



WHISTLEBLOWING MECHANISMS: LEGAL CONSIDERATIONS AND PRACTICAL IMPLEMENTATION IN NIGERIA

1. INTRODUCTION

Whistleblowing has emerged as an essential tool for corporate governance and regulatory compliance in modern organizations. It serves as a mechanism through which employees, directors, vendors, shareholders, and other stakeholders can report suspected misconduct, unethical practices, fraud, corruption, regulatory breaches, or other wrongdoing within an organization.

In both public and private sector governance, an effective whistleblowing framework promotes transparency, accountability, ethical culture, and early risk detection. It also enables organizations to identify misconduct before it escalates into significant legal, financial, and reputational liabilities.

In Nigeria, whistleblowing is increasingly recognized as a critical component of sound corporate governance, particularly within regulated sectors such as banking, capital markets, insurance, and public administration.

2. CONCEPT OF WHISTLEBLOWING

Whistleblowing refers to the disclosure of information relating to actual, suspected or potential misconduct within an organization to an internal authority, regulator, law enforcement agency or other appropriate body.

Reportable misconduct may include:

- fraud and financial misappropriation;
- bribery and corruption;
- regulatory non-compliance;
- abuse of authority;
- workplace harassment or discrimination;
- falsification of records;
- health, safety, and environmental violations;
- breaches of company policies and ethical codes.

Whistleblowers may include employees, former employees, contractors, consultants, customers, shareholders or any stakeholder with knowledge of wrongdoing.

3. LEGAL AND REGULATORY FRAMEWORK IN NIGERIA

Unlike some jurisdictions with dedicated whistleblower protection statutes, Nigeria does not yet have a single comprehensive whistleblower protection law. However, the framework is derived from policies and governance codes.

3.1. Nigerian Code of Corporate Governance 2018 (NCCG)

The most important corporate governance authority is the **Nigerian Code of Corporate Governance 2018**¹, issued by the Financial Reporting Council of Nigeria.

Principle 19² specifically mandates boards to establish an effective whistleblowing framework that encourages reporting of unethical conduct, ensures confidentiality, guarantees protection from retaliation, provides accessible reporting channels, ensures prompt investigation and remediation. The Code places direct responsibility on the Board of Directors to oversee the effectiveness of the whistleblowing system.

This is particularly relevant for companies seeking compliance with corporate governance best practices.

3.2. Federal Government Whistleblowing Policy (2016)

The Federal Government introduced the Whistleblowing Policy in 2016 through the Federal Ministry of Finance to encourage the reporting of corruption, financial misconduct, and theft of public funds. The policy provides channels for reporting financial crimes and, in some cases, monetary rewards for information leading to the recovery of

¹ Nigerian Code of Corporate Governance 2018, Financial Reporting Council of Nigeria.

² Principle 19, Nigerian Code of Corporate Governance 2018, Financial Reporting Council of Nigeria.

stolen assets. The government has since indicated efforts to strengthen the policy with formal legislation. Although this policy primarily applies to public sector corruption reporting, it has influenced private-sector governance standards.

A key feature of the Policy is the reward scheme for whistleblowers. While concerns regarding false reports are valid, they can be mitigated through robust safeguards. For instance, whistleblowers should be required to provide corroborative evidence and demonstrate a reasonable belief that misconduct occurred. Additionally, imposing penalties for submitting false reports can deter malicious or baseless reports. By implementing these measures, the risk of abuse can be minimized while ensuring that genuine whistleblowers are incentivized to expose wrongdoing.

3.3. Sector – Specific Regulations.

3.3.1. The CBN Guidelines for Whistleblowing for Banks and Other Financial Institutions in Nigeria 2014 (the “CBN Guidelines”)

The CBN Guidelines apply to all financial institutions regulated by the CBN and provides for the reporting of financial or ethical misconduct of employees, directors, management and other stakeholders of banks or other financial institutions, on any acts of misconduct to appropriate authorities³. These include financial malpractice, fraud, legal or regulatory violations, criminal activities, unethical behavior, corporate governance breaches, insider abuses, non-disclosure of conflicts of interest, and any attempts to conceal such actions. Additionally, it covers actions harmful to health, safety, or the environment⁴.

The CBN Guidelines further requires banks and financial institutions to establish and publicize whistleblowing policies, by making them available on their websites⁵. The board of these organizations are responsible for implementing the policies and creating mechanisms, such as confidential hotlines and email systems, to encourage reporting of unethical or illegal activities⁶. Whistleblowers can report violations of banking laws, internal policies, or any concealed infractions to the organization, the CBN or other relevant authorities.

In terms of protection, banks and financial institutions are prohibited from subjecting whistleblowers to any form of detriment or retaliation including dismissal, termination, or withholding benefits. If a whistle-blower suffers retaliation, they can file a complaint with the CBN or pursue legal action⁷.

³ Section 1.0 of the CBN Guidelines

⁴ Section 2.0 of the CBN Guidelines

⁵ Section 3.1 of the CBN Guidelines

⁶ Section 3.2 of the CBN Guidelines

⁷ Section 4.6 of the CBN Guidelines

3.3.2. The Investments and Securities Act 2007 (the “ISA”)

The ISA contains notable whistleblowing provisions, guaranteeing the right of an employee of a capital market operator or public company to disclose any information connected with the activities of his workplace, which indicates that a criminal offense has been or is likely to be committed. Also, whether someone has failed or is failing to meet a legal obligation and any attempt to conceal such information⁸. The ISA further provides for reporting channels requiring disclosures to be made in good faith to the individual’s employer and where his employer fails, refuses or omits to act, to the SEC⁹.

Laudably, employers are prohibited from subjecting an employee to any detriment¹⁰ for making a disclosure and the ISA affords such individual the opportunity to present a complaint to the SEC in the event he/she is subjected to such detriment¹¹.

Other sector specific laws on whistleblowing include the Rulebook of the Nigerian Stock Exchange 2015, Revised Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014; the Code of Corporate Governance for Public Companies in Nigeria 2011 and the Whistleblowing Guidelines for Pensions 2008.

4. KEY LEGAL CONSIDERATIONS

4.1. Confidentiality and Anonymity

A central legal issue in whistleblowing is protection of the whistleblower’s identity. An organization’s policy must clearly provide for anonymous reporting, restricted access to reports, data privacy controls and confidentiality obligations for investigators. Failure to preserve confidentiality may expose the company to liability and undermine trust in the mechanism.

4.2. Protection Against Retaliation

Whistleblowers must be protected against adverse consequences such as dismissal, suspension, demotion, victimization, workplace intimidation and discrimination. Anti-retaliation clauses should be expressly stated in the whistleblowing policy and incorporated into employment and disciplinary frameworks.

4.3. Good Faith Reporting

Legal protection should extend only to reports made honestly and in good faith, even where the allegation ultimately proves unfounded. Malicious, frivolous, or knowingly false reports may attract disciplinary sanctions.

⁸ Section 306(1) ISA

⁹ Section 306(3) ISA

¹⁰ Section 360 (1) ISA

¹¹ Section 360(5) ISA

4.4. Investigation and Due Process

Organizations must ensure that every report is investigated in accordance with principles of fairness and natural justice. This includes independent fact-finding, documentation of evidence, opportunity for response by the accused party, fair disciplinary procedures.

4.5. Data Protection and Privacy Compliance

Any processing of personal data carried out while handling reports of wrongdoing must be done in accordance with Nigerian data protection laws¹². Organizations are required to ensure that processing of any personal data falls within the legal basis for processing provided in the Nigeria Data Protection Act 2023. In the context of whistleblowing, possible basis for lawful processing may include consent, legal obligation or legitimate interests.



5. DESIGNING AN EFFECTIVE WHISTLEBLOWING FRAMEWORK

An effective whistleblowing system must be both legally compliant and operationally functional.

5.1. Whistleblowing Policy

A formal whistleblowing policy approved by the Board should clearly define:

- Purpose and scope
- Reportable conduct
- Eligible reporters
- Reporting channels
- Investigation procedures
- Protection measures
- Sanctions for misconduct

¹² The Nigeria Data Protection Act 2023, the Nigeria Data Protection Regulation (NDPR) 2019 and the NDPR Implementation Framework 2020

The policy should be widely communicated across the organization.

5.2. Reporting Channels

An effective internal whistleblowing framework relies heavily on the establishment of robust and accessible reporting channels. Organizations should establish internal reporting channels designed to facilitate disclosures, while ensuring that employees feel protected and supported when raising concerns.

These channels may include:

- Dedicated email addresses
- Anonymous hotlines
- Secure web portals
- Designated compliance officers
- Audit committee reporting lines
- Independent third-party reporting platforms

The use of independent external hotlines often improves credibility and anonymity.

5.3. Governance Oversight

Whistleblowing Oversight should rest with any of the following;

- Board Audit Committee,
- Risk and Compliance Committee,
- Company Secretary / Legal Department,
- Internal Audit and Chief Compliance Officer.
- Periodic reports should be escalated to the Board.

5.4. Investigation Protocol

A standard investigation protocol should cover;

- Receipt and logging of complaint,
- Risk assessment,
- Assignment of investigator,
- Evidence collection,
- Witness interviews,
- Findings report,
- Remedial action,
- Closure and monitoring.

5.5. Training and Awareness

A whistleblowing system is ineffective if stakeholders are unaware of it. Regular training should be conducted for;

- Staff, directors,
- Contractors and
- Stakeholders.
- This should be supported by periodic policy circulation and onboarding compliance sessions.

6. DRAWBACKS OF WHISTLEBLOWING MECHANISMS

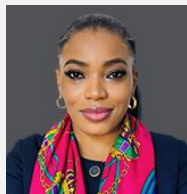
Common implementation challenges include lack of comprehensive whistleblowing legislation, limited protection for whistleblowers, fear of retaliation, lack of trust in management, cultural resistance, poor investigation processes, abuse of anonymous channels and inadequate Board oversight. In many Nigerian institutions, the major challenge remains lack of confidence that reports will lead to impartial action.

CONCLUSION

Whistleblowing mechanisms are indispensable to effective governance, risk management, and legal compliance. For Nigerian organizations, compliance with the NCCG 2018, sector regulations, and evolving government policy is no longer merely a best practice but an essential governance requirement.

A well-implemented whistleblowing framework strengthens ethical culture, reduces fraud exposure, and protects institutional integrity. Boards and management must therefore ensure that whistleblowing systems are accessible, confidential, independently managed, and legally protective of good faith reporters.

AUTHORS

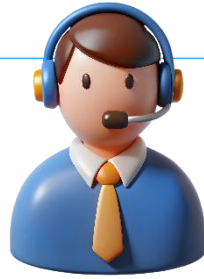


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How We Can Support



At **First Fiduciary Limited**, we support organizations in the design, review and implementation of whistleblowing frameworks that are aligned with regulatory requirements and international best practices.



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