

ESG integration by pension regulators in Ghana

Diagnostic study

July 2023



Document Reference: ESG integration by pension regulators in Ghana - Diagnostic Study

Date: July 2023

Contact information

Genesis Analytics (Pty) Ltd - Johannesburg

Office 3, 50 Sixth Road
Hyde Park, 2196, Johannesburg
South Africa

Post to: PO Box 413431, Craighall, 2024,
Johannesburg, South Africa

Tel: +2711 994 7000
Fax: +2711 994 7099

www.genesis-analytics.com

Authors

Ryan Short, Mark Robertson, Tito Tibi, Belinda Kaimuri, Emmanuelle Tshala and Kirsten Everett

Contact person

Mark Robertson, Principal at Genesis Analytics

markr@genesis-analytics.com

+27 011 994 7000

Table of contents

1. INTRODUCTION	5
1.1 Project background	5
1.2 Introduction to ESG	6
1.3 Introduction to the Diagnostic Report	7
2. GLOBAL BEST PRACTICE	9
2.1 Supervisors' best practice	9
The Evolution of ESG rule making	9
ESG rulemaking in developing markets	11
Prudential Regulation, Supervision, and Enforcement	13
Common themes and recommendations	14
2.2 Best practice in the pension industry	17
Climate-related supervision	18
Global standards for pension supervision	19
The South African case study	21
ESG in the South African pension industry	21
2.3 Institutions and tools to watch	22
The ESG Financial Ecosystem	24
3. ESG DIAGNOSTIC ASSESSMENT - GHANA	25
3.1 ESG integration at a national level	25
3.2 ESG integration in the financial sector	26
3.2.1 ESG integration in the capital markets	26
3.2.2 ESG integration in the banking sector	27
3.2.3 ESG integration in the insurance sector	28
3.2.4 ESG integration in the pension industry	31
3.3 Preliminary regulatory gaps/opportunities for ESG adoption	33
4. CONCLUSION AND NEXT STEPS	34
ANNEXURE 1: REGULATORY DOCUMENTS REVIEWED (GLOBAL)	35
ANNEXURE 2: REGULATORY DOCUMENTS REVIEWED	37

LIST OF FIGURES

Figure 1: Report structure	8
Figure 2: The high-level evolution of ESG rule making	9
Figure 3: Transmission channels of ESG risks and their impacts on financial markets	11
Figure 4: “ESG” rulemaking in selected emerging market economies	14
Figure 5: EIPOA’s Priorities to Address Sustainable Risk	15
Figure 6: Heatmap showing the climate risk facing the pension industries in various countries	19
Figure 7: Composition of the overall climate and regulatory risk score	20
Figure 8: Timeline of ESG regulation in South Africa	22
Figure 9: The ESG Financial Ecosystem	25

LIST OF TABLES

Table 1: ESG categorisation	6
Table 2: Common themes from expectations and regulatory developments in the pension industry	16
Table 3: OECD Core Principles for Private Pension Regulation and Environmental, Social, and Governance “ESG” themes	20
Table 4: Main institutional actors in the ESG space	23
Table 5: ESG related international frameworks	23

1. INTRODUCTION

1.1 Project background

Increasingly, companies and investors are being looked at to lead the charge in mitigating and adapting to climate change, reducing discrimination, and increasing transparency.¹ Pension funds are major investors whose decisions can have a powerful impact on ESG factors. In just 22 countries, pension funds control \$56.6 trillion in assets.² But, given the variety of disclosure and reporting requirements, such as EU Taxonomy regulation and the Task Force in Climate-related Financial Disclosures, pension funds rely on their regulators to guide them on how to incorporate ESG factors in their investment and risk management processes.

These challenges are significant in Sub-Saharan Africa. The region has a Corruption Index score of 32 out of 100; the lowest scorer in the region was Somalia which scored 13 out of 100 as the president has recently dissolved anti-corruption commissions.³ This low regional ranking has economic implications seen by the recent greylisting of Nigeria and South Africa by the Financial Action Task Force.⁴ When it comes to human development, all the Sub-Saharan countries except Seychelles and Mauritius fall below the global average Human Development Index score.⁵ Additionally, African countries are some of the most vulnerable to climate-related risk, with drastic climate change causing knock-on effects within African economies that impact poverty, food security, and economic development. To mitigate these impacts and support global climate targets (such as the 2 degrees global goal under the Paris Agreement), African countries will need to dramatically increase investment in climate-related assets. Pension funds have the finance to mobilise for this cause and are therefore key role players.⁶

Despite these challenges, Africa is lagging global developments in ESG disclosure including in the pension industry. Half of African pension funds do not disclose sustainability information about their investments.⁷ This is largely driven by a lack of regulation, policy, and voluntary⁸ initiatives to regulate and monitor ESG adoption by the pension industry.

To support the development of regulations and guidelines on ESG disclosures, regulators and the industry need to work together to identify gaps and solutions in each country. This will require capacity building and an in-depth knowledge of ESG risks.

In this context, this project aims to:

Develop effective ESG toolkits and guidance/guidelines that will enable pension regulators in Ghana, Kenya, and Nigeria to integrate ESG considerations into their supervisory processes, regulations, and reporting requirements.

¹ Edelman Trust Barometer. (2023). *2023 Edelman Trust Barometer: Global Report*. [Online]. Available: <https://www.edelman.com/sites/g/files/aatuss191/files/2023-03/2023%20Edelman%20Trust%20Barometer%20Global%20Report%20FINAL.pdf>. [March 2023].

² Thinking Ahead Institute. (2022). *Global Pension Assets Study - 2022*. [Online]. Available: <https://www.thinkingaheadinstitute.org/research-papers/global-pension-assets-study-2022/>. [March 2023].

³ Transparency International. (2023). *CPI 2022 for Sub-Saharan Africa: Corruption compounding multiple crises*. [Online]. Available : <https://www.transparency.org/en/news/cpi-2022-sub-saharan-africa-corruption-compounding-multiple-crises>. [March 2023].

⁴ Institute for Security Studies. (2023). *Shades of grey: FATF lists South Africa and Nigeria*. [Online]. Available: <https://issafrica.org/iss-today/shades-of-grey-fatf-lists-south-africa-and-nigeria#:~:text=Greylisting%20means%20that%20South%20Africa.the%20financing%20of%20serious%20crimes>. [March 2023].

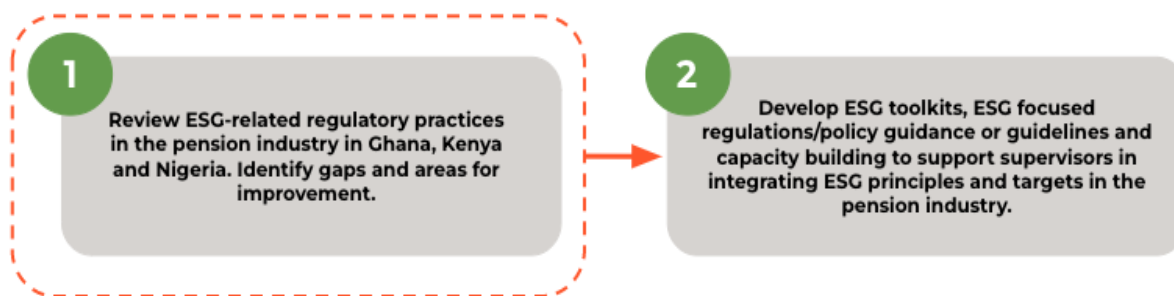
⁵ United Nations Development Programme. (2023). *Human Development Index*. [Online]. Available: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>. [March 2023].

⁶ Climate Policy Initiative; Children's Investment Fund Foundation; FSD Africa and UKAid. (2022). *Landscape of Climate Finance in Africa*. [Online]. Available: <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/09/Landscape-of-Climate-Finance-in-Africa.pdf>. [March 2023].

⁷ Stewart, F. (2021). *The elephant in the room: Bringing sustainable investment to Africa*. [Online]. Available: <https://blogs.worldbank.org/psd/elephant-room-bringing-sustainable-investment-africa>. [March 2023].

⁸ For example, we don't see a large number of pension funds taking significant independent initiative around ESG without regulatory/similar prompting or requirements.

There are two **key objectives** for this project:



This report delivers on the first of these objectives, specifically for Ghana.

1.2 Introduction to ESG

A common understanding of ESG will be helpful for the purposes of this document. Put simply, ESG is an acronym for:

- Environmental;
- Social; and
- Governance.

Together, these three elements provide a framework for understanding the impact and risks of an organisation beyond its financial performance. However, these elements are often considered as distinct silos rather than being considered together. In particular, the international focus has been on incorporating the governance element typically by creating policies guiding corporate governance, anti-corruption and whistleblowing. Progress has been made in creating data protection and privacy policies which would fall under the social element along with more-established issues relating to workforce, safety, and communities (among others). Historically, less progress has been made in considering environmental factors - though this is rapidly changing with the increased global attention, it hasn't yet reached the level of establishment of governance factors, given its relative nascency from a regulatory perspective.

Each of the three categories refers to a range of related concerns and whilst there is no universal list there are common factors in each of them:

Table 1: ESG categorisation

Environmental factors	Commonly include climate change, carbon emissions, air and water pollution, biodiversity, deforestation, energy efficiency, waste management and water scarcity.
Social considerations	Commonly include customer satisfaction, data protection and privacy, gender and diversity, employee engagement, community relations, human rights and labour standards, and cybersecurity.
Governance considerations	Commonly include board composition, audit committee structure, bribery and corruption, executive compensation, lobbying, political contributions, and whistleblowing.

Understanding and measuring ESG is complex, which is why the common list is so broad. Adding to this complexity, an organisation's context plays a defining role in assessing its ESG impact and risks: the country/countries of operation, industry, size, business model, and geography of an organisation are all significant influences. ESG guidance for developed countries is unlikely to be immediately applicable in developing countries' context. Having said that, an advantage of being less advanced in ESG integration

is that we can learn from global best practice. This serves as a baseline that is then customised based on examples from developed and developing countries, and enhanced by deep-dive assessments of Ghana, Kenya, and Nigeria.

Whilst the term ESG first was used in investment decision-making processes, it is also an important component of risk management processes.⁹ Since both of these processes are essential to pension funds, it should not be surprising that key stakeholders from the pension industry are demanding that pension funds consider ESG factors.¹⁰ The International Organisation of Pension Supervisors has provided guidelines for regulators as they support this process in their countries.¹¹

With the definition of ESG and the importance of contextual factors in mind, the next section will introduce the diagnostic report.

1.3 Introduction to the Diagnostic Report

To create the diagnostic reports, we began by reviewing global best practice and understanding the status quo of ESG adoption by pension funds and pension regulators in the three focus countries.

In particular, we were looking to answer several key questions:

1. What ESG risk categories are pension funds in Ghana, Kenya, and Nigeria exposed to (or will become exposed to) and how are they anticipating and responding to them?
2. What tools, regulations, policies, or initiatives are currently guiding pension funds to consider ESG factors?
3. Is there appetite among pension funds and pension regulators to adopt ESG considerations? What are common concerns around adoption?
4. Which stakeholders are contributing to or influencing ongoing discussions on the integration of ESG issues in risk assessment and/or asset management? What are the driving factors?

To create the diagnostic reports, we began by reviewing global best practice and understanding the status quo of ESG adoption by pension funds and pension regulators in the three focus countries.

We were looking to answer several key questions:

1. What ESG risk categories are pension funds in Ghana, Kenya and Nigeria exposed to (or will become exposed to) and how are they anticipating and responding to them?
2. What tools, regulations, policies, or initiatives are currently guiding pension funds to consider ESG factors?
3. Is there appetite among pension funds and pension regulators to adopt ESG considerations? What are common concerns around adoption?
4. Which stakeholders are contributing to or influencing ongoing discussions on the integration of ESG issues in risk assessment and/or asset management? What are the driving factors?

This report summarises the current status and regulatory practice of pension regulators in Ghana, Kenya, and Nigeria in relation to ESG risks. The report aims to answer the above questions through a combination of desktop research, internal Genesis best practice and knowledge, stakeholder interviews and workshops, and pension fund surveys. Furthermore, the report identifies key gaps in ESG integration as well as potential opportunities for regulatory intervention and action.

⁹ The assets that pension funds have invested in may be affected by the physical, transition, technological and liability risks of climate change; as such, considering these risks before investing in assets is important.

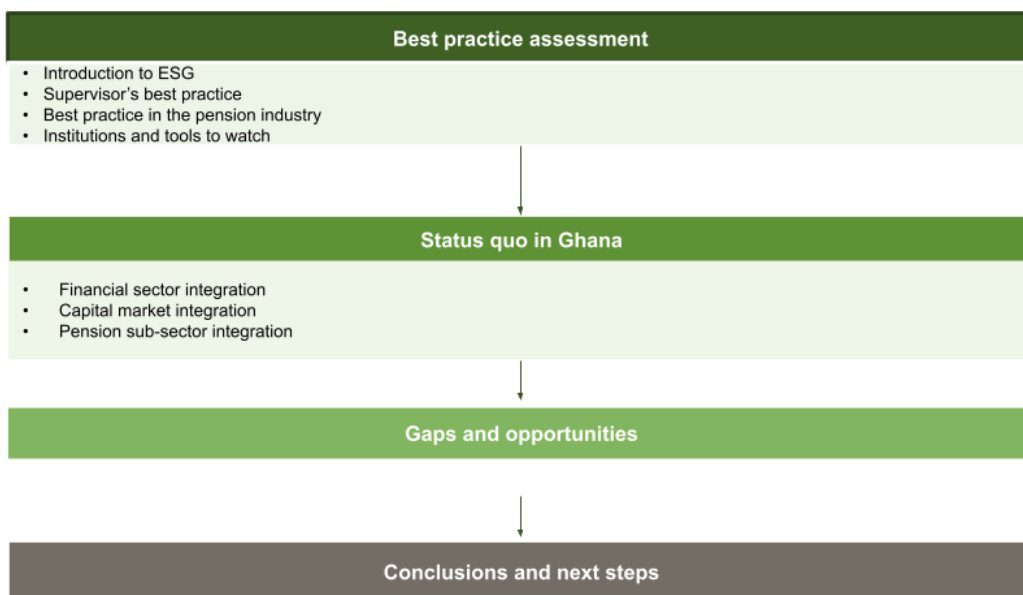
¹⁰ International Organisation of Pension Supervisors. (2019). *IOPS Supervisory Guidelines on the Integration of ESG Factors in the Investment and Risk Management of Pension Funds*. [Online]. Available: <http://www.iopsweb.org/IOPS-Supervisory-guidelines-integration-ESG-factors.pdf>. [March 2023].

¹¹ International Organisation of Pension Supervisors. (2019). *IOPS Supervisory Guidelines on the Integration of ESG Factors in the Investment and Risk Management of Pension Funds*. [Online]. Available: <http://www.iopsweb.org/IOPS-Supervisory-guidelines-integration-ESG-factors.pdf>. [March 2023].

These opportunities are not fully prioritised in this document. The prioritisation will occur in the next phase of the project, where FSD Africa, Genesis, and the regulators will co-create ESG toolkits and regulations/policy guidance or guidelines in each of the three focus countries. This Diagnostic Report is the foundation for that particular set of next steps.

In the first section of this Diagnostic Report, we review global best practice to introduce a benchmark view and global context to the discussion. This section contains detailed information so that it can continue to act as a reference for this and future work. We subsequently examine Ghana against the questions described above. Within each country, we seek to understand ESG at the country, financial services sector, and pension sub-sector levels. This enables us to present our findings as a set of preliminary gaps and opportunities which will be taken forward into the next phase of the project. The document closes with a brief conclusion and definition of next steps, and also includes additional details and documentation for reference in a series of annexures.

Figure 1: Report structure



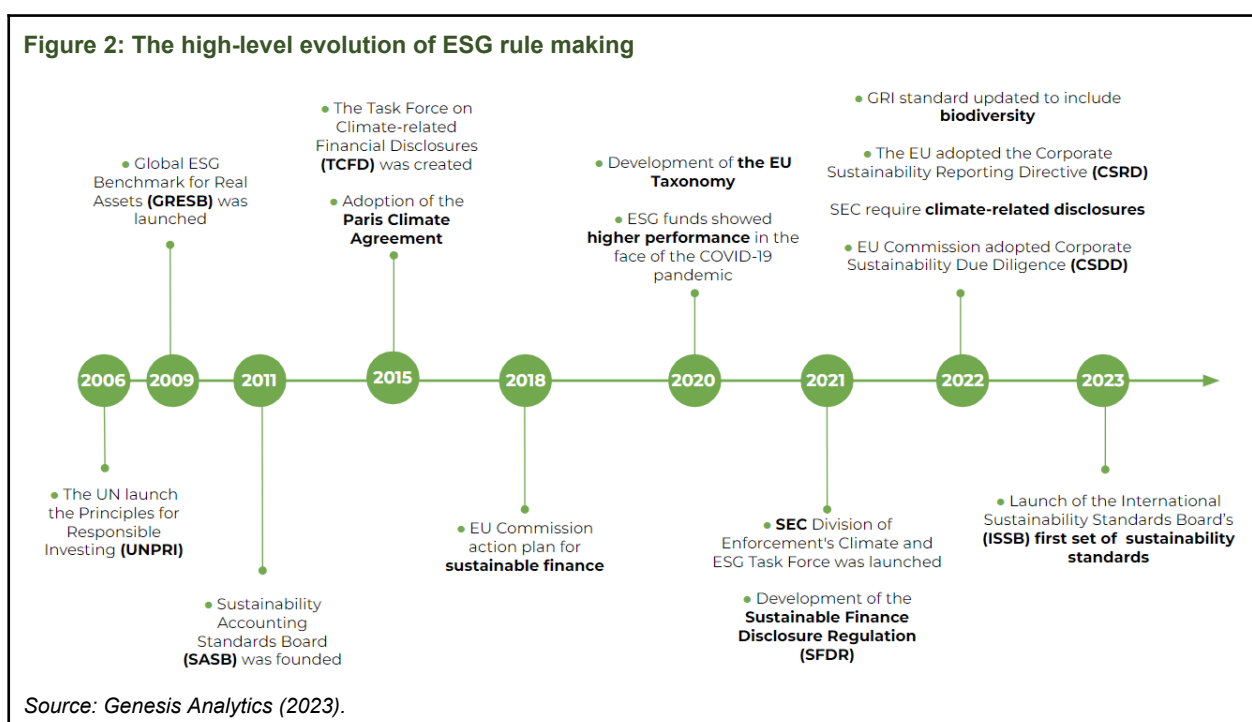
Source: Genesis Analytics (2023)

2. GLOBAL BEST PRACTICE

Sustainability standards - and climate-related risk prudential supervision - are still being steered and refined globally. Data availability remains a major challenge in this space, both for regulators and practitioners, and efforts are being made to achieve some consistency on the measurement mechanisms. While some of the frameworks adopted in the UK and the EU provide a model of best practice, the details of most ESG and climate-related risks are context-specific. Therefore, the tools developed by regulators in each country can learn from the experience in other economies, but should adapt their own guidance to the realities, tools and context of their own markets.

2.1 Supervisors' best practice

The Evolution of ESG rule making



ESG regulation was initially introduced in the domain of institutional investment, and later followed into prudential regulation with a particular focus on environmental risk management. ESG risks are material considerations for the pension industry as they impinge on the investment portfolio. Pension funds were early adopters of sustainability related risk, an initiative spearheaded by the US pension industry, making them key institutional investors and early adopters of ESG regulation.¹² Investors were in the past encouraged and now obliged to include ESG metrics in the form of disclosures in their annual reports, standalone sustainability reports, and/or dedicated compliance documents, despite ESG metrics not forming a part of mandatory financial reporting.

This “first wave” of rule-making dates back to 2016, when France’s *Article 173* for the first time asked investors to report on how they account for environmental, social, and corporate governance criteria - with

¹² Hammond & O'Brien. *Pensions and ESG: An Institutional and Historical Perspective*. [Online]. Available: https://repository.upenn.edu/cgi/viewcontent.cgi?article=1717&context=prc_papers. [February 2023].

specific mention of climate - in their investment policies; this was done on a comply-or-explain basis.¹³ **Since then, further regulatory action focused on ESG, green, or sustainable finance has followed.** For example, the EU drafted the *Green Taxonomy* was established to develop a common understanding of what counts as “green”. This offers a common set of criteria that investors and banks can use to screen potential investments. The taxonomy entered in force in 2021 and its Technical Screening Criteria (TSC) will continue to be developed until 2023.¹⁴ This example has been followed outside the EU, including in developing countries. In South Africa, for example, the National Green Finance Taxonomy was launched in April 2022.¹⁵

In the UK, disclosure guidelines have had a stronger focus on climate through the *Task Force on Climate-related Financial Disclosures (TCFD)*.¹⁶ TCFD essentially strives for clear, comprehensive, high-quality information on the impacts of climate change, as a mandatory requirement for financial institutions of more than 500 employees from April 2022. In the United States, the Securities Exchange Commission issued a statement on 21 March 2022 expressing that it is considering a proposal to mandate climate-risk disclosures by publicly listed companies. Insurance sector ESG regulation primarily focuses on the climate-risk aspect of ESG, while pension funds are found to not all be equally sensitive to climate-related risks.¹⁷ While ESG funds are all sensitive to ESG risks, the levels of sensitivity to each ESG factor differs across countries. This variability makes it crucial that ESG regulation development prioritises country-specific risk sensitivities.

The most recent development in this space has been the launch of the International Sustainability Standards Board's (ISSB) first set of sustainability standards in 2023.¹⁸ Comprising two IFRS Sustainability Disclosure Standards, these standards aim to improve transparency in ESG information presented by companies and to establish a global baseline for sustainability disclosures, allowing for more comprehensive and comparable data sharing in the global capital markets. The standards integrate the recommendations of the Task Force on Climate-Related Financial Disclosures, and for the first time, create a common language for disclosing climate-related risks and opportunities.

It is often difficult to see how ESG risks impact finance and investment, which is why it is important to understand how ESG risks create financial risks through transmission channels. Figure 3 below demonstrated how certain ESG risks, through transmission channels, result in financial risks.

¹³ Natixis. (2021). *Insurers: the ESG regulation challenge*. [Online]. Available:

<https://www.im.natixis.com/en-institutional/resources/insurers-the-esg-regulation-challenge-doc>. [March 2023].

¹⁴ European Commission. (2020). *EU taxonomy for sustainable activities*. [Online]. Available:

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en#what. [March 2023].

¹⁵ The South African Government. (2022). Treasury on launch of South Africa's first national Green Finance Taxonomy. [Online]. Available:

<https://www.gov.za/ts/speeches/south-africa%E2%80%99s-first-national-green-finance-taxonomy-launched-assist-financial-sector>. [March 2023].

¹⁶ Financial Stability Board. (2021). Task Force on Climate-related Financial Disclosures (TCFD). [Online]. Available: <https://www.fsb-tcfid.org/>. [March 2023].

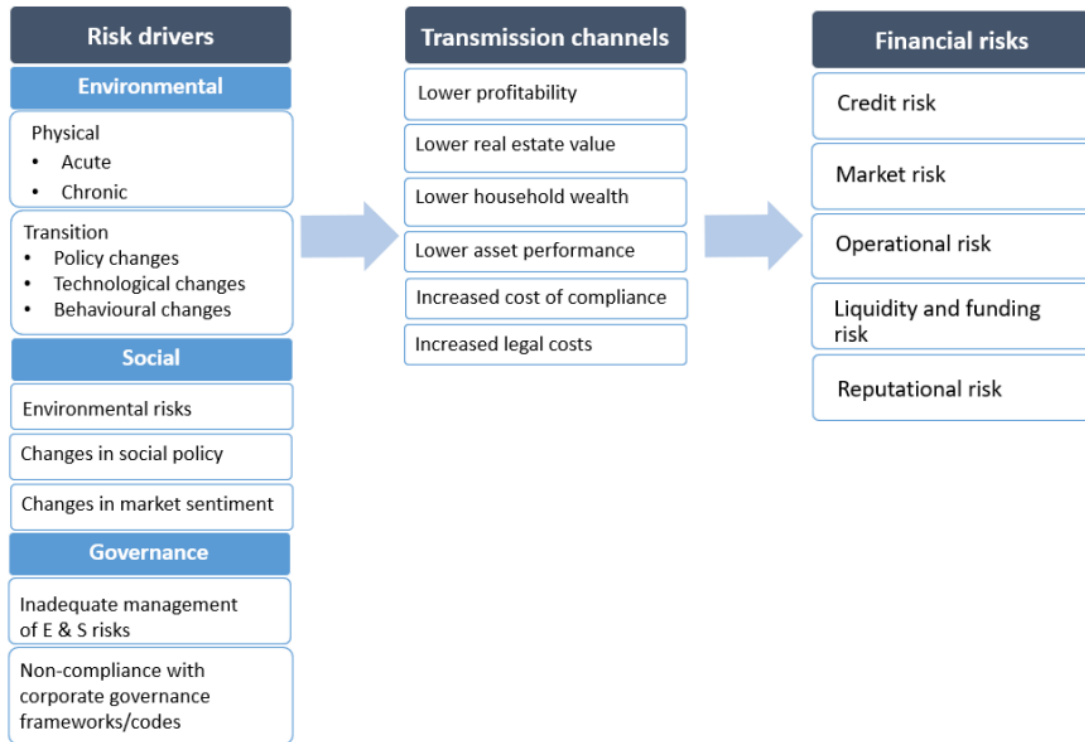
¹⁷ Stewart & Deschryver. (2020). Overheating pension pots: How resilient are pension systems to climate change?. [Online].

Available: <https://blogs.worldbank.org/psd/overheating-pension-pots-how-resilient-are-pension-systems-climate-change>. [February 2023].

¹⁸ ICAEW Insights (2023). ISSB issues first sustainability disclosure standards. Available:

<https://www.icaew.com/insights/viewpoints-on-the-news/2023/jun-2023/issb-issues-first-sustainability-disclosure-standards> [July 2023]

Figure 3: Transmission channels of ESG risks and their impacts on financial markets



Source: European Banking Authority. (2021). [EBA report on management and supervision of ESG risks for credit institutions and investment firms](#).

ESG rulemaking in developing markets

While some of the frameworks adopted in the UK and the EU provide a model for aspects of best practice, ESG risks are context specific. Therefore, ESG guidance by regulators should reflect the realities, tools, and context of each economy. The following section reflects on some of the regulatory developments that have been recently drafted in a selection of emerging (or “developing”) economies, which are of particular interest to this project.

In emerging economies, pension and financial sector regulators, stock exchanges, central banks, and ministries of treasury - in some cases partnering with international organisations - have been developing their own guidelines and supervisory requirements. They aim to enhance transparency and encourage action toward greater sustainability in their own markets, enhance market stability and facilitate economic and social development. Enforcing these guidelines and requirements will be key to

their implementation especially as some companies do not yet consider ESG in their strategies.¹⁹ However, some countries in Sub-Saharan Africa (e.g. Nigeria, South Africa, and Kenya) are already experiencing the fruit of these policies with investors increasingly looking for ESG-related investment opportunities; and different sectors are incorporating ESG risks into their decision making.^{20, 21} South Africa is an example of where the pension regulators have strived to increase their understanding of market practice on sustainable issues. Their actions reveal that a crucial first step is to conduct deep surveys and/or discuss roadmaps before drafting prescriptive regulation.²²

Another interesting aspect of developing country pension fund ESG interventions is that ESG language is used to refer to responsible investment as well as disclosure and reporting. This is consistent with the approach taken by developed countries. This can be seen for listed companies that address investors through periodic reporting.

This is most clear in considering the “environmental” aspect of ESG where a few countries have started to draft their own green taxonomies defining the activities that count as “green” in their context. Some of the countries that have already implemented green taxonomies include: South Africa, Malaysia, Indonesia, Colombia, Georgia and Bangladesh, with many countries currently in the process of developing such taxonomies.²³ Lastly, understanding the exposure and potential impacts of climate risks in the financial markets as a whole (systemic analysis) is becoming increasingly common, as evidenced by the recent actions of Chile (2021 Financial Market Commission’s strategy for addressing climate change), Singapore (2021 system-wide consultation on environmental risks guidelines), Mexico (2021 system-wide consultation on environmental issues into risk assessment), Brazil (2016 insurance market survey), and Malaysia (2021 climate change and principle based taxonomy).

Corporate governance and stewardship codes are an established tool to regulate decision making and protect the interest of policy holders in both developed and developing countries. In many developing countries, these policies are being updated to reflect ESG factors considering contextual concerns. An example is the King report on corporate governance in **South Africa**. King I was published for the first time in 1994, recommending standards of conduct for boards and directors of listed companies, banks, and certain state-owned enterprises. King III (the 2009 update) integrated - for the first time - governance, strategy, and sustainability. The latest update, King IV (published in 2016), acknowledged that stakeholders have greater expectations than ever before and stated that millennials are increasingly concerned about environmental issues. Its recommendations acknowledge *three key shifts in the corporate world*:

1. A shift from financial capitalism to inclusive capitalism;
2. A shift from short-term capital markets to long-term, sustainable markets; and
3. A shift from siloed reporting to integrated reporting.

¹⁹ PWC. (2023). *Africa Business Agenda: ESG Perspective 2023*. [Online]. Available: <https://www.pwc.co.za/en/assets/pdf/africa-business-agenda-esg-perspective-2023.pdf>. [April 2023].

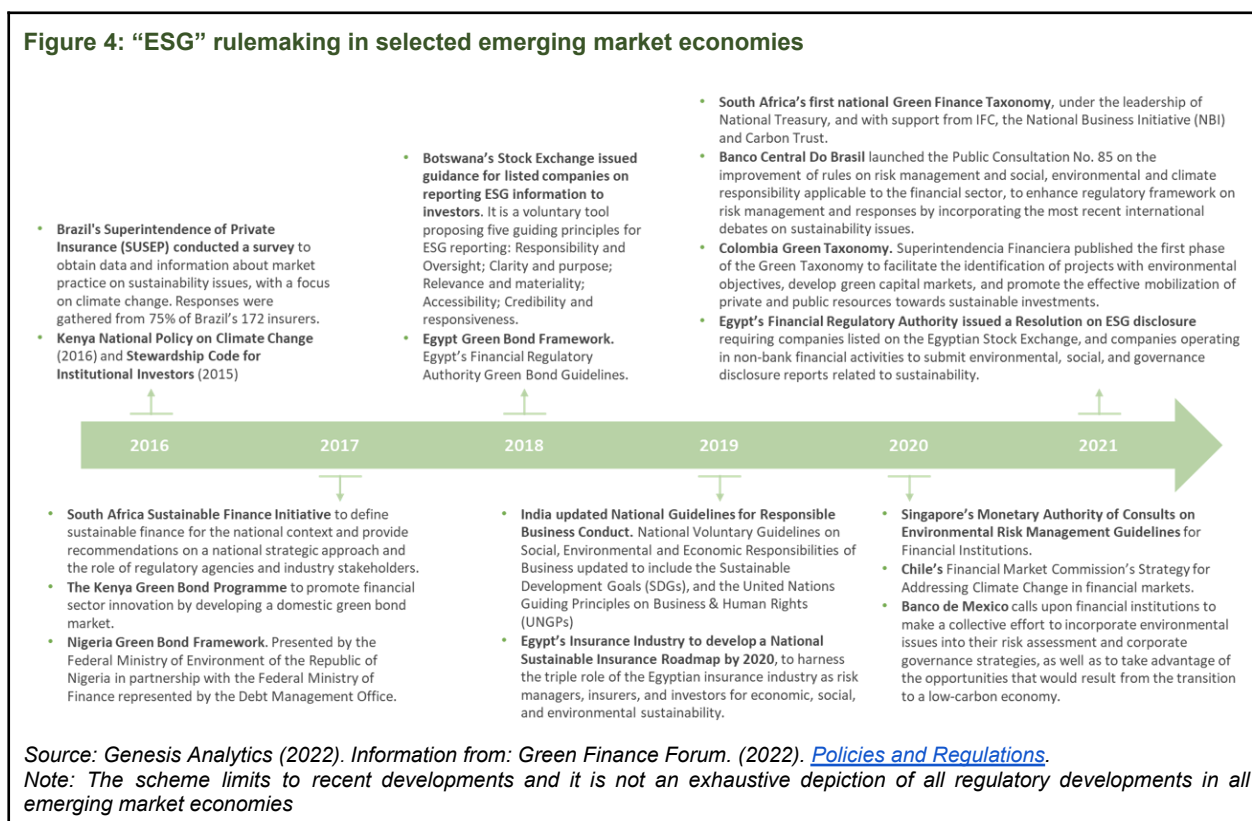
²⁰ Savage, R. (2022). *More African countries implementing ESG finance policies - study*. [Online]. Available: <https://www.reuters.com/business/finance/more-african-countries-implementing-esg-finance-policies-study-2022-10-13/>. [April 2023].

²¹ ESG Enterprise (2020). *The State of ESG in Africa*. [Online]. Available: <https://www.esgenterprise.com/esg-news/esg-africa/>. [April 2023].

²² The World Bank. (2021). *African Pension Funds*. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [March 2023].

²³ EcoFact. (2022). *Green Taxonomies Around the World: Where Do We Stand?*. [Online] Available: <https://www.ecofact.com/blog/green-taxonomies-around-the-world-where-do-we-stand/>. [March 2023].

Shareholder Stewardship Codes which originated in the United Kingdom (UK) following the global financial crisis, are now proliferating throughout the world.²⁴ The purpose of the Stewardship Codes are to enhance the quality of engagement between asset managers and companies, to help improve returns.²⁵ There are a number of countries with dedicated Stewardship Codes, In Africa, both Kenya and South Africa have developed their own Stewardship Codes. The International Corporate Governance Network (ICGN) is developing a Global Stewardship Code set to be released in late 2023.²⁶ The UK Stewardship Code covers governance, focusing on human and natural capital as well as environmental issues, notably the risks and opportunities associated with climate change.²⁷



Prudential Regulation, Supervision, and Enforcement

An initial assessment on global pension funds' prudential supervision shows that, up to now, it has taken the form of high-level guidance, recommendations, and expectations - rather than specific enforceable measures. Consequently, the understanding of climate-related risks is continuously evolving and improving over time, and supervisory practices are to be seen as iterative and dynamic processes.

In April 2019, the Bank of England (BoE) became the first central bank and supervisor to set supervisory expectations through the Supervisory Statement 3/19 for banks and insurers on the management of climate-related financial risks, covering governance, risk management, scenario

²⁴European Corporate Governance Institute (2017) The Rise of International Stewardship Codes. [Online] Available: https://www.ecgi.global/sites/default/files/working_papers/documents/3682017.pdf

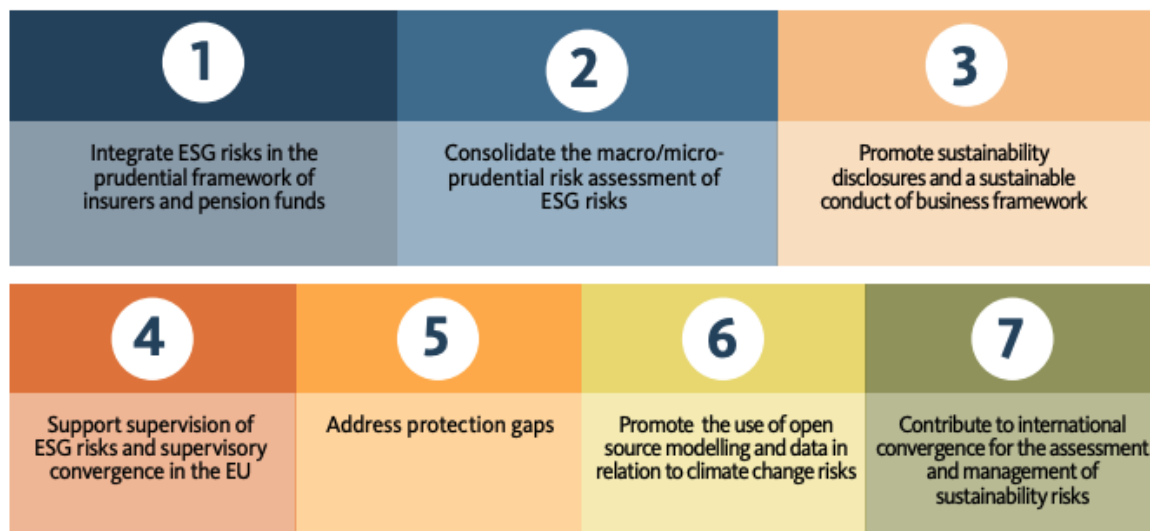
²⁵ Robeco (2023) Stewardship Code [Online]. Available: <https://www.robeco.com/en-uk/glossary/sustainable-investing/stewardship-code>

²⁶ Minerva Analytics (2020) Global Stewardship Codes [Online]. Available: <https://www.manifest.co.uk/portfolio/global-stewardship-codes/>

²⁷Lazard Asset Management (2022) UK Stewardship Code Submission 2022 [Online]. Available: <https://www.lazardassetmanagement.com/docs/-m0-/128307/UKStewardshipCode.pdf>

analysis, and disclosure. So far, the BoE has been concerned with improving the understanding of the potential transmission mechanisms, providing observations on good practice, and facilitating robust and accessible tools for the industry to meet its prudential expectations (see below). Currently, most pension funds do not use climate stress-testing or scenario analysis results when assessing the capital, asset and solvency requirements of their portfolios.²⁸ For example, the BoE explicitly states that it will undertake further analysis over 2022 to explore whether enhancements to the regulatory capital frameworks are needed.²⁹ Crucially, this might have material implications in pricing, and consequently in the overall social objective of closing the current insurance gap and enhancing financial inclusion. In 2021, the UK Pension Regulator amended the guidelines on Defined Contribution (DC) investment governance to clarify that pension funds should show that they incorporate ESG factors in risk assessment and investment decision making processes in their Statement of Investment Principles and Implementation Statement.^{30,31} Similarly, the European Insurance and Pensions Authority (EIOPA) is currently integrating sustainability into the supervisory framework through seven key areas of activity on sustainable finance for 2022-2024 spanning the integration of ESG risks in the prudential framework, addressing disclosure and protection gaps.³²

Figure 5: EIOPA’s Priorities to Address Sustainable Risk



Source: [EIOPA’s Sustainable Finance Activities 2022-2024](#)

Common themes and recommendations

As stated above, both climate-risk prudential supervision as well as sustainability standards and measurement mechanisms are being steered and refined globally. Efforts by the ISSB to develop a universal sustainability and ESG reporting framework (the first of which were launched in 2023) signify a

²⁸ BIS. (2019). *Turning up the heat – climate risk assessment in the insurance sector*. [Online]. Available: <https://www.bis.org/fsi/publ/insights20.pdf>. [March 2022].

²⁹ BoE. (2021). *Climate Change Adaptation Report 2021*. [Online]. Available: <https://www.bankofengland.co.uk/prudential-regulation/publication/2021/october/climate-change-adaptation-report-2021>. [March 2022].

³⁰ Osborne Clark. (2023). *UK Pensions Regulator steps up focus on ESG and climate-change reporting rules*. [Online]. Available: <https://www.osborneclarke.com/insights/uk-pensions-regulator-steps-focus-esg-and-climate-change-reporting-rules>. [April 2023].

³¹ The Pensions Regulator UK. (2021). *DC investment guidance*. [Online]. Available: <https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/investment-guide-for-dc-pension-schemes>. [April 2023].

³² EIOPA. (2021). *EIOPA’s priorities to address sustainability risk*. [Online]. Available: https://www.eiopa.europa.eu/document-library/annual-work-programme/sustainable-finance-activities-2022-2024_en. [March 2023].

movement towards a universally accepted set of ESG principles. However, even outside of the ISSB standards, common themes are evident from the expectations and regulatory developments advancing in the UK (PRA), EU (EIOPA), Ireland (CIB), United States (NIPA), Netherlands, South Africa, India, and Brazil. The following table summarises common areas of best practice recommendations. These are areas where greater convergence of standards and prudential regulation is expected in the future.

Table 2: Common themes from expectations and regulatory developments in the pension industry

Key theme	Common supervisory expectation	Existing
Governance	<ul style="list-style-type: none"> Pension funds should embed ESG issues in decision making in investment analysis and decision making (Principle 1 of UN's Principles for Responsible Investment PRI). Boards need to demonstrate clear knowledge and ownership of climate risks, while also promoting an internal culture that emphasises the importance of climate and other ESG issues. Pension funds are expected to have clear roles and responsibilities for the board and its relevant sub-committees in managing the financial risks from climate change. These should be under the responsibility of Senior Management Functions (SMF) and ensure that these responsibilities are included in the SMF's Statement of Responsibilities. 	Netherlands, Brazil, South Africa, UK, Canada
Risk management framework	<ul style="list-style-type: none"> Pension funds are expected to understand the impact of climate change on their risk profiles and ensure that existing risk management frameworks are appropriately robust to identify, monitor, measure and mitigate climate risks. Risk appetite statements should include the risk exposure limits and thresholds for the financial risks that the firm is willing to bear. Risk identification and measurement: Use scenario analysis and stress-testing. (See below) Risk monitoring: consider a range of quantitative and qualitative tools and metrics to monitor exposure. Monitor progress against their overall business strategy and risk appetite. Risk management and mitigation: provide evidence how the investment decisions mitigate financial risks arising from climate-related risks and have a credible plan or policies in place for managing exposures. Initial efforts to conduct risk assessment for the entire financial sector. 	UK, Ireland, European Union, Brazil, Mexico, Chile.
Scenario analysis and stress testing	<ul style="list-style-type: none"> Use scenario analysis to understand the impact of the financial risks from climate change financial sectors and investments. Consider both short term and long-term risk under different scenarios (orderly and disorderly scenarios). When using scenario analysis and stress-testing and go beyond using only historical data to inform their risk assessment, e.g., consider future trends in catastrophe modelling. Promote the use of open-source modelling and data in relation to climate change risks. (EIOPA) Supervisors have a growing interest in including climate-related events in system-wide stress tests exercises.³³ The BoE already does. 	UK, Ireland, European Union
Disclosures	<ul style="list-style-type: none"> Pensions funds will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles. (Principle 3 of UN's Principles for Responsible Investing) Transparent disclosures to consumers and investors will be key with authorities stressing the importance of not engaging in greenwashing. Consider whether further disclosures are necessary to enhance transparency on their approach to managing the financial risks from climate change, in line with the expectations set out in the overarching supervisory statement (i.e., existing requirements to disclose information on material risks and on principal risks and uncertainties in their Strategic Report. Under UK regulation, firms with over 500 employees should comply with TCFD. TCFD requirements comprise climate-related disclosure in four areas: Governance, Strategy, Risk Management and Targets and metrics. 	UK, Ireland, European Union, Brazil

³³ BIS. (2019). *Turning up the heat – climate risk assessment in the insurance sector*. [Online]. Available: <https://www.bis.org/fsi/publ/insights20.pdf>. [March 2023].

Key theme	Common supervisory expectation	Existing
Investment	<ul style="list-style-type: none"> • Pension funds should adopt a sustainable approach to their investments based on principles of stewardship. (EIOPA) • Pension funds must diversify their assets to avoid excessive accumulation of risk in the investment portfolio. • Use the “prudent person principle” in assessing investment exposures (i.e., ensuring that insurers only invest in assets that they can properly identify, measure, monitor, manage, control and report) • Supervisors will focus on inconsistencies between the management of assets and liabilities, resulting in a “cognitive dissonance” (i.e., when careful management of climate change risks on the liability side of their balance sheet is not always matched by similar considerations on the asset side)³⁴ 	UK, Ireland, European Union, South Africa
Strategy and business model	<ul style="list-style-type: none"> • Appropriate business model analysis should be undertaken to determine the impacts (and potential opportunities) of climate risks on insurers' overall risk profile, business strategy and sustainability. • France has adopted the “PACTE” law on companies' growth and transformation. It integrates the need for consideration of social and environmental issues in a company's strategic activities.³⁵ 	UK, Ireland, European Union, United States

³⁴Deloitte. (2020). *Climate change and insurance How boards can respond to emerging supervisory expectations*. [Online]. Available: <https://www2.deloitte.com/content/dam/Deloitte/pt/Documents/risk/Deloitte-UK-climate-change-and-insurance.pdf>. [March 2023].

³⁵ Green Finance Platform. (2019). France's Law on Business Growth and Transformation (PACTE Law). [Online]. Available: <https://www.greenfinanceplatform.org/policies-and-regulations/frances-law-business-growth-and-transformation-pacte-law>. [March 2023].

2.2 Best practice in the pension industry

The World Bank Group created a sustainability scoring checklist for the pension industry which identified that the industry typically has governance policies in place and many countries also have published an approach to sustainable investments. However, more work is needed to create policies that align pension fund investment and risk management with climate-related concerns.³⁶

This checklist was also applied to pension disclosures in African countries.^{37,38} According to this study, Ghana, Kenya and Nigeria do have some disclosures that refer to ESG integration and reporting, human rights and anti-corruption measures, but lack disclosures that refer to specific ESG and TCFD indicators.³⁹ Across all the countries in the study (South Africa, Namibia, Botswana, Nigeria, Ghana, Kenya, Uganda, Tanzania), on average only 20% of the TCFD-related information was found whilst on average 65% of ESG Integration information in the checklist was found.⁴⁰

A key finding is that “peer to peer learning [is needed] between African pension fund [supervisors] on ESG best practices” and that a “coordinated regional approach” is recommended.⁴¹ Whilst no specific recommendations are provided for how this peer to peer learning is to take place; sharing experiences on creating, implementing and enforcing guidelines may be valuable. Within South Africa, peer pressure from competitors that are implementing these guidelines increased reporting on ESG indicators.⁴² In support of the above findings, an international survey of institutional investors found that the investors tended to prioritise governance and social risks over environmental ones.⁴³ This could be because pricing and hedging climate risks is complex because of the lack of data relating to risks and the complexity of predicting when these risks will materialise.⁴⁴ To support the pension industry in understanding these risks, the World Bank Group conducted research to quantify climate change risks and regulatory risks of pension industries around the world. The results are presented in the next section.

³⁶ The World Bank Group. (2020). *Sustainable Investment: Best Practice Disclosure Checklist for Pension Funds*. [Online]. Available: <https://openknowledge.worldbank.org/entities/publication/96739f70-fa91-5bad-bc37-f4c45458758f>. [April 2023].

³⁷ The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [April 2023].

³⁸ The World Bank Group. (2020). *Sustainable Investment: Best Practice Disclosure Checklist for Pension Funds*. [Online]. Available: <https://openknowledge.worldbank.org/entities/publication/96739f70-fa91-5bad-bc37-f4c45458758f>. [April 2023].

³⁹ The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [April 2023].

⁴⁰ The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [April 2023].

⁴¹ The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [April 2023].

⁴² The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [April 2023].

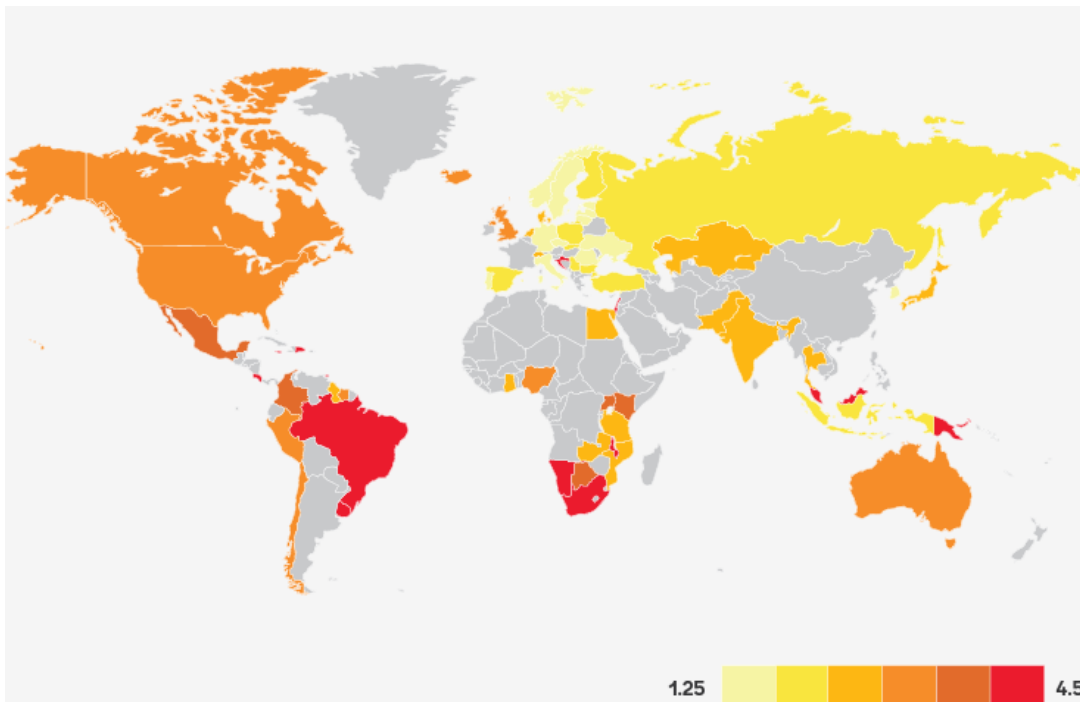
⁴³ Krueger, P., Sautner, Z. and Starks, L. (2019). *The Importance of Climate Risks for Institutional Investors*. [Online]. Available: https://www.ecgi.global/sites/default/files/working_papers/documents/finalkruegersautnerstarks.pdf. [April 2023].

⁴⁴ Krueger, P., Sautner, Z. and Starks, L. (2019). *The Importance of Climate Risks for Institutional Investors*. [Online]. Available: https://www.ecgi.global/sites/default/files/working_papers/documents/finalkruegersautnerstarks.pdf. [April 2023].

Climate-related supervision

Climate change affects economies and industries across the world. The pension industry is no exception and is particularly impacted by the physical appreciation or depreciation of asset values, the transition away from (and thus change in growth projections of) certain industries, the impact of changing technologies on invested companies and regulatory risk.^{45,46} These impacts are not evenly distributed, with some countries, including in Africa, experiencing high levels of risk, as shown in the World Bank graphic below, which uses darker colours such as orange and red to show countries that face higher levels of climate risk.⁴⁷

Figure 6: Heatmap showing the climate risk facing the pension industries in various countries



Source: World Bank Group, IOPS, Columbia School of International and Public Affairs. (2020). *Pension Systems + Climate Risk: Measurement and Mitigation*. (p.8)

As this shows, African countries that were studied tend to face higher levels of climate risk relative to those in Western Europe. Thus, African countries need to prepare to protect their pension industries from climate risk. One way of equipping the pension industry to face this climate risk is by providing regulations that guide the industry in how to consider climate change, or ESG.

In the same study, the World Bank Group reviewed the available ESG regulations that had been put in place to mitigate this risk, including those that are voluntary, mandatory and comply-or-explain. Based on this, they gave each country a regulatory risk score.⁴⁸ If a country has a low regulatory risk

⁴⁵ World Bank Group, IOPS, Columbia School of International and Public Affairs. (2020). *Pension Systems + Climate Risk: Measurement and Mitigation*. [Online]. Available: <https://documents1.worldbank.org/curated/en/143231601016562164/pdf/Pension-Systems-Plus-Climate-Risk-Measurement-Plus-Mitigation.pdf>. [April 2023].

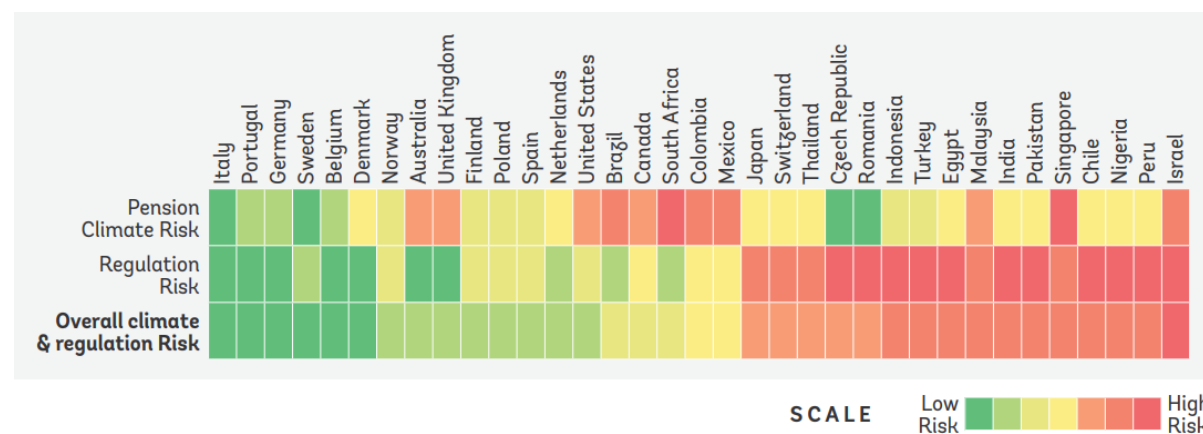
⁴⁶ Krueger, P., Sautner, Z. and Starks, L. (2019). *The Importance of Climate Risks for Institutional Investors*. [Online]. Available: https://www.ecgi.global/sites/default/files/working_papers/documents/finalkruegersautnerstarks.pdf. [April 2023].

⁴⁷ World Bank Group, IOPS, Columbia School of International and Public Affairs. (2020). *Pension Systems + Climate Risk: Measurement and Mitigation*. [Online]. Available: <https://documents1.worldbank.org/curated/en/143231601016562164/pdf/Pension-Systems-Plus-Climate-Risk-Measurement-Plus-Mitigation.pdf>. [March 2023].

⁴⁸ World Bank Group, IOPS, Columbia School of International and Public Affairs. (2020). *Pension Systems + Climate Risk: Measurement and Mitigation*. [Online]. Available:

score this indicates that the country has put regulation in place to mitigate the potential impacts of climate change. As such, a low regulatory risk score would help a country with a high climate risk score to mitigate that risk and achieve a lower overall climate and regulatory risk score.

Figure 7: Composition of the overall climate and regulatory risk score



Source: World Bank Group, IOPS, Columbia School of International and Public Affairs. (2020). [Pension Systems + Climate Risk: Measurement and Mitigation](#). (p.8)

As this analysis shows, the presence of ESG regulation for the pension industry reduces the country’s overall climate and regulation risk score. As such, it is important to equip pension regulators with the knowledge on ESG and ESG regulation/policy guidelines or guidance - precisely the aim of this project.

The next section will review the Organisation for Economic Cooperation and Development’s standards for pension supervision to identify best practice for ESG guidance.

Global standards for pension supervision

In 2009, the OECD developed a list of core principles for private pension management which was later linked to the guidelines produced by the International Organisation of Pension Supervisors (IOPS).^{49,50} Since these guidelines were produced with input from regulators around the world, they serve as best practice for pension supervision.^{51,52} These core principles, which were updated in 2016, can be divided into Environmental, Social and Governance “ESG” themes as below.

<https://documents1.worldbank.org/curated/en/143231601016562164/pdf/Pension-Systems-Plus-Climate-Risk-Measurement-Plus-Mitigation.pdf>. [March 2023].

⁴⁹ OECD. (2016). *OECD Core Principles of Private Pension Regulation*. [Online]. Available:

<https://www.oecd.org/daf/fin/private-pensions/Core-Principles-Private-Pension-Regulation.pdf>. [April 2023].

⁵⁰ OECD and the International Organisation of Pension Supervisors. (2009). *OECD Consolidated Core Principles of Occupational Pension Regulation*. [Online]. Available : <http://www.iopsweb.org/principlesguidelines/42153269.pdf>. [April 2023].

⁵¹ Note that the pension regulators of Ghana, Kenya and Nigeria are governing members of IOPS.

⁵² International Organisation of Pension Supervisors. (n.d.). *IOPS Members and Observers*. [Online]. Available: <http://www.iopsweb.org/membership/iops-members-observers.htm>. [April 2023].

Table 3: OECD Core Principles for Private Pension Regulation and Environmental, Social, and Governance “ESG” themes

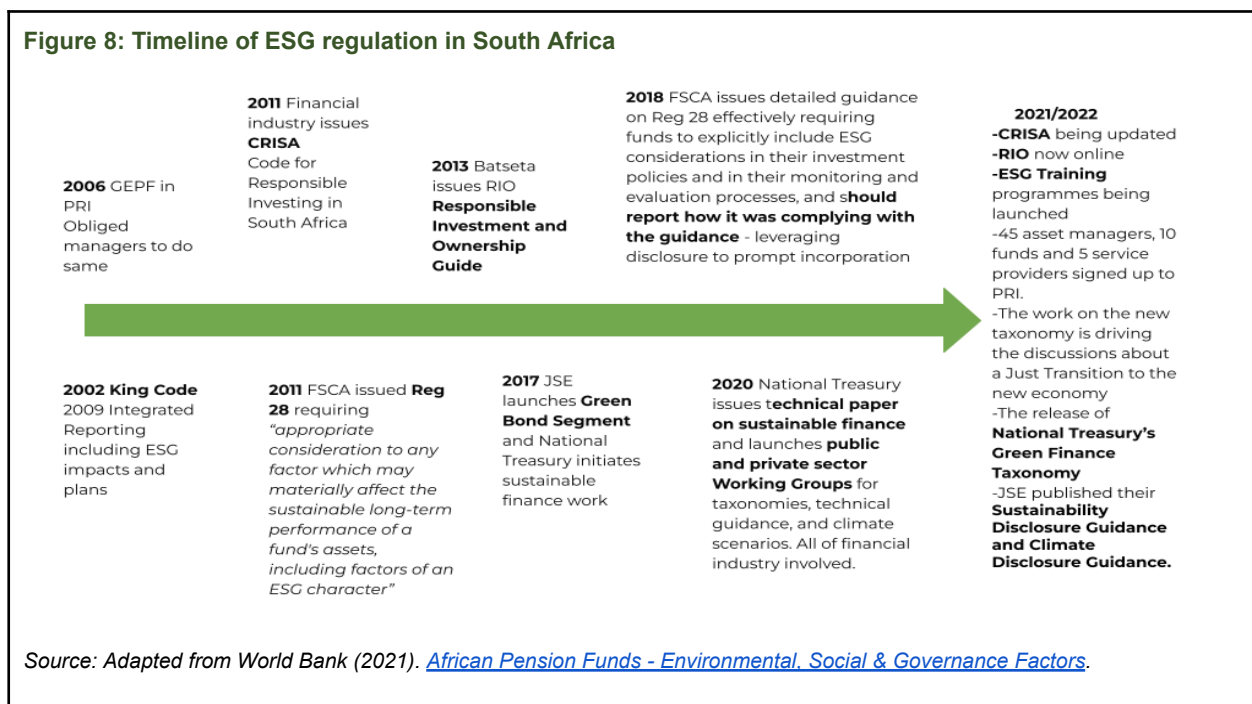
Key theme	Sub-aspects ⁵³	Core Principle (CP) directly related
Environmental:	Climate change risks, carbon emissions, air and water pollution, biodiversity, deforestation, energy efficiency, waste management and water scarcity	<p>No CPs explicitly address environmental concerns. However, climate-risk related issues are increasingly being considered through the following principles. Supervisors should identify how climate-related risks are relevant to their supervisory objectives.</p> <p>CP 3: Governance</p> <ul style="list-style-type: none"> • Business objectives and investment strategies <p>CP 4: Investment and risk management</p> <ul style="list-style-type: none"> • Integrating climate-related risks into the scope of the risk management system • Climate-related risks for investments • Impact of investments on climate change • Stress testing and scenario analysis of climate-related risks <p>CP 5: Plan design, pension benefits, disclosure, redress</p> <ul style="list-style-type: none"> • General disclosure requirements <p>CP 6: Supervision</p> <ul style="list-style-type: none"> • Information gathering and sharing • Supervisory guidelines on environmental considerations
Social:	Customer satisfaction, data protection and privacy, gender and diversity, employee engagement, community relations, human rights and labour standard, cybersecurity	<p>CP 5: Plan design, pension benefits, disclosure, redress CP 8: Access, vesting, and portability, and portability of occupational pension plans CP 10: Equal treatment, business conduct, competition and portability of personal pension plans</p> <p>Related to specific sections within the following core principles:</p> <p>CP 2: Establishment of pension plans, pension funds, and pension entities</p> <ul style="list-style-type: none"> • Capital requirements <p>CP 4: Investment and risk management</p> <ul style="list-style-type: none"> • Valuation requirements
Governance:	Board composition, audit committee structure, bribery and corruption, executive compensation, lobbying, political contributions, and whistleblowing	<p>CP 1: Conditions for effective regulation and supervision CP 2: Establishment of pension plans, pension funds, and pension entities CP 3: Governance CP 4: Investment and risk management CP 6: Supervision CP 7: Occupational pension plan liabilities, funding rules, winding up, and insurance CP 9: Funding of personal pension plans, wind-up and insolvency</p>
Source: Genesis Analytics, based on OECD. (2016). Core Principles of Private Pension Regulation . ⁵⁴		

⁵³ CFA. (2022). *ESG Investing and Analysis*. [Online]. Available: <https://www.cfainstitute.org/en/research/esg-investing#:~:text=ESG%20stands%20for%20Environmental%2C%20Social,material%20risks%20and%20growth%20opportunities>. [March 2022].

⁵⁴ OECD. (2016). *Core Principles of Private Pension Regulation*. [Online]. Available: <https://www.oecd.org/daf/fin/private-pensions/Core-Principles-Private-Pension-Regulation.pdf>. [April 2023].

The South African case study

South Africa has an advanced pension system and was an early adopter of ESG regulation, which makes it a key country to consider when it comes to assessing the implementation framework of ESG in emerging market (EM) countries. The Code for Responsible Investing in South Africa (CRISA) was first introduced in South Africa in 2011. Figure 8 below provides a detailed timeline of the different regulations, working groups and guidance on ESG in South Africa since 2002.



ESG in the South African pension industry

South Africa has spent over 15 years building awareness in climate related risk in the financial sector, and is one of the most advanced countries when it comes to the implementation of ESG in the pension industry.⁵⁵

There are currently three key ESG reporting requirements in South Africa, namely:

1. **Regulation 28 of the South Africa Pension Funds Act** which outlines the fiduciary duty of a pension fund and provides principles in which these funds should act in accordance with. This regulation is mandatory for all pension funds;
2. **Code for Responsible Investing in South Africa** which provides 5 principles for responsible investment; and
3. **Circular PF 130 Good Governance of Retirement Funds** which is a voluntary guidance on improving governance structures within pension funds.

These requirements, alongside other international examples of ESG integration in the Pensions industry, provide a firm foundation on which to provide guidance in new markets.

⁵⁵ World Bank. (2021). African Pension Funds - Environmental, Social & Governance Factors. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [February 2023].

2.3 Institutions and tools to watch

For reference, both for the purposes of this project and for future potential work, it is important to be aware of some of the main institutional actors in the ESG space that are relevant for pension regulators.

Table 4: Main institutional actors in the ESG space

Institution	Mission and resources
International Organisation of Pension Supervisors http://www.iopsweb.org/	<p>International organisation that provides resources to equip pension regulators to supervise the pension industry. Members include Ghana's National Pensions Regulatory Authority (NPRO), Kenya's Retirement Benefit Authority (RBA) and Nigeria's National Pension Commission (PENCOM).</p> <p>Resources are available: http://www.iopsweb.org/resources/</p>
African Pensions Supervisors Network Programme https://fsdafrica.org/projects/africa-pensions-supervisors-network-programme/	<p>FSD Africa project that facilitates the collaboration of pension supervisors across Africa to tackle challenges faced by regulators and share knowledge.</p>
African Securities Exchanges Association https://african-exchanges.org/	<p>African body composed of 25 security exchanges with a working group on sustainability.</p> <p>Produces progress reports on sustainability: https://african-exchanges.org/asea-sustainability-progress-report-2020/</p>
Sustainable Stock Exchanges Initiative https://sseinitiative.org/	<p>International body of stock exchanges that provides resources on sustainable reporting and disclosures.</p> <p>Database of stock exchanges that have met criteria such as providing ESG reporting guidance: https://sseinitiative.org/esg-disclosure/</p>
UN - Principles for Responsible Investment https://www.unpri.org	<p>Strategic approach to integrating ESG factors into the investment decision making processes. Responsible investment aims at facilitating sustainable businesses, improving business performance, reducing risk and contributing to environmental, social, and economic security.</p> <p>Resources are available: https://www.unpri.org/investment-tools</p>
International Sustainability Standards Board (ISSB) https://www.ifrs.org/groups/international-sustainability-standards-board/	<p>The International Sustainability Standards Board (ISSB) is an independent, private-sector body that develops and approves IFRS Sustainability Disclosure Standards (IFRS SDS). The ISSB operates under the oversight of the IFRS Foundation.</p> <p>Resources are available: https://www.ifrs.org/groups/international-sustainability-standards-board/#resources</p>

In addition, there are a range of international frameworks that refer to ESG which are important to be aware of and to follow the progress of over time. These can serve as useful guides for insurance supervisors.

Table 5: ESG related international frameworks

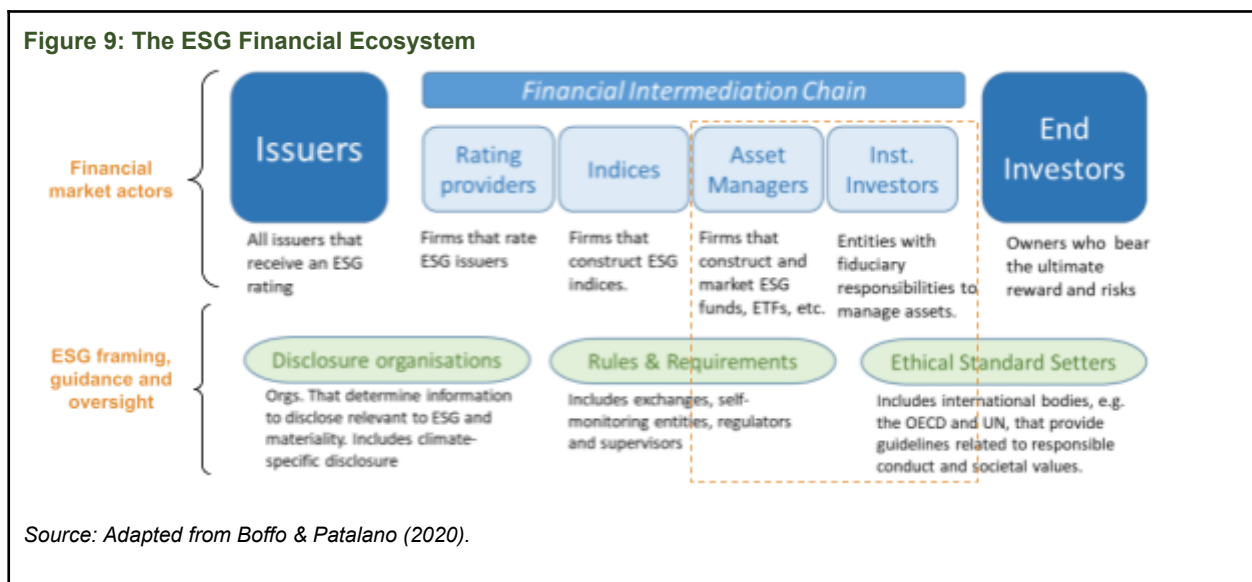
Framework / Link	Use	Description
UN Global Compact – Sustainable Development Goals ('SDGs') https://www.unglobalcompact.org/sdgs/about	High-level guiding principles	Sustainable Development Goals are 17 goals providing a global aspiration for improving the world, laying out where we collectively need to go and how to get there.

Framework / Link	Use	Description
Sustainability Accounting Standards Board (SASB) Standards https://www.sasb.org/	Framework for sustainability disclosure	SASB Standards provide industry specific guidance on sustainability disclosures.
EU Corporate Sustainability Reporting Directive (CSRD) https://eur-lex.europa.eu/eli/dir/2022/2464/oj	Rules guiding the reporting of environmental and social impact and risks	EU Corporate Sustainability Reporting Directive outlines how companies should report on their social and environmental impact and risks so that investors can assess these before investing.
EU Corporate Sustainability Due Diligence (CSDD) https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en	Rules governing the process of identifying environmental, social, and governance risks and impact and mitigating or adapting based on this	EU Corporate Sustainability Due Diligence requires corporates to do the due diligence of the environmental, social and governance impacts they create or risks that they are faced with and to mitigate the negative impacts.
UN Guiding Principles Reporting Framework ('UNGPRF') https://www.ungpreporting.org/	Framework for reporting human rights compliance	The world's first comprehensive guidance for companies to report on how they respect human rights. It is a tool that enables investors to review companies' understanding and management of human rights risks.
Task Force on Climate-Related Financial Disclosures (TCFD) https://www.fsb-tcfd.org/	Framework for disclosure on climate risks	Framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes. (Mandatory in the UK)
The Taskforce on Nature-related Financial Disclosures (TNFD) https://tnfd.global/	Framework for disclosure on nature risks	A voluntary risk management and disclosure framework for firms to report and act on evolving nature-related risks.
Greenhouse Gas Protocol https://ghgprotocol.org/	Standards for greenhouse gas accounting	The world's most widely used greenhouse gas accounting standards.
Global Reporting Initiative ('GRI') https://www.globalreporting.org/	Standards for sustainability reporting	Provider of the global best practice for impact reporting
World Economic Forum ('WEF') metrics https://www.weforum.org/stakeholders/capitalism	Initiative to provide common metrics for measuring stakeholder capitalism	The initiative identified a set of universal metrics and disclosures, deliberately drawn from existing standards. These metrics and disclosures focus on four themes: Principles of Governance, Planet, People and Prosperity and reflect a six-month consultation process with more than 200 companies, investors, and other interested parties.
Impact Reporting and Investment Standards ('IRIS') https://iris.thegiin.org/	System to integrate social and environmental factors into investment decisions	Generally accepted system for measuring, managing, and optimizing impact. It is a free, publicly available resource that is managed by the Global Impact Investing Network (GIIN).
Global Impact Investing Network ('GIIN') https://thegiin.org/	Global champion of impact investing	A global champion of impact investing, dedicated to increasing its scale and effectiveness around the world.
Global Steering Group for Impact Investment ('GSG') https://gsgii.org/	Independent organisation catalysing impact investment	The Global Steering Group for Impact Investment (GSG) is an independent organisation catalysing impact investment. We want societal and environmental impact to be at the heart of investment and business decisions. A registered UK charity it currently has 33 member countries plus the EU
International Sustainability Standards Board (ISSB) Sustainability Disclosure Standards	Standards for sustainability reporting	IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term.

Framework / Link	Use	Description
https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/		IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1.

The ESG Financial Ecosystem

Across the ESG financial ecosystem, pensions are categorised as ESG users. As portrayed in figure 9, pensions lie at the end of the financial intermediation chain as well as categorised in-between rules and requirements and ethical standard setters categories. This highlights the role of pensions in the ESG financial ecosystem as users of ESG ratings and information who perform overall assessment of their investments using their own due diligence and ESG integration with the use of external scores.⁵⁶



Across the pensions industry, asset managers and pension funds are categorised as users of ESG ratings and information. Asset managers use ESG data to create segregated portfolios and investment products as a guide for their portfolio composition decisions. On the other hand, pension funds use ESG ratings and information for portfolio management, as well as alignment of their fiduciary duty to incorporate forward-looking assessments in their investment process.⁵⁷

Figure 9 also shows that ESG guidance, framing and oversight for asset managers is based on rules and requirements perspective while pension funds is based on ethical standard setters. Rules and requirements are provided by oversight bodies such as market regulators, pension supervisors and self-regulatory bodies. These oversight bodies consider ESG rules and requirements relevant with guidance from ESG taxonomies and disclosure frameworks. Ethical standard setters are mainly international organisations such as GRI who have increasingly incorporated ethical standards from several international organisations and NGOs into its reporting frameworks.⁵⁸

⁵⁶ Boffo, R., & Patalano, R. (2020), ESG Investing: Practices, Progress and Challenges. OECD Paris. Retrieved from www.oecd.org/finance/ESG-Investing-Practices-Progress-and-Challenges.pdf. [April 2023].

⁵⁷ Fama, E. & French, K. (2013), A Four-Factor Model for the Size, Value, and Profitability Patterns in Stock Returns. SSRN Electronic Journal. <http://dx.doi.org/10.2139/ssrn.2287202>

⁵⁸ Ops cit.

3. ESG DIAGNOSTIC ASSESSMENT - GHANA

This section provides a desktop review of ESG developments across the financial sector, capital markets and pension industry in Ghana. The research shows that there is growing interest around the implementation of ESG principles and a willingness for the integration of these principles among key actors in the industry. To be completed after receiving survey responses

3.1 ESG integration at a national level

Over the past few years, there has been increasing interest in building a more sustainable Ghana. This is demonstrated by the significant literature showing the **commitment to developing standards and measures of green economy, green finance principles**, and other **ESG related disclosures** in the country. Understanding the national context of ESG implementation will help determine the ease with which ESG will likely be adopted in the pension industry, as well as providing potential frameworks for pension industry ESG to be built on. The most notable national ESG-related interventions are:

1. **Ghana's National Adaptation Plan (NAP)**,⁵⁹ which was released in 2018 in order to respond to the impact of climate change on national development. The plan sought to **identify priority climate adaptation** actions in the medium- and long-term, to facilitate institutional coordination around climate change adaptation, and to accelerate the mobilisation of funds for climate change adaptation.
2. The **Green Finance Study in Ghana**⁶⁰ came out of Ghana's participation in the Green Economy transition as part of their Partnership for Action on Green Economy (PAGE). This study examined the current Green Economy landscape in Ghana and identified opportunities for a green finance programme to be implemented.
3. **The Country Financing Roadmap for the SDGs Insight Report**⁶¹ is evidence of the Ghanaian government's commitment to achieving the SDGs in order to create a more resilient economy. The report shows the prioritisation of funding for SDGs and, while this has no direct link to the insurance sector, achieving the SDGs does improve areas that may promote higher levels of ESG compliance
4. **The National Climate Change Policy (NCCP)** is Ghana's main climate policy. While it is not legally enforceable it aims to ensure a climate-resilient and climate-compatible economy while achieving sustainable development and equitable low-carbon economic growth.⁶²
5. **The 2022 Budget Policy Statement** included references to climate change and climate finance. As ESG integration at national level in Ghana continues to grow, we have noted that - while environmental aspects have been highlighted at an international and national level - social and governance factors, in an ESG context, are also starting to gain traction. Underpinning both of these, regulations and policies relating to governance are common across sectors in Ghana, especially for listed companies in financial services. While these are often not couched within ESG-specific guidelines, they align with the governance pillar of ESG by definition.

⁵⁹ Ghana. Environmental Protection Agency [EPA] in partnership with the National Development Planning Commission and the Ministry of Finance. (2018). Ghana's National Adaptation Plan Framework. [Online]. Available: <https://napglobalnetwork.org/wp-content/uploads/2020/04/napgn-en-2018-ghana-nap-framework.pdf>. [24 March 2022].

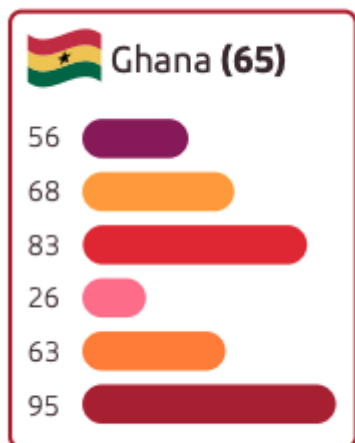
⁶⁰ UNDP. Partnership for Action on Green Economy. (2019). Green Finance Study in Ghana: Baseline Report. [Online]. Available: https://www.un-page.org/files/public/green_finance_study_ghana.pdf. [17 March 2022].

⁶¹World Economic Forum. (2021). Green Finance Study in Ghana: Baseline Report. [Online]. Available: <https://www.weforum.org/reports/country-financing-roadmap-for-the-sdgs-ghana>. [17 March 2022].

⁶²Absa (2022). *Absa African Financial Markets Index 2022*. [Online]. Available at: <https://www.omff.org/wp-content/uploads/2022/10/Absa-Africa-Financial-Markets-Index-2022.pdf>. [February 2023]

3.2 ESG integration in the financial sector

The level of ESG adoption and awareness in Ghana's financial sector has dramatically increased over the past decade. Some of the key initiatives, guidelines, and regulations across the financial sector are introduced below. These provide useful context for the purposes of the current project.



Ghana ranks 7th out of 26 countries in Absa's Africa Financial Markets Index for 2022. This index evaluates countries' financial development based on measures of market accessibility, openness and transparency. While it does not directly measure ESG, it provides useful context for the financial sector which does impact the ability to deliver against ESG requirements. Ghana has dropped 3 positions, from being ranked 4th in 2021. This was largely due to the weakening macroeconomic environment and reserves. Ghana's total score was 65.

In Ghana, access to foreign exchange (orange), market transparency, tax and regulatory environment (red), and legal standards and enforceability (dark red), all contribute to the strength of the Ghanaian financial system. These strength areas result in higher use of some master agreements in Ghana. Ghana scored poorly in the capacity of local investors (pink), this

highlights a specific area of weakness in the financial system.⁶³

Ghana's Securities and Exchange Commission (SEC) has partnered with the IFC to develop The Green Exchange which aims to increase issuance of and access to Green Bonds.⁶⁴ Ghana also has plans to issue Africa's first social bonds.⁶⁵ The issuance of Green and Social Bonds speak to the commitment of the SEC to start promoting more ESG-based assets, and shows a strong push towards a more ESG risk considerate financial sector.

3.2.1 ESG integration in the capital markets

As in the banking sector, **capital markets in Ghana are integrating ESG based sustainability standards.** In 2021, the IFC announced a partnership with the Ghanaian Securities Exchange Commission (SEC)⁶⁶ to facilitate investments in projects that address climate and environmental issues through green bonds. In line with this goal, earlier this year the SEC announced the development and launch of a dedicated green bond exchange, forging the way for sustainability-linked finance in the region. While regulation around green capital markets have yet to be published, this partnership highlights the willingness for sustainability to be integrated into the Ghanaian financial sector. The SEC additionally created a Corporate Governance Code for Listed Companies which was made available in 2020.⁶⁷

⁶³ Absa(2022). *Absa African Financial Markets Index 2022*. [Online]. Available at: <https://www.omfif.org/wp-content/uploads/2022/10/Absa-Africa-Financial-Markets-Index-2022.pdf>. [February 2023].

⁶⁴ IFC. (2021). *IFC and Ghana's Securities and Exchange Commission to Develop Green Bonds Market*. [Online]. Available: <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26337>. [March 2023]

⁶⁵ Aljazeera. (2021). *Ghana plans to issue Africa's first social bonds with \$2B sale*. [Online]. Available: <https://www.aljazeera.com/economy/2021/7/5/ghana-plans-to-issue-africas-first-social-bonds-with-2b-sale>. [March 2023]

⁶⁶ International Finance Corporation, World Bank Group. (2021). *IFC and Ghana's Securities Exchange Commission to Develop Green Bonds Market*. [Online].

Available: <https://sec.gov.gh/ifc-and-ghanas-securities-exchange-commission-to-develop-green-bonds-market/>. [26 March 2022].

⁶⁷ Ghana Securities Exchange Commission. (2020). *Corporate Governance Code for Listed Companies 2020*. [Online]. Available: https://sec.gov.gh/wp-content/uploads/Final-Regulatory-Laws/Codes/Corporate_Governance_Code.pdf. [March 2023].

In August of 2022, the **Ghana Stock Exchange (GSE)** released the **ESG Disclosure Guidance Manual**, which builds on the GRI reporting standards.⁶⁸ This manual provides listed companies in Ghana with ESG reporting principles as well as guidance on how to implement the ESG reporting process. This manual also looks at the importance of ESG criteria as they relate to investments and provide the most common ESG metrics sought by investors, which are:

- Presence of an overarching ESG Policy;
- Assignment of ESG management responsibility;
- Corporate code of ethics;
- Presence of litigation;
- People diversity;
- Net employee composition;
- Environmental policy;
- Estimation of carbon footprint;
- Data and cybersecurity incidents; and
- Health and safety events.

These priority areas provide insight into the types of questions being asked by investors and as such can help to guide pension industry investors and regulators when deciding how to focus their approach to ESG considerations.

3.2.2 ESG integration in the banking sector

There has recently been increased interest in the adoption of ESG considerations in the Ghanaian banking sector. The biggest informant of this has been the **Sustainable Banking Principles and Sector Guidance**⁶⁹. Additionally, the Securities Exchange Commission signed an agreement with the International Finance Corporation (IFC) to help develop green bonds in Ghana.⁷⁰ This document was developed collaboratively by the Bank of Ghana, the Ghana Association of Bankers, and the Environmental Protection Agency. This guidance develops principles and policies that help inform a more sustainable banking sector in Ghana. In addition to providing seven comprehensive principles to aid in creating a more sustainable banking sector, there are **five Sector-specific Guidance Notes** for specific areas of the economy: Agriculture & Forestry, Mining and Oil & Gas, Construction & Real Estate, Power & Energy, and Manufacturing activities as related to bank portfolios.

The seven Ghanaian Sustainable Banking Principles are shown below.

⁶⁸ Ghana Stock Exchange. (2022). *the ESG Disclosure Guidance Manual*. [Online]. Available: <https://gse.com.gh/wp-content/uploads/2022/11/GSE-ESG-DISCLOSURES-GUIDANCE-MANUAL-1-1.pdf>. [March 2023].

⁶⁹ Ghana. Bank of Ghana. (2015). Sustainable Banking Principles Guidance. [Online]. Available: <https://www.bog.gov.gh/wp-content/uploads/2019/12/Ghana-Sustainable-Banking-Principles-and-Guidelines-Book-1.pdf>. [26 March 2022].

⁷⁰ Sustainable Square. (2022). The Push Towards Corporate Responsibility: Ghana and the ESG Frontier. [Online]. Available: <https://sustainablesquare.com/ghana-and-the-esg-frontier/>

Figure 9: The Ghanaian Sustainable Banking Principles



The above principles are explored in the guidance note in the following subsections:

- Importance of the principle in the banking sector;
- Risks of principle not being applied;
- Opportunities for application of principle;
- Where in the banking sector (internally or externally) the principle applies;
- Risk for implementation and how these can be mediated;
- High level steps to implement the given principle;
- Opportunities in the implementation of the principle; and
- Internal business operations and how they can be enhanced with the principles.

While these principles have been specifically designed to assist the banking sector in its transition towards sustainability, they could be easily adapted for use in the pension industry and therefore provide an opportunity for consideration by pension regulators.

3.2.3 ESG integration in the insurance sector

In 2022, FSD Africa and Genesis Analytics worked with the insurance regulator in country to work towards a toolkit and guidelines for the integration of ESG considerations into insurance regulation. That work included a detailed diagnostic of the insurance industry, which we encourage you to refer to for information on that sector.

3.2.4 ESG integration in the pension industry

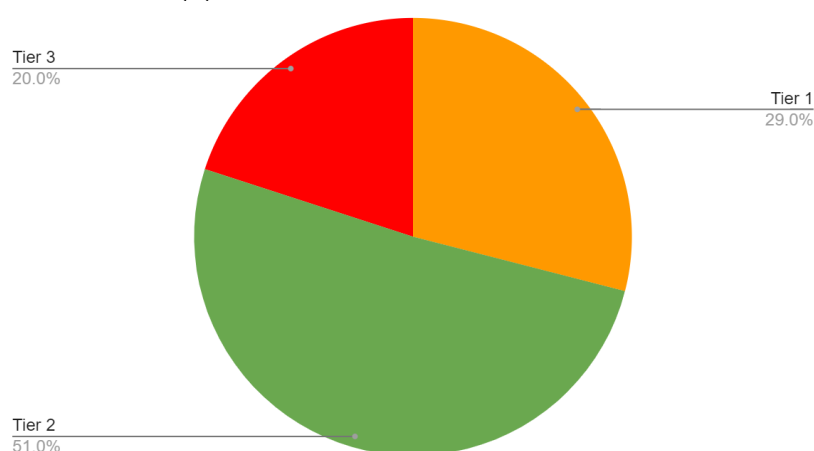
The Ghanaian pension industry was restructured in 2004 in response to the low pensions received from the Social Security and National Insurance Trust (SSNIT) Pension Scheme. The restructuring of pensions schemes was undertaken by the Presidential Commission on Pensions. In 2006, the Commission submitted a White Paper that was accepted by the government and outlined the new Three-Tier Pension System, which replaced the previous parallel pension schemes. The three tiers of this scheme are as follows:

- **Tier 1: the Basic National Social Security Scheme (BNSSS)** which incorporates an improved system of SSNIT benefits. This tier is mandatory for all employees in both the private and public sectors;
- **Tier 2: is the occupational pension scheme.** This is mandatory for all employees and is **privately managed**. The lump sum benefits from this scheme are designed to be higher than those received in Tier 1; and”
- **Tier 3: voluntary provident fund and personal pension schemes.** Tax incentives promote providing additional funds for workers who want to make voluntary contributions to enhance their pension benefits and also for workers in the informal sector.⁷¹

The figure below provides distribution of the 3 tiers, showing that Tier 2 has the largest share of assets, followed by Tier 1 and then Tier 3.

Figure 10: Distribution of Pension Fund Assets among the 3 Tiers

AUM Distribution (%) as at 31.12.2021

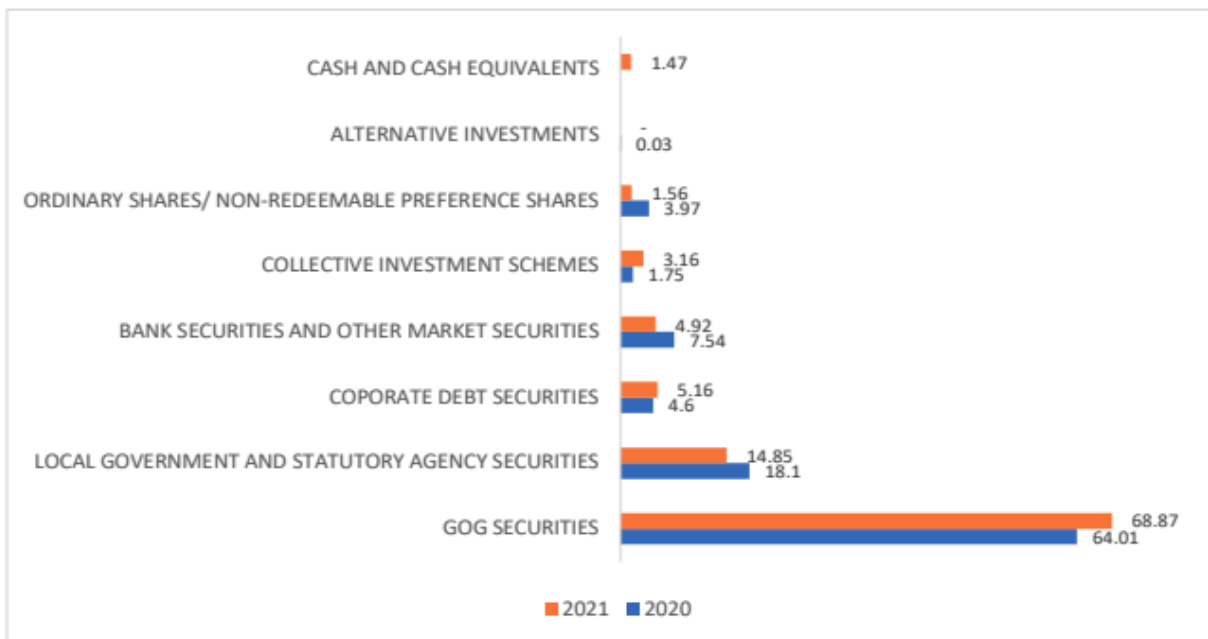


Source: NPRA. (2021). [Annual Report 2021](#).

Figure 11 below looks at the asset allocations of private pension funds, here we can see that the majority of investment by private pension funds is held in Government of Ghana Securities.

⁷¹ NPRA. *History/Background*. [Online]. Available: <https://npra.gov.gh/about-us/history-background/>. [March 2023].

Figure 11: Asset Allocation of Private Pension Funds 2020-2021 (%)



Source: NPRA. (2021). [Annual Report 2021](#).

The pension industry in Ghana is regulated by The National Pensions Regulatory Authority (NPRA), and is governed by the National Pensions Act, 2008 (act 766) and the National Pensions (Amendment) Act, 2014 (Act 883). Tier 1 is regulated by the Basic National Social Security Regulations, and Tier 2 and 3 are regulated by the Occupational and Personal Pension Schemes (General) Regulations.⁷²

In addition to these general regulatory documents and legislations, the NPRA provides guidelines on the following:

- Registration of pension custodians;
- Registration of pension fund managers;
- Licensing corporate trustees;
- Licensing individual trustees;
- Payment of monthly contributions for registered pension schemes; and
- Guidelines for registration of foreign workers.⁷³

While there is currently no requirement for ESG disclosures, the following are required to be reported to the NPRA:

⁷² NPRA. *Regulations: Act*. [Online]. Available: <https://npa.gov.gh/regulations/act/>. [March 2023].

⁷³ NPRA. *Regulations: Guidelines*. [Online]. Available: <https://npa.gov.gh/regulations/guidelines/>. [March 2023].

Table 3: Reporting Schedule of the Private Pension Industry

No.	Report	Responsibility	Deadline
1.	Annual Audited Scheme Report	Scheme/Trustees	30th April
2.	Quarterly Scheme Report	Schemes/Trustees	21 days after the end of the quarter
3.	Quarterly Custodian Report	PFC	21 days after the end of the quarter
4.	Quarterly Fund Managers Report	PFM	21 days after the end of the quarter
5.	Monthly Investment Report	PFC	21 days after the end of the month
6.	Compliance Officers Report	Compliance Officers	21 days after the end of the Quarter
7.	Annual Financial Statements	CT, PFM, PFC	30th June

Source: [NPRA Annual Report 2019](#).

While there is currently a lack of regulation around ESG, the NPRA is a member of the the International Organisation of Pension Supervisors (IOPS) and International Social Security Association (ISSA), and have been involved in the IOPS meeting in May 2022 which included workshops on the the implementation of IOPS supervisory ESG guidelines and sustainability disclosures.⁷⁴

a. Current ESG policies

To be completed after receiving survey responses (Various policies already capture elements of ESG policy, summarised in the table below)

Table 4. ESG integration in the pension industry in Ghana

ESG aspect	Sub-aspects ⁷⁵	Regulations or guidelines that cover these aspects ⁷⁶	Key gaps/ opportunities ⁷⁷
Environmental	Climate change risks, carbon emissions, air and water pollution, biodiversity, deforestation, energy efficiency, waste management and water scarcity	<ul style="list-style-type: none"> Ghana's National Adaptation Plan 	<p>No pension specific incorporation of environmental sustainability factors.</p> <p>Need for consideration of specific environmental risks when it comes to investments.</p>
Social	Customer satisfaction, data protection and privacy, gender and diversity, employee engagement, community relations, human rights and labour standards, cybersecurity	<ul style="list-style-type: none"> The Data Protection Act, 2012 (Act 843) 	<p>Increased need for focus on gender and diversity issues.</p> <p>Increased regulation around reporting on ESG risks.</p>

⁷⁴ NPRA. (2021). Annual Report 2021. [Online]. Available: https://npa.gov.gh/assets/Uploads/Final_NPRA_Report-Web-CAD.pdf. [March 2023].

⁷⁵ [CFA Institute definition of ESG](#)

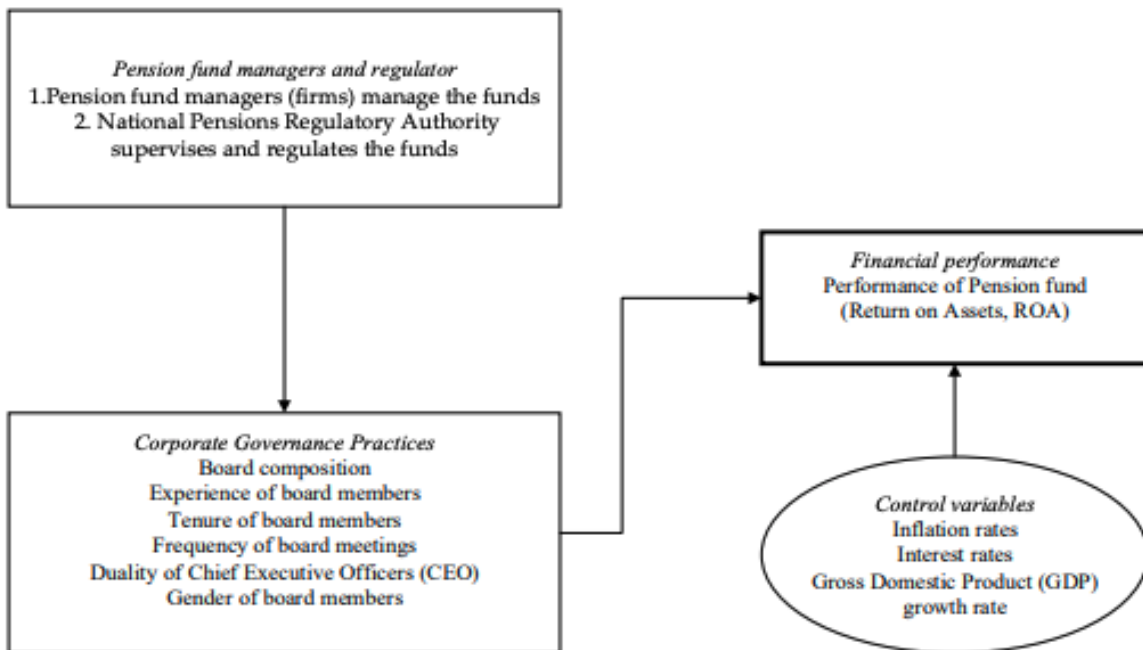
⁷⁶ Existing regulations of guidelines are in **black font** and upcoming aspects are in **green font**

⁷⁷ **Red** shading = significant gap, **yellow** shading = moderate gaps and **green** shading = limited gaps

Governance	Governing body composition, bribery and corruption, executive compensation, lobbying, political contributions, and whistleblowing	<ul style="list-style-type: none"> • The National Pension Act 2008 (Act 766) • Ghana Companies Act, 2019 (Act 992) 	Diversity considerations
-------------------	---	--	--------------------------

The pension industry in Ghana currently has a high focus on governance factors, with little focus on environmental and social factors in the industry specifically. Figure 12 provides an outline of the current governance framework in Ghanaian pension schemes.

Figure 12: Corporate governance and pension funds



Source: Akomea-Frimpong et al. (2022). Corporate Governance and Performance of Pension Funds in Ghana: A Mixed-Method Study. *Int. J. Financial Stud.* 10(3). 52. <https://doi.org/10.3390/ijfs10030052>

3.3 Preliminary regulatory gaps/opportunities for ESG adoption

In this context, our desktop review suggests that there are a number of gaps and opportunities for the NPRA to consider for intervention relating to ESG:

1. **Overall, there is opportunity for Ghana to integrate global best practice on social and environmental risk management and the impact of this on investment decision making.** As the Ghanaian pension industry embarks on the journey towards ESG integration, there is opportunity to learn from best practice and case studies of comparable countries.
2. **Governance aspects are relatively well covered.** The Ghanaian governance standards align with global best practice, bar the industry specific anti-corruption legislation. These can be leveraged in the design and implementation of the tools and interventions on this project.
3. **Social aspects focus on customer satisfaction, data protection and privacy, gender and diversity, employee engagement, community relations, human rights and labour standards, cybersecurity and data protection.** However, there is a need to focus on gender and diversity issues as well as increased regulation around reporting on ESG risks.
4. **Environmental risks are not explicitly covered.** This is a common finding through the three countries discussed in this report. The guidelines do not consider the impact of climate change on investment valuation or financial returns, nor the treatment of environmental risks in investment decision making.
5. **Finally, two critical enablers for ESG integration could be improved within the current regulatory framework:**
 - a. **Reporting and monitoring of progress:** It is unclear to what extent aspects around governance and society that are provided for are actively reported or enforced; and,
 - b. **Promoting knowledge and awareness throughout the industry:** Capacity challenges at the NPRA is a challenge that requires attention.

This recommendation notes that managing ESG risks as a mechanism to ensure the sustainability of the financial sector requires various interventions. Some of these interventions are described as detailed, sector-specific toolkits, which the next phase of this project will address.

4. CONCLUSION AND NEXT STEPS

As this diagnostic report has shown, there are some clear opportunities in current ESG practices in the pension industry in Ghana. This presents an excellent base for the NPRA to leverage international best practice and identify the most impactful approaches.

This report found that while governance as a theme was relatively well covered through existing financial sector and pension industry regulations and policies, social and environmental considerations were not as well represented and therefore represent a meaningful opportunity for the NPRA. Additionally, in many cases guidance relating to the various sub-aspects of ESG were found in multiple different pieces of regulations or guidelines, potentially making it difficult for pension funds to follow. Understanding this, along with specific country details contained above will provide a solid foundation for the design of appropriate interventions in each country.

More specifically, we are now in a position to work with FSD Africa and the regulators in each country to develop an ESG toolkit for the pension industry and ESG-focused regulations/policy guidance/guidelines to support the regulators in integrating ESG factors in the pension industry. This support will include capacity building and training of the regulators.

ANNEXURE 1: REGULATORY DOCUMENTS REVIEWED (GLOBAL)

Country	Key words	Comment	Link
United Kingdom	The UK Stewardship Code	In 2020, The United Kingdom's Stewardship Code identifies the principles that underlie an effective board and sets out the principles of effective stewardship by investors. In so doing, the Code assists institutional investors to exercise their stewardship responsibilities, which in turn gives force to the "comply or explain" system.	https://www.frc.org.uk/investors/uk-stewardship-code
United Kingdom	Global Survey on Implementation of the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)	In 2019, responded to a global survey by the Sustainable Insurance Forum (SIF), which has uncovered significant differences among many insurers' and reinsurers' levels of awareness, uptake, and implementation of the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD recommendations, released in June 2017, set a framework for the identification, assessment, and disclosure of climate-related risks and opportunities by corporate and financial sector entities.	https://www.greenfinanceplatform.org/policies-and-regulations/united-kingdom-responded-global-survey-implementation-recommendations-task
EU	Regulatory Technical Standards (RTS), on sustainability-related disclosures	The Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) delivered to the European Commission the final report, including the draft Regulatory Technical Standards (RTS), on the content, methodologies and presentation of disclosures under the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR).	https://www.esma.europa.eu/press-news/esma-news/three-european-supervisory-authorities-publish-final-report-and-draft-rts
EU	Taxonomy Regulation	Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purpose of establishing the degree to which an investment is environmentally sustainable.	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852
France	Climate pilot exercise to measure the physical and transitional risks	In May 2020, French Prudential Supervision and Resolution Authority (ACPR) launched the climate pilot exercise which intends to measure the physical and transitional risks to which the French banking and insurance establishments are exposed by 2050.	https://acpr.banque-france.fr/sites/default/files/medias/documents/20200717_main_assumptions_and_scenarios_of_the_acpr_climate_pilot_exercise.pdf
United States	Executive order on Climate	In May 2021, the U.S. President signed an executive order that sets the stage for the US federal government, including its financial regulatory agencies, to begin to incorporate climate-risk and other ESG issues into financial regulation.	https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/
United States	Managing Climate Risk in the U.S. Financial System	In September 2020, the Climate-Related Market Risk Subcommittee of the Market Risk Advisory Committee of the Commodity Futures Trading Commission released a comprehensive report addressing potential risks to the financial system arising from, or related to, climate change. The report presents 53 recommendations to mitigate the risks to financial markets posed by climate change.	https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf
United States	Revisions to Financial Condition Examiners Handbook	In 2015, The National Association of Insurance Commissioners (NAIC) required that insurance companies disclose to regulators and investors the financial risks that they face from climate change, as well as actions that the companies are taking to respond to those risks.	https://content.naic.org/content/e-fehtg.htm
South Africa	Green Finance Taxonomy	Under the leadership of the National Treasury, and with support from IFC, the National Business Initiative and Carbon Trust are working to develop a national taxonomy framework and the first green finance taxonomy for South Africa.	https://sustainablefinanceinitiative.org.za/working-groups/taxonomy/

Country	Key words	Comment	Link
South Africa	South Africa Sustainable Finance Initiative	In 2017, South Africa's Sustainable Finance Initiative aims to: Define sustainable finance for a South African context; Incorporate perspectives from all parts of the financial sector, including banking, pension funds, insurance, asset management, and capital markets; Describe the global and national drivers for sustainable finance, as well as existing industry initiatives; Map supply and demand for, as well as barriers to, sustainable finance; and Provide recommendations on a national strategic approach and the role of regulatory agencies and industry stakeholders.	https://sustainablefinanceinitiative.org.za/
South Africa	Amendment to South Africa's Pension Funds Act of 1956 (Amendment of Regulation 28)	South Africa's amendment to its Pension Funds Act (of Regulation 28 under Section 36) provides a set of principles on investment practices and rules stipulating asset allocation limits as well as the consideration of environmental, social, and governance (ESG) factors. Specifically, the amendment states the trustees of Pension Funds or institutional investors acting on a trustee's mandate must consider the effects of ESG factors on the long-term performance of the fund or investment as part of their fiduciary duties as trustees of a Pension Fund.	http://content.momentum.co.za/Content/regulation-28/reg-28-budget-2011.pdf
Brazil	Improvement of rules on risk management and social, environmental and climate responsibility applicable to financial sector	In April 2021, Banco Central Do Brasil launched the Public Consultation No. 85 on the improvement of rules on risk management and social, environmental and climate responsibility applicable to the financial sector. These aim to enhance the Brazilian regulatory framework on risk management and responses by incorporating the most recent international debates on sustainability issues.	https://www.bcb.gov.br/en/pressdetail/2388/nota
Brazil	The Brazil Innovation Lab for Climate Finance	In 2016, the Global Innovation Lab for Climate Finance (the Lab) is a local network of public and private investors and leaders that identify, develop, and launch transformative investment solutions that can drive funds for Brazil's national climate priorities.	https://www.climatefinancelab.org/the-labs/brasil/
India	National Guidelines for Responsible Business Conduct	In March 2019, the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business were updated to include the Sustainable Development Goals (SDGs), and the United Nations Guiding Principles on Business & Human Rights (UNGPs) and were released as the National Guidelines for Responsible Business Conduct (NGRBC). The NGRBC are designed to be used by all businesses and contain thematic pillars called Principles.	https://www.greenfinanceplatform.org/policies-and-regulations/indias-national-voluntary-guidelines-social-environmental-and-economic
India	National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business	In 2009, India's Ministry of Corporate Affairs published corporate social responsibility (CSR) voluntary guidelines, which suggest that business entities should formulate CSR policies to guide their strategic planning and provide a roadmap for their CSR initiatives. In 2011, the guidelines were superseded by the expanded and more detailed National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business.	https://www.greenfinanceplatform.org/policies-and-regulations/indias-national-voluntary-guidelines-social-environmental-and-economic
Botswana	Guidance for listed companies on reporting ESG information to investors	In 2018, Botswana Stock Exchange issued guidance for BSE listed companies. The guidance is a voluntary tool and proposes five guiding principles for ESG reporting: Responsibility and Oversight; Clarity and purpose; Relevance and materiality; Accessibility; Credibility and responsiveness	https://www.bse.co.bw/wp-content/uploads/2021/02/BSE_Guidance-for-Listed-Companies-on-Reporting-ESG-Information-to-Invest...pdf
Colombia	Colombia Green Taxonomy	In September 2021, the Superintendencia Financiera de Colombia published the first phase of the construction of the Colombia Green Taxonomy that seeks to facilitate the identification of projects with environmental objectives, develop green capital markets, and promote the effective mobilization of private and public resources towards sustainable investments.	https://www.superfinanciera.gov.co/isp/10109182

ANNEXURE 2: REGULATORY DOCUMENTS REVIEWED

Key words	Comment	Link
Medium Term National Development Plan 2021-2025	The medium-term policy framework that sets the blueprint for economic development in Nigeria between 2021 and 2025.	https://nationalplanning.gov.ng/wp-content/uploads/2021/12/NDP-2021-2025_AA_FINAL_PRINTING.pdf
The Companies and Allied Matters Act 2020	The act outlines the governance framework for companies which includes board structure, appointment of auditors and process to follow when investigating a company suspected of wrongdoing	https://www.placng.org/laws/nigeria/laws/C20.pdf
The Corrupt Practices and Other Related Offences Act 2000	The act seeks to prohibit and prescribe punishment for corrupt practices and other related offences.	https://www.icpc.gov.ng/wp-content/uploads/downloads/2012/09/CORRUPT-PRACTICES-ACT-2010.pdf
The Criminal Code, 1916	The code is the apex codified law in Nigeria for criminal investigation, trial and punishment of criminals.	https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/52862/60830/F-2132782999/NGA52862%20Full.pdf
The Money Laundering (Prohibition) Act, 2011	The Act makes comprehensive provisions to prohibit the financing of terrorism, the laundering of the proceeds of a crime, or an illegal act.	https://lawpadi.com/wp-content/uploads/2015/08/Money-Laundering-Act-2011.pdf
The Economic and Financial Crimes Commission Act 2004	This Act establishes the commission to oversee laws related to economic and financial crimes.	https://www.efcc.gov.ng/efcc/images/pdfs/establishment_act_2004.pdf
National Policy on Climate Change and Climate Change Policy Response and Strategy, 2021	The National Policy on Climate Change of Nigeria is a strategic policy response to climate change that aims to foster low-carbon, high growth economic development path and build a climate-resilient society through the attainment of set target	https://unfccc.int/sites/default/files/resource/Nigeria_LTS1.pdf

Green Bond Framework	In 2017, by the Federal Ministry of Environment of the Republic of Nigeria in partnership with the Federal Ministry of Finance represented by the Debt Management Office. The Green Bond Framework provides details on eligible project categories, the project evaluation and selection process, how proceeds will be managed, and how the government intends to report on projects on an ongoing basis. The framework, which was updated and expanded in conjunction with the government's second green bond issuance, is aligned with the country's green bond guidelines.	https://www.climatebonds.net/files/files/UNEP%20Nigeria%20Green%20Bond%20Framework.pdf
Climate Change Act, 2021	The Act establishes a legal framework for the country to achieve its climate goals, achieve long-term social and economic sustainability, and resilience.	https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/112597/140749/F962932059/NGA112597.pdf
National Action Plan on Gender and Climate Change, 2020	This act outlines the legal frameworks, goals and objectives the government has on gender and climate change.	https://genderclimatetracker.org/sites/default/files/Resources/climate-change-and-gender-action-plan_nigeria.pdf
Federal Environmental Protection Agency Act, 1998	This act outlines regulations on pollution and waste management.	https://www.placng.org/laws/sofnigeria/laws/F10.pdf
Environmental Impact Assessment Act, 1992	This act outlines the process to assess the potential environmental impact of a project before it begins	https://www.placng.org/laws/sofnigeria/laws/E12.pdf
Water Resources Act, 1993	This act outlines how water resources are to be controlled, distributed and managed.	https://faolex.fao.org/docs/pdf/nig4832.pdf
Harmful Waste (Special Criminal Provisions etc.) Act of 1998	This act allows for the investigation, persecution and punishment of those who do not properly dispose of their harmful waste.	https://www.vertic.org/media/National%20Legislation/Nigeria/NG_Harmful_Waste_Act.pdf
The Banks and other Financial Institutions Act, 2020	The Act regulates and supervises banks and financial institutions in Nigeria.	https://www.cbn.gov.ng/Out/2021/CCD/BOFIA%202020.pdf
The Financial Reporting Council of Nigeria Act, 2011	The Act regulates financial reporting and establishes the Financial Reporting Council of Nigeria.	https://emekauzodinma.com/wp-content/uploads/2014/07/FINANCIAL-REPORTING-ACT.pdf
National Identity Management Commission Act, 2007	This outlines how the national identity database is created and regulated.	https://www.nimc.gov.ng/docs/reports/nimc_act.pdf
Cybercrime (Prohibition, Prevention, etc.) Act, 2015.	This allows for the investigation into suspected cybercrimes, prosecution and punishment of those found guilty.	https://www.cert.gov.ng/ngcert/resources/CyberCrime_Prohibition_Prevention_etc_Act_2015.pdf
National Minimum Wage Act, 2019	This sets the national minimum wage.	https://placbillstrack.org/8th/upload/National%20Minimum%20Wage%20Act,%202019.pdf

Trafficking in Persons (Prohibition), Enforcement and Administration Act, 2015	This act combats human trafficking and aims to eliminate forced labour.	https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/101267/121929/F958851509/NGA101267%20Part%201.pdf
The Nigerian Sustainable Banking Principles	The Nigerian Sustainable Principles is a commitment by the Baners Subcommittee on Economic Development and Sustainability to sustainability and provides guidelines for engaging with Agriculture, Power and Oil and Gas sectors.	https://www.cbn.gov.ng/ut/2012/ccd/circular-nsbp.pdf
Nigerian Code of Corporate Governance, 2018	Regulation that guides companies on matters related to corporate governance.	https://www.ecgi.global/node/7902#:~:text=The%20Nigerian%20Code%20of%20Corporate.integrity%20of%20the%20business%20environment.
Pension Reform Act, 2014	Regulation that guides the pension industry of Nigeria.	https://www.pencom.gov.ng/wp-content/uploads/2018/01/PRA_2014.pdf
PENCOM Data Privacy Policy	Policy outlines how data gathered by PENCOM should be stored and used.	https://www.pencom.gov.ng/wp-content/uploads/2020/06/FINAL-DATA-PRIVACY-POLICY.pdf
PENCOM ICT Guidelines	Outlines the ICT requirements of the pension fund's administration system.	https://www.pencom.gov.ng/wp-content/uploads/2018/07/PFA-ICT-Guidelines.pdf
PENCOM Guidelines for the Operations of Pension Fund Administrators	Outlines rules and requirements of Pension Fund Administrators in relation to IT, Retirement Savings Account (RSA), sales agents, advertising, reporting and custody contracts.	https://www.pencom.gov.ng/wp-content/uploads/2017/04/Guidelines-for-the-Operations-of-PFAs.pdf
PENCOM Guidelines for the Operations of Pension Fund Custodians	Outlines the rules and requirements of Pension Fund Custodians in relation to pension asset management, reporting requirements, ICT requirements and custody contracts.	https://www.pencom.gov.ng/category/regulations-codes/guidelines/guidelines-for-the-operations-of-pension-fund-custodians/
PENCOM Regulations for Compliance Officers	Outlines the considerations for the selection of compliance officers, roles of the compliance officer and the punishment of non-compliance.	https://www.pencom.gov.ng/wp-content/uploads/2017/04/Regulations_on_Compliance_Officers.pdf
PENCOM Regulations of Pension Fund Assets	Outlines the principles guiding how assets should be invested along with the allowable instruments, investment limits and voting rights.	https://www.pencom.gov.ng/wp-content/uploads/2019/01/AMENDED-INVESTMENT-REGULATION-FEBRUARY-2019-.pdf
PENCOM Regulation on Valuation of Pension Fund Assets	Outlines when and how often the valuation should occur, how the valuation is calculated and reporting requirements.	https://www.pencom.gov.ng/wp-content/uploads/2017/04/Regulations-on-Valuation-of-Pension-Funds-Updated-December-2006.pdf
PENCOM Regulations for Auditing Pension Funds	Outlines how auditors should be selected and paid as well as the rules that auditors need to follow.	https://www.pencom.gov.ng/wp-content/uploads/2017/04/Regulations_for_Auditing_Pension_Funds.pdf
PENCOM Guidelines for the Appointment to Board and Top Management Position of PFAs and PFCs	Outlines the qualifications that those in board and top management positions must have. These guidelines also outline the process of appointing people into these positions.	https://www.pencom.gov.ng/wp-content/uploads/2018/07/GUIDELINE-FOR-APPOINTMENT-TO-BOARD-AND-TOP-MANAGEMENT-POSITION-OF-PFAs-and-PFCs.pdf

PENCOM Guidelines on Corporate Governance for Pension Fund Operators	Outlines the role of the board and how the directors are appointed, how the audit committee should work, sustainability, whistle blowing procedures, ethical practices and transparency disclosures.	https://www.pencom.gov.ng/wp-content/uploads/2021/03/Guidelines-on-Corporate-Governance-for-Pension-Fund-Operators-February-2021.pdf
PENCOM Code of Corporate Governance	Consists of a Code on Board Issues and a Code on Industry Transparency.	https://www.pencom.gov.ng/wp-content/uploads/2017/04/Code_of_Corporate_Governance_for_Licensed_Pension_Operators.pdf
PENCOM Code of Ethics and Business Practices for Licensed Pension Operators	Outlines the process of setting integrity standards and dealing with conflict between key stakeholders.	https://www.pencom.gov.ng/wp-content/uploads/2017/04/Code_of_Ethics_and_Business_Practices_for_Licensed_Operators.pdf
PENCOM Whistle Blowing Guidelines for Pensions	Outlines the process of reporting breaches, who is responsible for doing this and classifies the severity of the breaches.	https://www.pencom.gov.ng/wp-content/uploads/2017/04/Whistle_Blowing_Guidelines_for_Pensions.pdf