



THE Nigerian STOCK EXCHANGE

THE IMPERATIVE OF SUSTAINABILITY IN BUILDING A STRONGER NIGERIAN CAPITAL MARKET

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At the

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- In the investment industry and beyond, there is an uncertainty about integrating environmental, social and governance (ESG) criteria in Africa.
- The difficulty of doing this and the need to do it are both assumed to be unequally matched and huge in Africa, where so many people still live in poverty. In Nigeria, 70% of the entire population live below poverty level.
- In a 2011 brief, the International Finance Corporation (IFC) reported on a "growing awareness" that sustainable investment in Sub-Saharan Africa "can play an essential part in tackling the social and economic challenges in the region—and that the resulting economic growth will benefit investors over the long term.
- At the end of 2010, ESG-profiled funds including self-reported integration of ESG factors into fund investment policy in South Africa, Kenya, and Nigeria was estimated at \$125 billion in assets under management (AUM).
- Investors into Africa are more than before, conscious about investing in companies (public and private) that are reporting quality ESG information.
- Different investors have different informational needs, but there is a growing level of consistency in incorporating material ESG factors into investment decisions.
- Therefore, a Sustainability Disclosure Guideline addresses this need and opportunity.



- 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.
- For certain entities in the investment community, a key driver for more ESG information is to enable assessments of how ESG factors may impact business fundamentals and a company's long-term prospects.
- This is due in large part to shifts in the way business is conducted, how businesses create value and the context in which they operate.
- Global trends such as demographic changes, urbanization and resource scarcity are increasingly impacting the ability of a company to sustain long-term value, and certain investors are taking notice.
 - *For example, a recent PricewaterhouseCoopers survey of global institutional investors found that one-third of investors consider sustainability in their investment strategy.*
 - *These stakeholders increasingly pressure companies to take responsibility for and proactively manage environmental and social impacts of their business operations, supply chains and products they manufacture.*
 - *Greater ESG information enables these stakeholders to assess how a company is managing sustainability issues and to evaluate a company's leadership, products and services.*

Business Transformation Through ESG



As ESG factors are increasingly recognized as important for investors and issuers alike, providing voluntary guidance to issuers has become imperative.

Promoting greater transparency of high-quality ESG information supports the objectives of:



Developing well-functioning markets, which are more resilient and less volatile



Contributing to stronger, more transparent listed companies that are better able to identify and manage risks and opportunities



Creating more attractive markets where investors can better evaluate fundamental drivers of value creation, and as more investors recognize the value of ESG information, they will direct more of their activity to exchanges that foster it.

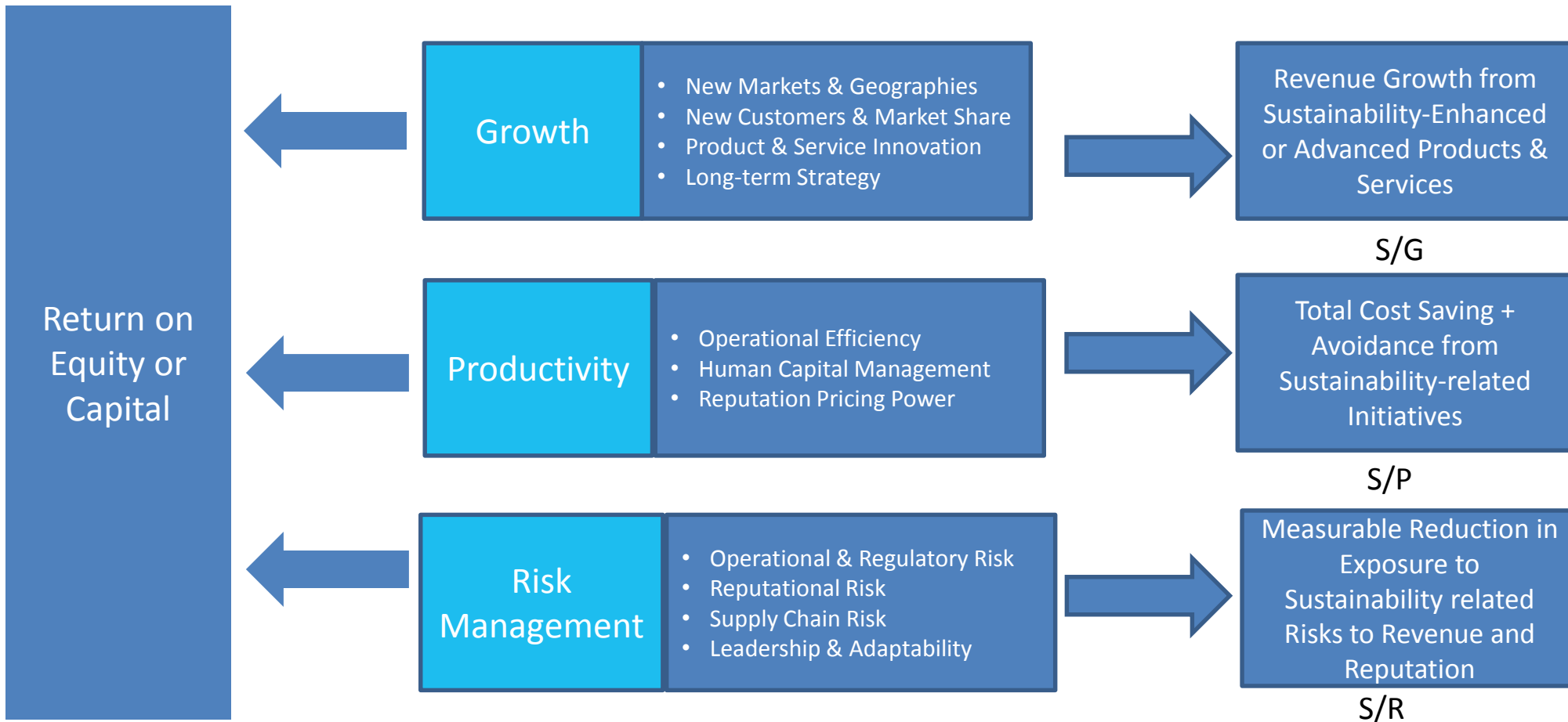


Helping companies navigate, comply with or stay ahead of regulations that require disclosure of financially material ESG information.



Assisting companies in differentiating themselves on ESG matters, which is quickly becoming a competitive imperative.

ESG As a Bottom-line Driver





- Revenue growth from sustainability-advantaged products, services and/or strategies (S/G)
- Total annual cost savings (and cost avoidance) from sustainability-driven productivity initiatives (S/P)
- Reduced sustainability-related risk exposure that could materially impair a company's performance (S/R)

Globalisation of ESG for Capital Markets



Globally, Stock Exchanges are adopting listing requirements with ESG disclosure components, further affirming the importance of ESG criteria in the financial arena.

Country	Stock Exchange	Listing Requirements on ESG Disclosure
Australia	Australian Securities Exchange (ASX) 	Disclosure on extent to which the companies have followed its Corporate Governance Principles and Recommendations which includes sustainability related issues.
China	Shanghai Stock Exchange (SSE) 	Governance standard in Corporate Governance code and Environmental standards under “Green IPO” policy for initiating an IPO or obtaining refinancing from banks for 14 most polluting industries.
Malaysia	Bursa Malaysia 	Mandatory disclosure on CSR information in the annual reports.
South Africa	Johannesburg Stock Exchange (JSE) 	Integrated sustainability reporting and third party assurance under King Code on Corporate Governance III
US	NYSE Euronext 	Mandatory disclosure of governance practices including the availability of a code of business conduct.



- As the intersection point for various stakeholders (issuers, investors, regulators, operators), the Nigerian Stock Exchange is uniquely positioned to promote a more transparent and efficient capital market that generate long-term value for the Nigerian economy.
- 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:



Marketplace

Promote market-based approach to (ESG) amongst stakeholder



Community

Make positive contributions to the communities where we live and work



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 NSE Executive Committee (CR Committee) provides governance oversight for the management of sustainability in the Exchange.



- ❖ Established CSR Unit and instituted CSR Strategy
- ❖ Signed on-to the Sustainable Stock Exchanges (SSE) Initiatives
- ❖ Initiated 6 high impact community programs



- ❖ Launched the Corporate Governance Rating System (CGRS)
- ❖ Joined global leaders and Exchanges at the SSE Global Dialogue to discuss harnessing the capital market for Sustainable Development
- ❖ Offered the NSE Head office as template for a high rise energy efficiency project.
- ❖ Received the Investment and Business Award for the “Best Initiative in support of support of SMEs and the Millennium Development Goals”



- ❖ Produced the 1st NSE CSR Report
- ❖ Organizational Stakeholder member of Global Reporting Initiative (GRI)
- ❖ Wins 2015 Best Corporate Social Responsibility Company at the African Business Awards
- ❖ Member of United Nations Global Compact.
- ❖ *Nigerian Capital Sustainability Conference and Sustainability Stakeholder Engagement Session.*
- ❖ *Introduction of Sustainability Disclosure Guidelines*

The NSE is currently at the implementation stage for two key measures under the SSE Initiative and the WFE recommendations 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.

The NSE is holding this Sustainability Stakeholder Engagement Session with the objectives 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
- Align with UN and National SDG Goals



- **Format:** *Do we want to Report or Explain*
- **Type of Report:** *What style of reporting should we adopt:*
 - Stand-alone Sustainability Report
 - Financial Reporting with material ESG Factors
 - Integrated Reporting

Highlights:

What should the reporting contain? Majorly, I trust that after today we, we will be able to



Define the roles and responsibilities within a company and who has the oversight responsibility that the agreed ESG imperatives are executed and reported



Agree materiality of information to be disclosed with best fit to bolster investors' confidence in our markets



Evolve a road map and guidelines that is proactive and risk based with internal cum external mechanisms that will guarantee added credibility.



The NSE will continue to leverage its unique position as the 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 leading 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 behavior and transparency

AWARDS



Best Corporate Social Responsibility Award

2015 AFRICAN BUSINESS AWARDS



Award For Promoting Best Practice Reporting and Corporate Disclosure

LAGOS CHAMBER OF COMMERCE & INDUSTRY (LCCI) COMMERCE & INDUSTRY AWARD 2015



African Regulator of The Year
AFRICAN BUSINESS LEADERSHIP AWARDS 2015



Financial Institution of The Year

THE OIL & GAS YEAR NIGERIA 2015



Best Initiative In Support of SMEs & The Millenium Development Goals (2014 Winner)

AFRICAN INVESTOR (Ai) INVESTOR AND BUSINESS LEADER AWARDS



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