

# CORPORATE GOVERNANCE IN NIGERIA: LEGAL FRAMEWORK, BOARD RESPONSIBILITIES, AND REGULATORY COMPLIANCE

## Introduction

Corporate governance is the backbone of corporate accountability, transparency, and long-term business sustainability. In Nigeria, recent regulatory reforms and enforcement actions have reinforced the importance of strong governance structures for companies operating across all sectors. For directors, shareholders, investors, and compliance officers, understanding Nigeria's corporate governance framework is no longer optional; it is a legal and fiduciary necessity. This article provides a legal overview of corporate governance in Nigeria, the responsibilities of directors, regulatory expectations, and the consequences of non-compliance.

## Legal Framework Governing Corporate Governance in Nigeria

Corporate governance in Nigeria is regulated through a combination of statutes, sector-specific regulations, and governance codes.

### 1. Companies and Allied Matters Act (CAMA) 2020

Companies and Allied Matters Act 2020 (CAMA 2020) is the primary legislation governing companies in Nigeria. It establishes:

- Directors' fiduciary duties
- Corporate disclosure requirements
- Shareholder rights
- Financial reporting obligations
- Audit and accountability mechanisms

CAMA introduced stronger minority shareholder protections and improved transparency provisions.

## 2. Nigerian Code of Corporate Governance (NCCG) 2018

Financial Reporting Council of Nigeria Issued by the Financial Reporting Council of Nigeria (FRCN), the NCCG 2018 applies to:

- Public companies
- Private companies of significant public interest
- Regulated entities

The Code promotes principles-based governance built around:

- Board effectiveness
- Ethical corporate culture
- Sustainability
- Risk management
- Transparency

Although principles-based, compliance is mandatory on an “Apply and Explain” basis.

## 3. Securities and Exchange Commission (SEC) Code

Securities and Exchange Commission Nigeria

Public companies and capital market operators are subject to additional governance requirements issued by SEC Nigeria, particularly regarding:

- Independent directors
- Audit committees
- Disclosure obligations
- Related-party transactions



## Core Pillars of Corporate Governance

### 1. The Board of Directors

The board is the central organ of governance. Under CAMA 2020, directors owe fiduciary duties to the company, including:

- Duty of care and skill
- Duty of loyalty
- Duty to avoid conflicts of interest
- Duty not to make secret profits

Failure to uphold these duties may result in:

- Personal liability
- Civil penalties
- Disqualification from directorship

### 2. Independent Directors

Independent directors enhance objectivity and prevent management dominance. Nigerian governance codes encourage:

- Separation of Chairman and CEO roles
- Non-executive majority on boards
- Proper independence tests

This reduces insider abuse and improves accountability.



### 3. Internal Controls and Risk Management

Companies must establish:

- Effective internal control systems
- Risk management frameworks
- Whistleblowing mechanisms
- Audit committees

Poor internal controls have been central to major financial scandals in Nigeria.

### Shareholder Rights and Minority Protection

CAMA 2020 strengthened minority protections by allowing:

- Derivative actions
- Protection against unfair prejudice
- Access to company records
- Easier convening of meetings

This reduces oppression by majority shareholders.

### Corporate Governance Failures in Nigeria

Weak governance often results in:

- Financial misstatements
- Insider abuse
- Regulatory sanctions
- Investor distrust
- Corporate collapse

Regulatory agencies such as:

- Corporate Affairs Commission
- Central Bank of Nigeria
- Economic and Financial Crimes Commission

have increasingly intervened in cases of governance breaches



## Enforcement and Sanctions

Non-compliance may attract:

- Monetary penalties
- Director disqualification
- Criminal prosecution (in cases of fraud)
- Regulatory takeover (especially in financial institutions)

In the banking sector, the Central Bank of Nigeria has historically removed directors for governance failures.

### Emerging Governance Trends in Nigeria

- ESG (Environmental, Social & Governance) integration
- Board gender diversity
- Digital compliance monitoring
- Cyber governance oversight
- Increased whistleblower protection

Institutional investors now assess governance ratings before investment decisions.

### What Companies Should Do to Strengthen Governance

- Conduct annual governance audits
- Regular board evaluation exercises
- Maintain robust compliance departments
- Train directors on fiduciary duties
- Implement conflict-of-interest registers
- Strengthen whistleblower policies

Corporate governance is not merely regulatory compliance; it is strategic risk management.



## Conclusion

Corporate governance in Nigeria has evolved from a soft-recommendation framework into a structured, enforceable compliance system. With CAMA 2020 and the Nigerian Code of Corporate Governance 2018, companies must now adopt transparency, accountability, and ethical leadership as operational standards. For directors and business owners, governance is not just about avoiding penalties; it is about building sustainable, investor-ready, and legally resilient enterprises.

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