GUIDELINES ON SUSTAINABLE FINANCE PRINCIPLES FOR THE NIGERIAN CAPITAL MARKET

Presented by Dr. Mo' Omamegbe

Head of Strategy

Outline

- Introduction
- Objectives of the SEC Guidelines
- Approach to Implementing the Guidelines
- The NSFP Principles
- Sustainable Finance and Public Companies

Introduction

- ✓ Participants in the Nigerian Capital Market (like players in other sectors of the economy) leave footprints and create externalities in the environment in the pursuance of various economic activities
  - ✓ Air and Water Pollution, Climate Change, Environmental Degradation, Resource Scarcity, Population Density, etc.
- ✓ Sustainable Finance Principles aim to:
  - ✓ Address the impact of externalities
  - ✓ Achieve a balance between meeting business objectives and protecting the environment and fostering social development
- ✓ SEC has adopted the Nigerian Sustainable Finance Principles (NSFPs) as developed by the FSRCC
  - ✓ Adoption of the NSFPs is a vital step to achieving a sustainable global economy

Objectives of the SEC Guidelines on NSFP

Economic Development

Stimulate a resilient, competitive and sustainable capital market that promotes economic development and improves the quality of life for all

Corporate Governance

Improve corporate governance practices to ensure that the participants in the capital market operate in a transparent and sustainable manner;

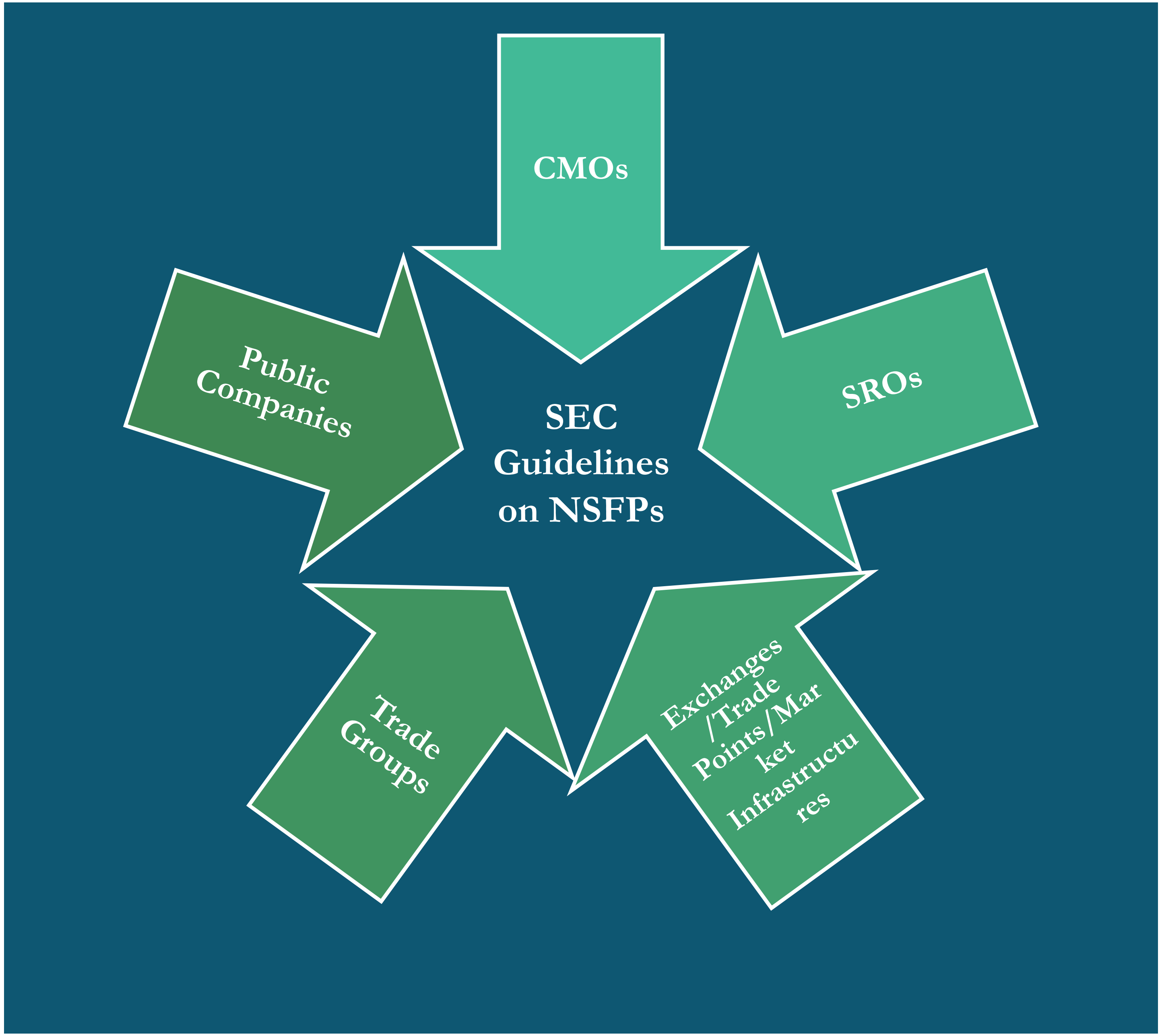
Social Impact

Nurture an environment that facilitates job creation and diversity, women empowerment, human rights protection, access to affordable capital market products by the economically less privileged

Environmental Footprint

Contribute to efforts aimed at reducing global warming and other environmental footprints resulting from business activities and those of stakeholders

Approach to Implementing the SEC Guidelines



The SEC guidelines and approach are principles based and therefore do not prescribe specific implementation requirements. However in implementing, regulated entities are expected to…

Establish standards for their organizations and be committed to implementation

Establish sustainable operations by aligning ESG related issues with existing decision making processes

Ensure that appropriate reports are prepared detailing progress and performance regarding commitment to the NSFPs guidelines.

The NSFP principles

The NSFPs were developed jointly by financial sector regulators under the FSRCC…

Principle 1
- Environmental, Social and Governance (ESG) Considerations

Principle 2
- Collaborative Partnership and Capacity Building

Principle 3
- Financing of priority sectors of the economy

Principle 4
- Human rights, women's economic empowerment, job creation and financial inclusion

Principle 5
- Reporting and Disclosures

Principle 1: Environmental, Social and Governance (ESG)

Regulated entities will embed Environmental, Social and Governance (ESG) considerations into their operations and decision making processes to avoid, minimize or offset negative impacts…

To implement Principle 1, regulated entities should:

- Develop appropriate ESG policies and procedures
- Develop environmental management programmes
- Comply with relevant labour and social standards
- Implement Corporate Social Responsibility Programmes
- Apply ESG standards to relevant third parties
- Establish internal and external ESG audit procedures

Principle 2: Collaborative Partnership and Capacity Building

Regulated entities should collaborate with stakeholders to raise awareness on ESG issues, build capacity, manage risks, develop innovative solutions and promote widespread action across the Nigerian financial system…

Implementation of Principle 2 will be based on the following 4 pillars:

- Development of structural mechanisms to guide the implementation of the structural policies and guidelines;
- Development of the internal capacity to support the implementation of sustainable policies and guidelines;
- Engaging and obtaining the buy-in of key stakeholders to support the implementation of the policies; and
- Development and implementation of the entity's sustainable strategy.

Principle 3: Financing of priority sectors of the economy

Regulated entities should promote financing of priority sectors of the economy, while ensuring balance with ESG considerations…

Regulated entities are expected to contribute to national rebirth by supporting priority sectors of the economy and should:

- Measure and disclose the level to which they have supported priority sectors;
- Identify priority sectors in which they operate and disclose products and services designed to facilitate financing of these sectors;
- Report the monetary value of actual investments undertaken in products and services in financing of priority sectors of the economy; and
- Record and report total monetary value of assistance received from government(s) for financing/investing in priority sectors of the economy.

Principle 4: Human rights, Women's Economic Empowerment, Job Creation and Financial Inclusion

Regulated entities will respect human rights, promote women's economic empowerment, support job creation and enhance financial inclusion solutions and promote widespread action across the Nigerian financial systems…

To implement this principle regulated entities should:

- Balance the ratio of employment between men and women and bridge the gap in favour of women;
- Encourage policies that facilitate gender equality;
- Create equal opportunities for employment, career growth and capacity building;
- Organize quarterly seminars/sessions on economic savings and empowerment;
- Collaborate on implementing programs/projects that will encourage MSMEs to become more active in the capital market; and
- Embark on initiatives that promote financial literacy and financial inclusion in the capital market.

Principle 5: Reporting and Disclosures

Regulated entities should regularly report progress in implementing ESG principles and require organisations they supervise and/or finance to make appropriate disclosures on ESG issues.

To implement this principle regulated entities should:

- Develop appropriate ESG reporting criteria;
- Report ESG issues annually either on a stand-alone basis or as an integral part of annual reports to stakeholders;
- Set clear targets and performance indicators for each principle; and
- Develop reporting templates incorporated into management information systems

Sustainability and Public Companies

<u>Part E, Principle 26 of the NCCG</u>

“Paying adequate attention to sustainability issues including environment, social, occupational and community health and safety ensures successful long term business performance and projects the Company as a responsible corporate citizen contributing to economic development.”

SEC guidelines on sustainability should be adopted by public companies to complement existing requirements of the National Code of Corporate Governance (NCCG) and SEC Guidelines on Corporate Governance (SGCG)…

Thank you.