



**THE Nigerian  
STOCK EXCHANGE**

# ENHANCING TRUST IN THE CAPITAL MARKET

## NSE DISCLOSURE GUIDELINES

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**Presented by Cima Sholotan**

Lead, Corporate Social Responsibility

For

**Nigerian Capital Market Sustainability Reporting Seminar**

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*June 8, 2016*



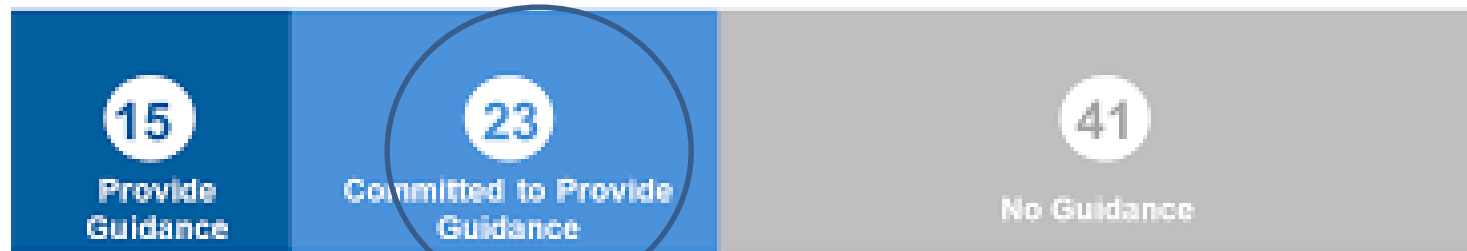
- 1 • *Stock Exchanges As Agents Of Change*
- 2 • *Globalisation Of ESG In Capital Markets*
- 3 • *Integrating Sustainability*
- 4 • *Stakeholder Engagement Process*
- 5 • *Embracing Best Practices*
- 6 • *NSE Sustainability Disclosure Guidelines*
- 7 • *Metrics*
- 8 • *Reporting Format*
- 9 • *The Goal*
- 10 • *Recognition for Doing Good*



- Integration of sustainability principles into business strategy and operations are increasingly assuming higher positions on the agenda of policy makers, market regulators, businesses and investors alike.
- Organisations globally are demonstrating that responsibility and profitability should be complementary and not be seen or treated as mutually exclusive values.
- Governments have historically initiated and led sustainability policies and regulation.
- Currently, market regulators and operators are playing a central role in encouraging good corporate governance and transparency which ultimately leads to market credibility and builds trust which is the lifeline of any resilient capital market.
- Stock exchanges – as the interface between listed companies and investors – have become sustainability change agents.




## Number of Stock Exchanges Offering ESG Reporting Guidance



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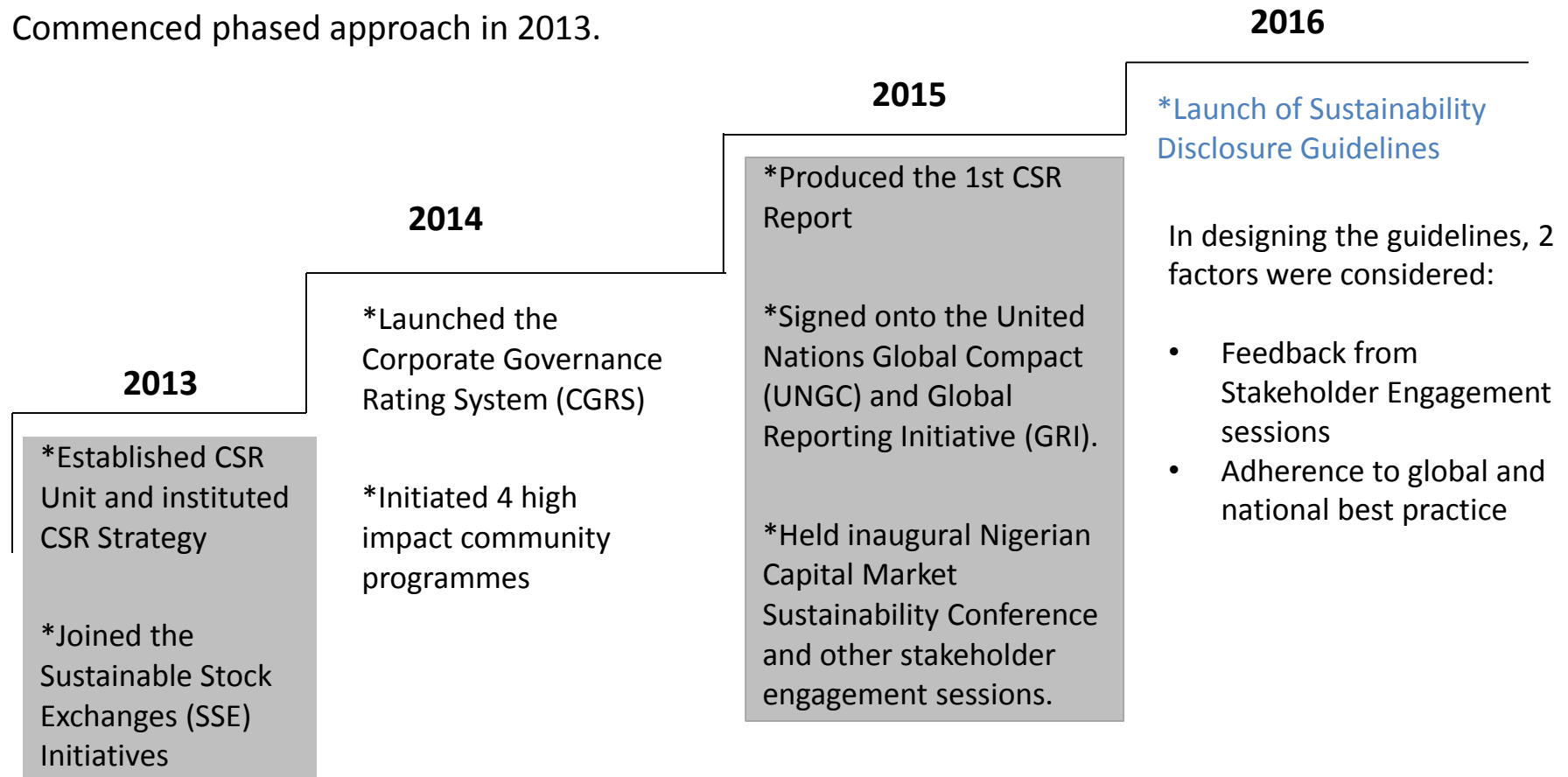
Currently, 15 Stock Exchanges provide sustainability guidance in their market, 23 has committed to institute while 41 have no guidance. Nigerian Stock Exchange is part of the 23 that have committed to have a sustainability guidance by end of 2016.



Country	Stock Exchange		Listing Requirements on ESG Disclosure
Australia	Australian Securities Exchange (ASX)		Disclosure on Corporate Governance Principles and Recommendations which includes sustainability related issues.
China	Shanghai Stock Exchange (SSE)		Governance standard in Corporate Governance code and Environmental standards.
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
US	NYSE Euronext		Mandatory disclosure of governance practices including the availability of a code of business conduct.



- The NSE recognizes the impact of good sustainability performance and robust environmental, social & governance (ESG) disclosure on the overall performance of businesses.
- This has been the motivation to strengthen internal sustainability management system with the integration of responsible business practices into overall strategy and day to day operations.
- Commenced phased approach in 2013.



- Nigerian Capital Market Sustainability Conference (NCMSC) served as a platform to discuss the business value of sustainable investment, enhancing corporate transparency and ultimately performance on Environmental, Social and Governance (ESG) issues.
- A few recommendations from the conference are stated below:

<b>Good Corporate Governance: Key to Sustainability</b>	<b>Sustainability reporting in Financial Services industry</b>	<b>Environmental, Health, Safety and Social Audits</b>
<ul style="list-style-type: none"> <li>• Promote best corporate governance practices amongst stakeholders.</li> <li>• Enforce strict compliance with regulations.</li> <li>• Encourage Board of Directors to set the right tone at the top and enforce the responsible corporate culture.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide evidence based data on sustainability and corporate performance by working with academia and research institutions.</li> <li>• Promote Gender diversity based on skills and competence.</li> <li>• Drive integrity of reported information and role of assurance.</li> <li>• Adopt a report and explain approach.</li> </ul>	<ul style="list-style-type: none"> <li>• Specify key sustainability disclosure KPIs.</li> <li>• Promote sustainability drive through advocacy, and institute a system for monitoring and evaluation.</li> <li>• Focus on a process beyond compliance and incentivize companies.</li> </ul>



- The Guidelines align with global and local frameworks for ESG reporting.
- The key stock exchange reporting guidance considered are:
  - United Nations Sustainable Stock Exchanges (SSE) initiative Model Guidance (MG) on Reporting ESG Information to Investors. It was launched on September 8, 2015.
  - WFE Guidance & Recommendations which was launched on November 4, 2015.
  - The Financial Services Regulation Coordinating Committee (FSRCC) instituted The Nigerian Sustainable Finance Principles (NSFP) in May 2016.



**Financial Services Regulation Coordinating  
Committee (FSRCC) Nigeria**





- The Guidelines have been developed while recognizing that Issuers are at varying levels of understanding and implementation.
- The NSE encourages the companies to apply the recommendations of these Guidelines as much as possible on the basis of respective resources, and expertise.
- In identifying the material sustainability matters, the listed company should also consider the themes and guidance provided in internationally accepted standards such as the Global Reporting Initiative (GRI) Standard.
- These Guidelines encourage and enable businesses to go beyond compliance and embrace sustainability as part of their business ethos.
- The document is divided into 4 sections:
  - Section 1- Sustainability Value Proposition
  - Section 2 - Approach to Integrating Sustainability in Organisations
  - Section 3 - Principles and Core Elements
  - Section 4 - Reporting Requirements



- **Section 1: Sustainability Value Proposition**

- Conceptual clarification of sustainability terms.
- Relevance and value proposition for integrating sustainability in your organization.
- Case studies examples of integrating sustainability in business operations.

- **Section 2: Approach to Integrating Sustainability in Organisations**

- Recommends a detailed guide to embed sustainable business practices into the DNA of an organisation using 6 step approach:





- **Section 3: Principles And Core Elements**

- The following nine (9) principles and the corresponding core elements encompass the indicators of what the NSE defines as responsible business conduct.

## Governance

- **Principle 1:** Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- **Principle 2:** Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

## Economic

- **Principle 3:** Businesses should provide products and services that are safe and contribute to sustainability throughout their life cycle.
- **Principle 4:** Businesses should engage with and provide value to their customers and consumers in a responsible manner.

## Social



- **Principle 5:** Businesses should promote the wellbeing of all employees.
- **Principle 6:** Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
- **Principle 7:** Businesses should respect and promote human rights.
- **Principle 8:** Businesses should support inclusive growth and equitable development.

## Environment

- **Principle 9:** Business should respect, protect, and make efforts to restore the environment.




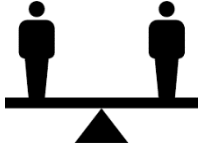

- **Section 4: Reporting Requirements**

- This section states additional Key performance indicators/metrics with detailed description and themes centered around the 4 focus areas.

Economic		
Theme	Description	Indicators/Metrics
<p><b>Suppliers Relations Management and Ethics</b></p> 	<p>Operating standards for purchasing and the selection of suppliers.</p>	<p>Ethical practices which addresses transparency, child labour, support for SME and women owned businesses, forced labour etc</p>
<p><b>Responsible Products and Services</b></p> 	<p>Impact of products and services on stakeholders.</p>	<p>Health risk exposure/incidence due to product usage and consumer education programmes.</p>








## Social


Theme	Description	Indicators/Metrics
Diversity in the Workplace 	Diversity across the workplace including at management level.	Percentage of employee in certain diversity categories including women representation on Boards.
Labour practices 	Inclusive work environment that encourages skills development and fair remuneration.	Staff training, employee benefits and turnover rate.
Occupational Health & Safety 	Safety, health and welfare of people engaged in work or employment.	Availability and adherence to policies on occupational and global health issues.
Human Rights 	The rights of individual as expressed in the International Bill for Human Rights	Human rights issues or statement in company's Human Resources and Suppliers policy.
Society 	Company's impact on society and local communities	Details and impact of Corporate Social Responsibility (CSR)/Community based programmes.



## Environmental

Theme	Description	Indicators/Metrics
Product and Services Responsibility 	The environmental impact of products and services in the course of their lifecycle.	Product innovation to reduce impacts (e.g. eco-friendly, less chemicals/toxic substances etc).
Waste management 	Waste includes hazardous and non-hazardous waste.	Responsible waste disposal and recycling initiatives.
Water 	Consumption and efficient use of water resources.	Percentage of water recycled.
Energy 	Considers the efficient use and consumption of energy as well as energy generated from renewable sources.	Reduction in energy consumption achieved as a result of conservation and efficiency initiatives
Compliance 	Adherence of activities to relevant environmental laws.	Monetary value of fines for non-compliance to environmental laws and regulations.



Governance		
Theme	Description	Indicators/Metrics
<p>Anti-corruption</p> 	<p>Activities to combat corruption and bribery.</p>	<p>*Report on how the organisation's adherence to Bribery/Anti-Corruption Code (BAC).</p> <p>*Training of employees on the anti-corruption.</p> <p>*Incidents, fine or exposure related to anti-corruption.</p>



**Approach:** Report or Explain

**Format:** Issuer may disclose its sustainability information and data in its annual report or in a separate sustainability report.

**Frequency:** Reporting period should align with the same financial period. Submit with annual accounts.

**Content:** Comprehensive description of company's management overview and initiatives related to the principles and themes set out in this Sustainability Reporting Guide.

**Assurance:** The NSE also encourages reporting companies to consider getting their reports assured or independently verified against international standards. Assurance of sustainability data increases the credibility of the report by establishing that the information is accurate.





STRATEGIC ORGANISATION  
OPEN CSR STAKEHOLDERS  
RELATIONS PLANNING DECISION-MAKING  
GOVERNANCE  
PERFORMANCE OUTPERFORM ENVIRONMENTAL  
TRANSPARENCY SUSTAINABILITY  
SUPPLY-CHAIN PUBLIC TRADE CORPORATE GOOD  
FAIR COMMUNITY IMPROVED ACCOUNTABILITY MARKETS  
RISK IMPACT SOCIAL  
MANAGE



*Thank You*



**THE Nigerian  
STOCK EXCHANGE**

RC: 2321

*Stock Exchange House  
2 - 4 Customs Street  
P.O. Box 2457, Marina  
Lagos Island, Lagos, Nigeria*



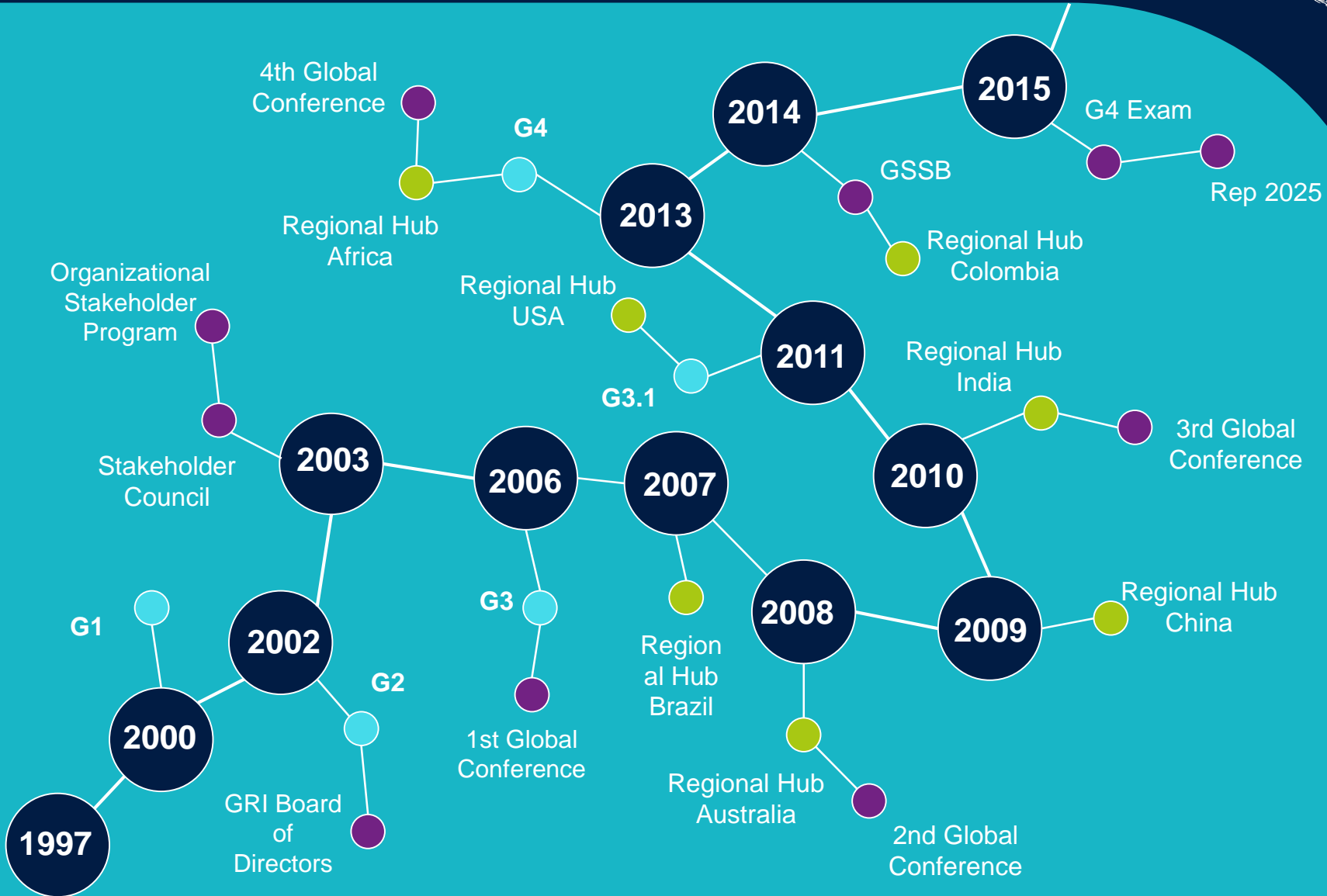
# GRI Reporting Guidelines

Informing decisions, Empowering  
Change

Douglas Kativu, GRI Africa

# Our History

Who we are. Our work.



# Empowering Sustainable Decisions

Supporting business and governments



- Our work is already embedded in different types of decision making across the world:
  - businesses use the sustainability reporting process to understand, manage and communicate their impacts
  - governments use this reported information to build smarter policy
- Across our organization we focus on four strategic areas to help empower sustainable decision making



# GRI Sustainability Reporting Standards

## Quality & comparability



- Globally accepted standards create a common language for organizations and stakeholders by which impacts of organizations can be communicated and evaluated
- GRI standards enhance the quality and comparability of sustainability information, resulting in greater transparency on ESG risks and opportunities
- Increased transparency leads to better decision making, which helps build and maintain trust in businesses and governments
- ESG reporting enables more accurate assessment of value creation, resilience and health of a company into the medium and long term





# Sustainability Reporting



Disclosure on material economic, environmental, social and governance performance

- Helps to set goals, measure performance and manage change
- Makes abstract issues tangible and concrete
- Helps organizations develop sustainability related strategies, innovation, business lines
- Stakeholder focused, and continuous improvement

**It is about driving change, and empowering decisions**



*“What you can’t measure, you cannot manage.  
What you can’t manage, you cannot change.”*  
*Peter Drucker*



# GRI G4 Guidelines



The G4 Guidelines are divided into 2 parts:

→ 1



## Reporting Principles and Standard Disclosures.

GRI's Reporting Principles are the criteria that should be used to guide your choices, in order to achieve effective GRI reporting. Standard Disclosures are the GRI 'questions' you answer in your report.

→ 2



## Implementation Manual:

This is the 'how to' section, and provides detailed advice and recommendations for reporting with G4.

# GRI G4 Guidelines

## GRI Reporting Principles



### Principles for defining Report content

Stakeholder  
Inclusiveness

Sustainability  
Context

Materiality

Completeness

### Principles for defining Report quality

Balance

Comparability

Accuracy

Timeliness

Clarity

Reliability

# GRI G4 Guidelines

## GRI Standard Disclosures



### General Disclosures

- Strategy & Analysis
- Organizational Profile
- Identified material Aspects & Boundaries
- Stakeholder Engagement
- Report Profile
- Governance
- Ethics & Integrity

### Specific Disclosures

- Economic, Environmental & Social Aspects selected on basis of Materiality, e.g. Emissions, OHS, Corruption, etc..
- For each material Aspect report **on Disclosure Management Approach and Performance Indicators**

# Disclosure of Management Approach



G4-DMA

*See references 73, 106, 107, 108.*

- a. Report why the Aspect is material. Report the impacts that make this Aspect material.
- b. Report how the organization manages the material Aspect or its impacts.
- c. Report the evaluation of the management approach, including:
  - The mechanisms for evaluating the effectiveness of the management approach
  - The results of the evaluation of the management approach
  - Any related adjustments to the management approach

..

# GRI G4 Guidelines

## Categories and Aspects



TABLE 5: CATEGORIES AND ASPECTS IN THE GUIDELINES

Category	Economic	Environmental			
Aspects <sup>IV</sup>	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Market Presence</li> <li>• Indirect Economic Impacts</li> <li>• Procurement Practices</li> </ul>	<ul style="list-style-type: none"> <li>• Materials</li> <li>• Energy</li> <li>• Water</li> <li>• Biodiversity</li> <li>• Emissions</li> <li>• Effluents and Waste</li> <li>• Products and Services</li> <li>• Compliance</li> <li>• Transport</li> <li>• Overall</li> <li>• Supplier Environmental Assessment</li> <li>• Environmental Grievance Mechanisms</li> </ul>			
Category	Social				
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility	
Aspects <sup>IV</sup>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Labor/Management Relations</li> <li>• Occupational Health and Safety</li> <li>• Training and Education</li> <li>• Diversity and Equal Opportunity</li> <li>• Equal Remuneration for Women and Men</li> <li>• Supplier Assessment for Labor Practices</li> <li>• Labor Practices Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Investment</li> <li>• Non-discrimination</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Child Labor</li> <li>• Forced or Compulsory Labor</li> <li>• Security Practices</li> <li>• Indigenous Rights Assessment</li> <li>• Supplier Human Rights Assessment</li> <li>• Human Rights Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Local Communities</li> <li>• Anti-corruption</li> <li>• Public Policy</li> <li>• Anti-competitive Behavior</li> <li>• Compliance</li> <li>• Supplier Assessment for Impacts on Society</li> <li>• Grievance Mechanisms for Impacts on Society</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Health and Safety</li> <li>• Product and Service Labeling</li> <li>• Marketing Communications</li> <li>• Customer Privacy</li> <li>• Compliance</li> </ul>	

 **Categories & Aspects**  
**See Table 5, RPSD,**  
**p. 44**

# GRI G4 Guidelines

## Defining Material Aspects and Boundaries



**Focus on Materiality:** The report should cover Aspects that:

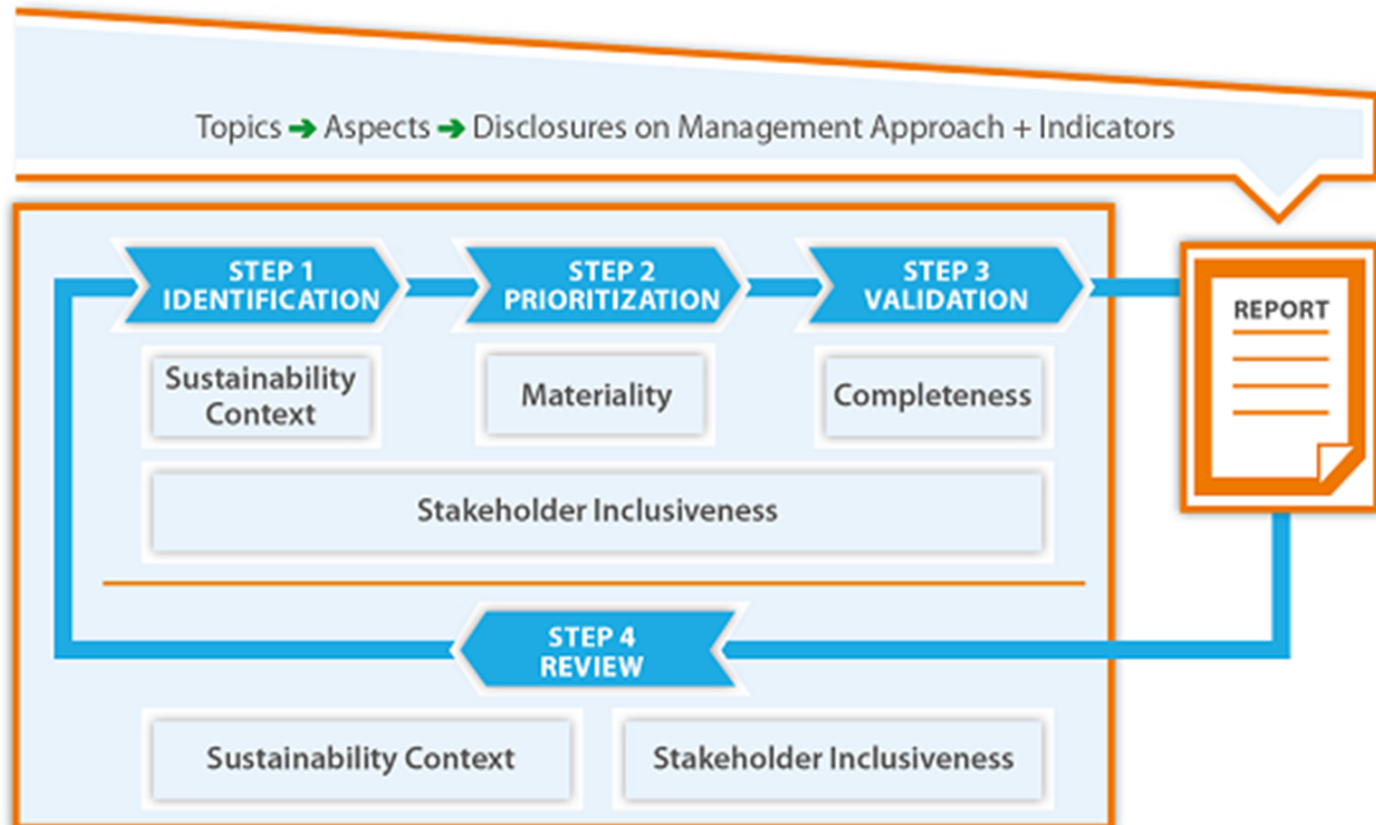
- Reflect the organization's significant economic, environmental and social impacts; or
  - Substantively influence the assessments and decisions of stakeholders
- 
- Emphasis on what is material encourages organizations to **provide only information critical to their business and stakeholders**
  - Organizations and report users can **concentrate on sustainability impacts that matter**, resulting in reports that are more strategic, more focused, more credible, and easier to navigate
  - G4 provides guidance on how to **select material topics, and explain the boundaries** of where these occur

# GRI G4 Guidelines

## Defining Material Aspects and Boundaries

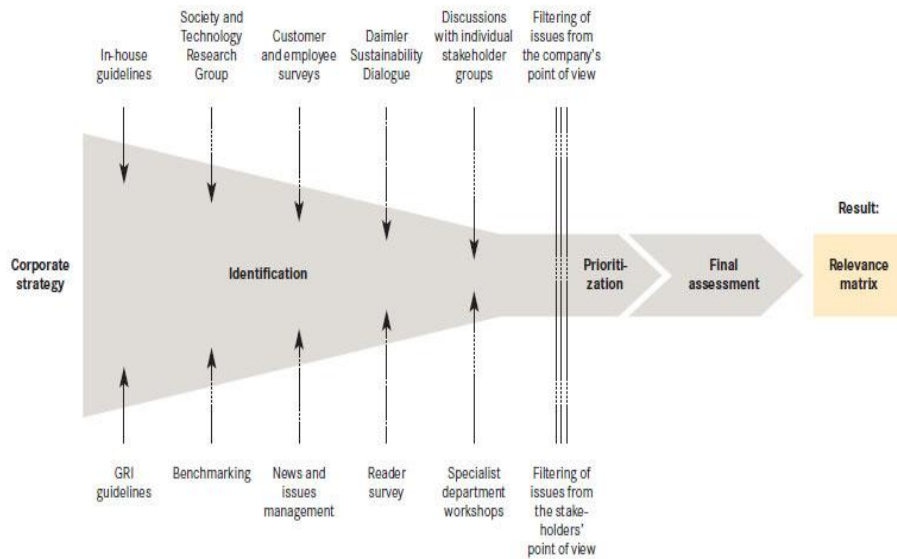


*Defining material Aspects and Boundaries - process overview*

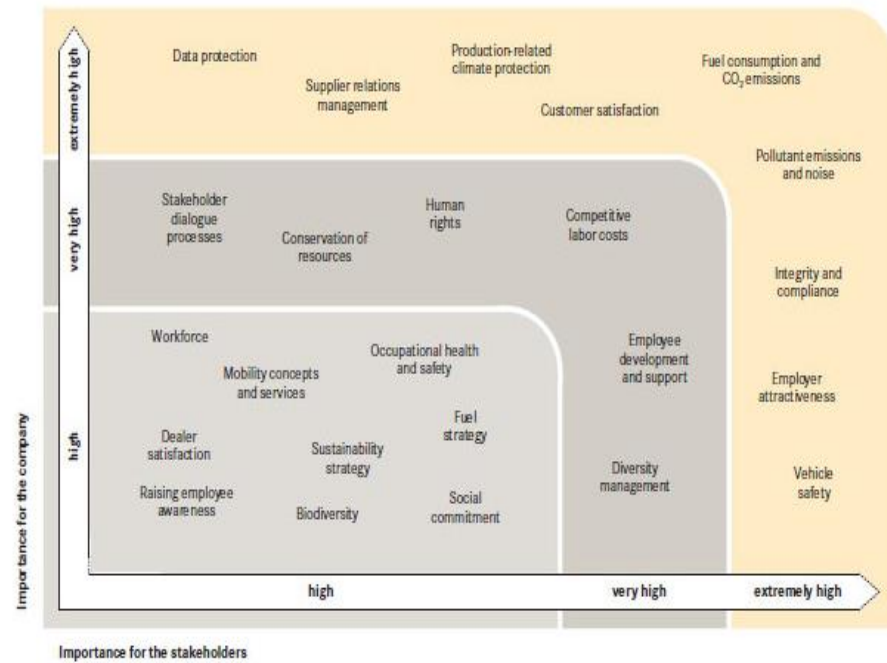


# Defining materiality - Daimler

## Materiality analysis



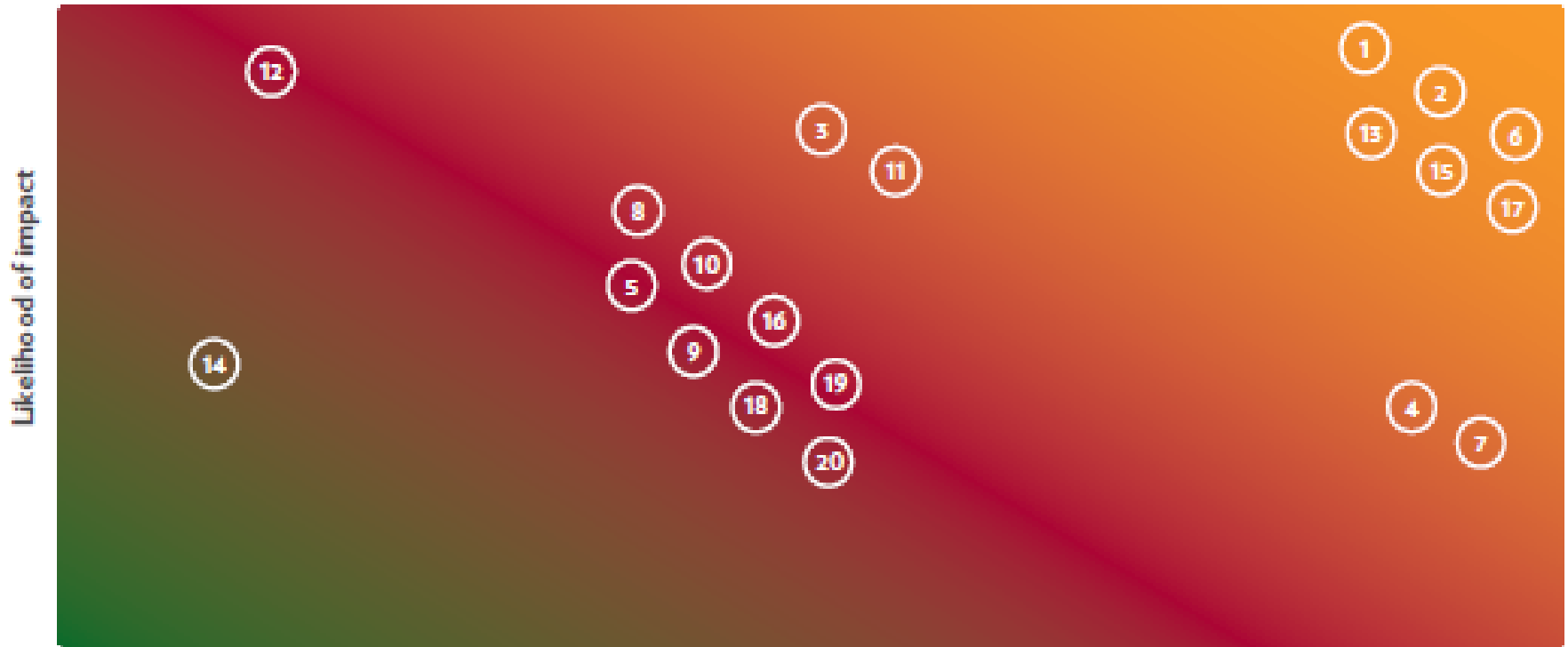
## Relevance matrix (important issues in 2011)





# Define: materiality

Material issues heatmap



Magnitude of impact

Issues included in this area of the grid have only a minor impact on the company and are thus not reported on.

Issues included in this area have a relatively moderate impact on our company. All issues shown in this area are discussed partially in this report.

Issues included in this area are of high significance and impact for both stakeholders and the company. All issues shown in this area are discussed fully in this report.

# GRI G4 Guidelines

## Defining reporting boundaries

*An example where the topic of anti-corruption is only relevant to certain entities within the organization*

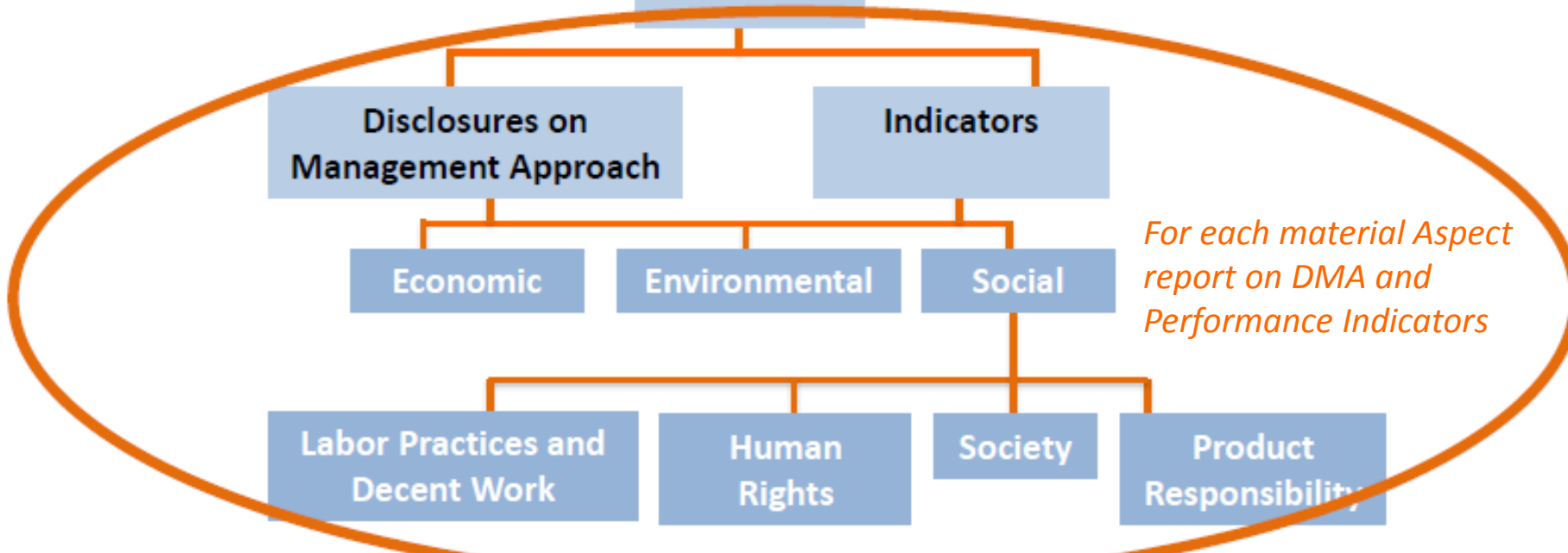
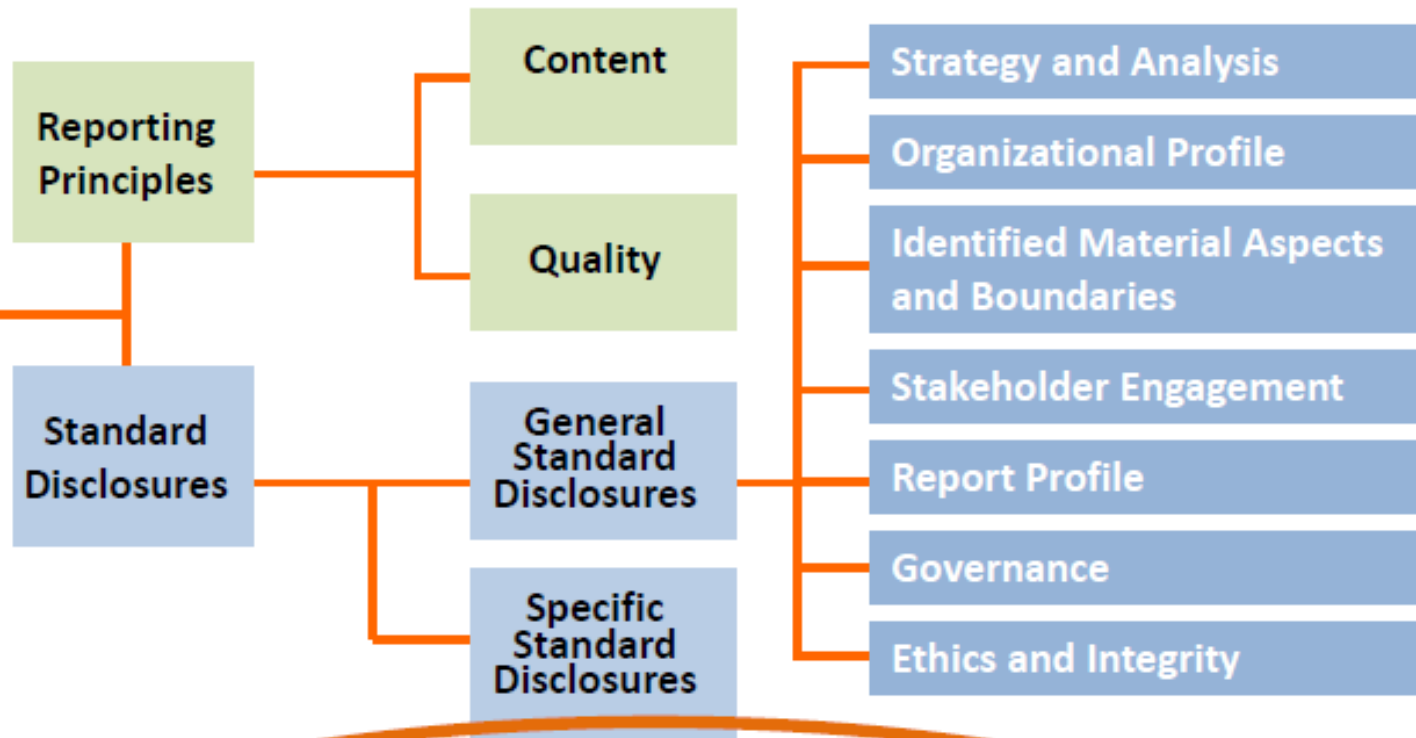


*An example where the topic of child labor is only relevant to certain entities outside of the organization*



*An example where the topic of emissions is relevant within and outside of the organization*





*For each material Aspect report on DMA and Performance Indicators*

# GRI G4 Guidelines

## Reasons for Omission

- A Standard Disclosure, part of a Standard Disclosure, or an Indicator is **not applicable**; the reason why it is considered to be not applicable should be disclosed
- The information is subject to specific **confidentiality constraints**; those constraints are to be disclosed by the organization
- The existence of specific **legal prohibitions**; a reference to the specific legal prohibitions should be made
- The **information is currently unavailable**. In the case of unavailability of data, the organization should disclose the steps being taken to obtain the data, and the expected timeframe for doing so

# Business Case & Value of Reporting



# Sustainability Reporting & GRI



“GRI remains the most popular voluntary reporting guideline worldwide:

- 60% of companies that report use or reference GRI Guidelines
- 74% of the G250 that report use or reference GRI Guidelines
- Used by reporters in 93 countries and referenced in policy by 30 countries/ regions

*Important questions now are not whether to report or not but improving the quality and value of reporting process to empower decisions – better information, better decisions, better returns*



# Sustainability Reporting

*What is driving corporate accountability and transparency*



- Policy and market regulation – trust and confidence in markets
- Radical transparency (*stakeholder pressure*) - initiatives to hold companies accountable. Social license to operate
- Shareholder activism (*responsible investment*) - Reduce investment risk, and enhance value creation. Impact investing
- Enhancing competitiveness – *brand reputation, access to markets, access to finance*
  - ❖ Focus on supply chain ESG risk.
  - ❖ Growth in ESG screened funds and assets under management.
  - ❖ Equator Principles – managing social and environmental risks in project financing and corporate lending

# Value & Business Case of Sustainability Reporting



## Exercise - Discuss in pairs (10 minutes)

- What are in your opinion the main benefits of sustainability reporting?
- What concrete arguments would you use to convince an organization of the benefits of sustainability reporting?



**Share with the group!**



# Value of Sustainability Reporting



# Sustainability Reporting Process: Activities & Challenges



# Sustainability Reporting Process

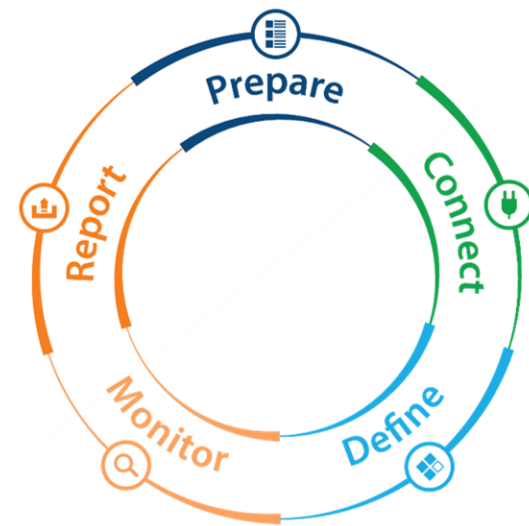


Ongoing cycle of engagement to **understand, debate, measure & improve** internal processes and to **monitor and communicate** performance.

# Sustainability Reporting Process



- Group Exercise (5 groups, 30 minutes)
- In your group, quickly write up tasks to be undertaken at each phase of the reporting process, (Group 1 starts on phase 1, Group 2 on phase 2, Group 3 on phase 3 etc...). Write on sheets given to you, ONE SHEET PER TASK. (15 min)
- Each group decides on one to two major challenges faced by an organization in the phase they started on, (i.e. Group 1 does phase 1, Group 2 does phase 2, etc...) Write on sheets given to you, ONE sheet for one challenge. (5 min)
- Place them on the wall under the appropriate phase (2 minutes)
- Facilitators present the results (8 minutes)



# Sustainability Reporting Process



## Prepare phase Activities

- Identify the sustainability reporting team
- Choose the type of sustainability report
- Create awareness and get commitment
- Run the initial meetings
- Identify an initial list of sustainability topics
- Choose the 'In accordance' option
- Define the planning process for deciding on report content
- Develop the report action plan
- Hold meetings with the staff to explain what is to be done

# Sustainability Reporting Process



## Connect phase activities

- Identify stakeholders to be contacted to help the organization identify what is material and where
- Prioritize stakeholders to be contacted
- Define a list of what to be asked from the key stakeholders
- Consider the appropriate and effective way to contact different groups of stakeholders

# Sustainability Reporting Process



## Define phase activities

- Analyze stakeholders' feedback
- Define threshold
- Select material topics
- Relate them to G4 Guidelines
- Define Boundaries
- Make recommendation to the management
- Decide on the report content with the management



***Read Guidance to define material Aspects (G4-18-G4-21 IM)***

# Sustainability Reporting Process



## Monitor phase activities

- Check internal processes and systems to gather information for material Aspects and topics
- Monitor activities & collect information
- Discuss and set goals for material Aspects and topics
- Ensure quality of information
- Ensure regular follow up to check progress



# Sustainability Reporting Process



## Report phase activities

- Choose best way to communicate
- Write a concise report focused on data collected for material Aspects
- Finalize & launch the report
- Prepare for the next cycle
- Review the report based on stakeholders' feedback

# Sustainability Reporting Process



## Challenges

- Ensuring **commitment** from staff at all levels; especially senior staff
- Making it more than just a “**marketing tool**”
- Choosing & engaging with **key stakeholders**
- Deciding on what are **important issues** to include, (“material”)
- Establishing practical & **realistic goals / targets**
- **Collecting, organizing & analyzing** the necessary information
- Preparing the organization to **achieve published goals**, (i.e. procedures & systems)

# Sustainability Reporting Process



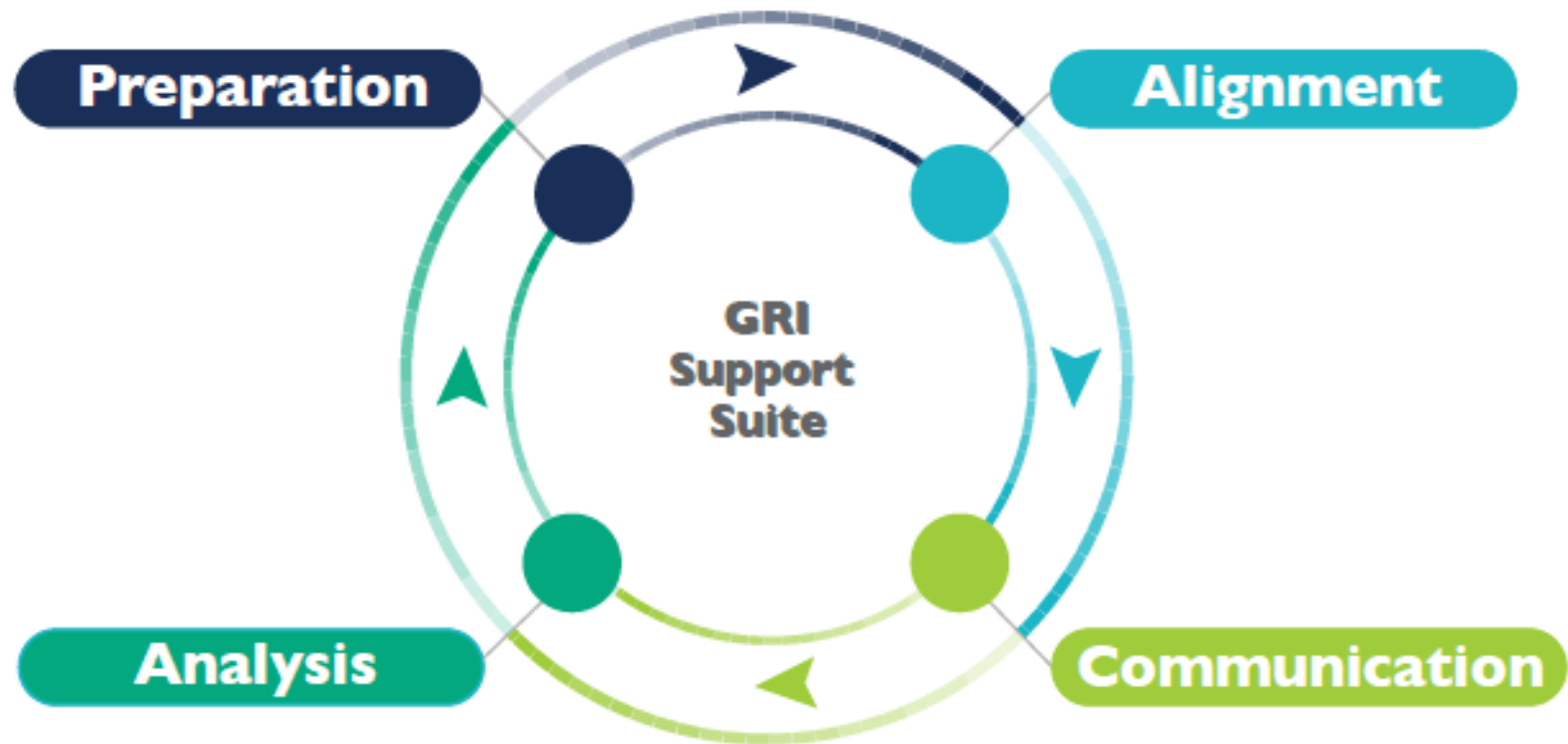
## Challenges

- Communicating **negative results**
- Managing **expectations** around final report
- Producing a picture of the **real performance** of the organization
- Producing a **clear document** that meets readers' different needs after a difficult process of collecting data from different areas
- Keeping **the process going** to the next reporting period

# GRI Services



# GRI Support Suite



# GRI Support Suite

Tools and services covering the whole reporting cycle



- Report preparers:
  - help prepare your report
  - align reporting with GRI Guidelines
  - give your reporting exposure to a wider audience
  - provide insights into sustainability data



- Report users:
  - help to understand sustainability reporting
  - Help to navigate GRI reports and locate and discover others





# Alignment

Services to help users navigate GRI reports more easily



- Solutions that help ensure reporting is aligned with the GRI Guidelines, making sustainability data more traceable and usable
- For reports based on the G4 Guidelines:
  - Content Index Service
  - Materiality Disclosures Service
  - SDG Mapping Service





# Communication

Services to give sustainability reporting a wider reach



- Report preparers: showcase their reporting
- Report users: access thousands of sustainability reports from organizations in all sectors & regions
- Featured Report Service & Sustainability Disclosure Database



# Analysis

Tools to give you insights into sustainability reporting data



- Report preparers: identifying trends and looking at what peers and competitors are reporting
- Report users: making a vast amount of data accessible for understanding and discovering trends in the reporting landscape
- Reports List & XBRL



# Thank you



info@globalreporting.org  
www.globalreporting.org

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GRI  
Barbara Strozziiaan 336  
1083 HN Amsterdam  
The Netherlands

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