



THE Nigerian STOCK EXCHANGE

INTEGRATING SUSTAINABILITY *The NSE Perspective*

Presented by
Oscar N. Onyema (OON)
Chief Executive Officer, The Nigerian Stock Exchange
For
REGULATORS AWARENESS RAISING MEETING
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- *Nigeria is the largest economy in Africa and the 26th largest in the world.*
- *Nigeria's GDP Annual Growth Rate is averaged at 6.08%, much faster than the Sub-Saharan Average of 4.9%.*
- *Nigeria is expected to have the highest consuming class in Africa, with a potential of 70 million people moving out of poverty by 2030.*
- *Sadly, poverty profiling by the National Bureau of Statistics reveals that 69% live below the poverty line.*
- *Unemployment Rate is reaching an all time high of 24.20% in the first quarter of 2015.*
- *Nigeria has persistently ranked low in the Human Development Index (HDI) – 152 out of 187 countries.*



- The central paradox to be confronted, is that Nigeria's levels of income from mineral exports, and even the upswing in foreign direct investment, are not reflected in either employment growth or poverty reduction.
- Bridging that gap must therefore be an essential component of Corporate Social Responsibility and Sustainability.
- Without proactive corporate responsibility practices, and the forging of a long-term vision for the business sector, Nigeria's entrepreneurs and businesses will continue to focus on their activities as traders.
- This trend contributes to low job growth, the steady expansion of the informal economy, and an undiversified import-based economy. It also deepens poverty and income inequality.
- Currently, the sustainable approach to businesses in Nigeria is non-existent in most of the sectors, with businesses more concerned with immediate profitability without recourse to socio-environmental consequences.
- To address the challenges, a sustainable approach system is required to ensure that current needs are met without compromising the ability for future generations to meet their needs.

“Hundreds of studies conducted in the last two decades show that Responsible Investment does not weaken average portfolio performance in comparison with traditional benchmarks. On the contrary, in many cases it enhances performance...”- Novo Valor

- Research has shown a correlation between high performance in a range of environmental, social and governance (ESG) indices (including FTSE for Good, Dow Jones Sustainability Index, etc.) and high overall performance.
- A 2013 study by Ernst & Young and Boston College reported that a large institutional shareholder’s successful interventions in corporate social responsibility increased share price by an average of 4.4% a year.
- There is therefore a need for Nigerian businesses to be educated on the strategic benefits of sustainability to their business.

- 49% of respondents to a recent survey, see businesses as having a significant role in leading the sustainability agenda. – **Ernst & Young**
- Civil society and Regulators also featured significantly (at 33% and 30%, respectively) reflecting the importance of all three sections of a modern economy working together.
- For the NSE, pursuing the Nigerian Sustainability agenda can be achieved along two tracks:
 - assisting businesses to be effective, productive and globally competitive and;
 - encouraging them to work with government and civil society organizations to reduce the country's governance and social problems.

- The Nigerian Stock Exchange (“NSE” or “The Exchange”) recognizes its crucial role in supporting economic growth by providing an efficient and sustainable capital market.
- An important aspect of its role is to promote corporate governance and enhance corporate ESG disclosure by publicly quoted companies.
- As a conduit for Foreign Portfolio Investment (FPI), the NSE is positioned to showcase best practice among Nigerian companies to potential global investors.
- Over a 7 year period, total FPI transactions of N616bn in 2007 has grown by 42.7% to N1,539bn.
- Companies quoted on the NSE are therefore better positioned to attract FPI when a picture of their triple bottom line approach to business is demonstrated.
- Listed companies therefore stand a chance of increased access to a plethora of investment opportunities tied directly to corporate ethics - Socially Responsible Investment, Green Investment, among other ethical investment initiatives.

- At the NSE, our Corporate Social Responsibility (CSR) philosophy is aimed at delivering a sustainable organisation through responsible financial and investment services, sustainable business practices, engaged and talented people, community contributions and environmental stewardship.
- The Exchange's CSR/Sustainability Strategy is built on priorities set across the four cornerstones of:

CSR STRATEGY

Community:

Make positive contributions to the communities where we live and work

Marketplace:

Promote market-based approach to (ESG) amongst stakeholders

Workplace:

Foster a qualitative work environment that facilitate diversity, wellbeing and harness talent

Environment:

Focus on reducing the Exchange's environmental impact

The National Council through the Executive Committee (Corporate Responsibility (CR) Committee) provides governance oversight for the management of sustainability in the Exchange.

2013

- Established CSR Unit and instituted CSR Strategy
- Signed onto the Sustainable Stock Exchanges (SSE) Initiatives
- Initiated 6 high impact community programmes

2014

- Launched the Corporate Governance Rating System
- Membership of the UNGC Local Network Nigeria
- Joined global leaders and Exchanges at the Global Dialogue to discuss harnessing the capital market for the proposed Sustainable Development Goals
- Implemented an energy efficiency programme in partnership with Omatek which has seen a 70% drop in power consumption across our head office.

2015

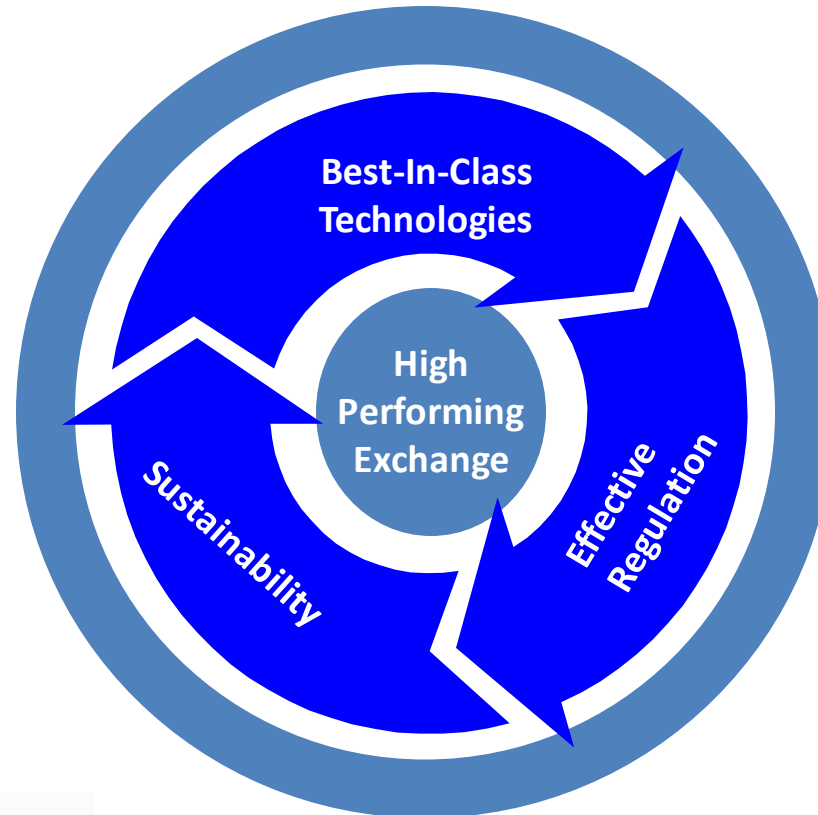
- Produced the 1st NSE CSR Report
- Hold a Sustainability Stakeholder Engagement Session
- Introduction of Sustainability Disclosure Guidelines
- Capacity building for relevant stakeholders



Intermarket
Surveillance Group



WACMI



Financial Services Regulation Coordinating
Committee (FSRCC) Nigeria

- The Sustainable Stock Exchanges Initiative which was launched by the United Nations Secretary General Ban Ki-Moon in 2009.
- The SSE Initiative is co-organized by UNCTAD, the United Nations Global Compact, the United Nations Environment Programme's Finance Initiative, and the UN-supported Principles for Responsible Investment.
- SSEI explores how stock exchanges can encourage responsible long-term approaches to investment by:
 - *Incorporating ESG disclosure standards (including comply or explain provisions where relevant) into IPO and ongoing listing rules in the same way that financial reporting is a requirement for all companies*
 - *Playing a leading role by improving their own ESG disclosure and performance if they are asking for similar standards from companies listed on their exchange*
 - *Encouraging best practice among companies through development of indices that incorporate full ESG inclusion criteria*
 - *Promoting cooperation with regulators, investors, companies, analysts, and wider stakeholders to help harmonise integrated reporting into a single global framework*



- In alignment with our SSEI commitment, The NSE had identified good Corporate Governance as a crucial requirement to build on its Environmental, Social and Governance (ESG) initiatives.
- This led to the launch of the Corporate Governance Rating System (CGRS) which marked the beginning of a new era in market transparency and a new model for 21st century corporate reporting in Nigeria, and in Africa.
- The CGRS serves as a platform for listed companies to demonstrate their commitment to responsible corporate practices.
- It is designed to evaluate companies based on the quality of their corporate integrity; corporate compliance with governance rules; understanding of fiduciary responsibilities by directors and corporate reputation.
- The pilot phase in 2014 was voluntary and top ranked companies were recognised and awarded.
- Participation in CGRS from 2015 will be mandatory for all companies listed on the Premium Board at The Nigerian Stock Exchange.

The NSE is currently in the implementation stage for two key measures under the SSE Initiative requiring:

- comprehensive sustainability reporting for listed companies
- offering sustainability guidance and training

This stage will be implemented in phases and it will include:

- High-level engagement process with listed companies, investors and capital market community;
- Introduction of Sustainability Disclosure Guidelines;
- Capacity building for relevant stakeholders, including listed companies and market operators and;
- Review of listing requirements to incorporate sustainability performance.

In August, the NSE will hold a Sustainability Stakeholder Engagement Session with stakeholders with the objective to:

- Create awareness of sustainability at the highest levels of the industry
- Synthesize current thinking on sustainability opportunities and challenges in Nigeria
- Initiate discussion on a set of environmental, social and governance (ESG) guidelines for the Nigerian capital market



The NSE will continue to leverage its unique position as an intersection between investors, companies, and regulators to promote responsible investment and sustainable development via:

The promotion of a globally accepted sustainable agenda and principles

Creating value at the source of investment leads to a trickle effect in the development of sustainable value creation for investors and the country as a whole

Improving investor confidence by promoting ethical behaviour and transparency



**Abuja Chamber
of Commerce & Industry**

**Mr. Oscar N. Onyema
Most innovative CEO of the Year 2014**



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