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ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) COMPLIANCE AS A COMMERCIAL LAW IMPERATIVE: IMPLICATIONS FOR CORPORATE GOVERNANCE IN NIGERIA

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Abstract
The global movement toward sustainable investment has repositioned Environmental, Social, and Governance (ESG) considerations from a peripheral corporate social responsibility exercise into a core commercial law concern. This article interrogates the extent to which ESG compliance has become, or ought to become, an imperative of commercial law in Nigeria, with particular attention to disclosure obligations, corporate accountability, and investor protection. Relying entirely on secondary data drawn from statutes, regulatory instruments, and published scholarship, the study adopts a doctrinal and analytical approach, situating its argument within stakeholder theory and legitimacy theory. The discussion traces the trajectory of ESG regulation in Nigeria, from the largely voluntary sustainability provisions of the Nigerian Code of Corporate Governance 2018 and the Companies and Allied Matters Act 2020, through the Securities and Exchange Commission's Sustainable Finance Principles and the Nigerian Exchange Group's Sustainability Disclosure Guidelines, to the Commission's recently announced phased mandate for sustainability reporting commencing in 2027. The article argues that although Nigeria's regulatory architecture increasingly gestures toward mandatory ESG disclosure, enforcement remains fragmented across multiple agencies, penalties are comparatively weak, and investor remedies for ESG-related misrepresentation are underdeveloped relative to jurisdictions with consolidated sustainability reporting directives. Drawing on recent Nigerian empirical literature on ownership structure, board characteristics, and ESG disclosure quality, the article contends that meaningful ESG compliance cannot be achieved through disclosure guidelines alone but requires an integrated commercial law framework linking company law, securities regulation, and investor protection mechanisms. The article concludes by recommending statutory codification of ESG disclosure duties within the Companies and Allied Matters Act, harmonisation of SEC and NGX requirements, and the creation of a dedicated enforcement and redress mechanism for ESG-related corporate misconduct.

Keywords: *ESG compliance, commercial law, corporate governance, sustainability disclosure, investor protection, Nigeria*

1.0 Introduction and Background to the Study

Corporate law in Nigeria, as in most common law jurisdictions, was for a long time preoccupied almost exclusively with the internal ordering of the company: the relationship between directors and shareholders, the doctrine of separate legal personality, and the mechanics of capital maintenance. Environmental and social concerns sat, at best, at the margins of this discourse, often treated as matters of corporate philanthropy rather than legal obligation. That posture has shifted considerably over the past decade. Institutional investors, credit rating agencies, and multilateral lenders now routinely factor Environmental, Social, and Governance performance into capital allocation decisions, and companies that cannot demonstrate credible ESG practices increasingly find themselves priced out of certain pools of capital (Anifowose, 2025). It is against this backdrop that ESG compliance has migrated from the language of corporate social responsibility into the vocabulary of commercial law proper.

Nigeria's engagement with this global reorientation has been gradual rather than dramatic. The Nigerian Code of Corporate Governance 2018 encouraged, without strictly mandating, listed and unlisted public companies to disclose sustainability-related activities, while the Nigerian Exchange Group's Sustainability Disclosure Guidelines nudged listed entities toward alignment with the Global Reporting Initiative framework (Mondaq, 2026a). More recently, the Securities and Exchange Commission has signalled a decisive shift: sustainability reporting is to become mandatory for large public interest entities from 2027, extending to other public interest entities in 2028 and to small and medium enterprises by 2030 (Guardian, 2026; Lawyard, 2026). This phased approach, it might be argued, reflects a pragmatic recognition of Nigeria's uneven corporate capacity, yet it also raises a prior and more fundamental question, namely whether the existing commercial law framework, anchored in the Companies and Allied Matters Act 2020 (CAMA 2020), is structurally equipped to absorb and enforce ESG obligations, or whether it merely accommodates them as an adjunct regulatory layer.

This question matters because commercial law does more than describe corporate conduct; it allocates risk, creates enforceable duties, and furnishes remedies where those duties are breached. A regulatory guideline that encourages disclosure is not equivalent, in either normative weight or practical consequence, to a statutory duty enforceable through directors' liability, shareholder derivative action, or regulatory sanction. Nigeria's ESG landscape currently sits somewhat uneasily between these two registers. The CAMA 2020 introduced welcome reforms to shareholder engagement, board accountability, and corporate transparency generally (Obagboye & James, 2024), but it does not, in its present form, impose explicit ESG disclosure duties comparable to the European Union's Corporate Sustainability Reporting Directive. Sustainability obligations instead reside largely in subsidiary regulatory instruments issued by the SEC and the NGX, instruments whose enforceability and interaction with company law remain, at points, ambiguous.

The purpose of this article, therefore, is to examine ESG compliance as an emerging commercial law imperative in Nigeria, with specific attention to three interlocking themes: disclosure, corporate accountability, and investor protection. The article proceeds from the premise that these themes are not separable. Disclosure without accountability is performative; accountability without investor remedies is toothless. Accordingly, the analysis draws on stakeholder theory and legitimacy theory to explain why firms disclose ESG information at all, before turning to the specific legal and regulatory instruments that structure Nigerian corporate practice, and finally assessing whether those instruments amount to a coherent commercial law regime or a patchwork of aspirational guidance.

2.0 Statement of the Problem and Objectives of the Study

Nigerian companies operate within a regulatory environment where ESG-related obligations are dispersed across at least three regulatory bodies, namely the Financial Reporting Council of Nigeria, the Securities and Exchange Commission, and the Nigerian Exchange Group, each pursuing overlapping but not fully harmonised sustainability agendas. This fragmentation, it will be argued, creates uncertainty for corporate boards attempting to comply in good faith and, more troublingly, creates room for symbolic or “decoupled” compliance, whereby firms disclose ESG information that bears limited relationship to actual practice (Hussaini et al., 2024). The problem is compounded by the absence, at present, of a clearly articulated cause of action through which investors who rely on misleading or incomplete ESG disclosures might seek redress under Nigerian commercial law.

The specific objectives of this article are therefore to: (i) examine the theoretical rationale for ESG disclosure using stakeholder and legitimacy theories; (ii) map the existing legal and regulatory architecture governing ESG compliance in Nigeria; (iii) assess whether this architecture adequately addresses corporate accountability and investor protection; and (iv) propose reforms capable of consolidating ESG compliance as a genuine commercial law imperative rather than a voluntary aspiration.

3.0 Theoretical Framework

3.1 Stakeholder Theory

Stakeholder theory, most closely associated with Freeman (1984), proceeds from the proposition that a corporation is accountable not merely to its shareholders but to a broader constellation of stakeholders, including employees, creditors, host communities, regulators, and the environment itself. Donaldson and Preston (1995) refined this account by distinguishing descriptive, instrumental, and normative dimensions of stakeholder theory, arguing that stakeholders possess legitimate interests in corporate activity independent of whether attending to those interests improves financial performance. Applied to ESG compliance, stakeholder theory supplies a normative justification for disclosure obligations that would otherwise appear to sit awkwardly within a shareholder-primacy tradition of company law. It suggests, in other words, that directors' duties, properly conceived, extend to a wider circle of interests than the maximisation of shareholder value narrowly understood.

This theoretical move is not without controversy. Critics have long contended that stakeholder theory risks diluting managerial accountability by furnishing directors with too broad a discretion to justify decisions by reference to diffuse stakeholder interests rather than measurable shareholder outcomes. Nonetheless, in the specific context of ESG disclosure, stakeholder theory retains considerable explanatory force: it accounts for why regulators, investors, and civil society organisations increasingly demand transparency regarding a firm's environmental footprint and social conduct, matters that fall outside traditional financial reporting but plainly affect a wide range of constituencies.

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3.2 Legitimacy Theory

Legitimacy theory, developed substantially through the work of Suchman (1995) and Deegan (2002), offers a complementary rather than competing account. It holds that organisations operate under an implicit social contract with the communities in which they are embedded, and that disclosure functions, at least in part, as a mechanism through which firms seek to demonstrate that their operations remain consistent with prevailing societal expectations. Where a firm's conduct, or the perception of that conduct, diverges from those expectations, legitimacy theory predicts that the firm will respond with increased disclosure aimed at repairing or defending its social licence to operate. Anifowose (2025) applies this reasoning directly to the sub-Saharan African context, arguing that ESG disclosure functions as a legitimising strategy through which firms signal responsible corporate citizenship to sceptical or under-resourced regulatory environments.

Taken together, stakeholder theory and legitimacy theory yield a composite explanation for ESG compliance behaviour in Nigeria. Stakeholder theory explains the substantive content of what firms ought to disclose and to whom they owe accountability, while legitimacy theory explains the strategic timing and intensity of disclosure, particularly in response to regulatory pressure, reputational risk, or scandal. It should be acknowledged, however, that both theories, applied uncritically, can obscure a harder question: whether disclosure driven principally by legitimacy-seeking behaviour translates into substantive improvements in environmental and social outcomes, or whether it instead produces a form of reporting that satisfies form without altering underlying conduct. This tension, sometimes described in the broader literature as "greenwashing," runs through much of the discussion that follows.

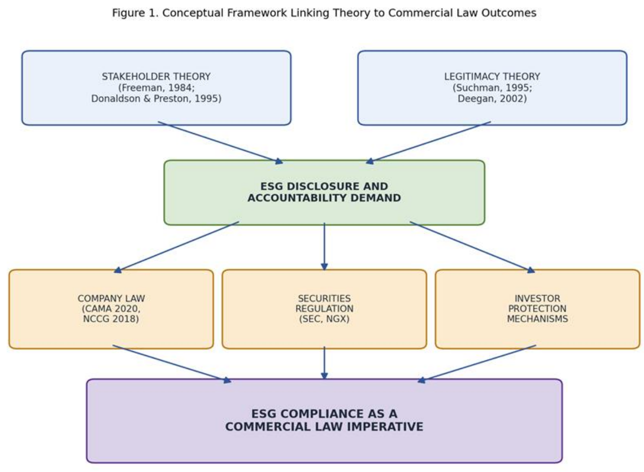

Figure 1. Conceptual framework linking theory to commercial law outcomes.

4.0 Literature Review

Empirical scholarship on ESG disclosure in Nigeria has grown appreciably in recent years, though it remains concentrated within accounting and finance rather than legal scholarship, a gap this article attempts, in part, to address. Hussaini et al. (2024), examining sixty listed manufacturing companies over the period 2013 to 2022, found that ownership concentration exerts a significant positive moderating effect on the relationship between environmental and governance disclosure and firm value, though its moderating effect on social disclosure proved statistically weaker. Their findings support a broader claim in the literature that ownership structure, rather than disclosure guidelines alone, substantially determines whether ESG reporting is more than symbolic. Dagunduro et al. (2024), studying listed consumer goods manufacturing firms, similarly report that non-financial disclosure bears a measurable relationship to firm performance, lending some empirical weight to the proposition that ESG transparency is not merely a compliance cost but may carry informational value for the market.

At the regional level, Anifowose (2025) extends this inquiry across nine sub-Saharan African jurisdictions, finding that corporate governance mechanisms, including board composition and meeting frequency, correlate positively with ESG disclosure quality, though institutional ownership does not moderate this relationship as strongly as anticipated. This finding is instructive for Nigeria specifically, since it suggests that reforms targeting board structure, of the kind introduced under CAMA 2020, may do more to improve ESG disclosure quality than reforms targeting ownership dispersion alone.

From a distinctly legal standpoint, Obagboye and James (2024) assess CAMA 2020's broader corporate governance reforms, including provisions on virtual meetings, board independence, and disclosure obligations, concluding that the Act represents a meaningful, if incomplete, modernisation of Nigerian company law. Their analysis, however, does not extend specifically to ESG or sustainability disclosure, a silence that is itself revealing: it suggests that even Nigeria's most recent comprehensive company law reform did not treat ESG compliance as a central organising concern, leaving that task instead to sector regulators. The FRC Journal of Financial Reporting and Corporate Governance's recent publication on ESG disclosure and the investment decisions of professional accountants (Afams et al., 2025) similarly finds that accountants' familiarity with ESG reporting frameworks remains uneven across practice, a capacity gap that has obvious implications for the reliability of whatever disclosures firms eventually produce.

Read together, this body of literature suggests three propositions of relevance to the present inquiry. First, ESG disclosure quality in Nigeria is shaped considerably by internal governance variables, board composition, ownership structure, and, presumably, managerial attitude, rather than by the mere existence of disclosure guidelines. Second, legal scholarship has, until quite recently, lagged behind the accounting and finance literature in interrogating ESG as a matter of enforceable commercial obligation rather than voluntary best practice. Third, capacity constraints among preparers, including accountants and company secretaries, may undermine the reliability of ESG disclosures even where the regulatory framework nominally requires them, a concern with direct implications for investor protection.

5.0 Methodology

This article adopts a doctrinal and analytical research design, relying exclusively on secondary data drawn from primary legal sources, namely the Companies and Allied Matters Act 2020, the Nigerian Code of Corporate Governance 2018, and Securities and Exchange Commission regulatory instruments, together with secondary sources comprising peer-reviewed journal articles, regulatory press releases, and reputable legal commentary. No primary empirical data were collected. The doctrinal method was considered appropriate given the article's central concern with the content, coherence, and enforceability of existing legal rules, rather than with measuring firm-level ESG performance, a task already undertaken competently by the accounting and finance literature reviewed above. Where empirical findings from that literature bear on the article's legal argument, they are incorporated interpretively rather than re-analysed statistically.

6.0 Legal and Regulatory Framework for ESG Compliance in Nigeria

Nigeria's ESG regulatory architecture is best understood as a layered structure rather than a single coherent statute. At the base sits company law proper, principally CAMA 2020, which governs directors' duties, disclosure in annual returns, and shareholder rights but does not, in its present form, contain an explicit ESG disclosure mandate. Layered above this are corporate governance codes, chiefly the NCCG 2018, which encourage but do not compel sustainability disclosure. A further layer consists of capital market regulation, principally the SEC's Sustainable Finance Principles and Reporting Template, together with the NGX's Sustainability Disclosure Guidelines, both of which apply specifically to regulated capital market operators and listed entities respectively. The most recent development, announced in 2026, is the SEC's phased mandate requiring sustainability reporting from large public interest entities beginning in 2027 (Guardian, 2026).

Table 1. Key ESG-Relevant Regulatory and Governance Instruments in Nigeria

Instrument	Issuing Body	Year	Core ESG-Relevant Provision
Companies and Allied Matters Act (CAMA) 2020	National Assembly	2020	Board accountability, disclosure in annual returns, shareholder engagement; no explicit ESG mandate
Nigerian Code of Corporate Governance (NCCG) 2018	Financial Reporting Council of Nigeria	2018	Encourages sustainability disclosure as part of governance reporting
Sustainable Finance Principles and Reporting Template	Securities and Exchange Commission	Ongoing	Requires ESG policy, governance, and performance disclosure by regulated capital market entities
Sustainability Disclosure Guidelines	Nigerian Exchange Group (NGX)	In force	Encourages GRI-aligned sustainability disclosure in corporate reporting
Phased Mandatory ESG/Sustainability Reporting Framework	Securities and Exchange Commission	2026 (phased 2027–2030)	Mandatory sustainability reporting for large public interest entities from 2027, other public interest entities from 2028, and SMEs from 2030

Note. Compiled by the author from Mondaq (2026a, 2026b), Guardian (2026), Lawyard (2026), and the Securities and Exchange Commission, Nigeria (n.d.).

It is worth pausing on what this layering implies for commercial law analysis. Regulatory guidelines issued by the SEC or the NGX derive their force from the Investments and Securities Act framework and listing rules respectively, and thus bind regulated entities within those specific spheres. They do not, however, automatically translate into directors' duties enforceable under company law, nor do they, without more, generate a private cause of action for investors who suffer loss as a consequence of inaccurate ESG disclosure. This is a structural gap of some consequence. A shareholder misled by a materially inaccurate financial statement possesses, at least in principle, established remedies under company and securities law; a shareholder misled by a materially inaccurate ESG disclosure occupies comparatively uncertain legal terrain, since Nigerian jurisprudence has yet to develop a substantial body of case law addressing ESG-specific misrepresentation.

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7.0 ESG Compliance as a Commercial Law Imperative: Discussion

7.1 Disclosure as a Commercial Law Concept, Not Merely a Governance Aspiration

Disclosure occupies a peculiar position in commercial law: it is simultaneously a governance norm and, where statutorily mandated, an enforceable legal duty. The difficulty with Nigeria's current ESG framework is that it largely retains disclosure at the level of governance norm. The NCCG 2018, for instance, “encourages” rather than requires sustainability disclosure, language that, whatever its practical effect on well-governed firms, does little to constrain firms inclined toward minimal or selective disclosure. Genuine commercial law imperatives, by contrast, tend to be characterised by three features: clear definitional scope, a designated enforcement authority, and a consequence for non-compliance that is more than reputational. The SEC's 2027 phased mandate arguably moves Nigeria closer to satisfying these criteria, since it specifies applicable entities, timelines, and, presumably, an enforcement pathway through the Commission's existing regulatory powers (Guardian, 2026; Lawyard, 2026). Whether this mandate will, in practice, carry sanctions proportionate to non-compliance remains to be seen, and the answer will likely depend on implementing rules not yet published at the time of writing.

7.2 Corporate Accountability

Corporate accountability, in the ESG context, concerns the mechanisms through which directors and senior officers may be held responsible for environmental or social harm, or for misleading disclosure regarding such harm. CAMA 2020 strengthens accountability generally through provisions on directors' fiduciary duties, statutory derivative action, and enhanced disclosure in annual returns (Obagboye & James, 2024), yet these provisions were not drafted with ESG-specific misconduct principally in mind. A director who conceals a material environmental liability, for instance, may be pursued under general fiduciary duty principles, but Nigerian courts have not yet been called upon to test whether such concealment specifically engages ESG disclosure obligations, as distinct from ordinary financial non-disclosure. This doctrinal uncertainty is not unique to Nigeria; it mirrors debates in several emerging markets regarding whether existing fiduciary duty frameworks are adequate to ESG-era corporate misconduct, or whether bespoke statutory liability is required, a view with which the findings of Hussaini et al. (2024) are broadly consistent, insofar as they suggest that ownership concentration, rather than legal duty as such, is what currently drives disclosure quality.

7.3 Investor Protection

Investor protection sits, in many respects, at the intersection of disclosure and accountability. Nigeria's capital market has expanded considerably in recent years, with market capitalisation reportedly growing from roughly ₦130 trillion to nearly ₦160 trillion, and assets under management surpassing ₦9 trillion, following recent reforms (Guardian, 2026). This expansion has coincided with growing SEC emphasis on aligning Nigerian disclosure standards with those of the International Sustainability Standards Board, on the stated basis that credible, comparable, and verifiable ESG disclosure is increasingly a precondition for accessing global capital (The Cable, 2026). For Nigerian investors specifically, however, the practical question is narrower: what recourse exists where a company's ESG disclosures prove materially false? At present, the answer draws principally on general securities fraud and misrepresentation principles rather than any ESG-specific statutory cause of action. This gap matters more, not less, as ESG disclosure becomes mandatory, since mandatory disclosure regimes typically generate a corresponding expectation of remedy where the disclosure proves unreliable.

Table 2. Selected Nigerian Empirical Studies on ESG Disclosure

Author(s) and Year	Focus	Key Finding
Hussaini, Omole, and Ugoh (2024)	Ownership concentration, ESG disclosure, and firm value in listed manufacturing companies	Ownership concentration positively and significantly moderates the environmental and governance disclosure–firm value relationship; the effect on social disclosure is weaker
Dagunduro, Falana, Ajayi, and Boluwaji (2024)	Non-financial disclosure and firm performance in consumer goods manufacturing	Non-financial disclosure is significantly associated with firm performance among sampled companies
Anifowose (2025)	Corporate governance and ESG disclosure across nine sub-Saharan African countries	Corporate governance mechanisms, particularly board-related variables, correlate positively with ESG disclosure; institutional ownership does not significantly moderate this relationship
Afams, Onyekachi, and Ujah	ESG disclosure and investment decisions of	Accountants' engagement with ESG

Author(s) and Year	Focus	Key Finding
(2025)	professional accountants in Nigeria	reporting frameworks remains uneven, with implications for disclosure reliability
Obagboye and James (2024)	CAMA 2020 and corporate governance reform	CAMA 2020 strengthens general governance accountability but does not contain explicit ESG disclosure provisions

Note. Compiled by the author from the cited sources.

8.0 The Phased Mandatory Reporting Regime and Its Implications

The SEC's decision to phase in mandatory sustainability reporting between 2027 and 2030 deserves closer scrutiny, since the design of a phased mandate carries its own commercial law implications. Large public interest entities, presumably including systemically significant banks, insurers, and listed conglomerates, bear the earliest compliance burden, with other public interest entities following a year later and small and medium enterprises absorbed only by 2030 (Guardian, 2026; Lawyard, 2026). This sequencing appears defensible on capacity grounds: SMEs plausibly lack the reporting infrastructure of larger firms, and a uniform commencement date might have produced widespread technical non-compliance rather than genuine adoption. Yet phasing also creates a multi-year window during which materially similar economic conduct is subject to different disclosure obligations depending on firm size and classification, a distinction that, while administratively convenient, may complicate cross-firm ESG comparability precisely during the period when investor demand for such comparability is at its highest.

Figure 2. SEC phased mandatory ESG reporting timeline. Source: Adapted from the Securities and Exchange Commission's announcement, as reported in Guardian (2026) and Lawyard (2026).

Table 3. SEC Phased ESG Reporting Implementation

Phase	Year	Entities Covered	Reporting Status
1	2027	Large public interest entities	Mandatory
2	2028	Other public interest entities	Mandatory
3	2030	Small and medium-scale enterprises	Mandatory
Pre-2027	Ongoing	All regulated entities	Voluntary / early adoption encouraged

Note. Compiled by the author from Guardian (2026) and Lawyard (2026).

9.0 Challenges and Gaps in the Current Framework

Several difficulties emerge from the preceding analysis, none of which appears easily resolved by regulatory announcement alone. The first concerns institutional fragmentation. With the FRC, SEC, and NGX each pursuing sustainability agendas that overlap but are not formally harmonised, companies subject to multiple regulators risk facing inconsistent, or at least uncoordinated, disclosure expectations. Second, enforcement capacity remains uncertain; regulatory guidelines are only as effective as the resources and political will devoted to monitoring compliance, and Nigeria's regulators have historically faced resource constraints in this respect. Third, preparer capacity, as Afams et al. (2025) suggest, may lag behind regulatory ambition, raising the prospect that even well-intentioned firms produce ESG disclosures of inconsistent quality. Fourth, and perhaps most significant from a commercial law perspective, investor remedies remain underdeveloped; Nigerian law does not yet contain a clearly articulated statutory cause of action for ESG-specific misrepresentation, leaving affected investors to rely on general, and arguably ill-fitting, misrepresentation and securities fraud principles. Finally, there is the perennial risk of decoupling, whereby disclosure improves on paper without corresponding improvement in underlying environmental or social conduct, a risk that legitimacy theory would predict is more acute precisely where disclosure is driven by reputational or regulatory pressure rather than internalised commitment (Suchman, 1995; Anifowose, 2025).

10.0 Recommendations

Building on the foregoing analysis, several reforms appear warranted. First, Nigeria's company law framework should be amended to embed ESG disclosure duties directly within CAMA, rather than leaving such duties entirely to sector regulators; this would clarify the relationship between ESG disclosure and existing directors' duties and annual return obligations. Second, the FRC, SEC, and NGX should pursue formal harmonisation of their respective sustainability disclosure requirements, ideally through a single, jointly issued reporting standard aligned with International Sustainability Standards Board frameworks, thereby reducing duplicative or inconsistent obligations for dual-regulated entities. Third, the SEC should, in its implementing rules for the 2027 mandate, specify clear sanctions for non-compliance and, ideally, a mechanism through which investors may seek redress for material ESG misrepresentation, whether through an expanded securities fraud framework or a bespoke statutory remedy. Fourth, professional bodies, including the Institute of Chartered Accountants of Nigeria and the Nigerian Bar Association, should expand ESG-specific continuing professional development, addressing the capacity gap identified by Afams et al. (2025). Finally, given the risk of decoupling, regulators should consider periodic independent verification or assurance requirements for ESG disclosures made by large public interest entities, rather than relying exclusively on self-reported data.

11.0 Conclusion

ESG compliance in Nigeria stands at a genuinely transitional moment. What began as a largely voluntary governance aspiration under the NCCG 2018 has, over the course of roughly a decade, acquired increasing regulatory weight, culminating in the SEC's 2027 phased mandate for sustainability reporting. This article has argued, however, that regulatory ambition alone does not yet amount to a fully realised commercial law imperative. For ESG compliance to function as such, Nigerian law will need to move beyond disclosure encouragement toward embedded statutory duties, harmonised regulatory requirements, and, critically, enforceable investor remedies where ESG disclosures prove unreliable. Stakeholder theory and legitimacy theory together help explain why firms disclose ESG information at all, but they also caution that disclosure driven principally by legitimacy-seeking behaviour may fall short of the substantive accountability that commercial law is, at its best, designed to secure. Whether Nigeria's evolving framework ultimately closes this gap will depend considerably on the implementing rules that accompany the 2027 mandate, and on whether investor protection, thus far the least developed dimension of the country's ESG architecture, receives commensurate legislative attention.

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