

THE NIGERIAN CAPITAL MARKET SUSTAINABILITY CONFERENCE

THEME: TRANSFORMING BUSINESS THROUGH TRANSPARENCY

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COMMUNIQUE

PLENARY SESSIONS

The inaugural Nigerian Capital Market Sustainability Conference (NCMSC) held on Friday, November 13, 2015 at Eko Hotel, Lagos, Nigeria. The event was hosted by Nigerian Stock Exchange (NSE) in partnership with Ernst and Young (EY) and GRI. It provided a platform to discuss the business value of sustainable investment, enhancing corporate transparency and ultimately performance on environmental, social and governance (ESG) issues as well as reveal how companies, investors and regulators can better collaborate to unlock the potential of the private sector in tackling sustainability related challenges.

The Executive Director, Business Development, Mr. Haruna Jalo-Waziri from The Nigerian Stock Exchange welcomed the delegates to the event. In the welcome address, he proposed collective action towards sustainability while promoting the benefits of transparency and disclosure. This was followed by a remark by the Regional Managing Partner, EY, Henry Egbiki who highlighted that businesses are a vital element of the social economy and emphasis on profit needs to be played down, and a bit more focus on promoting sustainable practices. Stakeholders have begun demanding for non-financial information from organizations in their financial reports and sustainability reporting is no longer a “nice to have” that positions organizations strategically. Sustainability reporting represents a large segment of what organizations need to disclose as they map out their strategy.

Three keynote presentations were given by Director, Climate Change and Sustainability Services (CCSS), EY, Mr. Jeremy Grist; Mr. Douglas Kativu, Director, GRI Africa and Mr. Bola Adeeko, Head, Corporate Services Division, NSE.

Speaking on the overview of sustainability and integrated reporting, Mr. Grist emphasized how financial reporting created the market we have today. However, Integrated Reporting will create the society we want to have tomorrow. He noted that there has been a shift in how enterprise values are reported, the focus moving from tangibles to intangibles. To increase value, organizations rely not only on their resources, but on shared society resources. This is the new value paradigm faced by organizations. In closing, he posed the question to organizations - *“How do we respond today and in the future to matters arising from sustainability?”*

Mr. Kativu highlighted that sustainability reporting is a strategic and purposeful undertaking that informs decision making and empowers change within a company and in its business relationships. Globally accepted reporting standards such as GRI’s G4 enhance the quality and comparability of sustainability information resulting in better decision making which helps build and maintain trust in companies and governments that capital markets require to be credible, efficient and resilient. Share prices are not determined by financial performance only but also by a mix of non-financial factors that influence an investor’s level of comfort with the risks that impact the company. Sustainability data next to financial information helps investment analysts get a more accurate assessment of value

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creation, resilience and health of a company into the medium and long term. Sustainability reporting is a critical tool for shareholder engagement to understand investor interests, understand the management of ESG risks and opportunities, and to influence corporate governance.

Mr. Adeeko gave a stimulating presentation on Integrating Sustainability in The Nigerian Capital Market. He started by encouraging companies to take the 1st step towards responsible business practices by developing strategies that will guide the process. He mentioned, that companies may need to make some tough ethical decisions at certain times besides putting money aside for sustainability initiatives. At The Exchange, CSR/Sustainability initiatives are implemented through four pillars; Marketplace; Workplace; Environment and Community. Through its branch network, The Exchange has reached out to over 40,000 beneficiaries across the country through approximately 800 events since 2012. Every organization has the potential to be recognized as promoters of ESG initiatives. With regards the environment, Nigeria is not on the same level as the western world. However, with constant engagement, we can get the country to where we want it to be.

The Conference included three break-out sessions:

- Good Corporate Governance: Key to Sustainability
- Sustainability reporting in Financial Services industry
- Environmental, Health, Safety and Social Audits

RECOMMENDATIONS

Participants also deliberated on likely sustainability indicators and provided recommendations for “**The Nigerian Capital Market Sustainability Disclosure Guidelines**”. Please see key highlights from the sessions:

Good Corporate Governance: Key to Sustainability	Sustainability reporting in Financial Services industry	Environmental, Health, Safety and Social Audits
<ul style="list-style-type: none"> • Promote best corporate governance practices amongst stakeholders. • Enforce strict compliance with regulations. • Board of Directors for organizations should be encouraged to set the right tone at the top and promote the right corporate culture within their organizations. 	<ul style="list-style-type: none"> • Provide evidence based data on sustainability and corporate performance by working with academia and research institutions. • Promote Gender diversity based on skills and competence. • Drive integrity of reported information and role of assurance. • Adopt a report and explain approach. 	<ul style="list-style-type: none"> • Specify key sustainability disclosure KPIs for companies listed on The NSE. • Promote sustainability drive through advocacy, and institute a system for monitoring and evaluation. • Focus on a process beyond compliance and incentivize companies practicing sustainably. • The NSE should incorporate sustainability into its core operations and brand-led by example.

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CEO ROUNDTABLE

The session commenced immediately after the conference. The event was declared open by The Nigerian Stock Exchange, Chief Executive Officer, Mr. Oscar N. Onyema, OON. During his speech, he highlighted that Environmental, Social & Governance (ESG) is among the top 10 issues discussed globally in recent times. Stakeholders now hold organizations responsible for the behaviour of both internal and external players. Globally, a wide range of customers, investors and other stakeholders are increasingly demanding more disclosure of information and data from companies on how they are addressing sustainability issues, including ESG factors and other non-financial risks and opportunities.

Mr. Onyema also highlighted that Exchanges are driving sustainability by adopting listing requirements with ESG disclosure components, further affirming the importance of ESG criteria in the financial arena. He also reiterated that the NSE would be introducing Sustainability Disclosure Guidelines and the essence of the session was to engage the companies before regulation. This was followed by discussions around the following questions:

Q: What format should the sustainability report take?

Q: Should this report be mandatory?

Q: What should be the content of the report?

To set the tone for the CEO dialogue session, there were brief presentations by Joseph Owolabi of EY, on Sustainability/Integrated Reporting: a visa to Global markets; and Douglas Kativu of GRI, on The Business Case – Exchanges & Sustainable Investment.

COMMENTS

- It was suggested that reporting should be mandatory for a segment of the market such as the top companies.
- Companies have always reported on CSR with little or no focus on Sustainability. Recommendations is for each company to report and provide adequate explanation.
- Concerns were raised on the need to enhance the credibility and accuracy of reported information.

NEXT STEPS: LOOKING INTO THE FUTURE

- High-level engagement with company secretaries of listed companies at The NSE annual stakeholder engagement forum.
- Institution of NSE Sustainability Reporting Guidelines.

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- Sustainability reporting training and certification for stakeholders in partnership with GRI.
- Continued awareness through knowledge sharing platforms and fora.

Thank you.