



How ESG is changing the financial landscape?

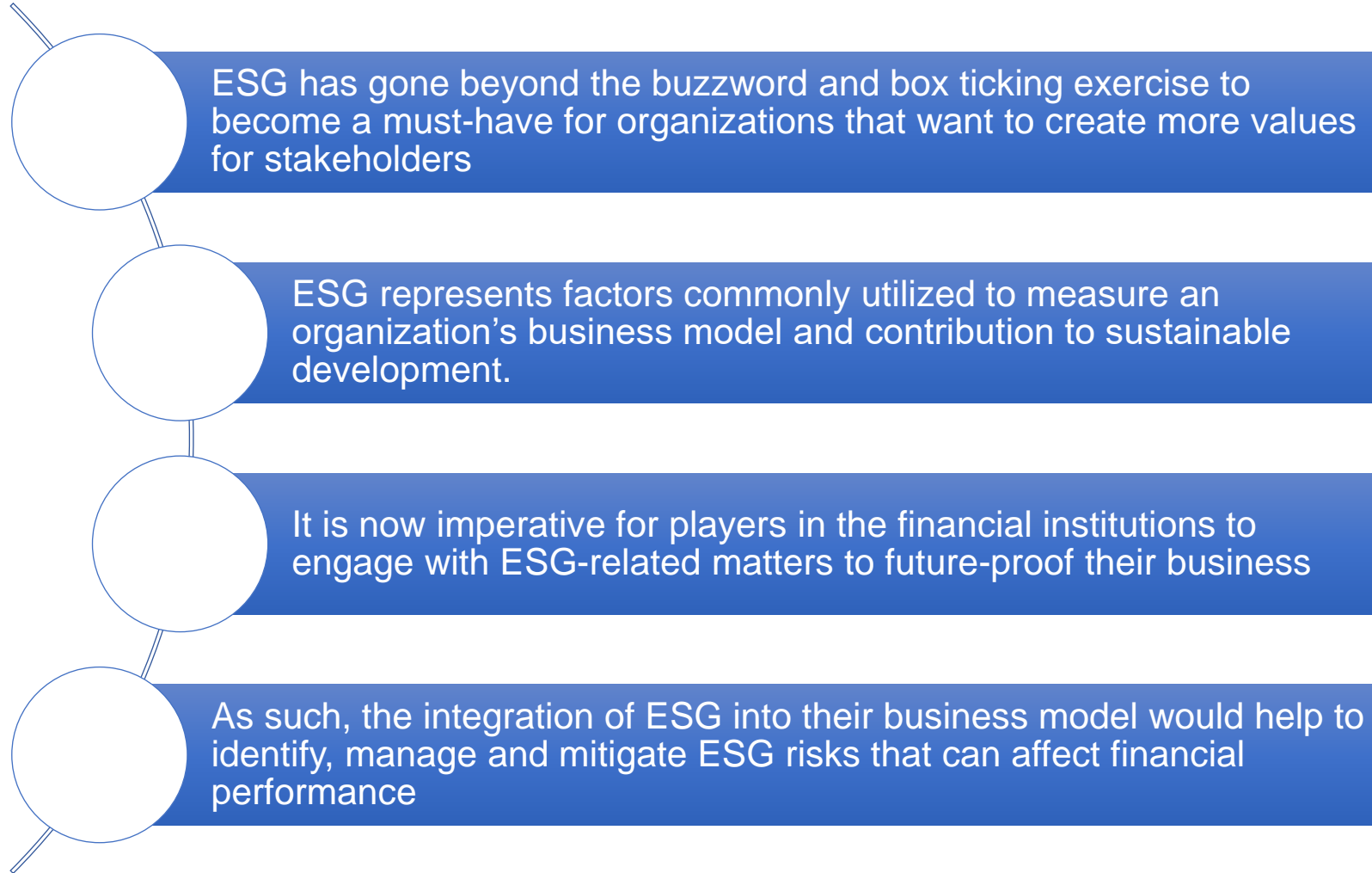
Adewole Lawal
Senior Manager, Sustainability
Mazars in Nigeria

March 2024

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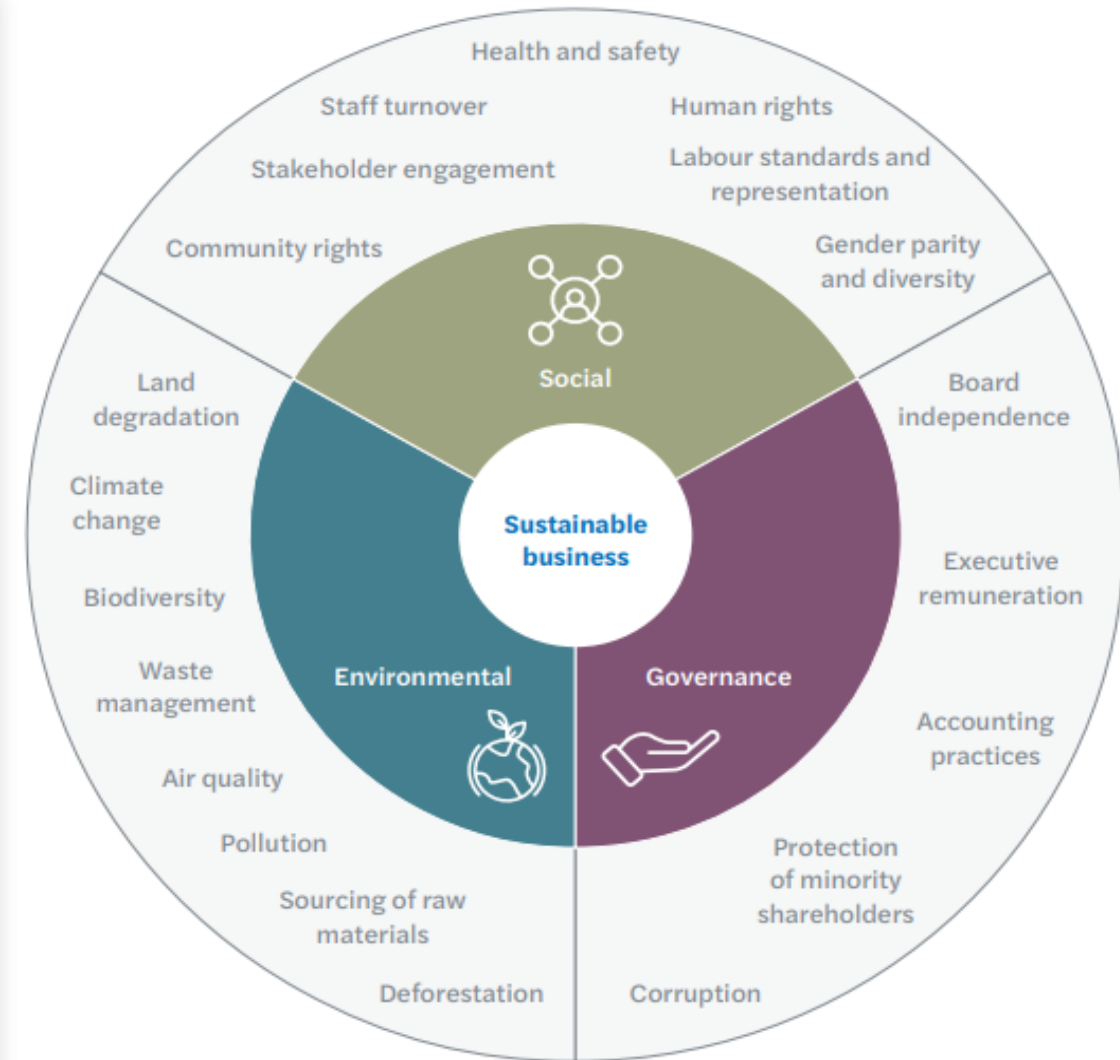
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Introduction



Defining ESG

- ESG is used as a framework to manage a company's risks and opportunities created by the dynamic market and non-market conditions
- It is the ability to create long term value in a rapidly changing world, and managing risks and opportunities associated with these changes
- **Environment, Social and Governance** factors have emerged over the years in response to both social and environmental pressures and as an understanding of the risks they represent grew. **Responsible Business** is now defined by the inclusion of these factors into **core business practice**.
- Sustainability is the integration of environmental (planet), social (People) and economic (profit) considerations into the business operation and activities of an organization



ESG Factors



Environmental Factors

- Land Degradation
- Climate Change
- Energy Management
- Waste Management
- Water Resource Management
- Pollution
- Responsible Sourcing
- Deforestation
- Air quality
- Biodiversity Protection



Social Factors

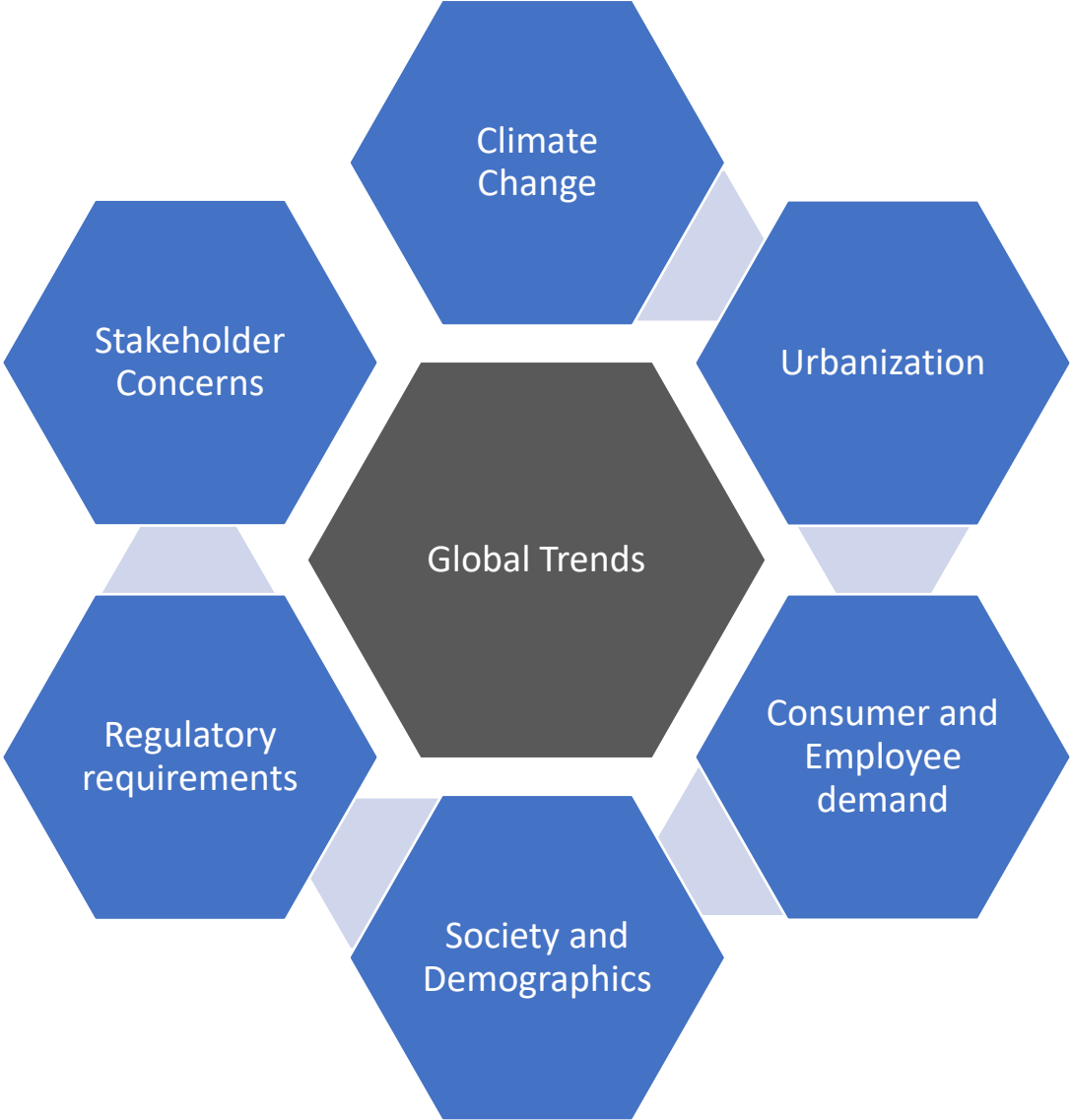
- Company Culture
- Human rights
- Labour standards & representation
- Gender parity & Diversity
- Employee Welfare & Benefits
- Employee turnover
- Community Engagement
- Stakeholder Engagement
- Health & Safety
- Customer Privacy and Data Security
- Product Quality & Safety



Governance Factors

- Board Diversity and Governance
- Business Ethics
- Anti-Bribery & Corruption Measures
- Shareholder Rights
- Transparency & Disclosure
- Compliance

Global Trends Driving Demand For ESG Integration (1/2)



Global Trends Driving Demand For ESG Integration (2/2)



Extreme Weather Events



Increased Temperature



Rising Sea Levels



Loss of Biodiversity



Ocean Acidification



Negative Impact on Agriculture



Water Scarcity



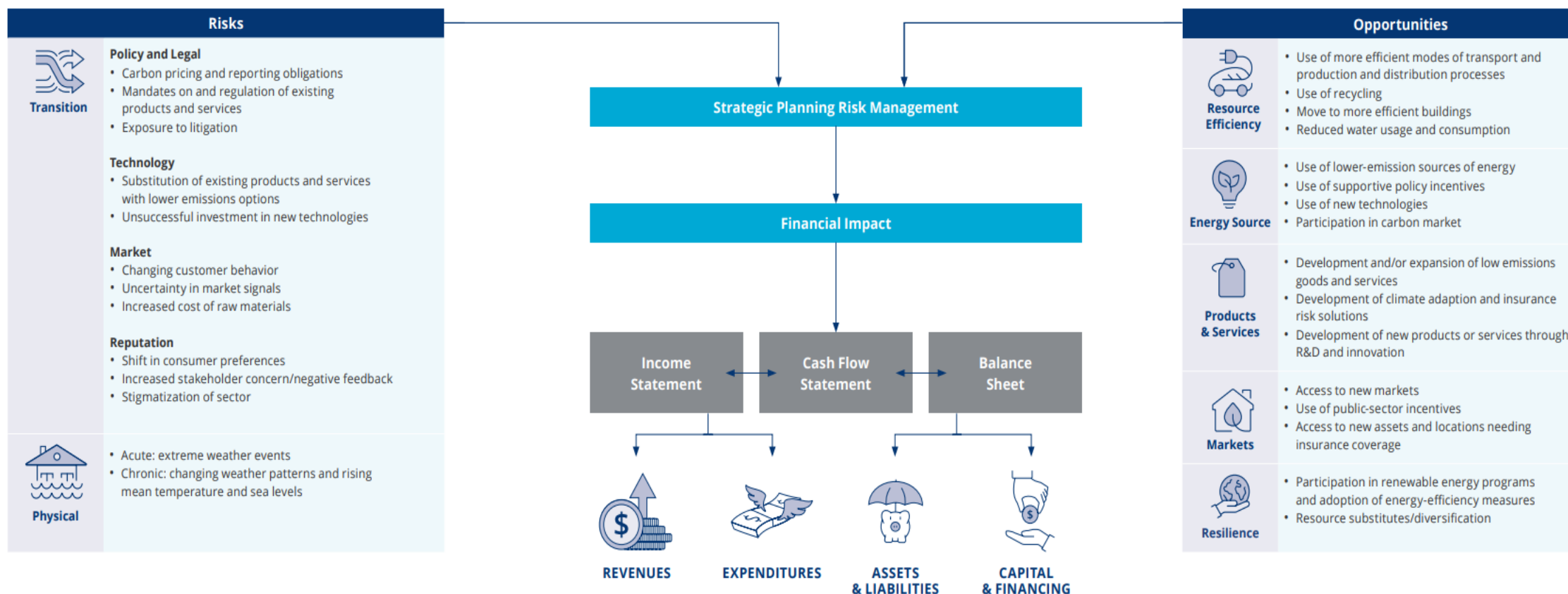
Health Issues (Covid-19)

ESG and Value Creation

Recognising and closing the gaps in ESG business practices, enables the creation of value in a virtuous circle of growth and progress for business sustainability



Climate-Related Risks and opportunities (Example)



“Climate change presents global markets with risks and opportunities that cannot be ignored, which is why a framework around climate-related disclosures is so important. The Task Force brings that framework to the table, helping investors evaluate the potential risks and rewards of a transition to a lower carbon economy.”

– Michael R. Bloomberg, TCFD Chair and Founder of Bloomberg LP and Bloomberg Philanthropies, June 2017

Source: TCFD

Key ESG issues for Financial Institutions

1

ESG Risk Assessment and Management

- Identifying potential ESG issues that can affect investment and devising measures to mitigate it.
- Understanding the implications of ESG factors to make informed decisions e.g ESG Due Diligence and ESAP monitoring

2

ESG Reporting and Disclosure Requirements

- The knowledge of applicable standards such as IFRS S1 & S2, SASB, GRI, etc. is essential for transparent ESG disclosure
- This would also help in providing financial related data on ESG

3

ESG-Focused Financial Strategies/Products

- Identify investment opportunities that align with ESG principles and construct portfolios that balance financial and non-financial objectives
- Develop ESG aligned financial products

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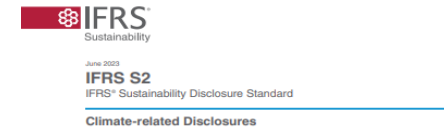
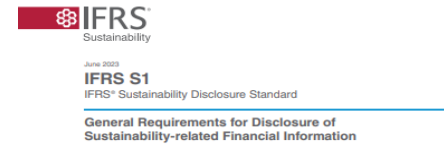
Decarbonization Strategy

- Inculcate Net-Zero plan to reduce emission within its operation and that of its customers
- Devise strategy to reduce emission within its value chain

Some ESG regulations, Frameworks and standards

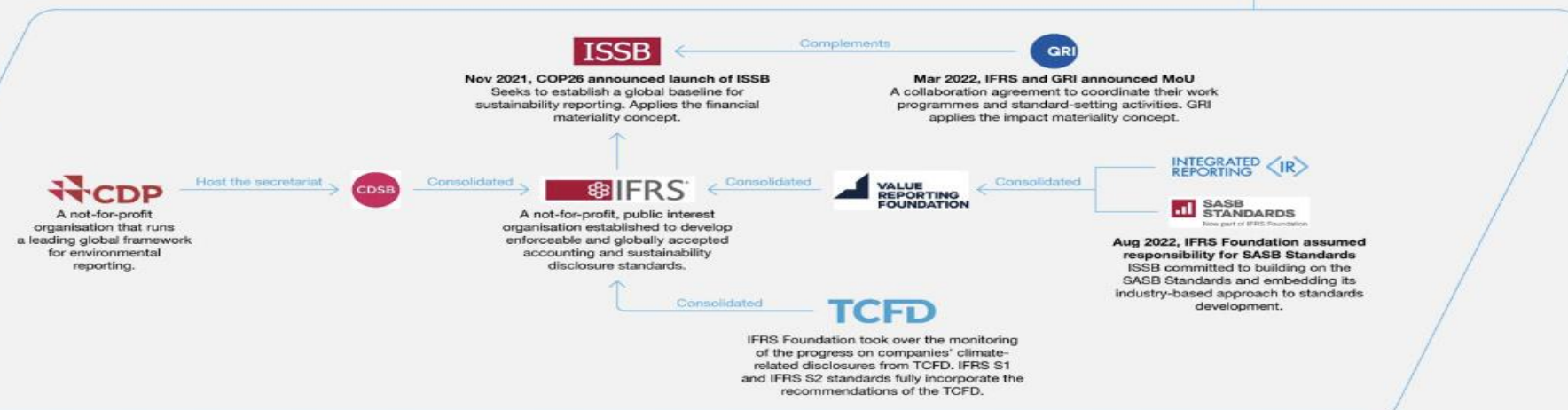


1. Nigerian Sustainable Banking Principles 2012
2. Climate Change Act 2021
3. Nigerian Sustainable Finance Principles (2016)
4. Nigerian Code of Corporate Governance (2018)



Frameworks changing the trends of ESG reporting

Pathway to ESG disclosure going mainstream



Source: IEC, 2023

Key Steps for financial Institutions to drive ESG integration

- ❖ Stakeholder Engagement
- ❖ Identification of priority/material ESG areas, risks and opportunities
- ❖ Design an ESG action plan
- ❖ Develop ESG Policies in tandem with action plans
- ❖ Set targets for implementation
- ❖ Invest in ESG trainings and capacity building for employees
- ❖ Embed sustainability into entire business value chain (including potential supply chain blind spots)
- ❖ Measure Performance on Sustainability Metrics
- ❖ Sustainability Reporting

Conclusion

- ❑ Sustainability and ESG-related concerns have become very important in making informed decisions and reducing non-performing loans for players in the financial institutions.
- ❑ ESG consideration has now been introduced to better enhance financial performance and mitigate financial risks especially in credit and mergers & acquisition processes.
- ❑ The integration of ESG within an organization requires the collective effort of every member of the organization





Thank You

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