

ESG integration by pension regulators in Nigeria

Diagnostic study

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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:

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].

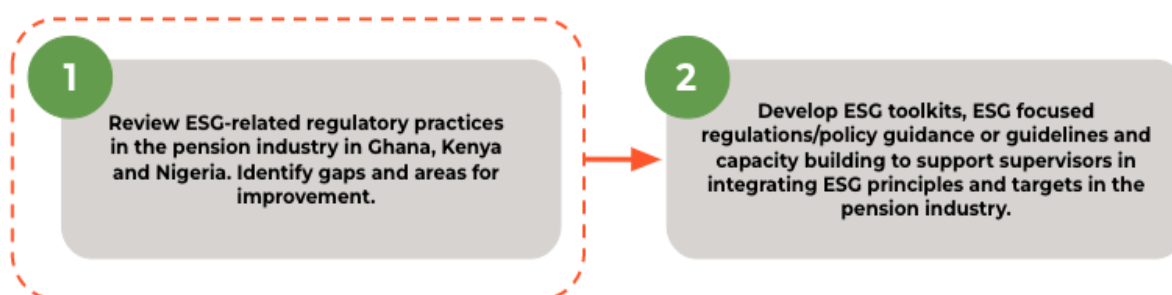
⁶ Climate Policy Initiative; Children's Investment Fund Foundation; FSD Africa and UKAid. (2022). *Landscape of Climate Finance in Africa*. [Online]. Available: <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/09/Landscape-of-Climate-Finance-in-Africa.pdf>. [March 2023].

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.

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.

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



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

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' was first 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.

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.

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 Nigeria against the questions described above. Within each country, we seek to understand ESG at the country,

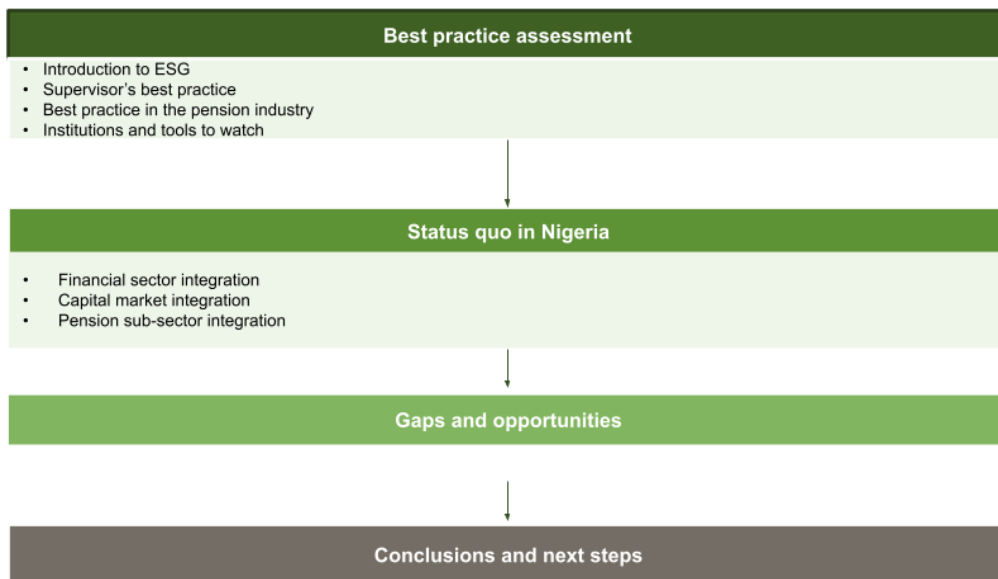
⁹ The assets that pension funds have invested in may be affected by the physical, transition, technological and liability risks of climate change; as such, considering these risks before investing in assets is important.

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].

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



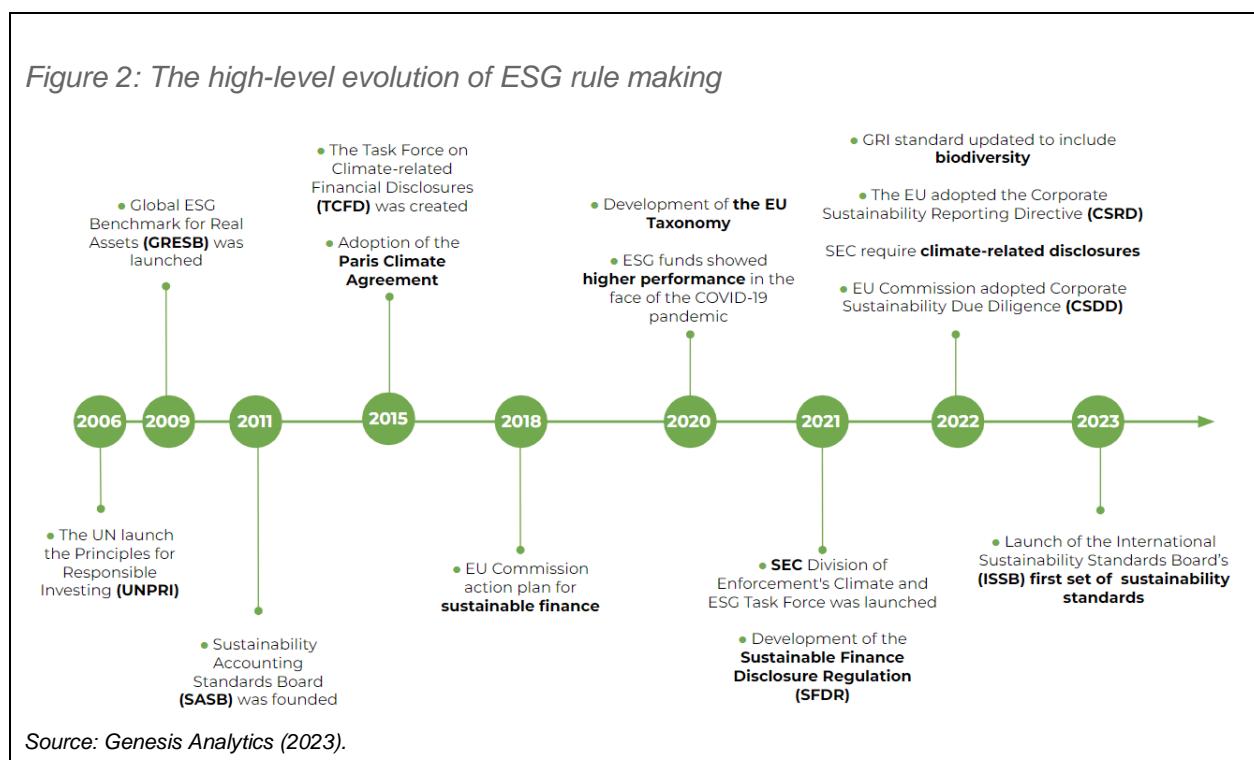
Source: Genesis Analytics (2023)

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* which 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].

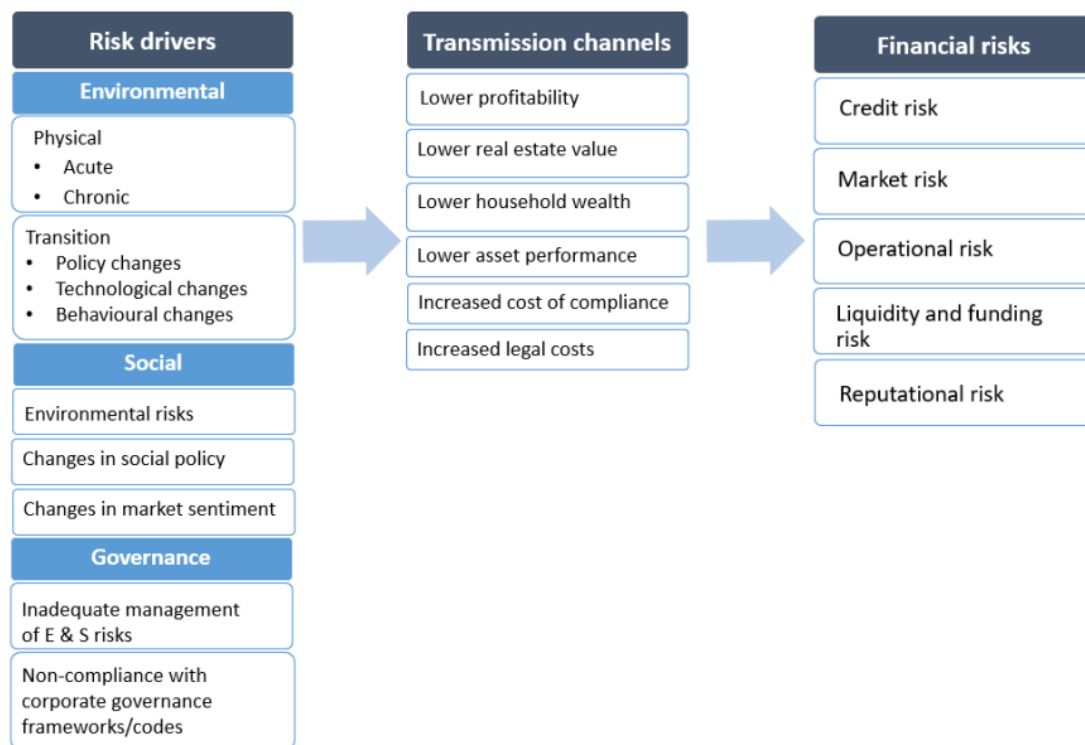
¹⁵ The South African Government. (2022). Treasury on launch of South Africa's first national Green Finance Taxonomy. [Online]. Available: <https://www.gov.za/ts/speeches/south-africa%E2%80%99s-first-national-green-finance-taxonomy-launched-assist-financial-sector>. [March 2023].

¹⁶ Financial Stability Board. (2021). Task Force on Climate-related Financial Disclosures (TCFD). [Online]. Available: <https://www.fsb-tcf.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 global 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

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].

sectors are incorporating ESG risks into their decision making.^{20, 21} South Africa is an example of a country where the pension regulators have strived to increase their understanding of market practice on issues related to sustainability. 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 policyholders 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.

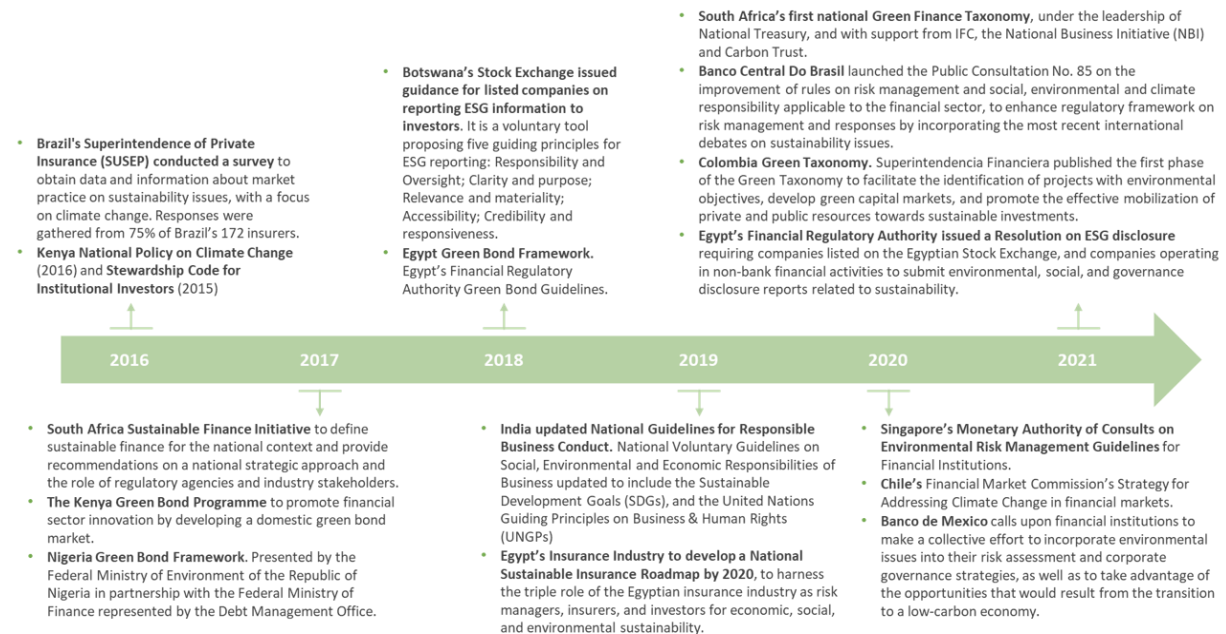
²⁰ Savage, R. (2022). *More African countries implementing ESG finance policies - study*. [Online]. Available: <https://www.reuters.com/business/finance/more-african-countries-implementing-esg-finance-policies-study-2022-10-13/>. [April 2023].

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].

Figure 4: “ESG” rulemaking in selected emerging market economies



Source: Genesis Analytics (2022). Information from: Green Finance Forum. (2022). [Policies and Regulations](#). Note: The scheme limits to recent developments and it is not an exhaustive depiction of all regulatory developments in all emerging market economies

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.

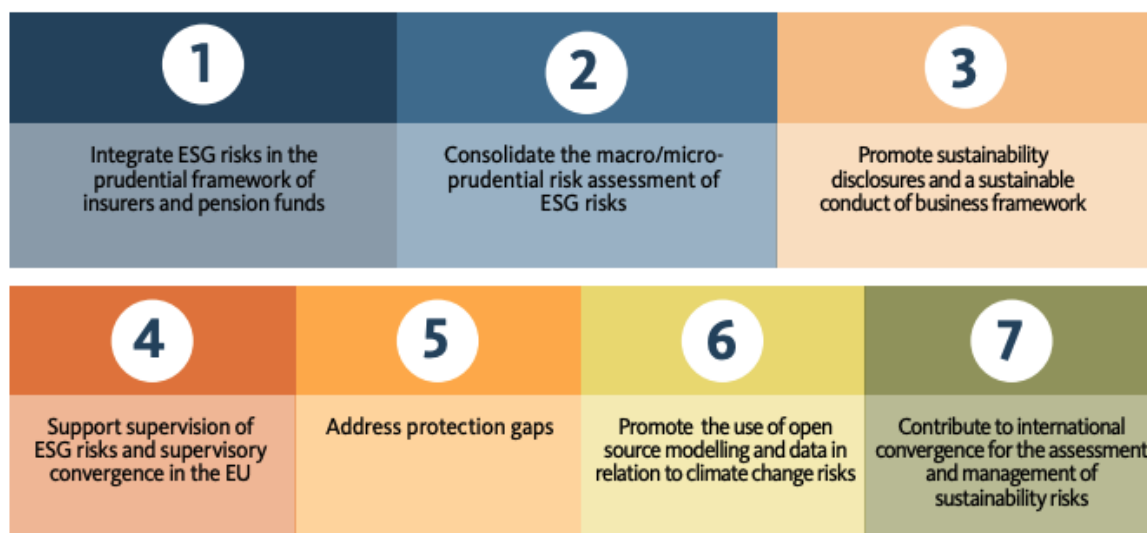
In April 2019, the Bank of England (BoE) became the first central bank and supervisor to set supervisory expectations through the Supervisory Statement 3/19 for banks and insurers on the management of climate-related financial risks, covering governance, risk management, scenario analysis, and disclosure. 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.²⁴ 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.²⁵ 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

²⁴ 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].

²⁵ 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].

processes in their Statement of Investment Principles and Implementation Statement.^{26,27} 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.²⁸

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 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.

²⁶ 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].

²⁷ 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].

²⁸ 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].

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.²⁹ The BoE already does. 	UK, Ireland, European Union

²⁹ 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
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
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)³⁰ 	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.³¹ 	UK, Ireland, European Union, United States

³⁰Deloitte. (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].

³¹ 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].

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.³²

This checklist was also applied to pension disclosures in African countries.^{33,34} 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.³⁵ 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.³⁶

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.³⁷ 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.³⁸ 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.³⁹ 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.⁴⁰ 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.

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

³² 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].

³³ 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].

³⁴ 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].

³⁵ 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].

³⁶ 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].

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].

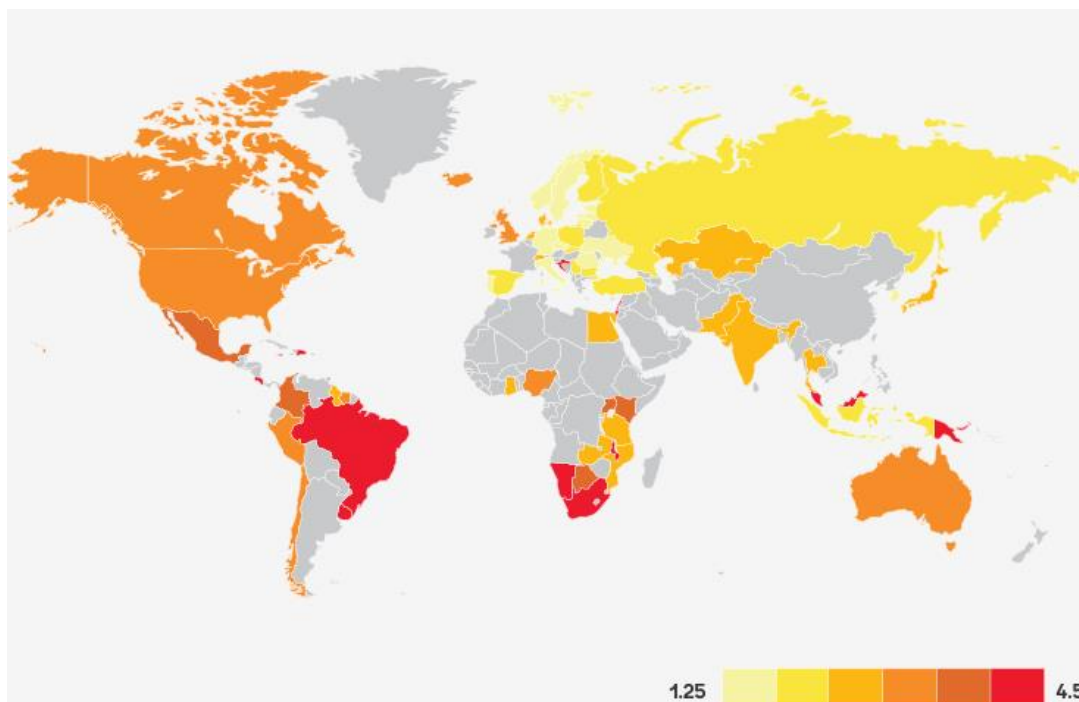
³⁸ The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [April 2023]. The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*.

³⁹ 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].

⁴⁰ 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].

technologies on invested companies and regulatory risk.^{41,42} 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.⁴³

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.⁴⁴ If a country has a low regulatory risk 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.

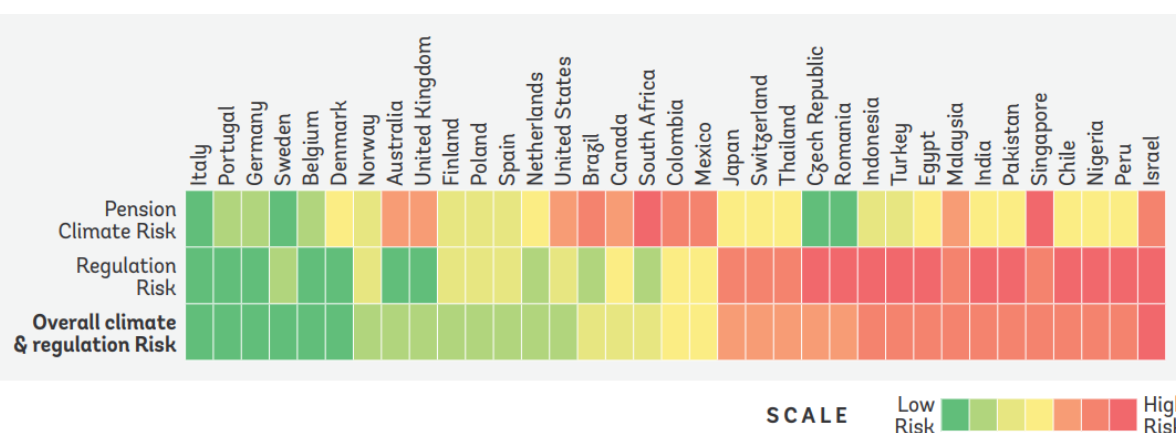
⁴¹ World Bank Group, IOPS, Columbia School of International and Public Affairs. (2020). *Pension Systems + Climate Risk: Measurement and Mitigation*. [Online]. Available: <https://documents1.worldbank.org/curated/en/143231601016562164/pdf/Pension-Systems-Plus-Climate-Risk-Measurement-Plus-Mitigation.pdf>. [April 2023].

⁴² 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].

⁴³ 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].

⁴⁴ 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].

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).^{45,46} Since these guidelines were produced with input from regulators around the world, they serve as best practice for pension supervision.^{47,48} These core principles, which were updated in 2016, can be divided into Environmental, Social and Governance “ESG” themes as below.

⁴⁵ 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].

⁴⁶ 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].

⁴⁷ Note that the pension regulators of Ghana, Kenya and Nigeria are governing members of IOPS.

⁴⁸ 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 ⁴⁹	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>
<p>Source: Genesis Analytics, based on OECD. (2016). Core Principles of Private Pension Regulation.⁵⁰</p>		

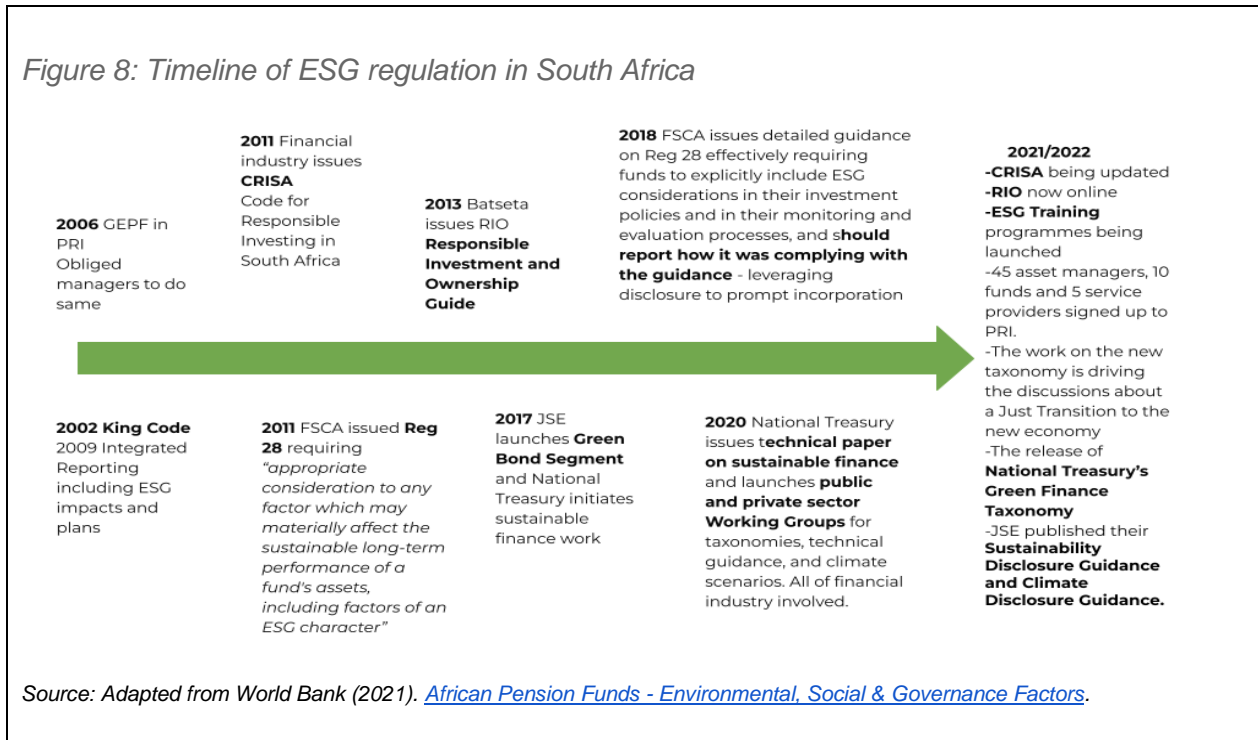
The South African case study

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.

⁴⁹ 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].

⁵⁰ 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].

Figure 8: Timeline of ESG regulation in South Africa



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.⁵¹

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.

2.2 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.

⁵¹ World Bank. (2021). African Pension Funds - Environmental, Social & Governance Factors. [Online]. Available: <https://theocds.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [February 2023].

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 (NPRA), 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 pension supervisors.

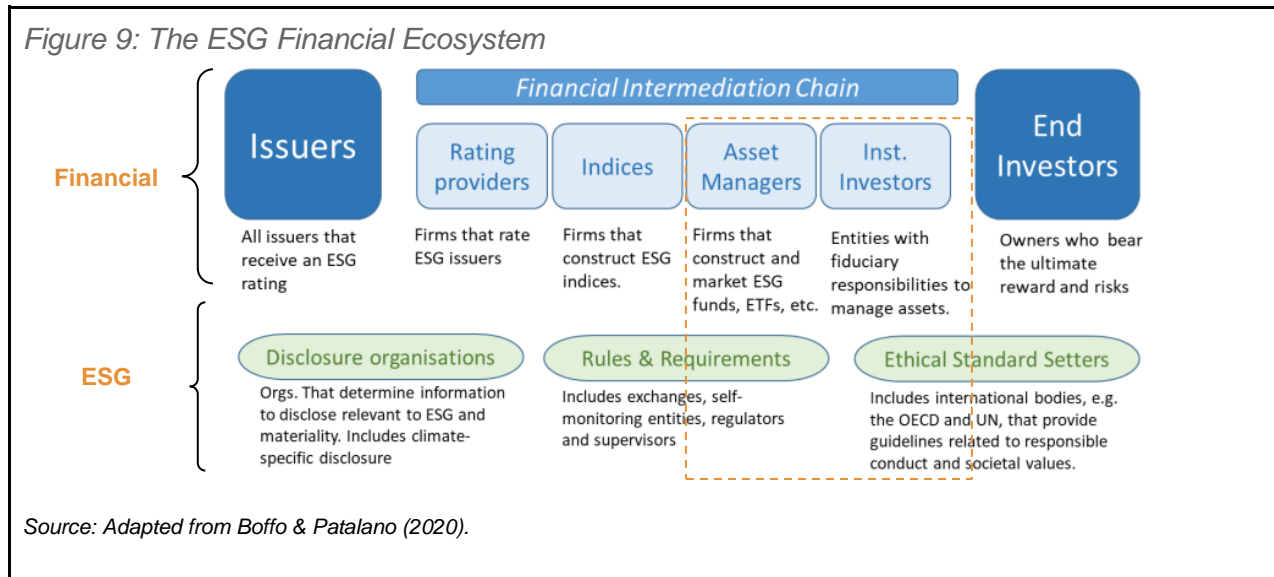
Table 5: ESG related international frameworks

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.
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)	Rules guiding the reporting of	EU Corporate Sustainability Reporting Directive outlines how companies should report on their social and environmental impact

Framework / Link	Use	Description
https://eur-lex.europa.eu/eli/dir/2022/2464/oj	environmental and social impact and risks	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 https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/	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. 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.⁵²



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.⁵³

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.⁵⁴

⁵² 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].

⁵³ 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>

⁵⁴ Ops cit.

3. ESG DIAGNOSTIC ASSESSMENT - NIGERIA

This section provides a review of ESG developments across the financial sector, capital markets and pension industry in Nigeria. The research shows that in recent years there has been great progress in embedding ESG principles in the financial sector. This progress has, however, not extended to the pension industry where there is substantial opportunity for integrating ESG principles into regulation.

3.1 ESG integration at a national level

Policy and regulations in Nigeria have historically centred on economic development without focusing more broadly on sustainability.⁵⁵ However, over the past two decades, Nigeria has made notable progress in sustainable development, specifically the management of ESG risks. This has been demonstrated through commitments, policy and legislative developments, and various sector-level initiatives.

Nigeria has a series of national commitments which align with the intention of ESG risk mitigation and sustainability. Recent anti-corruption legislation and measures to tackle money laundering and terrorist financing are examples of governance-based policy while the formal adoption of the SDGs in 2015 represent a holistic commitment to sustainable development.^{56,57} In terms of environmental commitments, at COP26, H.E. President Muhammadu Buhari announced Nigeria's commitment to carbon neutrality by 2060, a commitment that has since been reinforced by the Minister of State for Petroleum Resources (Chief Timipre Sylva) and is foundational to Nigeria's Energy Transition Plan.^{58,59}

Policies such as the National Development Plan 2021-2025 (NDP) give content to some of the broad commitments made by the Nigerian government.⁶⁰ The NDP is the medium-term policy framework that sets the blueprint for economic development in Nigeria between 2021 and 2025 in line with the long-term ambitions set out in **Nigeria's 2050 Vision**. The NDP captures various principles of ESG in its promotion of sustainable development in Nigeria, such as implementing climate change strategies (environment), improving living conditions (social), and improving the investment environment (governance).

With respect to governance, various overarching regulations are already in place to mitigate the risks of poor governance, including:⁶¹

- **The Companies and Allied Matters Act 2020** which outlines the governance framework for companies and includes guidance on board structure, appointment of auditors and the process to follow when investigating companies suspected of wrongdoing.⁶²

⁵⁵ PWC. (2021). *2021 Nigeria Sustainability Outlook*. [Online]. Available: <https://www.pwc.com/ng/en/assets/pdf/nigeria-sustainability-outlook-2021.pdf>. [February 2023].

⁵⁶ Climate Action Tracker. (2022). *Nigeria*. [Online]. Available: <https://climateactiontracker.org/countries/nigeria/net-zero-targets/>. [February 2023]

⁵⁷ Financial Action Task Force. (2022). *Nigeria's progress in strengthening measures to tackle money laundering and terrorist financing*. [Online]. Available: <https://www.fatf-gafi.org/en/publications/Mutualevaluations/FUR-Nigeria-2022.html>. [February 2023].

⁵⁸ Nigeria Energy Transition Plan (n.d.) *Nigeria's pathway to achieve carbon neutrality by 2060*. Available: <https://energytransition.gov.ng/#:-:text=The%20Nigeria%20ETP%20was%20initially,decarbonization%20would%20land%20on%202060.>

⁵⁹ Tena, N. (2022) *Nigeria committed to net-zero gas emissions by 2060*. Available: <https://www.esi-africa.com/energy-efficiency/nigeria-commits-to-net-zero-gas-emissions-by-2060/>

⁶⁰ Nigerian Federal Ministry of Finance, Budget and National Planning. (2021). *National Development Plan (NDP) 2021-2025*. [Online]. Available: https://nationalplanning.gov.ng/wp-content/uploads/2021/12/NDP-2021-2025_AA_FINAL_PRINTING.pdf. [February 2023].

⁶¹ SPA Ajibade & Co. (2011). *Executive summary of anti-corrupt legislations with a view to advising foreign investors in Nigeria on anti-corruption programmes*. [Online]. Available: <https://spajibade.com/executive-summary-of-anti-corrupt-legislations-with-a-view-to-advising-foreign-investors-in-nigeria-on-anti-corruption-programmes/>. [February 2023].

⁶² Nigerian Federal Government. (2020). *Companies and Allied Matters Act*. [Online]. Available: <https://www.placng.org/laws/nigeria/laws/C20.pdf>.

- **The Corrupt Practices and Other Related Offences Act 2000** which aims to prevent people from bribing and acting corruptly by outlining penalties.⁶³
- **The Economic and Financial Crimes Commission Act 2004** which created the commission to identify such crimes and prosecute the offenders; and,⁶⁴
- **The Money Laundering (Prohibition) Act 2011** which prohibits people from laundering dirty money and sets out the punishment of those who have been found guilty of money laundering.⁶⁵

The sectoral governance codes, including that of the Pension industry, provide additional detail at the sector level. Beyond these well-defined anti-corruption and bribery laws, Nigeria is currently developing designated whistleblower laws that protect individuals from retaliation if they report crime, corruption, or public health threats.⁶⁶

Although governance remains the most well-covered of the three pillars of ESG in terms of regulation and policy, in recent years, the environment has become increasingly important with new legislation guiding the management of environmental risks. In 2021 alone, the National Policy on Climate Change and Climate Change Policy Response and Strategy was amended (originally released in 2013) and Nigeria's Climate Change Act was adopted. Given the significance of these to this project, more detail on each is provided below.

i. National Policy on Climate Change and Climate Change Policy Response and Strategy⁶⁷

In 2013, this policy was created to improve Nigeria's ability to mitigate the risks of climate change and adapt to the changing conditions caused by climate change. The mechanisms that will be used to achieve this include public awareness, reduction of emissions, research and development, partnering with the private sector and empowering relevant institutions to enforce climate change governance.

ii. Nigeria's Climate Change Act⁶⁸

The Climate Change Act, signed into law in November 2021, provides a legal framework for Nigeria to achieve its climate goals and achieve long-term social and economic development. The Act establishes the National Climate Change Action plan and a climate change fund (five-year carbon budget), a National Council on Climate Change and stipulates the creation of carbon taxes and an emissions trading scheme.

In 2020, Nigeria outlined their National Action Plan on Gender and Climate Change which outlines the legal frameworks, goals and objectives the government has on gender and climate change.⁶⁹ Before these recent developments in climate change regulations, other environmental regulations existed as outlined below.

⁶³ Nigerian Federal Government. (2000). *Corrupt Practice and Other Related Offences Act*. [Online]. Available: <https://www.icpc.gov.ng/wp-content/uploads/downloads/2012/09/CORRUPT-PRACTICES-ACT-2010.pdf>.

⁶⁴ Nigerian Federal Government. (2004). *Economic and Financial Crimes Commission (Establishment) Act 2004*. [Online]. Available: https://www.efcc.gov.ng/efcc/images/pdfs/establishment_act_2004.pdf. [March 2023].

⁶⁵ Nigerian Federal Government. (2011). *The Money Laundering Prohibition Act*. [Online]. Available: <https://lawpadi.com/wp-content/uploads/2015/08/Money-Laundering-Act-2011.pdf>. [March 2023].

⁶⁶ PPLAAF. (2022). How Nigeria's Whistleblower Protection Laws Compare to International Standards. [Online]. Available: <https://www.pplAAF.org/country/nigeria.html>. [February 2023].

⁶⁷ LSE Grantham Research Institute on Climate Change and the Environment. (2023). *Nigeria: National Policy on Climate Change and Climate Change Policy Response and Strategy*. [Online]. Available: <https://climate-laws.org/geographies/nigeria/policies/national-policy-on-climate-change-and-climate-change-policy-response-and-strategy>. [February 2023].

⁶⁸ National Assembly of the Federal Republic of Nigeria. (2021). *Climate Change Act, 2021*. [Online]. Available: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/112597/140749/F962932059/NGA112597.pdf>. [February 2023].

⁶⁹ Nigerian Federal Government. (2020). *National Action Plan on Gender and Climate Change for Nigeria*. [Online]. Available: https://genderclimatetracker.org/sites/default/files/Resources/climate-change-and-gender-action-plan_nigeria.pdf. [March 2023].

Table 6: Environmental Regulations

Regulation	Explanation
Section 20 of the Nigerian Constitution, 1999 ⁷⁰	This section outlines the requirement of the State to provide a clean and healthy environment.
Federal Environmental Protection Agency Act of 1998 ⁷¹	This act outlines regulations on pollution and waste management.
Environmental Impact Assessment Act of 1992 ⁷²	This act outlines the process to assess the potential environmental impact of a project before it begins.
Water Resources Act of 1993 ⁷³	This act outlines how water resources are to be controlled, distributed and managed.
Harmful Waste (Special Criminal Provisions etc.) Act of 1998 ⁷⁴	This act allows for the investigation, persecution and punishment of those who do not properly dispose of their harmful waste.

Nigeria has a range of regulations that fall under the social aspect of ESG. Some examples of these can be classified according to whether they relate to data protection and privacy, and labour standards.

Table 7: Example classification of social regulations

Category	Regulation
Data protection	<ul style="list-style-type: none"> National Identity Management Commission Act, 2007⁷⁵ Cybercrime (Prohibition, Prevention, etc.) Act, 2015⁷⁶ Data Protection Bill, 2020⁷⁷
Labour	<ul style="list-style-type: none"> National Salaries, Incomes and Wages Commission Decree 1993 as amended 1999⁷⁸ National Minimum Wage Act, 2019⁷⁹ National Employment Policy Trafficking in Persons (Prohibition), Enforcement and Administration Act, 2015⁸⁰ Discrimination Against Persons with Disabilities (Prohibition) Act, 2018⁸¹

⁷⁰ Federal Government of Nigeria. (2023). *Nigeria's Constitution of 1999*. [Online]. Available: https://www.constituteproject.org/constitution/Nigeria_1999.pdf. [March 2023].

⁷¹ Federal Government of Nigeria. (1998). *Federal Environmental Protection Agency Act*. [Online]. Available: <https://www.placng.org/laws/nigeria/laws/F10.pdf>. [March 2023].

⁷² Federal Government of Nigeria. (1992). *Environmental Impact Assessment Act*. [Online]. Available: <https://www.placng.org/laws/nigeria/laws/E12.pdf>. [March 2023].

⁷³ Federal Government of Nigeria. (1993). *Water Resources Act*. [Online]. Available: <https://faolex.fao.org/docs/pdf/nig4832.pdf>. [March 2023].

⁷⁴ Federal Government of Nigeria. (1998). *Harmful Waste (Special Criminal Provisions etc.) Act*. [Online]. Available: https://www.vertic.org/media/National%20Legislation/Nigeria/NG_Harmful_Waste_Act.pdf. [March 2023].

⁷⁵ Federal Government of Nigeria. (2007). *National Identity Management Commission Act, 2007*. [Online]. Available: https://www.nimc.gov.ng/docs/reports/nimc_act.pdf. [March 2023].

⁷⁶ Federal Government of Nigeria. (2015). *Cybercrime (Prohibition, Prevention, etc.) Act, 2015*. [Online]. Available: https://www.cert.gov.ng/ngcert/resources/CyberCrime_Prohibition_Prevention_etc_Act_2015.pdf. [March 2023].

⁷⁷ One Trust Data Guidance. (2022). *Nigeria: Data protection bill - what you need to know*. [Online]. Available: <https://www.dataguidance.com/opinion/nigeria-data-protection-bill-what-you-need-know>. [March 2023].

⁷⁸ International Labour Organisation. (2014). *Nigeria: National Salaries Incomes and Wages Commission Decree 1993*. [Online]. Available: https://www.ilo.org/dyn/natlex/natlex4_detail?p_lang=en&isn=38346&p_country=NGA&p_count=253. [March 2023].

⁷⁹ Federal Government of Nigeria. (2019). *National Minimum Wage Act, 2019*. [Online]. Available: <https://placbillstrack.org/8th/upload/National%20Minimum%20Wage%20Act.%202019.pdf>. [March 2023].

⁸⁰ Federal Government of Nigeria. (2015). *Trafficking in Persons (Prohibition), Enforcement and Administration Act, 2015*. [Online]. Available: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/101267/121929/F958851509/NGA101267%20Part%201.pdf>. [March 2023].

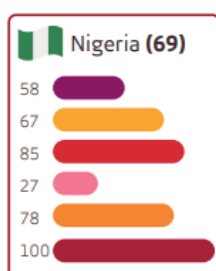
⁸¹ International Labour Organisation. (n.d.). *Equality of Opportunity and Treatment*. [Online]. Available: https://www.ilo.org/dyn/natlex/natlex4.listResults?p_lang=en&country=NGA&p_count=246&p_classification=05&p_classcount=10. [March 2023].

3.2 ESG integration in the financial sector

The Nigerian financial sector regulatory framework includes governance guidance, such as included in the Financial Reporting Council of Nigeria Act (2011) and the Bank and Other Financial Institutions Act (2020).⁸³ More progress could be made in more explicitly integrating environmental and social aspects into the financial sector's regulatory framework, though elements of each are already found within regulations and policies not focused specifically on ESG.

The Financial Reporting Council of Nigeria Act (2011) established the Financial Reporting Council of Nigeria. This council sets accounting, financial reporting, auditing and corporate governance standards and monitors compliance.⁸⁴ However, because of concerns about corruption in the Nigerian financial sector, the Banks and Other Financial Institutions Act (1991) as amended in 2020 was additionally created to improve corporate governance.⁸⁵

Nigeria ranks 3rd out of 26 countries in Absa's Africa Financial Markets Index for 2022.⁸⁶ 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. Nigeria maintained the same ranking in 2022 as it had in 2021. Nigeria's total score was 69; this was primarily driven by their implementation of standard master agreements which govern financial instruments, lending and repurchasing (dark red). Nigeria also scored highly in access to foreign exchange liquidity (orange), market transparency (red), and macroeconomic environment and transparency (dark orange). Nigeria scored poorly in the capacity of local investors (pink).

3.2.1 ESG integration in the capital markets

Similar progress toward ESG integration is found in capital market regulation, where regulations relating to governance are more robust than to environmental and social considerations. In 2021, The Securities and Exchange Commission (SEC) adopted the Nigerian Sustainable Finance Principles as developed by the Financial Services Regulation Coordinating Committee. These principles specifically consider environmental, social and governance risk management and apply to entities that are regulated by the SEC.⁸⁷ They aim to improve the corporate governance and sustainability of the capital markets, including

⁸² Federal Government of Nigeria. (1989). *National Commission for Women Act*. [Online]. Available: <https://faolex.fao.org/docs/pdf/nig120554.pdf>. [March 2023].

⁸³ Folarin, A. (2021). *An Overview of the Banks and Other Financial Institutions Act 2020*. In: SSRN. [Online]. Available: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3752297. [February 2023].

⁸⁴ Nigeria (federal). 2011. Federal Government of Nigeria. 7 June 2011. *Financial Reporting Council of Nigeria Act*. Lagos: Official Gazette.

⁸⁵ Folarin, A. (2021). *An Overview of the Banks and Other Financial Institutions Act 2020*. In: SSRN. [Online]. Available: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3752297. [February 2023].

⁸⁶ 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].

⁸⁷ Securities & exchange commission. (2021). *Guidelines on sustainable financial principles for the Nigerian capital market*. Available: https://sec.gov.ng/wp-content/uploads/2021/12/SEC-Guidelines-on-Sustainable-Financial-Principles-for-the-Capital-Market_Final.pdf. [February 2023].

improving social outcomes (diversity in the workplace, protecting human rights, improving financial inclusion) and environmental outcomes (mitigating and adapting to the effects of climate change).⁸⁸

The SEC has also provided rules on green and social bonds. These rules outline what projects qualify as a green and social bond and what needs to be submitted before the bond can be approved.⁸⁹

Gaining insights into the progress and experience of ESG integration in other capital markets provides valuable lessons and imparts strategic learnings that can significantly enhance ESG adoption in the pension market.

3.2.2 ESG integration in the banking sector

The 2012 Nigerian Sustainable Banking Principles (NSBPs) provide a sustainable banking framework that is rooted in ESG. The Central Bank of Nigeria, in collaboration with the Bankers Committee, developed the NSBPs to drive innovation, market resilience, and sustainability within the financial sector.⁹⁰ Financial institutions are mandated to adopt these principles. The NSBPs are shown in detail in the figure below.

⁸⁸ Securities & exchange commission. (2021) *Guidelines on sustainable financial principles for the Nigerian capital market*. Available: https://sec.gov.ng/wp-content/uploads/2021/12/SEC-Guidelines-on-Sustainable-Financial-Principles-for-the-Capital-Market_Final.pdf. [February 2023].

⁸⁹ Securities and Exchange Commission. (2021). *New Rule on Social Bonds*. Available at: <https://sec.gov.ng/wp-content/uploads/2021/11/Social-Bond-Rule-New-October-29-2021.pdf>. [February 2023].

⁹⁰ Central Bank of Nigeria. (2012). *Nigerian Sustainable Banking Principles*. [Online]. Available: <https://www.cbn.gov.ng/out/2012/ccd/circular-nsbp.pdf>. [February 2023].

Figure 10: The Nigerian Sustainable Banking Principles



Source: Genesis Analytics (2022). Information from: Central Bank of Nigeria. (2012). [Nigerian Sustainable Banking Principles](#).

The NSBPs were released along with a number of complementary documents. These include the Nigeria Sustainable Principles Guidance Notes, the Nigeria Sustainable Banking Principles Power Sector Guidelines, the Nigerian Sustainable Banking Principles Agriculture Sector Guidelines, and the Nigerian Sustainable Banking Principles of Oil and Gas Sector Guidelines. As a set, these documents provide an overarching framework and guidance for managing risk and impact in the selected sectors.⁹¹

In addition to the NSBPs, the Central Bank's Code of Corporate Governance for Banks and Discount Houses in Nigeria is an example of improved efforts relating to ESG (particularly governance) integration in the sector. The code was designed to update and align corporate governance practice with international best practice.⁹² The code improves the governance framework for banks by:

- Regulating the composition and function of the board;
- Outlining rules for share ownership;

⁹¹ Central Bank of Nigeria. (2012). *Nigerian Sustainable Banking Principles*. [Online]. Available: <https://www.cbn.gov.ng/out/2012/ccd/circular-nsbp.pdf>. [February 2023].

⁹² Central Bank of Nigeria. (2014). *Code of Corporate Governance for Banks and Discount Houses in Nigeria*. [Online]. Available: [https://www.cbn.gov.ng/out/2014/fprd/circular%20on%20code%20of%20circular%20on%20corporate%20governance%20and%20whistle%20blowing-may%202014%20\(3\).pdf](https://www.cbn.gov.ng/out/2014/fprd/circular%20on%20code%20of%20circular%20on%20corporate%20governance%20and%20whistle%20blowing-may%202014%20(3).pdf). [March 2023].

- Limiting the government to a maximum 10% stake in any bank;
- Encouraging the adoption of a whistle-blowing framework and the protection of stakeholders' rights; and
- Strengthening disclosure requirements and transparency in banks' annual reports.

Another intervention in the capital market is the Green Bond Framework that has recently been developed by the Federal Ministry of Environment and the Federal Ministry of Finance. This framework details 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.⁹³ In 2021, the Central Bank of Nigeria released their **Regulatory Framework for Mobile Money Services in Nigeria** which supports financial inclusion.⁹⁴

Recent studies note that more needs to be done beyond the above-described efforts to fully integrate these principles into financial institutions.^{95,96} There are notable challenges for managing ESG risks towards sustainability in Nigeria and, according to these studies, financial institutions need:

- To be equipped to understand ESG risks and impacts;
- To build the skills required to integrate ESG factors into decision making;
- To receive guidance that outline how to integrate ESG factors outlined in existing frameworks/ principles/ regulations/ codes;
- To have tools and metrics that effectively measure progress in integrating ESG factors and industry-wide performance; and
- To have buy-in from key stakeholders who will be responsible for overseeing the integration of ESG factors.

Research by PWC suggests that developing specific criteria at an industry level is a critical next step for the integration of ESG in Nigeria. PWC notes that some of the challenges can be attributed to the lack of measurable benchmarks, policies, and regulations across various sub-sectors.⁹⁷ Similarly, because it is difficult to assess the outcomes that the NSBPs hope to achieve, it is challenging to measure the progress towards implementing the NSBPs. This makes it difficult for regulators to enforce the mandate to integrate the NSBPs.⁹⁸

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.

⁹³ Federal Ministry of Environment and Federal Ministry of Finance. (2017). *Green Bond Framework*. [Online]. Available: <https://www.climatebonds.net/files/files/UNEP%20Nigeria%20Green%20Bond%20Framework.pdf>. [March 2023].

⁹⁴ Central Bank of Nigeria. (2021). *Regulatory Framework for Mobile Money Services in Nigeria*. [Online]. Available: <https://www.cbn.gov.ng/Out/2021/CCD/Framework%20and%20Guidelines%20on%20Mobile%20Money%20Services%20in%20Nigeria%20-%20July%202021.pdf>. [March 2023].

⁹⁵ PWC. (2021). *ESG and Nigerian Financial Institutions*. [Online]. Available: <https://www.pwc.com/ng/en/assets/pdf/esg-and-nigerian-financial-institutions.pdf>. [March 2023].

⁹⁶ ESG Advisory Associates. (2018). *Sustainability in the Nigeria Banking Industry: The Journey So Far*. [Online]. Available: <https://www.accessbankplc.com/AccessBankGroup/media/Documents/Sustainable%20Reports/NSBP-at-5-Industry-Report.pdf>. [March 2023].

⁹⁷ PWC. (2021). *ESG and Nigerian Financial Institutions What's Happening?* [Online]. Available: <https://www.pwc.com/ng/en/assets/pdf/esg-and-nigerian-financial-institutions.pdf>. [March 2023].

⁹⁸ CIGI. (2015). *The Impact of Financial Sector Sustainability Regulations on Banks*. [Online]. Available: https://www.files.ethz.ch/isn/194327/cigi_paper_no77_web.pdf. [March 2023].

3.2.4 ESG integration in the pension industry

There are different types of pension schemes in Nigeria, as shown in the table below.

Table 8. Categorisation of pension schemes in Nigeria

Categorisation	Description
Retirement Savings Accounts (RSA) funds	RSA Active Funds take contributions on behalf of employees who work in a company with more than three employees. ⁹⁹
	RSA Retiree Funds only serve those who have retired.
Closed Pension Fund Administrators (CPFAs)	These are pension funds that were run by employers on behalf of employees before the Pension Reform Act 2004. ¹⁰⁰
Approved Existing Schemes (AES)	These are private sector pension schemes that existed before the Pension Reform Act 2004 and have been allowed to continue operations by PENCOM. ¹⁰¹
Fund VI Active & Retiree	This is a pension fund that aligns with Sharia investing. ¹⁰²
State Governments/Employees Fund	This is where the contributions from state governments or their employees are invested. ¹⁰³

These pension schemes invest in an array of assets but most of these are securities from the Federal Government of Nigeria. This is important because a key concern for integrating ESG factors in investment decision making is whether there are assets that align with these criteria to invest in. These asset classes are shown in the table below.

⁹⁹ FCMB Pensions. (2023). *RSA fund*. [Online]. Available: <https://www.fcmbpensions.com/rsa-fund#:~:text=RSA%20is%20an%20acronym%20for,the%20Pension%20Reform%20Act%202014>. [March 2023].

¹⁰⁰ National Pension Commission. (n.d.). *Who is a 'Closed Pension Fund Administrator (CPFA)'*? [Online]. Available: <https://www.pencom.gov.ng/who-is-a-closed-pension-fund-administrator-cpfa/>. [March 2023].

¹⁰¹ National Pension Commission. (n.d.). *Guidelines for the Appointment of Pension Fund Custodians for State Government and Retiree Funds*. [Online]. Available: https://www.pencom.gov.ng/wp-content/uploads/2017/04/Guidelines_for_the_Appointment_of_PFCs_for_State_Govt_and_Retiree_Funds.pdf.

¹⁰² Ndimele, U. (2022). *Pension Fund VI: Now there's a fund for everyone*. [Online]. Available: <https://nairametrics.com/2021/11/07/pension-fund-vi-now-theres-a-pension-fund-for-everyone/>. [March 2023].

¹⁰³ National Pension Commission. (n.d.). *Guidelines for the Appointment of Pension Fund Custodians for State Government and Retiree Funds*. [Online]. Available: https://www.pencom.gov.ng/wp-content/uploads/2017/04/Guidelines_for_the_Appointment_of_PFCs_for_State_Govt_and_Retiree_Funds.pdf.

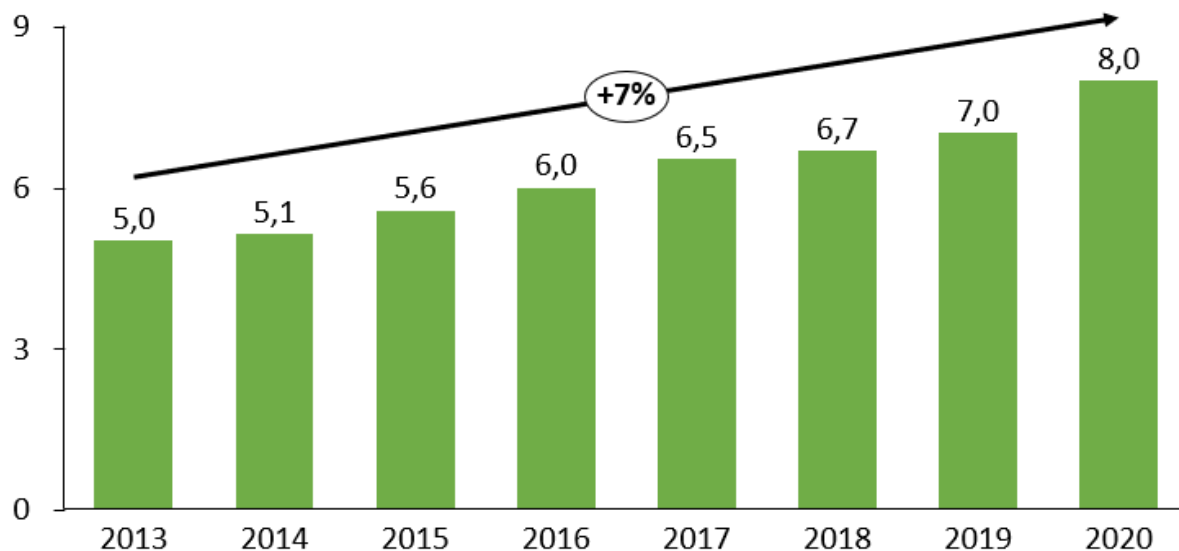
Table 9. Pension Fund Portfolio by Pension Fund Scheme as at March 2023

	RSA FUNDS		CPFAs	AES	FUND VI ACTIVE & RE- TIREE	TOTAL PENSION FUND AS- SETS	WEIGH T
	RSA AC- TIVE FUNDS	RSA RE- TIREE FUND					
	(I,II,III,V)						
% OF PENSION AS- SETS	72%	8%	10%	10%	0%	100%	
ASSET CLASS	₦Billion	₦Billion	₦Billion	₦Billion	₦Billion	₦Billion	
Domestic Ordinary Shares	890.28	15.92	33.01	103.02	0.94	1,043.18	6.69%
Foreign Ordinary Shares	-	-	114.83	-	-	114.83	0.74%
FGN Securities:	7,565.52	872.90	826.02	909.66	22.88	10,196.98	65.44%
<i>FGN Bonds</i>	7,294.97	844.44	765.82	872.18	7.32	9,784.74	62.79%
<i>Treasury Bills</i>	137.22	14.71	5.88	27.37	0.33	185.51	1.19%
<i>Agency Bonds (NMRC)</i>	9.57	1.03	0.61	0.06	-	11.28	0.07%
<i>Sukuk</i>	119.63	12.55	-	9.93	15.23	157.34	1.01%
<i>Green' Bond</i>	4.13	0.16	53.71	0.11	-	58.10	0.37%
State Govt. Securities	115.05	14.38	17.21	15.56	-	162.20	1.04%
Corporate Debt Securi- ties	1,130.33	150.62	261.47	144.70	3.47	1,690.58	10.85%
Supra-National Bonds	7.82	0.95	-	1.15	-	9.92	0.06%
Local Money Market Securities:	1,203.83	167.35	143.11	205.81	10.72	1,730.81	11.11%
<i>Bank Placement</i>	1,123.81	155.95	140.78	183.56	10.15	1,614.25	10.36%
<i>Commercial Papers</i>	80.02	11.39	2.32	22.25	0.58	116.56	0.75%
Foreign Money Market Securities	-	-	20.50	0.29	-	20.79	0.13%
Mutual Funds:	80.42	1.74	22.41	15.24	0.87	120.67	0.77%
<i>Open/Close-End Funds</i>	59.24	1.04	22.10	3.42	0.75	86.56	0.56%
<i>REITs</i>	21.18	0.70	0.32	11.81	0.11	34.12	0.22%
Real Estate Properties	-	-	119.51	98.03	-	217.54	1.40%
Private Equity Fund	31.84	-	11.88	0.36	-	44.08	0.28%
Infrastructure Fund	92.59	0.43	17.05	5.36	-	115.42	0.74%
Cash & Other Assets	72.77	8.49	15.83	17.68	0.70	115.47	0.74%
Net Assets Value	11,190.43	1,232.78	1,602.81	1,516.86	39.59	15,582.47	100.0%

Source: National Pension Commission. (2023). [Quarter 1 2023 Report](#)

Nigeria's pension assets have been growing over time. In 2013, pension assets were 5.01% of GDP and by 2020, they were 7.98% of GDP. The graph below shows this change over time.

Figure 11: The change in pension assets relative to GDP over time



Source: The Global Economy. (2023). [Nigeria Pension fund assets to GDP](#).

a. Current attitude towards ESG in the pension industry

In March and April 2023, Genesis Analytics and FSD Africa, in collaboration with PENCOM, asked market participants to respond to a survey about ESG. The survey was anonymous and was completed by private pension funds (48% of survey respondents), pension fund administrators or custodians (24% of the sample), public pension funds (19% of survey respondents), and asset managers (9% of the sample).

Of the survey respondents, 86% stated that all three components of ESG risks are important for their investment decisions. The minority of respondents, prioritise governance over the environmental and social risks. This aligns with the desktop research that showed that when one of the components of ESG was prioritised, that tends to be the governance component. It is interesting that the majority of respondents consider all three components as the PENCOM regulations/ guidelines/ codes do not explicitly mention how to consider environmental factors.

The majority of the respondents hold their investments for more than five years. This indicates that their decisions need to consider long-term risks. Because ESG risks are often long-term in nature, considering them can help improve the risk management process of a pension fund. This is important given that ESG risks can have a negative impact on financial performance of the asset in the long-term; for example, climate change might increase the risk of flooding thus reducing the value of assets that are in areas that are likely to be flooded.

When asked to prioritise which risks are more important, the respondents ranked financial risk as the most important risk. This makes sense given that pension funds exist to bring financial returns to their members. The pension funds are bound by a fiduciary duty which is to increase these returns, but doing so

also involves considering other risks. The ranking of ESG-related risks gives insight as to which other risks are considered important to the pension funds.

Figure 12: The ranking of ESG related risks from most to least important.

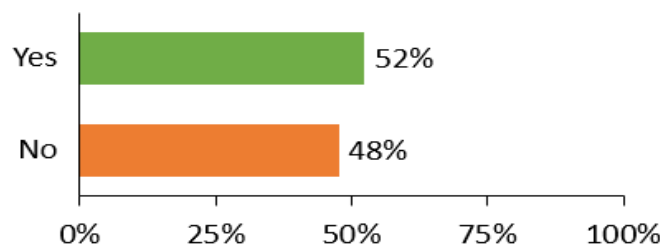


Source: Genesis Analytics (2023). Based on the results of the survey filled out by the Nigerian pension industry.

b. Current ESG practices

When asked whether their organisation currently had policies related to any of the aspects of ESG, 52% responded that they do have such policies whilst 48% responded that they do not have such policies. This shows that there is room to provide guidelines to increase the development of ESG related policies.

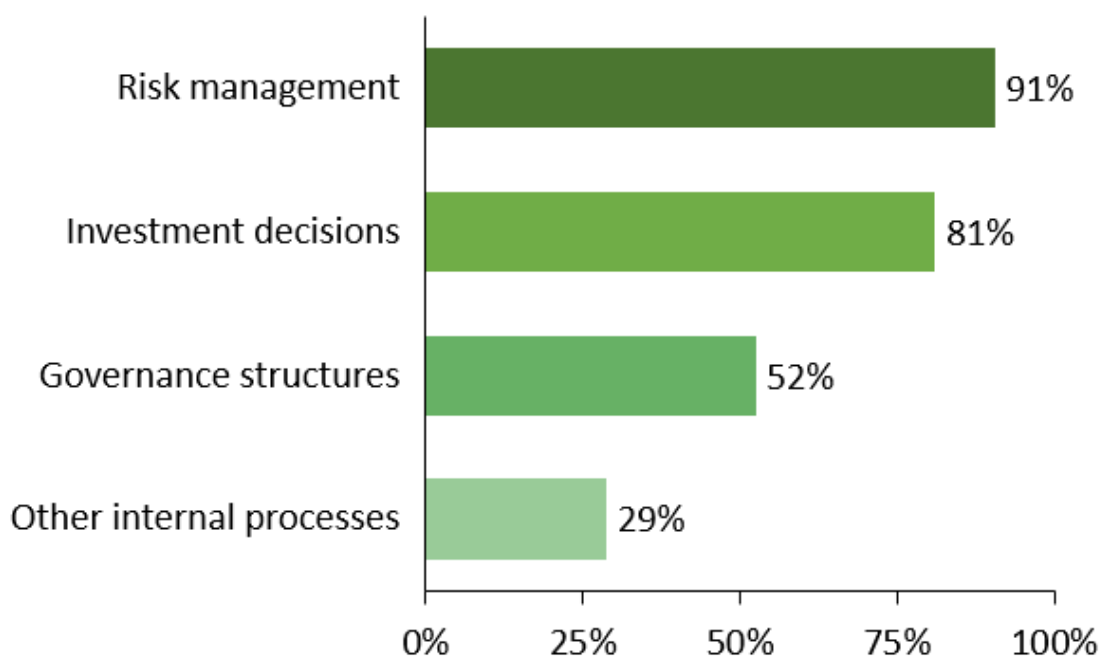
Figure 13: Survey responses to the question of whether the respondent's organisation currently has ESG-related policies.



Source: Genesis Analytics (2023). Based on the results of the survey filled out by the Nigerian pension industry.

However, whilst pension funds may not currently have specific ESG policies, the majority do consider ESG factors in investment decisions and risk management. This indicates that incorporating elements of ESG is already happening despite the lack of ESG policies.

Figure 14: Survey responses to the question of whether ESG factors are considered by pension funds.



Source: Genesis Analytics (2023). Based on the results of the survey filled out by the Nigerian pension industry.

There are a number of challenges limiting the implementation of ESG considerations in the pension industry in Nigeria. The two key barriers identified by survey respondents are the difficulty in collecting ESG data (noted by 71% of respondents) and the limited availability of ESG investment options (57%). Additional barriers mentioned were: that most of their investments are in government bonds (43% of respondents); reporting on all ESG criteria takes time (43% of respondents); collecting data on governance risk is difficult (43% of respondents); and ESG standards are unclear or difficult to understand (28.57% of respondents). Based on these barriers, the PENCOT can see that while reported understanding of ESG standards is not seen as the most significant challenge, it is still a foundational element, required to enable the successful provision of other assistance, including recommendations on how to collect data on environmental and social risk/ impact. This is a particular challenge for pension funds as much of the required data sits with the investments themselves and, therefore, efforts to improve data collection are likely to require partnering with other regulatory and supervisory bodies. This is relevant when PENCOT considers how the industry should monitor and report on their progress in incorporating ESG considerations into investment and risk management processes.¹⁰⁴

¹⁰⁴ 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: <https://www.iopsweb.org/IOPS-Supervisory-guidelines-integration-ESG-factors.pdf>. [April 2023].

Figure 15: The barriers identified by survey respondents.



Source: Genesis Analytics (2023). Based on the results of the survey filled out by the Nigerian pension industry.

The limited availability of investment options that align with ESG requirements is a concern for the pension industry. It is difficult to increase the supply of such investment options in the short-term; however, this might be more likely in the long-term. For example, not long ago the options of investing in assets that have a quantifiable social impact were extremely limited, but with the release of the social bond model, more such investment opportunities have been created. There may be scope for PENCOT to provide guidance or guidelines that will assist pension funds in identifying such ESG-aligned assets, but it would be beyond the immediate scope of the regulator to increase the supply of such investments or assets. However, as mentioned above, collaborating with other regulators and supervisors could lead to systemic improvements in this regard and is therefore strongly encouraged. In addition, incorporating ESG into investment and risk management decision-making is broader than selecting ESG-aligned investments; as such, there are other ways for PENCOT to assist the pension industry in incorporating ESG factors.

PENCOT have released regulations, guidelines and codes that relate to the social and governance aspects of ESG; however, no such documents explicitly consider environmental risks and impacts. Below is a table categorising PENCOT regulations, guidelines or codes by their link to the environment, social or governance aspects.

Table 10: ESG integration in the Nigerian pension industry

ESG aspect	Sub-aspects ¹⁰⁵	Regulations or guidelines or codes that cover these aspects ¹⁰⁶	Key gaps/opportunities ¹⁰⁷
Environmental	Climate change risks, carbon emissions, air and water pollution, biodiversity, deforestation, energy efficiency, waste management and water scarcity	N/A	PENCOM regulations/guidelines do not explicitly consider environmental risks and impacts
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"> ● PENCOM Data Privacy and Policy regulations ● PENCOM ICT Guidelines ● PENCOM Guidelines on Corporate Governance for Pension Fund Operators ● PENCOM Code of Ethics and Business Practices for Licensed Pension Fund Operators ● PENCOM Guidelines for the Operations of Pension Fund Administrators ● PENCOM Guidelines for the Operations of Pension Fund Custodians 	Limited regulation on gender and diversity in the workplace
Governance	Board composition, audit committee structure, bribery and corruption, executive compensation, lobbying, political contributions, and whistleblowing	<ul style="list-style-type: none"> ● Pension Reform Act, 2014 ● PENCOM Regulation for Compliance Officers ● PENCOM Regulation for Auditing Pension Funds ● PENCOM Guidelines for the Appointment to Board and Top Management Positions of PFAs and PFCs ● PENCOM Guidelines on Corporate Governance for Pension Fund Operators ● PENCOM Code of Corporate Governance ● PENCOM Whistle Blowing Guidelines for Pensions ● PENCOM Regulations on Investment of Pension Fund Asset ● PENCOM Regulations on Valuation of Pension Fund Assets 	Limited guidelines on ESG risk disclosure requirements.

c. Aspirations for ESG adoption in the Nigerian pension industry

Supporting the Nigerian pension industry in integrating ESG factors is a priority for the Nigerian Pension Commission. The World Bank Group “anticipate[s] that the Nigeria[n] Pensions Commission will

¹⁰⁵ [CFA institute definition of ESG](#)

¹⁰⁶ Existing regulations of guidelines are in **black font** and upcoming aspects are in **green font**

¹⁰⁷ **Red** shading = significant gap, **yellow** shading = moderate gaps and **green** shading = limited gaps

issue ESG guidelines for funds in the near future”.¹⁰⁸ It is important that the right balance is struck between providing realistic guidance on ESG integration, and considering the financial outcomes of the pension funds.

Pension funds in Nigeria have asked (via the survey) for industry-wide ESG policy guidelines and the enforcement of this from PENCOTM. Additionally, training and awareness on ESG factors will be helpful to the industry. The introduction of ESG policy guidelines could address the gap between the perceived importance of ESG factors and the number of pension funds that have ESG policies as discussed in section b above.

While pension funds want ESG policy guidelines, no respondents indicated that they are motivated to incorporate ESG factors because of a legal mandate. Instead, they are motivated to do so because of the demands of investors, and to improve their internal processes.

Figure 16: Primary motivators for incorporating ESG considerations.



Source: Genesis Analytics (2023). Based on the results of the survey filled out by the Nigerian pension industry.

Overall, from the survey responses, and desktop regulatory review of ESG adoption in the pension industry, it becomes apparent that:

1. Attitudes towards ESG adoption are positive;
2. The pension industry would like PENCOTM to issue ESG policy guidance/guidelines;
3. Future attitudes towards ESG adoption are positive to satisfy investors, ensure internal accountability and improve risk management.

This project seeks to address the specific regulatory interventions required for ESG adoption in the Nigerian pension industry. As such, the challenges and opportunities for ESG adoption are described in section 3.3 below.

¹⁰⁸ The World Bank Group. (2021). *African Pension Funds - Environmental, Social and Governance Factors*, p.45. [Online]. Available: <https://thedocs.worldbank.org/en/doc/2c14fd5a74200c20d9fa48887ac7889b-0430012022/original/Africa-pension-funds-ESG-landscape-V2.pptx>. [March 2023].

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 PENCOM to consider for intervention relating to ESG:

1. **Overall, there is opportunity for Nigeria to integrate global best practice on social and environmental risk management and the impact of this on investment decision making.** As the Nigerian 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 Nigerian 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 cybersecurity and data protection.** However, there is limited mention of gender and diversity or employee relations. The NSBPs - which provides insight into the experiences of capital markets in Nigeria - further highlights two thematic areas for improving the sustainability of banking practice: i) the need to promote women's economic empowerment through a gender-inclusive workplace, and ii) the need to promote financial inclusion. Both of these have not yet been sufficiently considered in the regulation reviewed and should be considered during the next phase of the work.¹⁰⁹ While relevant to banking and not directly impacting pension funds, the NSBPs are worth considering in the context of the pension industry as a related market and an example of potential interventions, and our strong view is that increasing ESG adoption and incorporation in the overarching financial system will require sight of - and likely partnerships between - the various regulators and supervisors.
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, three critical enablers for ESG integration could be improved within the current regulatory framework:**
 - a. **Reporting and monitoring of progress:** The industry remains unclear to what extent ESG aspects that are provided for are actively reported or enforced, and PENCOM has the opportunity to provide additional clarity in this regard;
 - b. **Promoting knowledge and awareness throughout the industry:** Capacity challenges at PENCOM and throughout the industry are a concern and any initiatives and interventions need to consider them carefully; and
 - c. **Systemic improvements in data collection and quality:** As discussed above, this requires broad partnerships and reaches beyond the Pension industry. Collaboration on this across regulatory and supervisory bodies is strongly recommended.

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. The figure below summarises UNEP FI's assessment of the key barriers and solutions.¹¹⁰

¹⁰⁹ Central Bank of Nigeria. (2012). *Circular to All Banks, Discount Houses, and Development Finance Institutions*. [Online]. Available: <https://www.cbn.gov.ng/out/2012/ccd/circular-nsbp.pdf>. [April 2023].

¹¹⁰ UN Environment. (2018). *Nigerian Sustainable Finance Roadmap*. [Online]. Available: https://www.sbfnetwork.org/wp-content/assets/policy-library/1590_Nigeria_Sustainable_Finance_Roadmap_2018.pdf. [April 2023].

Figure 17: Illustrative mapping of barriers and solutions for sustainable finance adoption.

BARRIERS		SOLUTIONS									
		Definitions and taxonomies	Improve non-financial disclosure	Sustainable investment pipeline	Sustainable finance policy	Banking	Capital Markets	Institutional investors	New products	Digital finance	Awareness Raising
Generic	Lack of long-term capital	✓	✓	✓	✓	✓	✓	✓			✓
	MSME access to finance	✓		✓	✓	✓			✓	✓	✓
	Opportunity/financing costs				✓	✓	✓	✓		✓	
	Market barriers				✓					✓	
	Cost of doing business				✓					✓	
Sustainable finance barriers	Sustainable Investment pipeline	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Underdeveloped toolkit	✓	✓		✓	✓	✓	✓	✓	✓	✓
	Inadequate analytical capabilities				✓	✓	✓	✓	✓	✓	✓
	Lack of non-financial data	✓	✓		✓	✓	✓	✓			✓
	Policy frameworks	✓	✓		✓	✓	✓	✓			✓
	Limited appetite for sustainability			✓	✓		✓		✓	✓	✓

Source: United Nations Environment Programme. (2018). [Nigerian Sustainable Finance Roadmap](#).

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 Nigeria. This presents an excellent base for PENCOT 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 PENCOT. 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/uk-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_exercice.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/naic/naic-fehgt.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-economicc
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/jsp/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/12597/140749/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/ot/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