



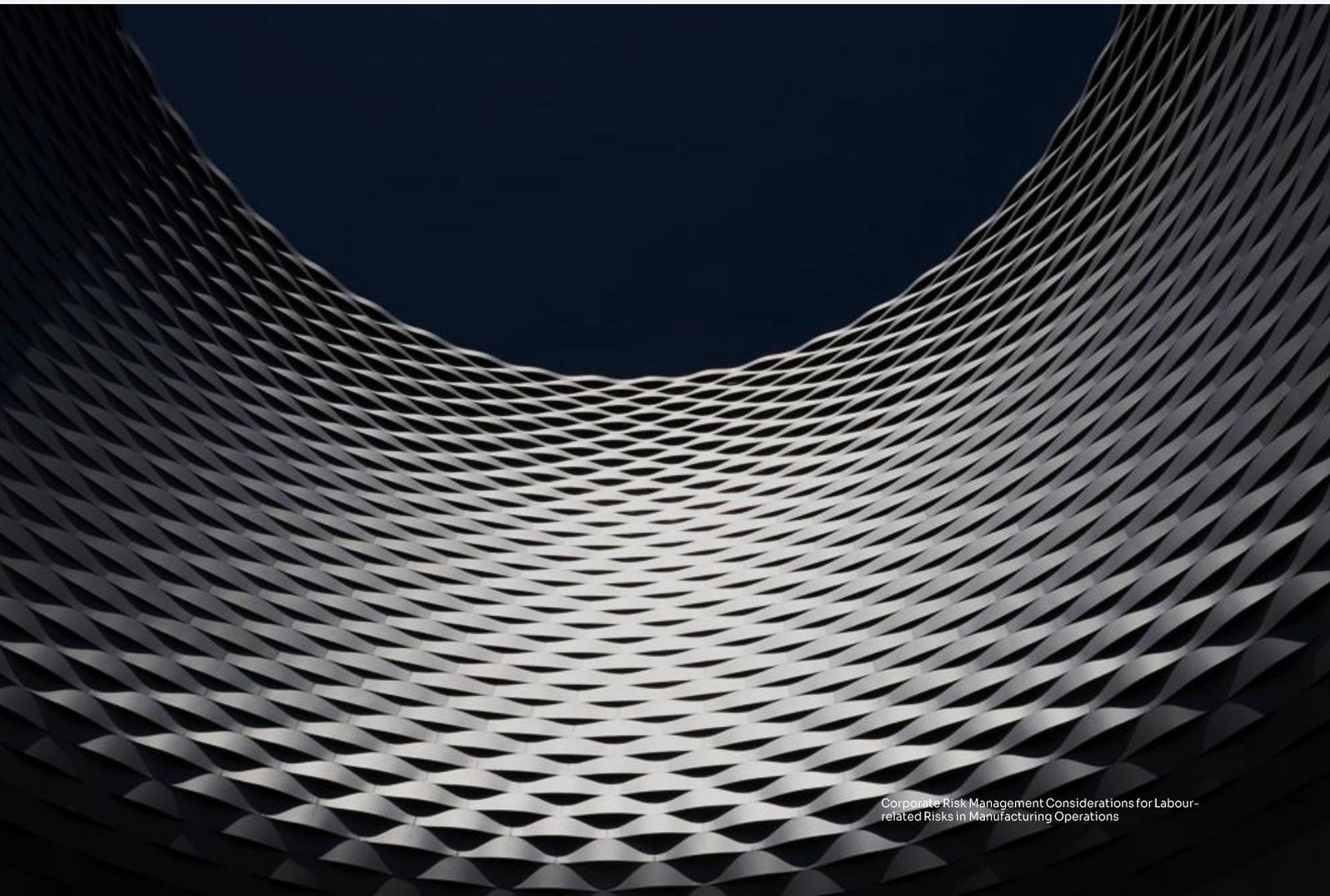
Corporate Risk Management Considerations for Labour- related Risks in Manufacturing Operations

Introduction

Manufacturing operations form the backbone of Nigeria's industrial economy.

Whilst factory production drives profitability and employment, it simultaneously exposes corporate employers to significant labour-related risks that can result in substantial financial liability, operational disruption, and reputational damage.

This article provides manufacturers with a strategic framework for mitigating labour law risks, particularly those arising from workplace accidents, injuries, and fatalities, to engender workplace safety and ensure business continuity.



Understanding the Statutory Framework: Limiting Corporate Exposure

Workplace safety in Nigeria is regulated under two principal pieces of legislation: the Factories Act Cap. F1 LFN 2004 and the Employees' Compensation Act 2010. Understanding the precise scope and limitations of these statutes is essential for manufacturers to minimise corporate liability.

The Factories Act requires factory owners to maintain clean premises, ensure proper ventilation and lighting, safeguard machinery, and provide protective equipment for hazardous processes. However, the penalties for non-compliance are relatively low due to the outdated legislation,

sometimes making the cost of strict adherence higher than the fines. Despite this, corporations should prioritize compliance as a risk management strategy, since regulatory violations can lead to tortious liability, production interruptions, and reputational damage that affects market position and stakeholder confidence.

The more significant corporate exposure arises under the Employees' Compensation Act 2010. Section 2(1) of the Act establishes a no-fault compensation scheme applicable to all employers in the public and private sectors. Under Section 56(1),

employers must contribute to the Employees' Compensation Fund.

For corporate planning purposes, the key advantage of the statutory compensation scheme is its predictability and limitation. Compensation under the Act is calculated according to fixed schedules based on the nature and degree of injury, providing employers with actuarially assessable risk. However, the Act does not eliminate common law liability. Employers may still face tort claims if employee injuries result from corporate fault, negligence, or breach of statutory duty.

Workplace Accidents: Strategic Approaches to Minimising Tort Liability

Whilst statutory compensation under the Employees' Compensation Act operates on a no-fault basis, tortious liability for workplace accidents requires proof of the employer's negligence.

As held in **AZIKE v. NBC (2017) LPELR-50420(CA)**, to claim damages outside the statutory compensation, an injured employee must establish a duty of care owed by the employer, breach of that duty, causation, and resulting damages.

There is undeniably a high risk of injuries occurring in manufacturing operations due to the high interface of workers and machinery, and the physicality of most manufacturing processes, hence, the need for employers to establish some mitigation strategies include the following:



Comprehensive Documentation of Safety Policies:

Manufacturers can significantly reduce negligence exposure through systematic documentation. Written safety policies create evidentiary records and demonstrate corporate diligence. When accidents occur, documented safety protocols can shift liability away from corporate negligence toward employee misconduct or unforeseeable circumstances. Companies operating machinery involving moving parts, high temperatures, chemical processes, or electrical hazards should thus prepare detailed policies covering equipment operation, mandatory safety procedures, toolkit training procedures and clear protocols for handling dangerous materials and processes.



Documented Periodic Trainings:

Rigorous training records serve as critical defensive evidence. Section 23 of the Factories Act prohibits the employment of inexperienced workers on dangerous machinery or processes without adequate training and supervision. Corporations should maintain detailed logs of all safety training, including dates, content, trainer qualifications, employee acknowledgements and attendance records. In litigation, such records can demonstrate that injuries resulted not from a corporate failure to train, but from an employee's deviation from properly communicated safety procedures.



Establish incident reporting, investigation, and corrective action systems:

Prompt incident investigation and documentation are essential. When workplace accidents occur, corporations should immediately conduct thorough internal investigations, document the incident scene through photographs and witness statements, and prepare comprehensive incident reports. These contemporaneous records often prove invaluable in defending against negligence claims filed months or years after the incident, when memories have faded, and physical evidence has disappeared.

Managing Compensation Obligations: Limiting Financial Exposure

The mandatory 1% monthly payroll contribution under Section 33(1) of the Employees' Compensation Act represents a fixed, predictable cost that corporations can budget into their operating expenses. However, strategic human resources planning can optimise this obligation. Since the contribution is calculated as a percentage of total payroll, corporations may reduce their aggregate contribution burden through careful workforce structuring by balancing the use of direct employees, independent contractors, and outsourced service providers to manage the composition of their payroll base, subject to the levy.

Section 5(1) of the Act requires employers to report workplace injuries to the Nigeria Social Insurance Trust Fund Board within seven days, and deaths must be reported immediately. Strict compliance with these notification obligations is essential. Failure to report, does not only constitutes a statutory offence under Section 71, but also undermines the corporation's ability to manage compensation claims effectively. Early notification allows corporate legal counsel to engage with the claims process, ensure accurate documentation, and contest inflated or fraudulent claims before they become entrenched.

Corporations should also be cognisant of Section 44(1) of the Act, which imposes joint liability on principal employers and independent contractors for workplace injuries. This provision poses a significant risk to manufacturers that engage third-party contractors. To mitigate this exposure, corporations should require contractors to maintain adequate insurance coverage, structure contractual indemnification clauses, and implement contractor safety management systems that ensure third-party compliance with corporate safety standards.



Chemical Hazards and Occupational Disease: Long-Term Risk Management

Manufacturing necessarily involves the use of various chemicals, including preservatives, flavourings, cleaning agents, packaging materials, and industrial solvents. Employees' Compensation Act extends beyond injuries but includes compensation rights to occupational diseases. Section 8 specifically extends its applicability to mental stress arising from employment conditions. Unlike acute workplace injuries, occupational diseases often manifest years after exposure, creating latent liability that can emerge long after an employee has left the corporation's employ.

To manage this long-term risk, corporations should implement comprehensive workplace health monitoring programmes. Regular medical examinations of workers exposed to chemical processes serve dual purposes: they demonstrate corporate diligence in protecting employee health,¹ and they create medical records that can rebut future claims by establishing baseline health conditions and tracking changes over time. When properly structured, these health monitoring programmes can provide corporations with evidence that the alleged occupational diseases pre-existed employment or arose from non-occupational causes.

Additionally, strict adherence to the National Policy on Occupational Safety and Health, which requires manufacturers to ensure products and equipment are safe for use and to provide adequate safety information, helps establish corporate compliance with industry standards. In defending against occupational disease claims, demonstrating that the corporation met or exceeded prevailing industry safety practices can significantly limit or totally extinguish liability exposure.

¹This could be presented as evidence of diligence to establish that the company has not breached its duty of care to its employees.

Preparing for Legislative Reform: The Imminent Occupational Health and Safety Act

The Occupational Health and Safety Bill 2025, which passed second reading in the House of Representatives in October 2025 and underwent public hearings in December 2025, represents a significant shift in Nigeria's occupational safety regulatory landscape. When enacted, this legislation will repeal the Factories Act and introduce substantially enhanced enforcement mechanisms, broader coverage, and significantly higher penalties for non-compliance.

Prudent Manufacturers should begin preparing for this transition now. Proactive compliance offers strategic advantages: early adoption reduces operational disruption when competitors scramble to comply post-enactment; corporations demonstrating voluntary enhanced safety measures position themselves favourably with regulators; and pre-mandate safety investments cannot be characterised as admissions of prior inadequacy, whereas post-enactment improvements may suggest previous non-compliance.

Corporations should particularly focus on anticipated stricter requirements, including mandatory occupational health services, enhanced record-keeping, and specialised protections for vulnerable workers. Implementing these measures before the mandate avoids rushed compliance costs and develops institutional expertise for industry advocacy during legislative consultation.

Insurance and Risk Transfer: Protecting Corporate Assets

Whilst statutory contributions to the Employees' Compensation Fund provide coverage for no-fault claims, they do

not protect corporations against tort liability for negligence. Manufacturers should maintain

comprehensive employer's liability insurance covering legal defence costs and potential damages.

Conclusion

Labour-related risks in manufacturing operations can be effectively managed with proper planning and timely implementation of strategies. Key principles include maintaining thorough safety policies and documentation, ensuring compliance with reporting obligations, structuring contractor relationships

to allocate liability, implementing workplace health and safety trainings, monitoring, and having adequate insurance coverage.

With Nigeria set to adopt modern occupational safety legislation, manufacturers should see this as an opportunity to stay proactive by creating

robust safety systems. This approach not only ensures compliance but also enhances operational efficiency, reduces insurance costs, improves employee retention, and bolsters corporate reputation. By viewing occupational safety as a strategic investment, companies can protect their assets and drive sustainable growth.

About Stren & Blan Partners

Stren & Blan Partners is a leading Nigerian commercial law firm with dedicated practices in Asset Recovery, Fraud Investigation & Enforcement, and Financial Services.

Our team has extensive experience representing international clients in cross-border fraud matters and works closely with law enforcement agencies, regulatory bodies and international counsel to achieve effective recoveries.

For enquiries regarding digital fraud recovery or asset tracing in Nigeria, please contact our Asset Recovery and Fraud Investigation team.

The Authors



**MARVIS
ODUOGU**

Team Lead

MarvisOduogu
@strenandblan.com



**IFEANYI
EZECHUKWU**

Senior Associate

IfeanyiEzechukwu
@strenandblan.com



**OMOLOLA
AMBROSE**

Senior Associate

OmololaAmbrose
@strenandblan.com



**EBENEZAR
OGUNWOLE**

Associate

EbenazarOgunwole
@strenandblan.com



+234 (0)702 558 0053
3 Theophilus Orji Street, Off Fola Osibo Road,
Lekki Phase 1, Lagos, Nigeria

www.strenandblan.com
contact@strenandblan.com
[in](#) [X](#) [@](#) @strenandblan