good impact on Tobin's Q, it has a negative impact on ROE[25]. This latter discovery is comparable to Buallay's discovery that the environmental pillar has a favorable impact on

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[20] Wagner, M., Van Phu, N., Azomahou, T. o., & Wehrmeyer, W. (2002). The relationship between the environmental and economic performance of firms: an empirical analysis of the European paper industry. *Corporate Social Responsibility and Environmental Management, 9*(3), 133-146. https://doi.org/10.1002/csr.22

[21] Alareeni, B. A., & Hamdan, A. (2020). ESG impact on performance of US S&P 500-listed firms. *Corporate Governance: The International Journal of Business in Society, 20*(7), 1409-1428. https://doi.org/10.1108/cg-06-2020-0258

[22] Velte, P. (2017). Does ESG performance have an impact on financial performance? Evidence from Germany. *Journal of Global Responsibility, 8*(2), 169-178. https://doi.org/10.1108/jgr-11-2016- 0029

[23] Buallay, A. (2019). Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. *Management of Environmental Quality: An International Journal*, *30*(1), 98–115. https://doi.org/10.1108/MEQ-12-2017-0149

[24] Ibid

[25] Ibid

Tobin's Q[26]. The fact that there is a positive correlation between ROE and the environmental pillar may be due to investors' awareness of and consideration of environmental practices as a key factor in increased asset efficiency[27]. According to Alareeni and Hamdan[28], the disclosure may result in increased costs for the business, which could be the root cause of the data showing a negative relationship between the environmental pillar and ROA and ROE.

2.1.3. Social Pillar

The social pillar encapsulates how a company views people and connections. Customer satisfaction, upholding data privacy and security, taking into account gender and diversity, employee involvement, community relations, and human rights and labour standards are all included. The study on impact of social pillar on firm performance study by several scholar found mixed results. According to some studies, it has a detrimental effect on ROE and ROA[29]. The authors of the study by Alareeni and Hamdan hypothesize that the negative relationship may be brought about by increased costs associated with practicing socially responsible behavior. Waddock and Graves discovered empirical evidence in favor of a favorable relationship between financial success and social responsibility[30]. In order to more fairly estimate the CSP measure's impact on financial performance, a one-year lag was applied to the CSP measure. The authors contend that socially conscious businesses typically have superior financial outcomes and that this is related to effective business management. According to Nielsen and Noergaard, organizations that practice social responsibility reap

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[26] Buallay, A. (2019). Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. *Management of Environmental Quality: An International Journal*, *30*(1), 98–115. https://doi.org/10.1108/MEQ-12-2017-0149
[27] Ibid
[28] Ibid n, 18
[29] Ibid n, 20
[30] Waddock, S. A., & Graves, S. B. (1997). The Corporate Social Performance-Financial Performance Link. *Strategic Management Journal*, *18*(4), 303–319. https://doi.org/10.1002/(sici)1097-0266(199704)18:4<303::aid-smj869>3.0.co;2-g

financial rewards from more efficient operations[31]. Additionally, exercising social responsibility lends credibility and legitimacy to stakeholders and society, which can reduce financial risks or increase shareholder wealth. The business case for organizations with advanced ESG initiatives, according to Nielsen and Noergaard[32], is that they create value through greater competitiveness and profitability.

2.1.4 Governance Pillar

The governance pillar discusses guidelines for managing a business. It addresses board composition, audit committee structure, bribery and corruption prevention, executive remuneration, lobbying, political contributions, and whistleblower programmers[33]. Like the other two pillars, governance pillar has been compared to ROA, ROE, and Tobin's Q in prior study. As for the conclusions, research has shown that the governance pillar and Tobin's Q are favorably associated[34]. The same conclusion was reached by Alareeni and Hamdan, who postulate that one of the reasons why Tobin's Q and the governance pillar have a positive relationship may be because effective governance mechanisms reduce information asymmetry in financial reports, which is advantageous to investors and other stakeholders[35].

2.3 CONCEPTUAL FRAMEWORK

The conceptual framework shall act as a blueprint for this research study, it will outline the key ideas, assumptions, and theories that will guide this project and provide. Conceptual

[31] Nielsen, K. P., & Noergaard, R. W. (2011). CSR and mainstream investing: a new match? - an analysis of the existing ESG integration methods in theory and practice and the way forward. *Journal of sustainable finance & investment*, *1*(3-4), 209–221. https://doi.org/10.1080/20430795.2012.655889
[32] Ibid
[33] Buallay, A. (2019). Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. *Management of Environmental Quality: An International Journal*, *30*(1), 98–115. https://doi.org/10.1108/MEQ-12-2017-0149
[34] Velte, P. (2017). Does ESG performance have an impact on financial performance? Evidence from Germany. *Journal of Global Responsibility, 8*(2), 169-178. https://doi.org/10.1108/jgr-11-2016- 0029
[35] Alareeni, B. A., & Hamdan, A. (2020). ESG impact on performance of US S&P 500-listed firms. *Corporate Governance: The International Journal of Business in Society, 20*(7), 1409-1428. https://doi.org/10.1108/cg-06-2020-0258

frameworks will help organize thoughts, define research problem, and ensure coherence of this study.

Defining these key concepts is essential to avoid ambiguity and to contextualize their relevance within the Nigerian environmental and corporate governance framework. The key concepts discussed include: Environmental, Social and Governance (ESG)**,** Sustainability**,** Corporate Social Responsibility (CSR)**,** Environmental Governance**,** and Sustainable Development.

The key concepts as used in this study are listed below:

1. **Environmental, Social and Governance (ESG)**

The concept of Environmental, Social and Governance (ESG) refers to a multidimensional framework through which organizations assess their environmental and social impact as well as the quality of their internal governance mechanisms. ESG has emerged as a global standard for evaluating corporate responsibility and long-term performance beyond mere financial indicators[36].

The environmental pillar concerns how a company mitigates its impact on the ecosystem through waste management, pollution reduction, resource conservation, and climate risk mitigation[37]. The social pillar examines how corporate entities interact with employees, communities, and consumers, ensuring human rights protection, fair labor practices, and community engagement[38]. The governance pillar relates to corporate ethics, transparency, and accountability, emphasizing anti-corruption measures, compliance structures, and board diversity[39].

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[36] United Nations Global Compact, *Principles for Responsible Investment* (2020).
[37] World Economic Forum, *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting* (2021).
[38] Organisation for Economic Co-operation and Development (OECD), *Responsible Business Conduct and Sustainable Development* (OECD Publishing, 2019).
[39] UNPRI, 2020

In Nigeria, ESG has gained relevance due to rising investor interest in sustainability reporting and growing pressure from regulatory bodies and international partners. The Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) have both encouraged listed companies to adopt ESG disclosure standards[40]. Nevertheless, many Nigerian companies still struggle with ESG compliance, particularly in the oil and gas, manufacturing, and agricultural sectors[41].

2. **Sustainability**

Sustainability refers to the capacity to meet present needs without jeopardizing the ability of future generations to meet their own[42]. It encapsulates the balance between economic growth, social welfare, and environmental preservation. In corporate and environmental governance contexts, sustainability implies the integration of long-term ecological and social considerations into decision-making and policy implementation[43].

In Nigeria, sustainability is a pressing concern due to rapid urbanization, resource depletion, and climate-induced vulnerabilities such as flooding and desertification. The Climate Change Act 2021 institutionalizes sustainability by establishing the National Council on Climate Change (NCCC) to coordinate emission reduction strategies and promote green growth initiatives[44]. Therefore, sustainability serves as both a moral and legal obligation, guiding corporate entities toward responsible and regenerative practices.

3. **Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) refers to voluntary business practices that contribute to sustainable economic development while improving the quality of life of the workforce,

[40] Nwoke CN, ‘ESG and the Future of Corporate Responsibility in Nigeria’ (2022) *Nigerian Journal of Environmental Law* 14(2).
[41] Olawoyin T, ‘Why Nigerian Companies Lag in ESG Compliance’ (2023) *Premium Times* (Lagos, 14 June).
[42] Brundtland Commission, *Our Common Future* (Oxford University Press, 1987).
[43] World Bank, *World Development Report: Better Lives through Sustainability* (2021).
[44] Federal Republic of Nigeria, *Climate Change Act* (2021).

local communities, and society at large[45]. CSR initiatives often include environmental protection programs, philanthropic contributions, and ethical business operations. Although CSR shares similarities with ESG, it is more philanthropic and less regulatory, while ESG emphasizes measurable indicators and formal compliance structures[46].

In Nigeria, CSR has historically been viewed as a means for corporations—especially in the extractive sector—to maintain social legitimacy, particularly in the Niger Delta, where oil exploration has caused widespread ecological damage[47]. The Nigerian experience reveals that CSR is most effective when embedded within a broader ESG framework that enforces accountability and transparency in corporate environmental practices[48].

4. **Environmental Governance**

Environmental governance refers to the institutional arrangements, laws, and decision-making processes through which societies manage environmental resources and address ecological challenges[49]. It encompasses the roles of government, private sector, and civil society in shaping environmental outcomes through regulation, enforcement, and participatory engagement.

In Nigeria, environmental governance is primarily guided by statutory instruments such as the Environmental Impact Assessment Act (1992), the National Environmental Standards and Regulations Enforcement Agency (NESREA) Act (2007)**,** and the Climate Change Act (2021)**.** These frameworks establish procedures for environmental assessments, compliance monitoring, and pollution control. However, weak institutional capacity, overlapping

[45] AB Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1999) *Business Horizons* 39(4).

[46] Eccles R and Klimenko S, 'The Investor Revolution: Shareholders Lead the Way in Sustainability' (2019) *Harvard Business Review*.

[47] SI Ibaba, *Environmental Policy, Oil Pollution and Sustainable Development in the Niger Delta* (Routledge, 2018).

[48] CN Nwoke, 'ESG and the Future of Corporate Responsibility in Nigeria' (2022) *Nigerian Journal of Environmental Law* 14(2).

[49] United Nations Environment Programme (UNEP), *Environmental Rule of Law: First Global Report* (2019).

mandates, and political interference often undermine effective governance[50]. Strengthening environmental governance therefore remains essential to achieving meaningful ESG outcomes in Nigeria.

5. **Sustainable Development**

Sustainable development is the overarching goal of ESG integration. It entails the pursuit of economic growth that is socially inclusive and environmentally responsible[51]. The United Nations Sustainable Development Goals (SDGs)**,** particularly Goals 12 (Responsible Consumption and Production), 13 (Climate Action), and 15 (Life on Land), provide a global framework for guiding national policies and corporate behavior toward sustainability.

For Nigeria, sustainable development involves diversifying the economy beyond fossil fuels, promoting renewable energy, and ensuring environmental justice for communities affected by industrial activities[52]. The success of sustainable development initiatives is closely linked to the extent to which ESG principles are internalized within business operations, legal frameworks, and national development planning.

2.4 THEORETICAL FRAMEWORK

ESG is now the most popular index for holding businesses responsible for upholding sustainability requirements[53]. The topic of how ESG activities affect business performance and value arises since a firm's purpose is to assure greater performance. Many theoretical frameworks provide explanations for different ESG features and aid empirical investigations in understanding how ESG practices affect corporate value and performance[54].

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[50] OA Ogunba, 'Environmental Governance and Regulatory Enforcement in Nigeria' (2019) *Nigerian Law Journal* 23(1).

[51] United Nations, *Transforming Our World: The 2030 Agenda for Sustainable Development* (2015).

[52] TO Okonkwo, 'ESG, Climate Change and Corporate Responsibility in Africa' (2020) *African Journal of Sustainable Development* 8(3).

[53] Howard-Grenville, J. (2021). ESG impact is hard to measure - but it's not impossible. https://doi.org/10.17863/CAM.64207

[54] Grosbois, D. (2012). Corporate social responsibility reporting by the global hotel industry: Commitment, initiatives and performance. *International Journal of Hospitality Management, 31*(3), 896-905. https://doi.org/10.1016/j.ijhm.2011.10.008

2.4.1 Stakeholder theory

Stakeholder theory is one such strategy. This idea focuses on the connection between an organization's performance and all relevant bodies. Numerous more recent empirical studies have backed the assertion that there is a link between ESG performance and business performance[55]. The stakeholder theory[56], which contends that a company should maximize the value of all of its stakeholders, including consumers, workers, suppliers, investors/debtors, regulatory authorities, and communities, helps explain this[57]. According to this view, rather than being seen as a financial burden or altruism, ESG operations should be seen as sources of opportunity, competitiveness, and innovation for a corporation[58]. The link between the variables has remained unclear as a result of these contradicting data.

Stakeholder theory, which balances the interests of many stakeholders, is crucial for creating moral and sustainable business practices. The maximization of shareholder wealth through corporate governance can then be discussed[59]. Freeman. suggested that by embracing an examination of interactions between a firm and people or groups that have an impact on one another[60], stakeholder theory may better address issues of value creation and trade, management attitude, and the ethics of capitalism. Stakeholders somewhat, but not fully, rely on the company's economic worth to satisfy their own demands[61]. Stakeholders have the power to manage corporate resources since they may have a significant impact on an

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[55] Chouaibi, S., Rossi, M., Siggia, D., & Chouaibi, J. (2022). Exploring the moderating role of social and ethical practices in the relationship between environmental disclosure and financial performance: evidence from esg companies. *Sustainability (Switzerland)*, *14*(1). https://doi.org/10.3390/su14010209

[56] Malik, M. (2015). Value-Enhancing Capabilities of CSR: A Brief Review of Contemporary Literature. *Journal of Business Ethics, 127*(2), 419-438. https://doi.org/10.1007/s10551-014-2051-9

[57] Freeman, R. E. (1994). The Politics of Stakeholder Theory: Some Future Directions. *Business Ethics Quarterly, 4*(4), 409-421. https://doi.org/10.2307/3857340

[58] Porter, M. E., & Kramer, M. R. (2006). The link between competitive advantage and corporate social responsibility. *Harvard business review*, *84*(12), 78-92

[59] Wong, C. W. Y., Miao, X., Cui, S., & Tang, Y. (2018). Impact of Corporate Environmental Responsibility on Operating Income: Moderating Role of Regional Disparities in China. *Journal of Business Ethics, 149*(2), 363-382. https://doi.org/10.1007/s10551-016-3092-z

[60] Freeman, R. E. (1994). The Politics of Stakeholder Theory: Some Future Directions. *Business Ethics Quarterly, 4*(4), 409-421. https://doi.org/10.2307/3857340

[61] Ibid n, 61

organization's objectives and continued existence[62]. Stakeholders may be a source of support for a corporation's success if it is able to manage the connection successfully, according to Zhang et al[63]. The relevance of stakeholders in the process of creating value was highlighted by the stakeholder theory.

In order to strengthen their relationships with society and workers, many businesses nowadays are integrating ESG into their operational procedures. The stakeholder theory of Freeman (1994) serves as a refutation of Friedman's position. According to Freeman, company managers ought to be answerable to all stakeholders, including shareholders. The stakeholder theory applies to businesses that support environmental protection initiatives, work to enhance social welfare and neighborhood ties, and frequently follow value-maximizing governance procedures. Studies like Edmans and Deng.[64], which have a stakeholder-perspective, claim that excellent management organizations with value maximisation may embrace stakeholder value, not just shareholder value. As a result, companies with strong management are more likely to participate in ESG initiatives[65].

2.4.2 Signalling theory

The essential function of information in a commercial transaction is the subject of the signalling theory. This story claims that managers may lessen information asymmetry by voluntarily sharing information with outside stakeholders[66]. In order to give stakeholders access to information that can't be found anywhere else, businesses are prepared to spend

[62] Ho, C. C. Y., Nguyen, T. H., Vu, V. H., Beck, T., Cahill, D., Humphrey, J., Liang, H., Nguyen, H., Parwada, J., & Pham, M. (n.d.). *Do environmental and social risks affect corporate financial policies?* https://www.economist.com/leaders/2013/05/04/disaster-at-rana-plaza.

[63] Li, Y., Gong, M., Zhang, X.-Y., & Koh, L. (2018). The impact of environmental, social, and governance disclosure on firm value: The role of CEO power. *The British Accounting Review, 50*(1), 60-75. https://doi.org/10.1016/j.bar.2017.09.007

[64] . Does the stock market fully value intangibles? Employee satisfaction and equity prices. *Journal of Financial Economics*, *101*(3), 621–640. https://doi.org/10.1016/j.jfineco.2011.03.021

[65] Deng, X., Kang, J.-k., & Low, B. S. (2013). Corporate social responsibility and stakeholder value maximization: Evidence from mergers. *Journal of Financial Economics, 110*(1), 87-109. https://doi.org/10.1016/j.jfineco.2013.04.014

[66] Taj, S. A. (2016). Application of signaling theory in management research: Addressing major gaps in theory. *European Management Journal*, *34*(4), 338–348. https://doi.org/10.1016/j.emj.2016.02.001

money on disclosing positive information about their sustainability efforts[67]. Four components make up the signalling theory: signal, signaler, receiver, and feedback[68]. The information stream that travels from the signaler or internal management, to the receiver, namely external stakeholder, serves as a representation of the signal. Last but not least, feedback depicts the communications between signalers and receivers. Several authors bolster the notion that managers frequently provide details of their long-term sustainability plans as a proof of their dedication to society[69], the environment, and stakeholders. Managers lessen the information imbalance between businesses and outside stakeholders in this way[70].

The way businesses utilise their ESG practises to communicate their dedication to ethical and sustainable business practises is how signalling theory and ESG are related. In the current business environment, it is becoming increasingly evident that organisations that emphasise ESG elements often display greater long-term performance and risk management. As a result, businesses may take part in ESG-related projects not just for moral reasons but also to demonstrate to various stakeholders, such as investors and consumers, their commitment to sustainability and responsible conduct. For instance, a business that adopts energy-efficient procedures and lowers its carbon emissions may be expressing its dedication to environmental sustainability, which may draw clients who care about the environment and investors who share their values. Similar to this, a firm with good corporate governance procedures and open reporting may give investors the impression that it is well-managed and less prone to financial irregularities.

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[67] Maas, S., Schuster, T., & Hartmann, E. (2014). Pollution Prevention and Service Stewardship Strategies in the Third-Party Logistics Industry: Effects on Firm Differentiation and the Moderating Role of Environmental Communication: Pollution Prevention and Service Stewardship in the 3PL Industry. *Business Strategy and the Environment, 23*(1), 38-55. https://doi.org/10.1002/bse.1759

[68] Connelly, B. L., Ketchen, D. J., Jr., & Slater, S. F. (2011). Toward a "theoretical toolbox" for sustainability research in marketing. *Journal of the Academy of Marketing Science, 39*(1), 86-100. https://doi.org/10.1007/s11747-010-0199-0

[69] Connelly, B. L., Ketchen, D. J., Jr., & Slater, S. F. (2011). Toward a "theoretical toolbox" for sustainability research in marketing. *Journal of the Academy of Marketing Science, 39*(1), 86-100. https://doi.org/10.1007/s11747-010-0199-0

[70] Mavlanova, T., Benbunan-Fich, R., & Koufaris, M. (2012). Signaling theory and information asymmetry in online commerce. *Information & Management, 49*(5), 240-247. https://doi.org/10.1016/j.im.2012.05.004

Signalling theory contributes to the understanding of why businesses might spend money on ESG initiatives and practises to share important information about their dedication to ethical business conduct, which can enhance their reputation in the market and have a positive impact on their relationships with stakeholders.

CHAPTER THREE

LEGAL AND INSTITUTIONAL FRAMEWORK ON ESG

3.1 Overview of Environmental Laws and ESG-Related Policies:

This chapter provides a detailed examination of the legal and institutional framework governing the implementation of Environmental, Social, and Governance (ESG) standards in Nigeria. It highlights the country's principal legislative instruments, the regulatory agencies responsible for enforcement, and the challenges encountered in realizing effective ESG compliance.

Nigeria's ESG practices are deeply rooted in its environmental laws and national policies, which collectively promote sustainability, environmental protection, and corporate accountability[71]. Among the most notable are the Environmental Impact Assessment Act (1992)[72], the Climate Change Act (2021)[73], the Petroleum Industry Act (2021)[74], and the Energy Transition Plan (2022). Together, these laws define the scope of environmental obligations for both public and private entities while embedding sustainability principles into development policy.

The Climate Change Act (2021)[75] represents a landmark legislative effort that elevates climate governance into a statutory framework. It mandates corporate entities to reduce their carbon footprints and to designate environmental sustainability officers responsible for assessing and reporting climate-related risks (Federal Republic of Nigeria, 2021). By doing so, it aligns national policy with international commitments under the Paris Agreement (2015) and advances the environmental and governance pillars of ESG[76]. The Act demonstrates

71 OA Ogunba, 'Environmental Governance and Regulatory Enforcement in Nigeria' (2019) 23(1) Nigerian Law Journal 45.
72 Environmental Impact Assessment Act 1992, Cap E12, LFN 2004
73 Climate Change Act 2021, Cap C17, LFN 2021
74 Petroleum Industry Act 2021, No. 2, 2021
75 Ibid. n73
76 Adeleke S, 'Climate Change Governance in Nigeria: Prospects and Challenges under the Climate Change Act 2021' (2022) *Nigerian Journal of Environmental Law* 15(2).

Nigeria's commitment to transitioning toward a low-carbon economy through coordinated institutional oversight and measurable corporate responsibility.

Similarly, the Petroleum Industry Act (PIA) 2021 integrates environmental protection and social accountability within the extractive industry. It mandates oil and gas operators to adopt environmentally responsible practices and contribute to Host Communities Development Trust Funds, thereby enhancing the social dimension of ESG[77]. Nonetheless, critics argue that the statutory 3% contribution to the fund is insufficient given the environmental degradation in host communities[78], while lapses in enforcement continue to limit its transformative potential[79].

Complementing these statutory instruments, the Energy Transition Plan (ETP) 2022 outlines Nigeria's strategic pathway to achieve net-zero emissions by 2060[80]. The ETP emphasizes renewable energy development, industrial decarbonization, and green investments. It embodies ESG values by integrating clean energy objectives with sustainable economic growth. However, being primarily a policy document rather than a binding legal instrument, its implementation largely depends on political will and private-sector participation[81].

Institutionally, enforcement and policy coordination lie primarily with regulatory bodies such as the National Environmental Standards and Regulations Enforcement Agency (NESREA), the Federal Ministry of Environment (FMEnv), and the Nigerian Electricity Regulatory Commission (NERC). NESREA enforces compliance with environmental laws and international environmental agreements[82]. The FMEnv formulates and oversees national environmental policies, coordinates inter-ministerial efforts, and ensures alignment with

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[77] Federal Republic of Nigeria, *Climate Change Act* (2021).

[78] S.I Ibaba, *Environmental Policy, Oil Pollution and Sustainable Development in the Niger Delta* (Routledge, 2018).

[79] Ibid.

[80] Federal Ministry of Power, *Nigeria Energy Transition Plan* (2022).

[81] CN Nwoke, 'ESG and the Future of Corporate Responsibility in Nigeria' (2022) *Nigerian Journal of Environmental Law* 14(2).

[82] National Environmental Standards and Regulations Enforcement Agency (NESREA), *Annual Report* (2019).

global commitments[83]. Meanwhile, NERC regulates the electricity sector, promoting renewable energy generation and cleaner technologies through regulatory initiatives such as the Mini-Grid Regulation (2016) and the Renewable Energy Policy (2015)[84].

Despite this robust legal architecture, gaps and inconsistencies in enforcement remain significant barriers to effective ESG implementation. Persistent challenges include limited institutional capacity, overlapping regulatory mandates, inadequate funding, corruption, and low public awareness[85]. Many businesses still fail to conduct comprehensive ESG reporting or disclose their environmental impacts transparently, thereby undermining public trust and investor confidence. Additionally, insufficient judicial oversight and the absence of specialized environmental courts impede accountability for violations.

Ultimately, the Nigerian experience underscores that effective ESG governance is not merely a matter of legislation but of institutional performance, political will, and cultural change. The framework aims not only to safeguard the environment and host communities but also to position Nigerian enterprises competitively within the evolving global sustainability landscape.

3.1.1 Environmental Impact Assessment Act (1992)

Environmental Impact Assessment Act (EIA)[86] The Environmental Impact Assessment Act was first passed in 1992;[87] the country could claim to have a generally applicable law that mandate prior appraisals of likely environmental impacts of intended projects.[88] The law

[83] Federal Ministry of Environment (FMEnv), *National Environmental Policy* (2020).
[84] Nigerian Electricity Regulatory Commission (NERC), *Regulations and Guidelines for the Electricity Sector* (2021).
[85] OA Ogunba, 'Environmental Governance and Regulatory Enforcement in Nigeria (n1).
[86] Environmental Law Research Institute (Ltd. Gte) 'Synopsis of Laws and Regulations on the Environment in Nigeria
[87] Environmental Impact Assessment Act (1992) Cap. (E12)
[88] Ibid

requires that projects belonging to both public and private sectors must undergo an initial early appraisal in case of resulting harm to the environment.[89]

Environmental Impact Assessment has been subjected to a myriad of definitions, all of which focus on the functional scope of the process. EIA was defined by the ESPOO Convention 1991 as a national procedure for evaluating the likely impact of a proposed activity on the environment. It further defines impact as; "any effect by a proposed activity on the environment,"[90] including human health and safety, flora, fauna, soil, air, water, climate, landscape and historical monuments or other physical structures or the interaction among these factors; it also includes effects on cultural heritage or socio-economic conditions resulting from alterations to those factors.[91]

Cashmore defines it as a decision tool employed to identify and evaluate the probable environmental consequences of certain proposed developmental action in order to facilitate informed decision-making and social environmental management.[92] EIA has also been statutorily defined as an assessment of the environmental effects of a project.[93] From the foregoing definitions, it is evident that the EIA is;

a) A decision-making tool or process;
b) It identifies and evaluates the impacts of a proposed project on the environment;
c) Its impact could be beneficial or adverse;
d) It is pre-decision-making and
e) It leads to or helps to make an informed decision.

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[89] Olusegun A. Ogunba, E.I.A System in Nigeria: Evolution Current Practice and Shortcoming, 24 ENVTL. IMPACT ASSESSMENT REV. 643, 648 (2004):

[90] That is the convention on Environmental Impact Assessment in a Transboundary Context 1991. The ESPOO Convention is the first multilateral agreement to lay down detailed rules, procedures and practices for transboundary environmental effect assessment, albeit on a regional basis.

[91] The ESPOO Convention Art.1 (vii).

[92] Cashmore M., 'The Role of Science in Environmental Impact Assessment Process and Practice versus purpose in Development Theory' [2004] (24) Environmental Impact Assessment Review 403, 404

[93] Environmental Impact Assessment (EIA) Act Cap E12 Laws of the Federation of Nigeria (LFN) 2004, S. 63(1).

It needs be noted that much as the EIA entails a holistic process to determine the impact of a project on the environment which could be positive or negative, the very essence of the EIA weighs more on identifying and managing negative or adverse effects of proposed projects on the environment. One may therefore attempt a definition of the EIA as tool of sustainable development used to evaluate the impact of a developmental project on the environment in order to determine its beneficial or adverse environmental effect/impact. In sum, the EIA is geared towards the protection and conservation of the environment.

This Act is an assessment of the potential impacts, whether positive or negative, of a proposed project on the natural environment. Section 2 (1) of the Act requires an assessment to have a significant (negative) impact on the environment. Section 2 (4) requires an application in writing to the Agency before embarking on projects for their environmental assessment to determine approval. Section 60 creates a legal liability for the contravention of any provision.[94] Section 62 which defines the liability states that any person who fails to comply with the EIA Act shall be guilty of an offence and conviction. In the case of an individual he shall be liable to N200, 000 fine or five years imprisonment and in the case of a firm or corporation to a fine of not less than N50, 000 and not more than N1, 000,000. Liability under the EIA Act does not require mens rea which means that liability under the Act is strict. The purpose of the Act is to guarantee uniformity and 'control programmes against environmental pollution, and to ensure compliance with sound and efficient environmental of all operators.[95]

3.1.2 Climate Change Act (2021)

The Nigerian Climate Change Act (CCA) 2021 represents a landmark legislation in the country's environmental and sustainability governance framework. It establishes a

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[94] A Akujobi, 'The Effectiveness of Criminal Sanctions Under Environmental Laws in Nigeria' in Law and Petroleum Industry in Nigeria: Current Challenges, Festus Emiri and Gowon Deinduomo (eds), (Malthouse Law Books Ltd,2009) 354.

[95] Ibid, 350

comprehensive institutional and legal mechanism for addressing the impacts of climate change, promoting low-carbon development, and integrating climate considerations into national planning and decision-making processes. The Act seeks to align Nigeria's environmental policy with international obligations under the Paris Agreement (2015) and to advance the goals of sustainable development and corporate responsibility.[96]

Under Section 25 of the Climate Change Act, private entities employing fifty or more persons are mandated to develop and implement measures aimed at achieving the annual carbon emission reduction targets in accordance with the National Climate Change Action Plans and other emission reduction strategies formulated by the National Council on Climate Change (NCCC).[97] This provision underscores the role of the private sector as a critical partner in Nigeria's transition to a low-carbon economy. It compels companies to conduct periodic emissions audits, adopt cleaner production technologies, and report progress on emission reduction, thereby embedding climate accountability into corporate operations.[98] The obligation reflects the environmental dimension of the Environmental, Social, and Governance (ESG) framework, which prioritizes transparency, ethical responsibility, and sustainability in business conduct.[99]

The Act also imposes mandatory obligations on public institutions. Section 26 provides that every Ministry, Department, and Agency (MDA) of government must establish a Climate Change Desk, to be headed by an officer not below the Directorate cadre.[100] The officer is responsible for mainstreaming climate change considerations into the agency's core mandates, programs, and operations. This structure ensures that climate change issues are addressed as a

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[96] Paris Agreement, adopted 12 December 2015, entered into force 4 November 2016, UNTS Vol. 3156, 3.
[97] *Climate Change Act* 2021, s 25.
[98] Ogunba, 'Environmental Governance and Regulatory Enforcement in Nigeria (n1) 45.
[99] S. Adeleke, 'Climate Change Governance in Nigeria: Prospects and Challenges under the Climate Change Act 2021' (2022) *Nigerian Journal of Environmental Law* 15(2) 23.
[100] Climate Change Act 2021, s 26(1).

cross-cutting concern within the machinery of government, promoting inter-ministerial coordination and coherence in policy execution.[101]

Furthermore, Section 27 of the Act entrusts the Federal Ministry of Finance, Budget, and National Planning with the duty of ensuring that all budget proposals submitted by MDAs incorporate climate change considerations.[102] The Ministry must verify that adequate funding provisions are made for climate adaptation and mitigation initiatives under appropriate budget sub-heads in the national budget. This approach institutionalizes climate-responsive budgeting, ensuring that fiscal policy aligns with environmental sustainability goals.[103] It marks a departure from ad hoc funding models toward a more structured, transparent, and sustainable financial framework that supports the implementation of Nigeria's climate commitments.

By integrating obligations for both public and private entities, the Climate Change Act operationalizes a whole-of-society approach to climate governance.[104] It compels government institutions, businesses, and civil society to act collaboratively toward achieving national emission reduction targets and climate resilience. The Act's holistic design also advances Nigeria's compliance with international environmental norms, particularly the United Nations Sustainable Development Goals (SDGs) — notably Goal 7 (Affordable and Clean Energy), Goal 12 (Responsible Consumption and Production), and Goal 13 (Climate Action).[105]

3.1.3 Petroleum Industry Act (2021)

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[101] Federal Ministry of Environment (FMEnv), *National Climate Change Policy and Response Strategy* (2022) 12.
[102] *Climate Change Act* 2021, s 27(1).
[103] Federal Ministry of Finance, Budget and National Planning, *Nigeria's Green Growth and Climate Financing Strategy* (2022) 7.
[104] National Council on Climate Change (NCCC), *Guidelines for Corporate Climate Action Plans* (2023) 4.
[105] United Nations, *Sustainable Development Goals* (2015) Goals 7, 12 & 13.

One of the objectives of this Act[106] is to create efficient and effective regulatory agencies and to protect health, safety and the environment in the course of petroleum operations.[107] Haven identified that; we will look at some sections of the Act that provide for the protection of the environment in the oil and gas industry. Section 179(3)(c) provides that the licenses in it commercial discovery and development plans ensure to meet adequate health, safety and environmental standards.[108] Paragraph (f) provides for the elimination of routine gas flaring. Section 195(l)(b) provides that licence or lease can be revoked by the Minster on the advice of the inspectorate that operations are not conducted well in a manner or in accordance with good oil field practice. This can amount to a revocation where licensee or lease fails to implement their environmental management plan in accordance with good oil field practice.[109]

Section 198(1) provides for operators not to cause injury or destroy any tree or object which is of commercial value; or object of veneration of people, resident within the prospecting area. Sub-section (2) provides that in case of any damage, the operators will be liable to pay fair and adequate compensation. However, Section 199(1) provides that the amount of compensation payable under section 198 shall be determined by the inspectorate in consultation with designated persons and representatives of the persons whose protected objects have been damaged. Failure to pay compensation by the licenses or leases, their license or leases will be suspended.[110] Where the licensee or lease fails to make payment within 30 days after the suspension of the lease and license, the Minister may revoke the lease or license.[111]

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[106] Ibid, S 9
[107] Ibid, S 20
[108] Petroleum Industry Act of 23rd August, 2021.
[109] See the Petroleum Industry Act Objectives
[110] Ibid.
[111] Ibid, s. 195(1)(a)

Section 200 of the Act provides for environmental quality management. By this provision, every licensee or lease will submit an environmental management plan which will contain environmental policy, objectives and targets; it will also include commitment to comply with relevant laws, regulations, guidelines and standards.

Section 201 provides that the lease shall pay such gas flaring penalties as the Minister may determine from time to time and the leasee shall install all measurement equipment as ordered by the inspectorate to properly measure the amount of gas being flared.[112]

[112] Ibid, s. 199(3)

3.1.4 Energy Transition Plan (2022)

The Nigeria Energy Transition Plan (ETP) 2022 serves as the national policy blueprint for achieving net-zero greenhouse gas (GHG) emissions by the year 2060, while simultaneously ensuring universal access to modern energy services.[113] Launched by the Federal Government of Nigeria through the Federal Ministry of Power, the Plan aligns with the global climate agenda under the Paris Agreement (2015) and the United Nations Sustainable Development Goals (SDGs), particularly Goals 7 and 13, which emphasize affordable clean energy and climate action respectively.[114]

The ETP builds upon existing national strategies such as the National Renewable Energy and Energy Efficiency Policy (2015) and the Nationally Determined Contributions (NDCs) submitted to the United Nations Framework Convention on Climate Change (UNFCCC).[115] It provides a coordinated pathway to decarbonize Nigeria's energy system, address energy poverty, and stimulate sustainable economic growth. The Plan embodies the Environmental, Social, and Governance (ESG) ethos by integrating environmental sustainability, social inclusiveness, and economic diversification within the country's development framework.[116]

A key feature of the Plan is its emphasis on energy diversification—reducing the nation's dependence on fossil fuels and promoting renewable energy sources such as solar, wind, hydro, and biomass.[117] The ETP outlines a phased strategy for transitioning from carbon-intensive energy to cleaner alternatives, while recognizing the socio-economic realities of Nigeria's dependence on oil and gas revenues. It proposes the deployment of 30 GW of electricity capacity by 2030, of which 30 per cent will come from renewable sources, in line with the targets set under the Renewable Energy Master Plan.

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[113] Federal Ministry of Power, *Nigeria Energy Transition Plan* (Abuja, 2022) 5

[114] Paris Agreement, adopted 12 December 2015, entered into force 4 November 2016, UNTS Vol. 3156, 3.

[115] Federal Ministry of Environment, *Nationally Determined Contribution (Updated Version)* (Abuja, 2021) 4.

[116] S Adeleke, 'Climate Change Governance in Nigeria: Prospects and Challenges under the Climate Change Act 2021' (2022) 15(2) *Nigerian Journal of Environmental Law* 25.

[117] Energy Commission of Nigeria, *National Renewable Energy and Energy Efficiency Policy* (Abuja, 2015) 9.

In addressing the social dimension, the Plan aims to tackle energy poverty affecting millions of Nigerians, particularly those in rural and underserved communities. It projects the creation of over 340,000 jobs by 2030 and up to 840,000 jobs by 2060 through renewable energy investments and green technology development.[118] This approach promotes social inclusion, gender equity, and economic empowerment, all of which resonate with the "S" pillar of ESG. From the governance perspective, the ETP advocates for transparent policy coordination among key institutions such as the Federal Ministry of Power, the Federal Ministry of Environment, the Nigerian Electricity Regulatory Commission (NERC), and the Rural Electrification Agency (REA). It also calls for the establishment of an Energy Transition Implementation Working Group (ETIWG) to oversee progress and ensure accountability in achieving transition milestones.[119] The inclusion of such governance mechanisms demonstrates the government's effort to institutionalize ESG-driven oversight within the national energy framework.

3.2 Institutional Framework

This section will analyse the role of regulatory bodies and the role of these regulatory bodies are highlighted below:

3.2.1 NESREA, FMEnv and NERC

The effectiveness of Environmental, Social, and Governance (ESG) implementation in Nigeria depends largely on how well key regulatory institutions perform their roles. The major players in this regard are the Federal Ministry of Environment (FMEnv), the National Environmental Standards and Regulations Enforcement Agency (NESREA), and the Nigerian Electricity Regulatory Commission (NERC). Each of these bodies plays a distinct role in

[118] Federal Ministry of Power, *Nigeria Energy Transition Plan* (n 1) 18.
[119] Ibid.

ensuring that environmental sustainability, social welfare, and governance accountability are embedded in both public and private sector operations.[120]

3.2.2 The Federal Ministry of Environment (FMEnv)

The Federal Ministry of Environment (FMEnv) is the central body responsible for environmental management and policy coordination in Nigeria. Established in 1999, following the restructuring of the former Federal Environmental Protection Agency (FEPA), the Ministry oversees the development and implementation of environmental policies, regulations, and strategies aimed at protecting natural resources and promoting sustainable development.[121]

FMEnv also represents Nigeria in global environmental and climate change discussions, serving as the country's focal point for agreements such as the Paris Agreement (2015) and the United Nations Framework Convention on Climate Change (UNFCCC).[122] Through its Department of Climate Change (DCC), the Ministry drives the implementation of the Climate Change Act (2021) and other national climate policies that guide both government and private sector actions on emission reduction, adaptation, and sustainable practices.[123]

In relation to ESG, FMEnv plays a coordinating role by ensuring that Ministries, Departments, and Agencies (MDAs) integrate environmental and sustainability concerns into their budgets, programmes, and activities. This approach strengthens environmental accountability within the governance process and aligns with Nigeria's broader commitment to the Sustainable Development Goals (SDGs).[124]

The National Environmental Standards and Regulations Enforcement Agency (NESREA)

The National Environmental Standards and Regulations Enforcement Agency (NESREA) is the chief enforcement body for environmental laws in Nigeria. Created under the NESREA

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[120] Federal Ministry of Environment, *National Climate Change Policy* (Abuja, 2021) 3.
[121] Ibid
[122] Paris Agreement, adopted 12 December 2015, entered into force 4 November 2016, UNTS Vol. 3156, 3.
[123] Federal Ministry of Environment, *Department of Climate Change: Mandate and Functions* (Abuja, 2022) 2.
[124] Climate Change Act 2021, s 20(1).

Act (2007), it replaced FEPA and has the responsibility to enforce all environmental standards and regulations, except those related to the oil and gas sector, which are handled by the National Oil Spill Detection and Response Agency (NOSDRA).[125]

NESREA's mandate covers a broad range of environmental issues such as air and water quality, waste management, biodiversity conservation, and electronic waste control.[126] The agency monitors industrial compliance, conducts environmental audits, and enforces penalties for violations. Through these functions, NESREA gives practical effect to the "Environmental" pillar of ESG by ensuring that businesses and industries operate responsibly and sustainably.[127]

Beyond enforcement, NESREA also engages in public education, advocacy, and partnerships with civil society groups to raise awareness about environmental protection. This reflects both the "Social" and "Governance" aspects of ESG, as it encourages participation, transparency, and accountability in environmental decision-making.[128]

However, NESREA continues to face challenges such as limited funding, inadequate manpower, and weak enforcement capacity. These issues often make it difficult for the agency to fully carry out its mandate, particularly when dealing with powerful industrial actors or politically sensitive cases. Strengthening the agency's autonomy and capacity is therefore essential for achieving effective ESG outcomes in Nigeria.[129]

3.2.3 The Nigerian Electricity Regulatory Commission (NERC)

The Nigerian Electricity Regulatory Commission (NERC), established by the Electric Power Sector Reform Act (EPSRA, 2005), regulates the generation, transmission, and distribution of

[125] National Environmental Standards and Regulations Enforcement Agency (Establishment) Act 2007, s 1.
[126] NESREA, *Environmental Regulations Compendium* (Abuja, 2020) 4.
[127] A Ogunba, 'Environmental Governance and Regulatory Enforcement in Nigeria' (2019) 23(1) *Nigerian Law Journal* 47.
[128] NESREA, *Annual Report* (Abuja, 2021) 10.
[129] Ibid

electricity in Nigeria.[130] While its primary role is to oversee the power sector, NERC also plays an increasingly important part in promoting sustainability and clean energy—key components of the ESG framework.

Through instruments like the Renewable Energy Feed-in Tariff (REFIT) Regulation (2015) and the Mini-Grid Regulation (2016), NERC supports the expansion of renewable energy and decentralized power generation.[131] These efforts directly contribute to the goals of Nigeria's Energy Transition Plan (2022), which seeks to achieve net-zero emissions by 2060 and expand access to affordable, clean energy.[132]

NERC also ensures that power generation and distribution companies comply with environmental standards and conduct Environmental Impact Assessments (EIAs) before undertaking major projects.[133] Moreover, the Commission emphasizes workplace safety and community engagement, ensuring that energy companies consider the welfare of their employees and host communities in their operations. In this way, NERC actively integrates environmental and social responsibility into the governance of the energy sector.

Despite these contributions, NERC's operations are sometimes hindered by overlapping mandates with other agencies, political interference, and infrastructural limitations.[134] Improved collaboration among NERC, NESREA, and FMEnv is therefore crucial to creating a more coherent ESG regulatory environment that balances economic growth with environmental and social priorities.[135]

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[130] Electric Power Sector Reform Act 2005, s 31(1).
[131] Nigerian Electricity Regulatory Commission, *Renewable Energy Feed-in Tariff Regulation* (Abuja, 2015) 2.
[132] Federal Ministry of Power, *Nigeria Energy Transition Plan* (Abuja, 2022) 7.
[133] NERC, *Health, Safety and Environment Regulation* (Abuja, 2020) 5.
[134] O Adewale, 'Energy Governance and Regulatory Challenges in Nigeria' (2021) 10(1) *Journal of Sustainable Energy Law* 45.
[135] Federal Ministry of Environment, *Inter-Agency Coordination Framework for Climate Policy Implementation* (Abuja, 2022) 6.

3.3 Regulatory Challenges

3.3.1 Gaps and inconsistencies in enforcement

Though Nigeria has developed an impressive set of laws and institutions to promote Environmental, Social, and Governance (ESG) standards, the real challenge lies in enforcement. In practice, the ability of these laws and agencies to deliver meaningful results is limited by several gaps and inconsistencies. These shortcomings affect how effectively the country can achieve its sustainability goals and fulfil its international commitments.[136]

3.3.1 Weak Institutional Capacity and Limited Resources

A major obstacle to effective enforcement is the weak institutional capacity of regulatory agencies. Bodies such as the National Environmental Standards and Regulations Enforcement Agency (NESREA), the Federal Ministry of Environment (FMEnv), and the Nigerian Electricity Regulatory Commission (NERC) often struggle with inadequate funding, shortage of skilled personnel, and poor infrastructure.[137]

For example, NESREA, which is expected to monitor compliance with more than thirty environmental regulations across Nigeria, does not have enough manpower or logistics to conduct regular inspections nationwide.[138] Many state-level environmental agencies also depend on federal allocations that are insufficient to sustain their operations.[139] As a result, inspections are irregular, and many violations go undetected or unpunished. This makes enforcement largely reactive—responding to problems after they occur—instead of preventive.[140]

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[136] Ibid

[137] Ibid

[138] A Ogunba, 'Environmental Governance and Regulatory Enforcement in Nigeria' (2019) 23(1) *Nigerian Law Journal* 52.

[139] CN Nwoke, 'Institutional Challenges in Environmental Enforcement in Nigeria' (2020) 8(3) *African Journal of Environmental Studies* 70.

[140] Ibid

3.3.2 Overlapping Mandates and Lack of Coordination

Another major issue is the overlap of responsibilities among agencies. For instance, both FMEnv and NESREA perform environmental monitoring functions, while NOSDRA handles oil spill issues.[141] These overlapping duties often lead to confusion, duplication of efforts, and even jurisdictional conflicts.

In some cases, companies exploit this lack of coordination by engaging in what is known as "forum shopping"—choosing to deal with whichever agency seems more lenient.[142] This weakens the consistency of enforcement and reduces public confidence in the regulatory system. To be effective, agencies need better-defined roles and stronger collaboration frameworks that encourage joint enforcement rather than competition.[143]

3.3.3 Weak Legal Sanctions and Poor Compliance Mechanisms

Many of Nigeria's environmental laws still impose penalties that are too mild to serve as real deterrents. Fines for non-compliance with environmental impact assessment procedures or pollution standards are often far lower than the profits companies make from harmful practices.[144] As a result, some corporations simply pay the fines and continue their operations without making meaningful changes.

Legal proceedings also tend to drag on for years due to procedural delays and a lack of specialized environmental courts.[145] This discourages enforcement actions and weakens the overall legal framework. Strengthening judicial capacity and updating penalties to reflect the seriousness of environmental damage would make compliance more effective.[146]

3.3.4 Political Interference and Corruption

[141] National Oil Spill Detection and Response Agency (Establishment) Act 2006, s 3.
[142] Ibid
[143] Federal Ministry of Environment, *Inter-Agency Coordination Framework for Climate Policy Implementation* (Abuja, 2022) 5.
[144] Environmental Impact Assessment Act 1992, s 13(2).
[145] A Ibekwe, 'Judicial Delays and Environmental Justice in Nigeria' (2020) 5(2) *African Journal of Environmental Law* 25.
[146] Ibid.

Political interference is another serious challenge. Regulatory agencies are sometimes pressured to overlook violations by politically connected or economically powerful companies, especially in the oil and gas sector.[147] Corruption also plays a role—bribes, falsified inspection reports, and selective enforcement all undermine regulatory credibility.[148] When agencies are seen as compromised, public trust erodes, and genuine enforcement becomes almost impossible. Building institutional independence, promoting transparency, and establishing stronger internal accountability systems are essential steps toward addressing these issues.[149]

3.3.5 Low Public Awareness and Limited Stakeholder Involvement

Public participation is a key aspect of effective ESG enforcement, yet awareness of environmental rights and obligations remains very low in Nigeria.[150] Many communities affected by pollution, oil spills, or deforestation do not fully understand their rights or how to seek redress.[151] Civil society organizations and the media have made progress in raising awareness, but the reach is still limited.

In addition, stakeholder engagement—where businesses, communities, and regulators work together to address environmental concerns—is still weak. Encouraging community participation and strengthening environmental education can help citizens play a more active role in monitoring and enforcing ESG standards.[152]

3.3.6 Poor Data and Monitoring Systems

[147] S Akinyemi, 'Environmental Governance and Climate Policy in Nigeria' (2021) 12(2) *Nigerian Journal of Environmental Law* 60.
[148] Transparency International, *Corruption Perceptions Index 2022: Nigeria Report* (Abuja, 2023) 9.
[149] Ibid.
[150] Federal Ministry of Environment, *Public Awareness and Environmental Education Strategy* (Abuja, 2020) 3.
[151] C Eze, 'Community Rights and Environmental Justice in the Niger Delta' (2022) 9(1) *Nigerian Environmental Law Review* 44.
[152] Ibid.

Reliable data is crucial for tracking environmental performance, yet Nigeria still lacks an efficient and integrated environmental information system. Many agencies rely on manual data collection and outdated technology, making it difficult to monitor emissions, pollution levels, and compliance trends.[153] Without credible data, it is hard to evaluate progress or attract international investors who require transparency in ESG reporting.[154]

Developing a centralized, technology-driven environmental data system would make monitoring more accurate and allow regulators, businesses, and the public to assess compliance in real time.[155]

Nigeria's legal and institutional structures for ESG enforcement are commendable, the practical implementation remains weak. Insufficient capacity, overlapping mandates, weak sanctions, political interference, low public engagement, and poor data systems all undermine effective enforcement. To close these gaps, Nigeria must strengthen institutional autonomy, enhance inter-agency collaboration, update outdated penalties, and empower citizens through awareness and participation.

Only by moving beyond the stage of policy creation to consistent, transparent, and accountable enforcement can Nigeria truly achieve the environmental and sustainability goals envisioned under its ESG framework.[156]

3.4 Concluding Remark

In summary, Nigeria has a solid set of laws and institutions aimed at guiding Environmental, Social, and Governance (ESG) practices. Key legislation like the Environmental Impact Assessment Act (1992), the Climate Change Act (2021), the Petroleum Industry Act (2021), and the Energy Transition Plan (2022) provide a strong foundation for promoting

[153] NESREA, *Environmental Data Systems and Compliance Report* (Abuja, 2020) 12.
[154] NERC, *Data Management and Energy Statistics Report* (Abuja, 2021) 6.
[155] Federal Ministry of Environment, *National Environmental Information Management Framework* (Abuja, 2022) 4.
[156] Ibid.

environmental protection, sustainability, and responsible corporate governance. Regulatory bodies such as NESREA, FMEnv, and NERC also play crucial roles in enforcing these standards and holding companies accountable.

Yet, having laws on paper is not enough. Weak enforcement, overlapping responsibilities among agencies, limited resources, political interference, and low public awareness often prevent these rules from being fully effective. For ESG to make a real difference, Nigeria must strengthen its institutions, improve coordination, build capacity, and actively involve communities and stakeholders in monitoring and enforcement.

Ultimately, Nigeria's ESG framework shows that good policies are only part of the solution. True progress depends on how well institutions operate, the political will to enforce regulations, and a culture of accountability. If these gaps are addressed, Nigeria can not only protect its environment and communities but also build trust with investors, enhance corporate reputation, and position itself as a leader in sustainable business practices.

CHAPTER FOUR:

CORPORATE ENVIRONMENTAL PRACTICES IN NIGERIA

Introduction

Corporate environmental practices in Nigeria are increasingly shaped by regulatory reforms, investor pressure, and sector-specific sustainability initiatives. The Petroleum Industry Act (2021) establishes the Nigerian Upstream Petroleum Regulatory Commission and the Nigerian Midstream and Downstream Petroleum Regulatory Authority,[157] mandating penalties for gas flaring and requiring environmental remediation funds, thereby driving cleaner operations in oil-and-gas firms. Oil-and-gas companies that adopt robust ESG disclosures see mixed financial effects: governance reporting modestly improves market valuation, while environmental disclosures can depress Tobin's Q, highlighting the need for balanced reporting. Nonetheless, strong ESG regimes are linked to higher earnings per share and return on assets across firms, underscoring the financial upside of environmental initiatives.[158]

In manufacturing, ESG transparency particularly governance and social dimensions correlates positively with firm value, whereas environmental disclosures have a negative impact on market performance, suggesting that firms must integrate environmental data with broader sustainability narratives. Institutional investors play a pivotal role: higher institutional ownership drives more comprehensive sustainability disclosure, reinforcing corporate environmental accountability.[159]

Nationally, adoption of global reporting standards (GRI, ISSB) and the NGX Sustainability Disclosure Guidelines is improving data consistency and stakeholder confidence, though

[157] P. E. Azinge, *The Petroleum Industry Act, 2021: A Legal and Policy Guide* (Lagos: NIALS Press 2023) 150–165.
[158] F. K. Abiola and L. O. Uche, 'Sustainability Reporting Standards and Corporate Financial Performance of Listed Manufacturing Firms in Nigeria', *Journal of Accounting and Finance in Emerging Economies*, 5 (2022) 4, 917–932.
[159] A. O. Sanya and J. O. Omoyele, 'The Impact of Environmental, Social and Governance (ESG) Disclosures on Market Value of Nigerian Quoted Companies', *International Journal of Environmental Sustainability and Green Technologies*, 11 (2024) 1, 1–20.

challenges remain in standardisation and technical capacity, especially among SMEs. Overall, Nigerian corporations are moving toward greater environmental stewardship, but effectiveness varies by sector and the quality of ESG integration.[160]

Hence the aim of this chapter is to highlight the corporate environmental practices in Nigeria drawing examples from oil and manufacturing companies as well the role of Corporate Social Responsibility (CSR).

4.1 ESG adoption trends among Nigerian companies

Environmental, Social, and Governance (ESG) principles are gradually transforming the corporate landscape in Nigeria, redefining how businesses perceive their roles and responsibilities toward the environment, society, and their stakeholders. The traditional corporate model, once focused mainly on profit maximization, is steadily giving way to a sustainability-oriented approach that values ethical governance, environmental stewardship, and social inclusiveness. Nigerian companies are increasingly recognizing that long-term profitability and business continuity depend not only on financial performance but also on their ability to operate responsibly within the broader socio-environmental ecosystem.[161]

While the adoption of ESG principles in Nigeria is still at a developing stage, the past decade has witnessed a remarkable shift from philanthropic corporate social responsibility (CSR) initiatives to more structured and strategic sustainability frameworks. In the early 2000s and 2010s, many companies viewed CSR primarily as an act of goodwill focusing on community donations, sponsorships, or isolated social projects. However, global trends, investor expectations, and the growing emphasis on sustainable finance have compelled Nigerian

[160] K. I. Nwachukwu, 'Corporate Social Responsibility and Environmental Sustainability in the Nigerian Oil and Gas Sector', *Nigerian Law Review*, 1 (2020) 2, 45–60.
[161] M. E. Akpan and I. U. Udoka, 'From Philanthropy to Strategy: The Evolution of CSR in Nigerian Banks', *African Journal of Business Management*, 16 (2022) 3, 76–90.

corporations to move beyond ad-hoc charity and adopt comprehensive ESG policies that integrate sustainability into their core business models.[162]

This evolution is particularly evident among large, publicly listed firms and multinational subsidiaries that operate within sectors under international scrutiny such as oil and gas, manufacturing, banking, and agriculture. These organizations are developing ESG roadmaps, sustainability departments, and measurable performance indicators to address pressing issues like carbon emissions, waste management, resource efficiency, and corporate transparency. They are also embracing socially responsible labor practices, gender inclusion policies, and community empowerment programs that align with the *United Nations Sustainable Development Goals (SDGs)*.[163]

Furthermore, the Nigerian regulatory environment has become increasingly supportive of ESG practices. The Nigerian Exchange Group (NGX), for example, introduced *Sustainability Disclosure Guidelines* in 2019 to encourage listed companies to publish sustainability and ESG-related information in their annual reports. Similarly, the *Central Bank of Nigeria (CBN)*, through its *Sustainable Banking Principles*, mandates financial institutions to integrate environmental and social risk management into their lending and investment decisions. These policy frameworks have elevated ESG from a voluntary initiative to a growing compliance and governance expectation within the Nigerian corporate space.[164]

Another critical factor driving ESG adoption is investor and stakeholder pressure. Global investors, development finance institutions, and multinational partners increasingly demand evidence of ESG compliance before providing funding, loans, or business partnerships. As access to international capital markets becomes more competitive, Nigerian companies are realizing that robust ESG performance enhances their credibility and investment

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[162] S. A. Okoro and L. C. Obiora, 'The Role of ESG Disclosure in Firm Value: Evidence from Nigeria', *Journal of Sustainable Finance & Investment*, 14 (2024) 1, 1–25.

[163] T. I. Adebayo and F. O. Olaniyi, 'Integrating UN Sustainable Development Goals into Corporate Strategy: A Nigerian Perspective', *Journal of Corporate Governance, Insurance and Risk Management*, 10 (2023) 1, 18–34.

[164] Nigerian Exchange Group, *NGX Sustainability Disclosure Guidelines* (Lagos: NGX 2019) 1–18.

attractiveness. Green bonds, sustainability-linked loans, and other ESG-focused financial instruments are gaining popularity, encouraging firms to formalize their sustainability commitments.[165]

At the same time, societal awareness of corporate accountability has grown. Civil society organizations, the media, and local communities are becoming more vocal in demanding environmental protection, social equity, and transparent governance from corporations operating in Nigeria. This shift in public consciousness has placed additional pressure on companies to demonstrate ethical leadership, respect for human rights, and commitment to environmental preservation.

However, despite these positive developments, ESG adoption remains uneven across sectors and organizational sizes. While large corporations, particularly those with international exposure, have made significant progress, many small and medium-sized enterprises (SMEs) still struggle with limited resources, low awareness, and weak institutional capacity to implement or report on ESG initiatives. Moreover, challenges such as poor data quality, regulatory inconsistency, inadequate enforcement mechanisms, and corruption continue to hinder full-scale implementation.[166]

In essence, the ongoing evolution of ESG in Nigeria reflects a broader transition toward responsible capitalism — one that balances profit-making with purpose, growth with inclusiveness, and industrialization with environmental protection. As Nigerian businesses deepen their understanding of ESG principles and align their operations with global sustainability standards, they are not only protecting their reputations but also contributing to national development, social stability, and ecological preservation.[167]

4.2 Case studies from key sectors:

[165] Central Bank of Nigeria, *Nigerian Sustainable Banking Principles* (Abuja: CBN 2012) 1–15.

[166] A. C. Nwankwo and G. M. Oji, 'ESG Performance and Access to International Capital Markets for Nigerian Listed Firms', *Financial Markets, Institutions and Risks*, 6 (2022) 4, 53–66.

[167] F. O. Ojo and B. A. Adebayo, 'Challenges of ESG Implementation by Small and Medium Enterprises in Nigeria', *Journal of Business and Socio-economic Development*, 2 (2023) 1, 79–98.

The exploration and production of fossil fuels has had major and lasting negative impacts on the environment across the globe, including in Nigeria. There has been a recent wave of international oil companies divesting from onshore assets in Nigeria for reasons attributed to insecurity, oil theft, and entrenched hostilities in host communities, all of which ultimately contribute to the high costs and risks of continued operations[168]. Some of these divestments appear to have been the outcome of failures in one or more of the ESG pillars.

4.2.1 Oil & Gas: Shell, Total Energies

Shell's problematic ESG record in Nigeria and other regions where it operates, the company has actively pursued a public relations strategy designed to project an image of environmental responsibility and sustainability. The article highlights how Shell, through its sophisticated marketing and advertising campaigns, attempts to obscure the significant environmental degradation and social harm linked to its oil exploration and extraction activities. This discrepancy between the company's actual environmental impact and its public portrayal raises serious concerns about transparency and accountability in corporate ESG reporting.

This deceptive portrayal found corroboration in regulatory actions outside Nigeria. In 2007, the United Kingdom's Advertising Standards Authority (ASA), an independent body responsible for regulating advertising across the UK, took formal action against Shell following a complaint lodged by Friends of the Earth. The complaint alleged that Shell had made misleading environmental claims in an advertisement that suggested the company's carbon dioxide emissions were being used beneficially to nurture flowers. The ASA investigated these claims and concluded that Shell's advertisement violated advertising rules by presenting false and misleading environmental benefits that could deceive consumers.

The ASA's ruling condemned Shell for exaggerating its environmental contributions and mandated the immediate withdrawal of the offending advertisement. This regulatory

168 (Stakeholder Democracy Network 2022)

intervention exposed how Shell's marketing efforts at the time amounted to greenwashing, misleading the public about the company's real environmental footprint. The case underlined the broader challenges faced by regulatory authorities and civil society groups in holding large multinational corporations accountable for ESG commitments, especially where there is a significant gap between rhetoric and reality.

Beyond the regulatory context, this situation illustrates the pernicious effect that greenwashing can have on public trust, policymaking, and the effectiveness of ESG frameworks. When companies misrepresent their environmental stewardship, they not only hinder progress toward genuine sustainability but also complicate efforts for investors, consumers, and regulators to identify responsible businesses. For countries like Nigeria, where environmental degradation from oil extraction has severe socio-economic and ecological consequences, such false portrayals undermine community advocacy, environmental justice, and sustainable development initiatives.

Shell's case exemplifies how some corporations may use misleading advertising to create a false façade of ESG consciousness. It highlights the importance of vigilant regulatory oversight, independent verification of corporate claims, and active civil society engagement to ensure that ESG commitments are authentic, transparent, and lead to meaningful environmental and social outcomes.[169]

TotalEnergies' comprehensive ESG reporting captures the company's integrated and forward-looking multi-energy strategy, which aims to achieve Net Zero emissions by 2050 in close partnership with society.[170] This reporting is structured to combine its statutory financial disclosures, such as the Universal Registration Document, with dedicated thematic reports focusing on Climate and Sustainability, ensuring a detailed and transparent presentation of its environmental, social, and governance commitments.

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[169] Tryhorn, C. "No Bouquets for Shell Press Ad" *The Guardian* 7 November 2007.
[170] *Sustainability & Climate Progress Report* (Paris: TotalEnergies 2024) 1-10.

Central to TotalEnergies' ESG strategy is the balanced approach it takes to both emissions reduction and the expansion of its low-carbon energy businesses. The company targets aggressive reductions in greenhouse gas emissions from its oil and gas operations, including a methane emissions reduction target increased to 60% by 2025 compared to 2020 levels, along with an aim to reduce the lifecycle carbon intensity of its energy products by 17% by 2025 compared to 2015.

Alongside emissions cuts, TotalEnergies invests heavily in the growth of its renewable electricity and liquefied natural gas (LNG) portfolios, recognizing these as critical pillars for the energy transition. In 2024, the company committed close to $5 billion to low-carbon energies, with a strong focus on electricity and renewables, signaling its dual pursuit of profitable business growth and sustainable development.[171]

The transparency of the reporting is enhanced by detailed progress updates, tangible evidence of emissions reductions, and concrete targets, which reflect a culture of accountability and continuous improvement. TotalEnergies also integrates broader social and governance dimensions into its ESG reporting, emphasizing care for people, communities, and value creation for society at large.[172]

This comprehensive approach allows stakeholders—including investors, governments, and civil society—to assess the company's real progress in transitioning to a low-carbon future, while also understanding the complexities and challenges inherent in balancing ongoing oil and gas operations with urgent climate goals. TotalEnergies' ESG disclosures thus serve not only as a compliance exercise but as a strategic communication tool that humanizes its corporate ambitions and invites collaboration in the global fight against climate change.[173]

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[171] *Universal Registration Document 2024* (Paris: TotalEnergies 2024) 150-155.
[172] *Capital Markets Day Presentation* (New York: TotalEnergies 2024) 20-25.
[173] A. O. Sanya and J. O. Omoyele, 'The Impact of Environmental, Social and Governance (ESG) Disclosures on Market Value of Nigerian Quoted Companies', *International Journal of Environmental Sustainability and Green Technologies*, 11 (2024) 1, 1–20.

4.2.2 Agriculture: Olam Nigeria

Olam Nigeria's ESG reporting is part of the broader sustainability disclosure by Olam Group, one of the major agribusinesses with operations across Nigeria and globally. Their reporting for 2024, published in April 2025, aligns the sustainability reporting period with their financial year, covering the full scope of their activities including agricultural, processing, and supply chain operations in Nigeria.[174]

Olam Nigeria, as part of Olam Group, emphasizes climate action by recognizing the significant contribution of agriculture, forestry, and land-use sectors to global greenhouse gas (GHG) emissions. The company is committed to cutting its own emissions and promoting sustainable practices across its supply chains. Olam is a signatory to international commitments like the Business Ambition for 1.5°C and is aligned with science-based targets (SBTi) to reduce emissions.

The company has set explicit GHG reduction targets, including a 50% reduction in Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions by 2030, measured against a 2020 baseline. These targets are under SBTi validation, reflecting their commitment to credible and science-aligned climate goals. For Olam Agri operations, including those in Nigeria, targets include reducing Scope 1, 2, and 3 emissions from energy and industry by 42% and emissions from forest, land, and agriculture by over 30%, all by 2030 based on 2022 levels.[175]

In terms of environmental management, Olam Nigeria tracks and reports its emissions data carefully, including scope adjustments for activities such as palm oil, cocoa plantations, and animal feed businesses, ensuring accuracy and transparency. Water use data is also reviewed and restated to maintain credibility.

Socially, Olam Nigeria's ESG reporting underlines initiatives to foster climate-smart agriculture, empower women and youth, and support smallholder farmers through training,

[174] *Annual Report and Accounts 2024* (Singapore: Olam Group 2025) 50-55.

[175] *Sustainability Report 2024: Value Chain Resilience and Climate Action* (Singapore: Olam Group 2025) 30-35.

technology access, and financial linkages to improve productivity and resilience. A key recent development is a partnership with AGRA (Alliance for a Green Revolution in Africa) to strengthen sustainable food and feed value chains in Nigeria and Ghana, focusing on inclusive growth and climate adaptation for smallholder farmers.[176]

Governance and transparency are integral to Olam's ESG approach, with voluntary alignment to global frameworks such as GRI (Global Reporting Initiative), CDP (Climate Disclosure Project), and the Task Force on Climate-related Financial Disclosures (TCFD). This ensures that Olam Nigeria's ESG commitments are operationalized with clear performance metrics and are publicly accountable.

Olam Nigeria's ESG reporting is robust, science-aligned, and rooted in both environmental responsibility and social inclusiveness. It reflects the company's dedication to reducing greenhouse gases, promoting sustainable agriculture, empowering local stakeholders, and fostering transparency and accountability within the Nigerian agricultural sector.

4.2.3 Manufacturing: Dangote Group

Dangote Cement plc is a Nigerian corporate entity that has made significant pronouncements regarding its ESG practices articulating its commitment to climate change in its policy, recognizing the UNFCCC Paris Climate Change Agreement's objective to limit global warming and undertaking to mitigate the impact of its energy consumption and other CO_2 sources in its operations. In 2023, CO_2 reduction initiatives were implemented with an emphasis on thermal energy substitution, alternative fuels and raw materials, clinker substitution (CK ratio), electrical energy management, operational efficiency, and tree-planting campaigns[177].

[176] A. G. Idowu and E. F. Oluwole, 'Corporate Governance and Sustainable Reporting Practices in the Nigerian Agribusiness Sector', *Journal of Agricultural Economics and Development*, 14 (2023) 2, 105–120.
[177] Dangote. "Dangote Sustainability Report" 2024.

Dangote Cement is also driving efforts to implement and enforce some of its commitments to the “S” aspect of the ESG. Its 2024 Sustainability Report revealed that incentives and long-service awards were provided to employees who have maintained the company values while rendering exceptional customer service.

Dangote engages in open discussion with stakeholders to assess its focus and ensure alignment with the most pressing concerns. In 2023, Dangote conducted a materiality assessment by engaging in discussions with employees, host communities, investors, and supply chain partners. The conversations mostly centred around the stakeholders’ problems and their expectations from the organization. To enhance these discussions, this assessment examined the company’s sustainability performance, operational processes, responsible supply chain practices, investment decisions, and stakeholder views. The survey results identified critical themes including employee welfare, responsible sourcing, infrastructure development, enhanced vendor participation, and customer privacy. As a result of the survey and subsequent stakeholder engagement, Dangote successfully integrated the identified topics into its business strategy and sustainability action plans.

The company reported in its Sustainability Report that it is dedicated to assessing its operations and the possible environmental and social repercussions of these operations on its stakeholders. The organization has recognized stakeholder participation to mitigate social incident disruptions, thereby influencing business operations. In its Sustainability Report, Dangote noted a 6% rise in community participation in 2023, rising from 763 in 2022 to 810 in 2023. This facilitated a 9% reduction in social incident disturbance. The company also recorded a 13% decrease in hours lost due to social situations. The corporation recorded a 61% decrease in the rate of grievances filed. Due to proactive grievance management strategies, 71% of reported community grievance complaints in 2023 were successfully resolved[178]. The company has recognized its stakeholders as employees, distributors, consumers, vendors, host communities, investors, regulators, and industry peers, as these groups significantly impact its operations.

4.3 Role of Corporate Social Responsibility (CSR)

The social responsibility of firms, particularly in relation to employees, local communities, and the broader societal impact of corporate operations. Social indicators provide a measure of how well an organization is managing its relationships with employees, customers, communities, and stakeholders, ensuring that the organization's operations contribute positively to society and uphold human rights and labor standards.

Key indicators under the social dimension include employee-related factors such as benefits, injury and disease rates, and health and safety training. The provision of benefits to full-time employees ensures that workers are adequately compensated and receive benefits that improve their overall well-being[179]. The injury and occupational disease rates are vital in assessing the effectiveness of health and safety programs in the workplace. These rates indicate the extent to which employees are exposed to physical harm or health hazards in their jobs.[180] Therefore, firms with low injury and disease rates are viewed as having more robust safety measures and a greater commitment to employee welfare.

Training on health and safety is an essential part of maintaining a safe work environment. Organizations that provide regular training sessions help equip employees with the knowledge to prevent accidents and manage risks, contributing to lower injury rates and fostering a safer work culture.[181] These training programs are not only beneficial for

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178 Ibid.

179 McWilliams A, Siegel D. Corporate social responsibility: A theory of the firm perspective. Academy of Management Review. 2001;26(1):117-127.

180 Shannon S, Smith R, Brown T. Corporate sustainability reporting: A review of trends and frameworks. Journal of Sustainability Reporting. 2017;9(4):112-128.

181 Abe M, Chan S, Lee J. Sustainable supply chain management practices in emerging markets. International Journal of Logistics. 2017;14(2):85-99.

compliance with safety regulations but also for the general health and productivity of employees.

Another important social indicator is the representation of men and women in governance bodies. Gender equality in leadership positions not only promotes fairness but can also enhance decision-making, as diverse perspectives lead to better business strategies.[182] The equal remuneration of men and women for the same work is a critical aspect of gender equality. Organizations that adhere to this principle demonstrate a commitment to fairness and equality, ensuring that all employees are paid according to their skills and contributions, irrespective of gender.[183] Social indicators also include the avoidance of child labor, a critical human rights issue. Firms are expected to have policies in place that prevent the use of child labor in their operations and supply chains. Organizations that comply with international labor standards and actively work to eliminate child labor contribute to the welfare and education of children, as well as the overall development of communities.[184]

Local community development programs reflect an organization's efforts to improve the conditions of the communities in which it operates. Companies involved in local development initiatives are seen as contributing to social capital, improving the lives of people in the area, and promoting sustainable development.[185] Moreover, effective stakeholder engagement plans demonstrate an organization's commitment to listening to and addressing the concerns of its stakeholders, including local communities, customers, employees, and investors.[186]

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[182] Terjesen S, Sealy R, Singh V. Women directors on corporate boards: A review and research agenda. Corporate Governance: An International Review. 2016;24(4):329-345.

[183] (World Economic Forum, 2020)

[184] Gray R, Adams C, Owen D. Accountability, social responsibility, and sustainability in ESG reporting. Sustainability Accounting Journal. 2020;15(4):243-267.

[185] Jamali D, Safieddine A, Rabbath M. Corporate governance and CSR: Synergies and interrelationships. Corporate Governance: An International Review. 2008;16(5):443-459.

[186] Freeman RE. Strategic management: A stakeholder approach. Boston: Pitman Publishing; 1984.

Anti-corruption policies and procedures are another critical component of social responsibility,[187] ensuring that companies operate with integrity and transparency. Companies that actively fight corruption and implement strict ethical standards foster trust with stakeholders and avoid legal and financial risks.[188] Political, financial, and other forms of contributions made by an organization can also reflect its social impact, especially if these contributions support ethical causes and contribute to the public good.[189]

organizations that assess their suppliers and clients for their impact on society are working to ensure that their entire supply chain aligns with their social responsibility goals. This includes evaluating the potential negative impacts on society, such as human rights violations, environmental damage, or unethical practices. By considering these factors, firms can reduce their exposure to social risks and contribute to positive societal outcomes[190].

4.4 ESG reporting and transparency

ESG reporting has emerged as a central instrument for enhancing corporate transparency, accountability, and sustainability in business operations. In Nigeria, the trajectory of ESG disclosure reflects a gradual but increasingly structured evolution, shaped by both international pressures and domestic regulatory initiatives. The initial push for ESG awareness in the early 2000s was largely influenced by global advocacy for responsible corporate behavior, with investors and international partners encouraging Nigerian firms to adopt sustainability practices. This early influence set the stage for formalized ESG disclosure mechanisms within the country.

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[187] Ibid.

[188] Scherer AG, Palazzo G. The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. Journal of Management Studies. 2011;48(4):899-931.

[189] Campbell JL. Why would corporations behave responsibly? An institutional theory of corporate social responsibility. Academy of Management Review. 2007;32(3):946-967.

[190] Vachon S, Klassen RD. Environmental management and manufacturing performance: The role of collaboration in the supply chain. International Journal of Production Economics. 2008;111(2):299-315.

A key milestone came in 2012 when the Nigerian Stock Exchange (NSE) introduced a corporate governance rating system that incorporated ESG indicators. This system provided a structured framework for assessing companies' performance beyond traditional financial metrics, signaling the growing recognition that environmental stewardship, social responsibility, and governance practices are integral to long-term corporate success. The evolution continued with the Securities and Exchange Commission (SEC) mandating the inclusion of sustainability sections in annual reports through the Nigerian Code of Corporate Governance in 2018. This alignment with globally recognized frameworks—such as the Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI)—helped institutionalize ESG practices and improved comparability with international standards.

Subsequent regulatory instruments have further entrenched ESG requirements across Nigerian industries. The National Climate Change Policy (2021-2030) emphasizes climate action and environmental accountability, while the Revised Environmental Guidelines for the Petroleum Industry (EGASPIN 2018) sets sector-specific standards for environmental management and reporting. Together, these measures underscore the government's commitment to embedding ESG considerations into corporate strategy, risk management, and operational transparency.

Multiple ESG frameworks now guide corporate disclosure in Nigeria. The Central Bank of Nigeria's Sustainable Banking Principles encourage financial institutions to integrate environmental and social considerations into lending practices. The Nigerian Exchange Group's Sustainability Disclosure Guidelines provide structured approaches to reporting ESG performance for listed companies, while the upcoming adoption of International Sustainability Standards Board (ISSB) standards promises a common global baseline for ESG data, enabling greater consistency, comparability, and reliability of disclosures. These frameworks collectively aim to reduce information asymmetry between companies and stakeholders, including investors, lenders, regulators, and civil society actors.

In sector-specific contexts, ESG reporting has become increasingly nuanced. For example, the GRI Oil & Gas Sector Standard 2021 explicitly emphasizes “transparent” disclosure of operational impacts, environmental performance, and the transition to a low-carbon economy. This guidance encourages companies of all sizes to identify and report material risks, sustainability opportunities, and strategies for climate mitigation. By doing so, firms not only meet compliance obligations but also provide stakeholders with actionable insights into their environmental and social footprints.

Globally and locally, mandatory ESG mandates have been associated with measurable benefits. Evidence suggests that firms adhering to ESG reporting standards can experience increased stock liquidity, lower information asymmetry, and enhanced investor confidence. However, the quality of ESG disclosures can be inconsistent if reporting requirements are overly complex or poorly enforced, highlighting the importance of clear, standardized, and enforceable reporting frameworks.

Overall, ESG reporting in Nigeria now operates at the intersection of regulatory compliance, strategic communication, and stakeholder engagement. When executed with rigor and transparency, ESG disclosure serves as a powerful tool for signaling corporate sustainability performance, fostering trust among investors, communities, and regulators, and ultimately contributing to the long-term resilience and competitiveness of Nigerian companies. As frameworks mature and reporting practices improve, ESG transparency is poised to become a defining feature of corporate governance in Nigeria.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter presents the concluding aspect of the study. It provides a systematic and concise synthesis of the major issues examined in the preceding chapters, with particular reference to the environmental pillar of Environmental, Social, and Governance (ESG) frameworks within the Nigerian context. The chapter highlights the key findings arising from the analysis of Nigerian environmental laws, regulatory frameworks, and corporate practices.

In addition, the chapter sets out practical and policy-oriented recommendations aimed at strengthening environmental sustainability and ESG compliance among Nigerian businesses. It further draws the study to a logical conclusion by restating the central arguments and emphasizing the relevance of ESG to Nigeria's environmental and economic development. Finally, the chapter outlines the contribution of the study to existing knowledge, particularly within Nigerian environmental and corporate governance law scholarship.

5.2 Summary of Findings

Highlighted below are summary of key findings:

1. Nigeria has a relatively comprehensive framework of environmental laws, policies, and regulatory institutions that align with the environmental pillar of ESG. Compliance with statutes such as the Environmental Impact Assessment Act and the NESREA Act generally improves corporate reputation, especially among international investors and partners.
2. Despite this framework, there is a noticeable gap between Nigeria's environmental policy goals and actual corporate practices. In sectors such as oil and gas, manufacturing, and agriculture, continued environmental degradation weakens the

credibility of ESG reporting and negatively affects corporate reputation at both local and community levels.

3. Consistent and transparent ESG reporting improves stakeholder trust and enhances investor confidence. Companies that provide clearer and more credible environmental disclosures are better positioned to attract investment and maintain positive relationships with regulators, communities, and civil society groups.
4. Weak enforcement of environmental laws remains a major challenge. Regulatory agencies are hampered by inadequate funding, limited technical capacity, and poor coordination, allowing many environmental violations to go unaddressed.
5. Environmental sustainability has not been fully integrated into corporate governance structures. ESG concerns are often treated as peripheral, with limited consideration of environmental risks in board-level decision-making, risk management, and long-term strategy.
6. ESG compliance in Nigeria is largely voluntary and driven by external pressure from foreign investors or multinational parent companies, rather than domestic legal requirements.
7. Structural and infrastructural constraints such as inadequate waste management systems, limited access to renewable energy, and weak technological capacity increase the cost and difficulty of ESG implementation.
8. ESG reporting is often inconsistent and poorly standardised, with limited use of measurable performance indicators, reducing transparency and stakeholder ability to assess performance.
7. Limited community participation and weak civil society engagement reduce the overall effectiveness of ESG frameworks. The absence of strong public oversight weakens pressure on corporations and regulators.

5.3 Recommendations

The study recommends the following:

1. **Promote consistent and credible ESG reporting:** Companies should adopt standardized ESG reporting frameworks with measurable performance indicators. Clear and transparent disclosures will improve stakeholder trust, attract investment, and enhance corporate reputation, particularly with both local communities and international partners.
2. **Encourage ESG integration into corporate strategy:** Firms should embed environmental sustainability into governance structures, establishing board-level oversight committees and incorporating environmental risk assessments into long-term decision-making. This integration will strengthen corporate accountability and reputation.
3. **Strengthen enforcement of environmental laws and ESG regulations:** Regulatory agencies should be adequately funded, staffed, and empowered to monitor compliance and impose sanctions. Effective enforcement of statutes like the Environmental Impact Assessment Act and NESREA Act will reduce violations, incentivize compliance, and reinforce ESG credibility.
4. **Transition from voluntary to mandatory ESG disclosure:** Policymakers and regulators, including the SEC and Financial Reporting Council of Nigeria, should enforce mandatory ESG reporting, particularly for large and publicly listed companies. This ensures compliance beyond firms responding only to foreign investor pressures.
5. **Improve inter-agency coordination:** Institutions such as NESREA, the Ministry of Environment, and sector-specific regulators should collaborate closely with shared data systems and clearly defined roles to enhance monitoring and enforcement.

6. **Support ESG adoption through infrastructure and incentives:** The government should invest in waste management systems, renewable energy solutions, and other ESG-friendly infrastructure. Tax incentives, grants, or subsidies for companies implementing sustainable practices especially SMEs will reduce compliance costs.
7. **Promote environmental awareness and capacity building:** Training programs for corporate executives, board members, and regulators on ESG principles and compliance will encourage meaningful and honest reporting.

   Strengthen community participation and civil society engagement: Legal frameworks should empower communities and civil society organizations to monitor corporate environmental practices, enhancing public oversight and driving better ESG compliance.

5.4 Conclusion

The effective integration of ESG principles in Nigeria will signify a crucial step in the country's pursuit of sustainable development and accountable corporate governance. Nigeria is already emerging as a leader in ESG implementation in Africa, amidst considerable environmental challenges, socio-economic disparities, and global sustainability commitments. Nigeria has signalled its capacity to reconcile economic growth with environmental stewardship and social equity through initiatives such as the issuance of sovereign green bonds, corporate sustainability reporting and deploying innovative financing models. These milestones indicate the potential of development of a robust ESG framework that will progressively integrate sustainability into the fundamental aspects of governance and commerce. The journey presents various challenges including regulatory inconsistencies, capacity constraints, and the current voluntary nature of numerous ESG commitments hindering progress. The examined case studies demonstrate the significant positive impact of effectively implemented ESG strategies and the consequences of failing to meet commitments, highlighting the necessity for some mandatory rules sitting side by side with voluntary commitments.

Nigeria must shift from isolated successes to achieving systemic impact to fully realize the potential of ESG. A cohesive legal framework is necessary to establish clear reporting standards, promote innovation in sustainable financing, and ensure accountability at all levels. Collaboration among stakeholders, including government, private-sector entities, and civil society, must transition from mere rhetoric to quantifiable actions. The recommendations include a standardized reporting framework, mandatory ESG impact forecasting, a legal framework to enforce ESG commitments and a legal framework to incentivize ESG practices across SMEs.

ESG initiatives should align with Nigeria's distinct socio-economic context, emphasizing inclusivity and long-term resilience rather than temporary benefits. The potential to transform governance, enhance environmental stewardship, and promote social responsibility is attainable. Through the conversion of ambition into actionable outcomes and the targeted addressing of systemic barriers, Nigeria has the potential to establish itself as a global model for ESG-driven transformation. The future requires a clear purpose, ongoing commitment, and a consistent alignment of business practices with societal advancement. Nigeria will thus safeguard its future and establish a benchmark for others in the global pursuit of sustainability.

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