CORPORATE GOVERNANCE AND MANAGERIAL REMUNERATIONS IN NIGERIA AND LESSONS FROM THE UNITED KINGDOM

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Abstract

This paper took an in-depth approach using the doctrinal research method to evaluate managerial remunerations in Nigeria. This paper examines the remuneration of directors as contained in the articles of the company or as determined by the Company in general meeting. It also extensively reviewed loans to directors, payment by companies for loss of office of directors. Firstly, it analyses directors' remuneration as provided in a company's articles of association and as fixed by resolutions at general meetings, and clarifies the legal status of remuneration fixed by the articles as a company debt when a director assumes office under those terms. Second, it examines loans to directors and related payments, including payments for loss of office, assessing their legality, supervisory safeguards, and potential conflicts of interest. Third, it reviews corporate governance mechanisms designed to align remuneration with performance considering Nigerian codes and comparative measures such as the United Kingdom's non-binding advisory shareholder vote on executive pay, and evaluates whether these measures both promote accountability and remain sufficient to attract and retain competent directors. The paper concludes with recommendations to strengthen statutory and governance frameworks to ensure transparency, investor protection, and managerial accountability in Nigeria.

Keywords: Managerial Remunerations, Company General Meeting, Corporate Governance Codes, Non-binding Advisory Votes.

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1.0 INTRODUCTION

Directors' remuneration has become an essential aspect of corporate governance, influencing organizational performance, executive motivation, and shareholder confidence. In Nigeria, as in many other economies, the issue of directors' pay has generated significant debate due to concerns about fairness, corporate accountability, and regulatory compliance. The determination of directors’ compensation involves several factors, including company size, financial performance, industry standards, and legal frameworks; while also responding to increasing globalization of business and evolving corporate governance regulations.[1]

Nigeria’s statutory and regulatory architecture frames how remuneration decisions are made and disclosed. These includes instruments such as the Companies and Allied Matters Act, the Nigerian Code of Corporate Governance (2018), the Securities and Exchange Commission (SEC), which provide guidelines aimed at ensuring fair, transparent, and performance-linked remuneration structures. Despite these measures, persistent problems remain: inconsistent pay scales across firms, insufficient disclosure of remuneration policies and figures, conflicts of interest in remuneration committees, and instances of excessive or self-dealing compensation.[2] Such weaknesses have been associated with mismanagement, manipulation of share prices, and misstatements in financial reporting.

These recurring governance gaps highlight a need for stronger oversight. Periodic financial and governance audits offer a practical

[1] Umeobika Queen and Oti-Onyema Amarachi,” CORPORATE GOVERNANCE AND DISCLOSURE OF DIRECTORS' REMUNERATION IN NIGERIA: THE ROLE OF AUDITORS” (2026) vol. 4, No. 1 African Journal of Legal Research [AJLR] <https://share.google/VWZ1SWf9Mza8N5RW8> 31 July 2026.

[2] ibid

mechanism to detect, deter, and remedy abuses in directors' remuneration.[3] This paper therefore examines the regulatory framework governing directors' pay in Nigeria, identifies common weaknesses in practice, and evaluates the role of corporate governance in promoting transparency, accountability, and alignment of remuneration with company performance.

2.0 Concept of Director's Remuneration

Remuneration is something given in exchange for goods or services rendered; in a corporate context it is the reward for responsibilities discharged in the interest of the company by directors.

Remuneration is the compensation or reward paid to a person in return for services rendered or duties performed. It encompasses salaries, wages, fees, commissions, bonuses, allowances, and other forms of financial compensation.[4]

Directors' remuneration therefore refers to the total financial and non-financial compensation that company directors receive for their roles in managing a company.[5] It is the complete compensation package awarded to directors in exchange for their services and duties. Remuneration serves several functions: it acts as an incentive for effective corporate governance and performance, helps attract and retain qualified leadership, and aligns directors' interests with those of shareholders.[6] Directors' remuneration refers to payments made to

[3] ibid
[4] Black's Law Dictionary (11th edn, Thomson Reuters 2019) 1553.
[5] CAMA Section 293
[6] Kuruye Douglas: A CRITIQUE OF EXECUTIVE DIRECTORS' REMUNERATION IN NIGERIA AND BOARD OF DIRECTORS' ROLE IN REMUNERATION GOVERNANCE " (2024) 4(8) The journal of law and policy <https://www.researchgate.net/publication/398498812_A_CRITIQUE_OF_EXECUTIVE_DIRECTORS'_REMUNERATION_IN_NIGERIA_AND_BOARD_OF_DIR

board members for their services and the complete package of compensation they receive.

Beyond base salary, this package commonly includes bonuses, stock grants, options, and other benefits. Remuneration tied to performance adds complexity, since pay structures intended to incentivize desirable outcomes can also create perverse incentives. The level and structure of directors' pay are important determinants of corporate financial performance and, by reflect both individual director performance and overall corporate performance.

At the heart of corporate governance is the mitigation of agency problems. An agency relationship arises when shareholders (principals) appoint directors and managers (agents) to manage the company and protect shareholder value.[7] Executive remuneration is often designed to reduce this principal-agent conflict by aligning managers' incentives with shareholders' interests.

2.1 Nigerian Statutory and Regulatory Authorities on Directors' Remuneration

The regulation of directors' remuneration in Nigeria is governed by a combination of statutory provisions, corporate governance codes, and sector-specific regulatory instruments. The principal authorities include:

a. Companies and Allied Matters Act (CAMA) 2020

The Companies and Allied Matters Act 2020 is the principal legislation regulating companies in Nigeria. It provides the legal

ECTORS'_ROLE_IN_REMUNERATION_GOVERNANCE> accessed 29 July, 2026.

[7] ibid

framework for the appointment, remuneration, disclosure, and compensation of directors. Under the Act, directors' remuneration is generally determined by the company in a general meeting, while executive directors may also receive remuneration pursuant to their service contracts. CAMA further requires disclosure of directors' emoluments in the company's financial statements and regulates compensation for loss of office.[8]

b. Nigerian Code of Corporate Governance (NCCG) 2018

Issued by the Financial Reporting Council of Nigeria pursuant to the Financial Reporting Council of Nigeria Act, the Nigerian Code of Corporate Governance 2018 establishes best-practice principles on remuneration governance. Principle 16 requires that directors' remuneration be fair, responsible, transparent, competitive, and aligned with the long-term interests of the company and its shareholders. It also recommends the establishment of a remuneration committee composed predominantly of non-executive directors and requires adequate disclosure of remuneration policies in annual reports.[9]

c. Financial Reporting Council of Nigeria Act

The Financial Reporting Council of Nigeria is responsible for developing and enforcing accounting, auditing, actuarial, valuation, and corporate governance standards in Nigeria. Through the issuance and monitoring of the Nigerian Code of Corporate Governance, the Council plays a significant role in ensuring transparency and accountability in directors' remuneration disclosures.[10]

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[8] Companies and Allied Matters Act 2020.

[9] Financial Reporting Council of Nigeria, *Nigerian Code of Corporate Governance* (2018).

[10] ibid

d. Securities and Exchange Commission Rules and Corporate Governance Guidelines

Public companies and capital market operators are additionally regulated by the Securities and Exchange Commission. The SEC Rules impose disclosure obligations concerning executive compensation, related-party transactions, and corporate governance practices in annual reports. Listed companies are expected to maintain remuneration policies consistent with good corporate governance and shareholder accountability.[11]

e. Central Bank of Nigeria Corporate Governance Code

Banks, discount houses, financial holding companies, and other financial institutions are subject to the Central Bank of Nigeria's corporate governance regulations. These codes impose stricter remuneration requirements, including linking remuneration to risk management, long-term performance, deferred bonuses, and claw-back mechanisms where appropriate.[12]

3.0 NIGERIAN REMUNERATION GOVERNANCE PRINCIPLE 16

The Board ensures that the Company remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.[13] Recommended Practices:

16.1 The Board should assume responsibility for the governance of remuneration by setting the direction for how remuneration should be addressed on a Company-wide basis.

[11] Securities and Exchange Commission, *Rules and Regulations* (SEC) 2025
[12] Central Bank of Nigeria, *Code of Corporate Governance (*CBN) 2023
[13] Nigerian Code of Corporate Governance (NCCG) 2018

16.2 The Board should approve policies that articulate and give effect to its direction on fair, responsible and transparent remuneration.

16.3 The remuneration policy should be designed to attract, motivate, reward and retain high-performing human capital.

16.4 The Board should periodically confirm that the implementation and execution of the remuneration policy achieve its objectives.

16.5 Remuneration for NEDs should be fixed by the Board and approved by shareholders in the General Meeting.

16.6 The remuneration of the MD/CEO and EDs should be structured to link rewards to corporate and individual performances and include a significant component that is related to long-term corporate performance, such as stock options and bonuses. Mechanisms may be considered to align payment of certain components of the remuneration of the MD/CEO and EDs with the achievement of longer-term goals.

16.7 The MD/CEO and EDs should not be involved in the determination of their remuneration.

16.8 The Company's Remuneration Policy as well as remuneration of all Directors should be disclosed in the Company's annual report.

16.9 Companies should implement a claw back policy to recover excess or undeserved reward, such as bonuses, incentives, share of profits, stock options, or any performance-based reward, from Directors and senior employees.

16.10 Claw back can be triggered if the account or financial performance on which the reward was based is later found to be materially false, misstated, misleading, erroneous, etc. or in instances of misdemeanor, fraud, material violation of Company policy or material regulatory infractions.

16.11 The MD/CEO and EDs should not receive sitting allowances for attending meetings of the Board or its committees and Director's fees from the Company, its holding company or subsidiaries. Their remuneration should however encompass recompense for time spent on the Board, its committees, and related work.

16.12 NEDs should not receive performance-based compensation as it may lead to bias in their decision-making and compromise their objectivity.

16.13 NEDs may be paid sitting allowances, Directors' fees and reimbursable travel and hotel expenses. These payments, in addition to any other allowances and benefits made to NEDs, should be disclosed in the Company's annual report.

16.14 Subject to the provisions of extant laws, the Company may pay compensation for loss of office or retirement to Directors. In the case of the MD/CEO, EDs and senior management, the compensation payable for any loss of office or termination of appointment should be consistent with their contractual terms, fair and not excessive.

2.1 Directors' Remuneration under Common Law

Under common law, company directors were expected to gratuitously offer their services and so were not entitled to receive remuneration except they had been specifically employed for services. This common law position is retained in the CAMA 2020, which provides to the effect that a company is not bound to remunerate its directors except it has agreed to do so.[14] In Re George Newman and Co,[15] it was held that directors had no right to be remunerated for their work and cannot pay themselves or each other, or make presents to themselves out of the assets of the company, except same has been authorized by the company's constitution or by the shareholders at a properly convened general meeting.

Again, in Re New British Iron Co,[16] it was held that the articles of association does not in itself constitute a contract between the company and the directors, but that where on the strength of the articles of association the directors are employed by the company and accepted the office, the terms of the articles of association are included in the contract of service and forms part of the contract of service between the company and the directors. Further, in Loftus v Roberts,[17] the articles of association authorized the general meeting to determine the remuneration of directors. The court held that no action to recover fees could be based on a promise to pay as the articles of association

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[14] CAMA 2020, s293(4); Kuruye Douglas, "A CRITIQUE OF EXECUTIVE DIRECTORS' REMUNERATION IN NIGERIA AND BOARD OF DIRECTORS' ROLE IN REMUNERATION GOVERNANCE " (2024) 4(8) The journal of law and policy <https://www.researchgate.net/publication/398498812_A_CRITIQUE_OF_EXECUTIVE_DIRECTORS'_REMUNERATION_IN_NIGERIA_AND_BOARD_OF_DIRECTORS'_ROLE_IN_REMUNERATION_GOVERNANCE> accessed 29 July, 2026.

[15] (1895) 1 ch 674

[16] (1898) 1 ch 324

[17] (1902) 18 TLR 532; Kuruye Douglas: A CRITIQUE OF EXECUTIVE DIRECTORS' REMUNERATION IN NIGERIA AND BOARD OF DIRECTORS' ROLE IN REMUNERATION GOVERNANCE " (2024) 4(8) The journal of law and policy <https://www.researchgate.net/publication/398498812_A_CRITIQUE_OF_EXECUTIVE_DIRECTORS'_REMUNERATION_IN_NIGERIA_AND_BOARD_OF_DIRECTORS'_ROLE_IN_REMUNERATION_GOVERNANCE> accessed 29 July, 2026.

merely created an option of payment since the company has the liberty to pay or not to pay. However, in Re Richmond Gate Property Co Ltd,[18] the court held that an article providing that the remuneration of the Managing Director (MD) was to be determined by the board of directors created an explicit contract between the company and the MD.

In view of section 46 (1) of the CAMA 2020, where a company's articles of association provides to the effect that the remuneration of directors is to be determined by the company at general meeting, it is argued that an obligation to pay remuneration is created and same can be enforced by the directors since a company's memorandum and articles of association, when registered, have the effect of a deed between the company and its members and officers, and between the members and officers themselves. In Oteri Holdings Ltd v Mofta West Africa Ltd,[19] and Haston (Nig) Ltd v African Continental Bank Plc,[20] it was respectively held that directors are under a duty to act in the best interests of the company as a whole.

The interest of the company is usually construed to signify the interest of all the shareholders taken as a group.[21] In connection with fixing of executive directors' remuneration, the duty to act in the best of the company as a whole requires members of a company's board to ensure that shareholders' wealth are not transferred to executive directors

[18] Kuruye Douglas: A CRITIQUE OF EXECUTIVE DIRECTORS' REMUNERATION IN NIGERIA AND BOARD OF DIRECTORS' ROLE IN REMUNERATION GOVERNANCE " (2024) 4(8) The journal of law and policy <https://www.researchgate.net/publication/398498812_A_CRITIQUE_OF_EXECUTIVE_DIRECTORS'_REMUNERATION_IN_NIGERIA_AND_BOARD_OF_DIRECTORS'_ROLE_IN_REMUNERATION_GOVERNANCE> accessed 29 July, 2026.

[19] (2021) LPELR-54853(CA)

[20] (2002) FWLR (Pt 119) 1476

[21] ibid

through exorbitant remuneration.[22] The board must have regard to the company's performance as well as individual director's performance in fixing executive directors' remuneration. Observance of the duty to act in the best of the company requires that members of a company's board preserve the assets of the company from wastage. Therefore, members of a company's board should avoid approving exorbitant remuneration for executive directors that would amount to diversion of shareholders' wealth.[23]

3.0 DIRECTORS REMUNERATION AND PAYMENTS

Since the early 1990s, directors' remuneration has been a recurring corporate governance issue.[24] Regulators, lawmaker and policymakers have grappled with how to contend instances where directors are overpaid to the detriment of the company and its members. It is often the case that some directors may award themselves fat salaries and huge perks which are not tied to corporate performance. The issue with these perks and payments is that they may be paid at a time the company is underperforming. It is also customary for directors to allocate unauthorized, undisclosed and untaxed offshore salaries in foreign currency to the detriment of their firms.[25]

One consistent recommendation of corporate governance codes is that companies should design remuneration packages that are tied to performance and are sufficient to attract and retain directors who are competent and have the requisite capacity.[26]

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[22] ibid
[23] ibid
[24] Ndzi Ernestine, 'Director's pay regulation: "one goal, two approaches"' (2016) 58(3) *International Journal of Law and Management* < https://www.sciencedirect.com/org/science/article/abs/pii/S1754243X16000486 > accessed 4 August 2026.
[25] Cadbury Nig. Plc v Olubunmi Oni (SC. 546/2013) [2016] NGSC 97
[26] Nigerian Code of Corporate Governance, 2018 Art A.11.3.1

Some companies have justified the huge remuneration of directors based on the depth of experience they bring to the management and the crucial role they play in general. Hefty remunerations have also been justified because attracting and retaining capable directors prove difficult in a highly competitive market unless the package is attractive.

On the ground of increasing remuneration at a time of low performance, it has been argued that some of the groundwork of directors may only yield in the long term, as such compensating them significantly in the present even when the company is underperforming or the markets may not capture the reality on the ground.

In a bid to address some concerns to directors' remuneration, some countries have enacted 'say on pay' provisions, which empower shareholders to have a say on remuneration proposals put forward by Directors.[27]

In 2006, for example, the United Kingdom introduced a non-binding advisory vote by shareholders on executive remuneration.[28] The United States and Australia have also adopted similar requirements.[29] Nigeria has also legislated on directors' remuneration. Generally, a director is not entitled to be remunerated by companies, although he may be paid for travelling, hotel and other expenses incurred in

[27] Joel Corley and Sabina Medavnic, "Executive remuneration under scrutiny: The cutting edge of the shareholder spring", (2013)1-16. ISSN 1836 – 1110 Corporate Governance eJournal.
[28] Companies Act 2006 S. 439
[29] Dodd Franks wall Street Reform and Consumer Protection Act 2011, Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011

attending and returning from meetings they participate in relation to it.[30]

That said, a Company may remunerate its executive directors from its fund if its members so determine in a general meeting.[31] The remuneration of directors accrues day to day[32] and may be inserted into the articles. Where such is the case, the article provisions shall only be alterable by a special resolution.[33] But a company may pay the travelling, hotel and other expenses, which its directors incur in attending and returning from meetings or for work done in connection with company's business.[34]

Then it makes it a misfeasance for a director to receive more than what he is entitled to, but it is not specified what is meant by receiving more than he is entitled to. Ideally, this should mean receiving more than what was approved for him or more than a director is ordinarily worth.[35]

The company is entitled to demand an account from Directors who are paid in excess and may recover such sums from them. CAMA also prohibits directors from making unnecessary benefits.[36]

The remuneration of a director who assumes office on the basis of the articles shall be a debt from the company to him, for which he may be able to sue or prove in liquidation. But a managing director may be

[30] s. 293- 300, CAMA 2020
[31] Ibid. s. 293(4)
[32] Ibid. s. 293(1)
[33] Ibid. s. 293(3)
[34] Ibid. s. 2293(2)
[35] But adopting another view would infringe on the principle of sanctity of contract and the freedom to contract. Recall that Company law is partially governed by the law of Contract
[36] s. 306(1) CAMA 2020

remunerated by salary, commission or participation in profits or partly in one way and partly in another. And this remuneration will be determined by the Company's board.

In essence, while directors are not ordinarily entitled to be remunerated managing and other executive directors are entitled to be paid for work done because they function under employment contracts, and sit on the company's board. And where they operate without employment contracts they would be paid on a quantum merit.

A Company that decides to remunerate its directors can only do so with the approval of its members in a general meeting, and such payments can only be made out of its fund.

Besides, a director's remuneration may be inserted in the company's articles. In that respect, where a director assumes office based on the articles, his remuneration will be debt from the Company for which he may sue or prove in liquidation.[37] This is contained in section 293 CAMA which states as follows:

1. The remuneration of the directors is determined by the company in general meeting and such remuneration is deemed to accrue from day-to-day.
2. The directors may also be paid travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors, committee of the directors, general meetings of the company or in connection with the business of the company.

[37] CAMA 2020 S. 293; Ojora v (Nig) Plc (2014) 1 NWLR (pt. 1387)

3. Where remuneration has been fixed by the articles, it is alterable only by a special resolution.
4. A company is not bound to pay remuneration to directors, but where the company agrees to pay, the directors shall be paid such remuneration out of the fund of the company.
5. The amount of remuneration is a debt from the company, so that If directors take office based on the articles, they shall be able to sue the company on account of the debt or prove it in liquidation.
6. A director who receives more money than he is entitled to is guilty of misfeasance and is accountable to the company for such money.
7. The remuneration of directors is apportionable.

3.1 Managing Director's Remuneration

A managing director receives such remuneration (whether by way of salary, commission, and participation in profits, or partly in one way and in another) as the directors may determine.[38] Some instances are provided in CAMA, such as section 294(2) on where a managing director is removed for any reason under Section 288 of this Act, he may claim for breach of contract if there is any, or where a contract could be inferred from the terms of the articles. Section 294 (3) states that where he performs some services without a contract, he is entitled to payment on a quantum merit. Section 295(1) states that it is not lawful for a company to pay a director remuneration (whether as director or otherwise) free from income tax, or calculated by reference to or varying with the amount of his income tax, or at or with the rate or standard rate of income tax, except under a contract which was in effect at the commencement of CAMA 2020 and provides expressly, and not by reference to the articles, for payment or remuneration.

[38] CAMA 2020 S. 293-297

Hence, Directors are remunerated based on the provisions clearly stated in the CAMA and situations or circumstances not stated in this Act to the remuneration of directors will not be adhered to strictu sensu. There are certain situations where a director can receive monetary benefits from the company which could be through loans to carry out his duties to the company, it could also be compensation from loss of office as approved by the company.

3.1.1 Prohibition of Loans to Director in Certain Circumstances

The CAMA provides for certain circumstances which prohibits loans given to directors unless approved by the company at its general meeting to meet expenditure incurred in the discharge of his duties at the company.

Section 296 CAMA provides that:

1. It is not lawful for a company to make a loan to any person who is its director or a director of its holding company, or to enter into any guarantee or provide any security in connection with a loan made to such a person.[39]

a. Provided that nothing in the above applies, anything done to provide any such person as mentioned with funds to meet expenditure incurred or to be incurred by him for the purpose of enabling him to properly discharge his duties as an officer of the company.

b. In the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business.

[39] CAMA 2020 S. 296

2. The above does not authorize the making of any loan, or the entering into any guarantee, or the provision of any security except-

(a) With the approval of the company given at a general meeting at which the purposes of the expenditure, the amount of the loan or the extent of the guarantee or security, are disclosed; or

(b) On condition that, if the approval of the company is not given as required above or before the next annual general meeting, the loan shall be repaid or the liability under the guarantee or security shall be discharged within six months from the conclusion of that meeting.

3. Where the approval of the company is not given as required by any such condition, the directors authorizing the making of the loan, the entering into the guarantee or the provision of the security, are, jointly and severally liable to indemnify the company against any loss arising from it.[40]

3.1.2 Payment by Company for Loss of Office - Section 297 Cama

A company shall not make to any director of the company any payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office, unless particulars with respect to the proposed payment and the amount have been disclosed to members of the company and the proposal is approved by the company.[41]

If in connection with the transfer of the whole, or any part of the undertaking or property of a company; it is proposed to make payment to a director of the company by way of compensation for loss of

[40] CAMA 2020, s. 297(3)

[41] CAMA 2020, s. 297

office, or as consideration for or, in connection with his retirement from office; the payment is unlawful unless particulars with respect to the purpose and the amount have been disclosed to members of the company and the proposal is approved by the company.[42] From the foregoing, a director can be remunerated based on either loss from office or retirement from office as long as it is clearly disclosed to the members of the company and approved accordingly.

4.0 THE UK NON-BINDING (ADVISORY) SHAREHOLDER VOTE ON DIRECTORS' REMUNERATION

The CAMA 2020 contains no specific provision mandating directors to prepare directors' remuneration report. In the United Kingdom, section 420 of the Companies Act 2006, as amended (CA 2006) requires directors of a quoted company to prepare directors' remuneration report for each financial year of the company. However, regulation 11 of the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 of the United Kingdom amended chapter six of the CA 2006 by extending its provisions to traded companies.

It is pertinent to state that section 437 (1) of the CA 2006 requires that copies of annual accounts and directors' reports must be laid before the company in general meeting by directors of a public company.[43] Before the holding of the accounts meeting, directors of a quoted company must give to the members of the company entitled to receive

[42] CAMA 2020, s. 298(1)

[43] Kuruye Douglas" A CRITIQUE OF EXECUTIVE DIRECTORS' REMUNERATION IN NIGERIA AND BOARD OF DIRECTORS' ROLE IN REMUNERATION GOVERNANCE " (2024) 4(8) The journal of law and policy <https://www.researchgate.net/publication/398498812_A_CRITIQUE_OF_EXECUTIVE_DIRECTORS'_REMUNERATION_IN_NIGERIA_AND_BOARD_OF_DIRECTORS'_ROLE_IN_REMUNERATION_GOVERNANCE> accessed 29 July, 2026.

notice of the accounts meeting notice of their intention to move at the accounts meeting an ordinary resolution for approving directors' remuneration report for the financial year.[44]

Further, section 431 (1) (ba) of the CA 2006 as amended by regulation 16 of the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 entitles a company's member or debenture holder for an unquoted company to be provided, on demand and without charge, the last directors' remuneration report. It is important to add that boards of directors in the United Kingdom are advised to adopt remuneration schemes that encourage long-term shareholdings by executive directors that support alignment with long-term shareholder interests.[45] The Corporate Governance Code 2018 (CGC 2018) of the United Kingdom recommends that share rewards granted as part of remuneration scheme should be released for sale on a cycled basis and be subject to absolute vesting and holding period of five years or more.

The United Kingdom requires listed companies to hold an annual non-binding (advisory) shareholder vote on the directors' remuneration report.[46] This requirement is mandated by the UK Listing Rules and reinforced by the UK Corporate Governance Code.[47] The advisory vote increases transparency, strengthens shareholder engagement, and incentivizes alignment between executive pay and long-term corporate performance while preserving board discretion over remuneration decisions.

The advisory vote covers the directors' remuneration report, which comprises the remuneration policy (the framework for future pay) and

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[44] CA 2006, S 439 (1).
[45] CGC 2018, provision 36.
[46] UK Companies Act 2006 Section 439A as amended by the companies (Directors' Remuneration policy and Directors' Remuneration Report) Regulations 2013.
[47] ibid

the implementation report (how the policy was applied in the reporting year).[48] The implementation report discloses awards, bonus outcomes, share-based payments, and any loans or other benefits to directors. Although legally non-binding, the vote carries political and reputational weight: substantial or sustained shareholder dissent generally prompts the board to engage with investors, publish responses, and often revise pay policies or the composition of the remuneration committee.[49]

The United Kingdom operates an annual non-binding (advisory) shareholder vote on the directors' remuneration report, designed to promote transparency, strengthen shareholder engagement, and encourage alignment of pay with long term corporate performance without legally constraining board discretion.[50] The vote covers the remuneration report typically including the remuneration policy and the implementation report so shareholders can express approval or disapproval of how directors have been rewarded and the basis for future pay. Although advisory in law, the vote is politically and reputational significant: sustained or substantial dissent commonly prompts a direct board response, reconsideration of pay policies, or, in some cases, changes in remuneration committee composition.[51]

[48] Financial Reporting Council. UK Corporate Governance Code 2018 Provision 4 <https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code > accessed July 31 2026.
[49] ibid
[50] Department for Business, Innovation and Skills. Shareholder votes on directors' remuneration: Impact Assessment (2013) < https://assets.publishing.service.gov.uk/media/5a79c312e5274a684690bee7/12-967-shareholder-votes-on-directors-remuneration-impact.pdf > accessed July 31 2026.
[50] LexisNexis. UK shareholders' vote on directors' remuneration: new regime (2026) – <https://www.lexisnexis.com/en-gb/legal/q-a/what-do-i-need-to-know-about-the-new-shareholders-vote-on-directors-pay > accessed July 31 2026.
[51] ibid

The UK Corporate Governance Code regulate this principles and provisions that shape pay practices and disclosure[52]. They include:

a. Principle of board accountability and transparent reporting: The Code requires boards to present a clear and comprehensive directors' remuneration report that explains policy, linkages to strategy, and implementation outcomes.[53]
b. Remuneration committee duties: Remuneration committees must design remuneration policies that promote long-term sustainable success, consider workforce pay and conditions where appropriate, and use independent external advice when needed.[54]
c. Emphasis on clarity of performance metrics and incentive structure: The Code encourages clear measurable performance criteria, appropriate vesting periods, and safeguards against short-termism.[55]
d. Engagement with shareholders: The Code expects meaningful dialogue with shareholders on remuneration policy and outcomes and recognizes the role of shareholder votes as a mechanism for expressing views.[56]

4.1 UK Corporate Governance Code 2018 – Remuneration Principles, Section 5

The UK Corporate Governance Code 2018, Remuneration principles section 5 provides for the mechanism in carrying out the remuneration process, which states as follows:

[52] ibid
[53] Financial Reporting Council. UK Corporate Governance Code 2018 Provision 4 <https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code > accessed July 31 2026.
[54] ibid
[55] ibid
[56] ibid

i. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.
ii. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.
iii. Directors should exercise independent judgement and discretion when authorizing remuneration outcomes, taking account of company and individual performance, and wider circumstances. The board should establish a remuneration committee of independent non-executive directors with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.
iv. The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.
v. The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time

commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements.

vi. Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.

vii. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive and senior management.

viii. Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. In normal circumstances, share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

ix. Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. Directors' contracts and/or other agreements or documents which cover director remuneration should include malus and claw back provisions that would enable the company to recover and/or withhold sums or share awards, and specify the circumstances in which it would be appropriate to do so.

x. The annual report on remuneration should include a description of its malus and claw back provisions, including: the circumstances in which malus and claw back provisions could be used; (a) description of the period for malus and claw back and why the selected period is best suited to the organization;

and whether the provisions were used in the last reporting period. If so, a clear explanation of the reason should be provided in the annual report.

xi. Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.

xii. Notice or contract periods should be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods should reduce to one year or less after the initial period. The remuneration committee should ensure compensation commitments in directors' terms of appointment do not reward poor performance. They should be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.

xiii. There should be a description of the work of the remuneration committee in the annual report, including:

a. an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;
b. reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
c. whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;

d. what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
e. what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and to what extent discretion has been applied to remuneration outcomes and the reasons why.

4.2 Role of the UK regulatory instruments on shareholder advisory votes on Directors' remuneration

The UK Corporate Governance Code underpins the advisory vote framework by setting principles and provisions that shape remuneration practice and disclosure. It requires boards to provide a clear and comprehensive remuneration report, to ensure that remuneration committees design pay arrangements that support long-term sustainable success, and to maintain meaningful engagement with shareholders on remuneration policy and outcomes.[57] The UK Listing Rules require listed companies to publish directors' remuneration reports and set the procedural framework for conducting the annual advisory vote.[58] While the advisory vote itself is non-binding and has not been the direct subject of major judicial review, UK courts have scrutinized directors' remuneration in the context of shareholder remedies for unfairly prejudicial conduct under section 994 of the Companies Act 2006. In Maidment v Attwood Bus[59]The Court of Appeal held that excessive director remuneration could constitute unfairly prejudicial conduct where the director set his own pay without proper regard to the company's interests and ability to pay. The director was ordered to repay excessive remuneration to the company,

[57] Financial Reporting Council, UK Corporate Governance Code 2018 < https://www.legislation.gov.uk/ukpga/2006/46/section/439 > accessed 31 July 2026.
[58] UK Companies Act 2006, section 439 < https://www.legislation.gov.uk/ukpga/2006/46/section/439 > accessed 31 July 2026.
[59] [2012] EWHC 46 (ch).

confirming that disclosure in accounts does not immunize pay from challenge.

Similarly, in Re AMT Coffee Ltd[60] The High Court found that excessive remuneration, coupled with overdrawn directors' loan accounts and non-payment of dividends, amounted to unfairly prejudicial conduct. The court emphasized that where directors reward themselves excessively, they cannot credibly argue that dividend payments would harm the business. Also, in Estera Trust v Singh[61] The court held that remuneration paid to a managing director was excessive and, together with failure to pay dividends, constituted unfairly prejudicial conduct. The judgment reinforced that director pay must be justifiable relative to the company's performance and the value of services rendered. This demonstrates that while the advisory vote operates as a governance and reputational mechanism, UK courts retain the power to intervene where remuneration practices are manifestly excessive or prejudicial to shareholders' interests.

4.3 Recent Annual General Meeting (AGM) pay oppositions

The UK Remuneration framework has enabled shareholders have a say in the remuneration of directors due to the shareholder voters' policy which empowers them to overview the process. There are instances where shareholders may disagree or oppose to the increment of directors pay which can be seen from the recent research;

Recent AGM research show that shareholder opposition to executive pay has intensified, with FTSE 100 remuneration revolts more than doubling in the first half of 2025 and significant dissent recorded at companies including Melrose Industries, Centrica, Unilever, and

[60] [2020] EWHC 46 (ch)
[61] [2019] EWHC 1540

London Stock Exchange Group.[62] Also at Indigo Governance, London TV report on FTSE 100 pay revolts in H1 2025. The reports show that shareholder rebellions at FTSE 100 AGMs more than doubled in the first half of 2025, with notable dissent at Melrose Industries, Centrica, Convatec, Unilever, LSEG, Taylor Wimpey, and IHG.[63]

More so, Board Agenda report on rising FTSE 100 investor dissent over pay notes that remuneration revolts had more than doubled among the FTSE 100 AGMs held so far in 2025, and highlights the large revolt at Melrose Industries and significant opposition at Clarkson.[64]

However, at Georgeson, the industry reporting on wider FTSE 350 dissent shows that 16 FTSE 350 companies faced more than 20% opposition to remuneration reports between 1 January and 31 May 2025, compared with five in the same period in 2024, and cites LSEG's 31% vote against its remuneration report.[65]

Due to the shareholders voters policy stated in the UK remuneration framework, shareholders have been empowered to evaluate the reports of Directors remuneration and contribute to the remuneration process of the company. Hence, shareholders can either agree or oppose to the remuneration reports in order to reduce excessive pay.

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[62] Pay revolts more than double at FTSE100 AGMs in first half of 2025<https://london-tv.co.uk/pay-revolts-more-than-double-at-ftse100-agms-in-first-half-of-2025> accessed 31 July 2026.
[63] ibid
[64] Rise in FTSE 100 investors voting against high pay deals <https://boardagenda.com/2025/07/08/rise-in-ftse-100-investors-voting-against-high-pay-deals > accessed 31 July 2026.
[65] Big pay packages spark growing dissent among UK shareholders <https://www.straitstimes.com/business/companies-markets/big-pay-packages-spark-growing-dissent-among-uk-shareholders >accessed 31 July 2026.

4.4 Binding vote on remuneration policy (every three years)

In addition to the annual advisory vote on the remuneration report, UK law requires a binding shareholder vote on the directors' remuneration policy at least every three years.[66]

Once approved, the remuneration policy becomes the binding framework within which the company must operate. Payments outside the scope of the approved policy are not permitted unless the policy is amended and re-approved by shareholder.[67] The binding vote must occur at least every three years, though companies may choose to put the policy to a vote annually if they wish to make changes more frequently.[68] The policy must clearly set out how pay supports the company's strategic objectives and include information on how directors' pay compares to the wider workforce. It must specify performance metrics, vesting periods, and safeguard. If a company fails the annual advisory vote on the remuneration report, it is expected to put its overall pay policy back to shareholders in a binding vote the following year[69]. This creates a feedback loop where advisory dissent can lead to binding policy reconsideration. This dual-vote structure annual advisory on implementation and binding on policy at least every three years creates a robust governance framework that balances flexibility with accountability.

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66 Financial Reporting Council. UK Corporate Governance Code 2018 Provision 4 – <https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code > accessed July 31 2026.

67 Department for Business, Innovation and Skills. Shareholder votes on directors' remuneration: Impact Assessment (2013) < https://assets.publishing.service.gov.uk/media/5a79c312e5274a684690bee7/12-967-shareholder-votes-on-directors-remuneration-impact.pdf > accessed July 31 2026.

68 LexisNexis. UK shareholders' vote on directors' remuneration: new regime (2026) – <https://www.lexisnexis.com/en-gb/legal/q-a/what-do-i-need-to-know-about-the-new-shareholders-vote-on-directors-pay > accessed July 31 2026.

69 ibid

5.0 DIRECTORS' REMUNERATION LESSONS FOR NIGERIA

Nigerian law presently regulates managerial remuneration in two principal respects: (1) directors' remuneration as prescribed by a company's articles of association or fixed by resolution at a general meeting; and (2) loans to directors.[70] Existing corporate governance frameworks encourage disclosure and committee oversight but do not generally replicate the UK's formalized annual advisory vote on remuneration.[71] Consequently, shareholders' direct, structured voice on pay design and implementation is less pronounced.

Introducing a non-binding advisory vote in Nigeria could yield several benefits. First, it would increase transparency and enable shareholders to signal approval or concern about remuneration practices, strengthening market discipline over excessive or poorly linked pay. Second, the reputational pressure associated with voter dissent could incentivize boards and remuneration committees to adopt clearer, performance-linked remuneration frameworks that incorporate long vesting horizons and mechanisms thereby better aligning managerial incentives with long-term firm value. Improved pay could, in turn, lead to more efficient capital allocation by investors and contribute to higher economic growth through enhanced corporate performance.

The UK model requires attention to Nigeria's legal and market context, which includes:

i. Legal status: an advisory vote should be clearly framed as non-binding to preserve board discretion under Nigerian company law while ensuring a routine expectation of board responsiveness to significant dissent.[72]

[70] CAMA section 295; 296
[71] Nigerian Code of Corporate Governance (NCCG) 2018
[72] UK corporate Governance Code 2018

ii. Shareholder base: lower institutional investor representation and dispersed retail ownership may weaken coordinated voting; reforms should aim to empower institutional stewards (pension funds, asset managers) and improve retail investor engagement.

iii. Enforcement and disclosure capacity: robust disclosure rules mandating clearer reporting of pay policy, performance metrics, and related-party transactions are prerequisites for meaningful voting. Regulators and exchanges must strengthen monitoring and reporting sanctions for non-compliance.

iv. Talent and competitiveness: pay reforms must balance discipline with the need to attract and retain qualified directors; flexible but transparent incentive design (long-term equity, deferred awards) can help reconcile those goals.

v. Introduce an annual non-binding shareholder vote on the remuneration report for listed companies, accompanied by a statutory requirement for boards to publish and respond publicly to votes receiving a predefined threshold of dissent.

vi. Align national governance guidance with the UK Corporate Governance Code's principles: require remuneration committees, mandate explanation of links between pay and strategy, insist on disclosure of performance metrics and vesting arrangements, and encourage malus/claw back provisions.

vii. Strengthen disclosure obligations on remuneration policy, implementation, and related-party loans; require remuneration committees and independent advisors to ascertain the link between pay and measurable performance indicators.

viii. Encourage institutional investors' stewardship through codes of conduct and engagement platforms; provide regulatory guidance to enhance retail investor participation in remuneration votes.

ix. The UK Corporate Governance Code offers a practical template: by combining an annual advisory vote with clear disclosure standards, active remuneration committees, and shareholder engagement expectations, the Code helps align pay with long-term value creation while preserving managerial flexibility. Adopting a UK-style advisory vote in Nigeria adapted to local legal and market realities could enhance transparency, improve capital allocation decisions, and support broader economic growth objectives.

6.0. CONCLUSION

Corporate governance and managerial remuneration govern the way directors are paid and also affect how companies are run. In Nigeria, the rules on managerial pay still need stronger accountability, clearer disclosure, and more active shareholder oversight.

The United Kingdom shows a better approach. It uses disclosure, shareholder voting, remuneration committees, and corporate governance rules to keep executive pay more transparent and better tied to performance. Even when the vote is not binding, it still puts pressure on boards to explain and review their decisions.

The main lesson for Nigeria is to improve the system rather than copy the UK exactly. Nigeria can strengthen disclosure, make remuneration more performance-based, and give shareholders a stronger voice. These changes would help reduce excessive pay, improve company performance, and build investor confidence.

In the end, managerial remuneration should support company success, not just reward directors. A stronger governance system in Nigeria would help protect shareholders, improve discipline, and support long-term economic growth.