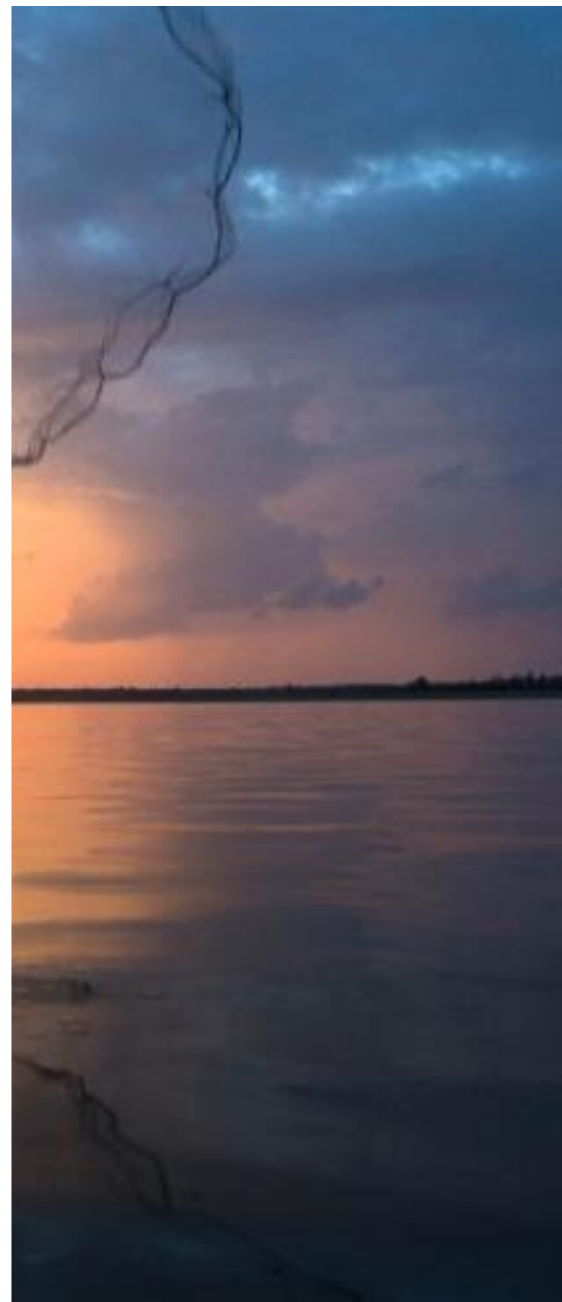
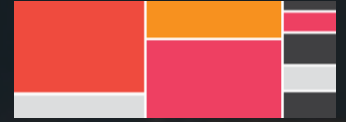


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# 2021 Nigeria Sustainability Outlook

April 2021





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# Foreword



The time has come for us to change our perspectives on the way we live our lives, do business and utilise our natural resources. These unprecedented times of the COVID-19 crisis have brought about a radical shift in our work methods, however what has remained constant is our resilience to provide a better world for all.

As the sustainability movement gains momentum globally, it is increasingly being integrated into corporate level strategic planning in line with the United Nations (UN) 2030 Agenda for Sustainable Development. At PwC, we are very committed to playing our part through our bold ambition to be a net zero business globally by 2030 and our ESG (Environmental, Social & Governance) platform which positions us to support our people, clients and society at large towards achieving sustainable development. Our commitment to build trust in society and solve

important problems requires us to improve our ways of working and to strengthen our culture of helping businesses create the right impact through integrating sustainability at the heart of their businesses.

I am pleased to announce the launch of our Inaugural Sustainability Outlook which aims to highlight Nigeria's most important topics under the sustainability pillars of People, Planet and Prosperity while presenting predictions on trends expected to shape sustainability in the year 2021, with the COVID-19 global pandemic in focus.

In Nigeria, our people and connections are our greatest assets, as such, the outlook provides insights on front burning topics affecting people today, including the effects of COVID-19 and accessibility to the vaccine by the poor and developing countries. It also highlights key topics including: the increasing attention to people wellness and development, promotion of local economic development by businesses, as well as the effects of insecurity which plagues the country.

We believe that our putting Climate in the spot-light, will provide insights to businesses, policy makers and multilateral organisations on the key sustainability issues geared towards contributing to a healthier planet. Climate change, clean and affordable energy, pollution & control and waste management are crucial topics in our society requiring individual and community-based solutions which we all have a responsibility towards. These issues in turn affect lives and livelihoods, food availability and resource availability (including fresh water) thus impacting the overall economic development of the country.

As the world focuses on rebuilding the economy, we encourage partnerships between the public and private sectors to achieve prosperity that is green and inclusive. In the journey towards green and inclusive growth, a collective effort will be required in incorporating sustainable production and consumption in our diverse industries, adoption of circular economy models for production, sustainable financing options for forward looking companies, and the bid for responsible investments that have positive environmental and social impacts.

As we look ahead, I believe PwC and other organisations have a huge role to play in propelling Nigeria's sustainable development and to meet the United Nations Sustainable Development Goals (UN SDGs) in this last decade of action. The partnerships and alliances towards this has been commendable and I implore everyone to even redouble efforts in this regard.

Thanks and please stay safe.

**Uyi Akpata**  
Country and Regional Senior Partner  
PwC West Market Area



# A note from the West Africa RAS & Technology Leader



As a forward-thinking society, it is essential to continue to find ways of re-creating ourselves through emerging technologies and innovations to achieve sustainability. The disruptive nature of the global pandemic on economies and businesses has highlighted the need for digital platforms and ensuring the availability of technological solutions in emerging markets to achieve long-term success.

The post-COVID-19 business landscape is expected to shift and adopt new business models & disruptive technologies, despite the uncertainties surrounding our socio-economic outlook. The power of experiential innovation and emerging technology has emerged as a key mechanism for addressing sustainable development across all key pillars - People, Planet and Prosperity.

Our sustainability outlook provides an avenue to align our visions of the future, innate business understanding and human insight to ensure sustainable development through investment in infrastructure and innovation in line with the United Nations Goal 9: on Industry, Innovation and Infrastructure. Technological progress will be critical in finding lasting solutions to both environmental and socio-economic challenges of the new world.

PwC is in a unique position to showcase a range of diverse perspectives that address and solve sustainability issues, while unlocking creativity in key sectors. One of our core values is to reimagine the possible and in our strides towards innovation, we have invested in a digital experience center where we co-create solutions with clients that are innovative and leverage emerging technology to solve the challenges of the future, including those of future cities whilst trying to address mega disruptions to help plan adequately and ensure preparedness.

In this era of the 4th Industrial Revolution, the disruptive technologies will enable global transformation of entire systems and society as a whole. With the potential to revolutionize our world, we are cognisant of the greater stress these technologies can pose on the earth and on our society if not harnessed in the right way. Our goal is to invest both internally and externally in infrastructures that serve as enablers towards transforming the lives of people while unlocking new pathways to fast-track the achievement of sustainable development globally.

I look forward to subsequent editions and hope you find our inaugural edition interesting and insightful. Thank you.

**Femi Osinubi**  
Partner & Leader, Risk Assurance &  
Technology/Digital  
PwC West Market Area



# A note from the Sustainability & Climate Change Leader



It is exciting to see the world change for better and genuinely embrace sustainability. This is exciting because sustainability not only creates longevity for value creation, but it also ensures that the value is shared among diverse stakeholders, including future generations to come. Sustainability is making countries create green and inclusive economies, it is also making corporates integrate the triple bottom line (of People, Prosperity and Planet) into the ways they do business. And individuals are not left behind on this sustainability movement as they make conscious choices on how they live their lives, where they work and what businesses to patronize based on social & environmental factors.

The challenges faced today in form of megatrends, including: climate change, social inequalities, economic hardships, among others require a bold and radical shift to how we build our economies (away from linear models), conduct our businesses (through integrated thinking) and live our lives (ethically with minimal environmental degradation). And these challenges can be addressed through co-creation with our stakeholders and integrating Economic, Social, Environmental and Governance considerations in everything we do.

COVID-19 is indeed the black swan of the century that has revealed not only inherent weaknesses in our businesses and economies but more importantly, presents lessons for future proofing our economies, businesses, lives and livelihoods in a resilient way. These lessons have triggered a green reset in advanced economies and the race to net zero while ensuring that no one is left behind on socio-economic growth and development – all in a bid towards the achievement of the SDGs. Ultimately, resilience is critical in order to control how we respond to what comes next.

While we recognise the global efforts to recover from the economic challenges of the pandemic, our insight highlights emerging opportunities for harnessing a more sustainable and resilient future.

This Sustainability outlook will provide insights and predict the activities that will shape the sustainability narratives in Nigeria. We have provided an outlook on emerging risks and intended consequences for businesses and individuals to review the ways in which they can enable rapid changes towards adapting to this “new normal” sustainably.

Thank you.

**Rukaiya el-Rufai**  
Partner and Sustainability &  
Climate Change Leader  
PwC Nigeria





1

# Introduction



Welcome to PwC Nigeria’s 2021 Inaugural Sustainability Outlook. COVID-19, often referred to as the black swan of the century, presents unprecedented disruption in the conduct of our lives and the way we do business. The disruption has created a Volatile, Uncertain, Complex and Ambiguous (VUCA) environment, leading to a “New Normal” with governments, businesses and individuals innovating ways to continue business, safeguard livelihoods and live in a safe environment. This “New Normal” has made us adapt to novel ways of showing resilience across board, thus emphasising the need for global coexistence & cooperation given how interconnected our world is.

It is apparent that there is a need to explore innovative ways of adapting to our new realities and mitigating the impacts, while ensuring that we

rebuild sustainably from the adverse effects of the pandemic. These difficult times present a great opportunity to review and reflect on key sustainability issues affecting people today in a way that maximises our potential without compromising future generations.

PwC’s purpose is to build trust in society and solve important problems. Thus, our inaugural Sustainability Outlook aims to highlight Nigeria’s most important topics under the sustainability pillars of People, Planet & Prosperity, while presenting predictions on trends expected to shape sustainability in the year 2021. With the United Nations (UN) launching the Decade of Action in view of the final decade in achieving the SDGs, we believe the topics covered are material in ensuring that Nigeria contributes its quota towards SDGs, including both the public & private sectors.



On this basis, our outlook will highlight key topics across the three (3) main sustainability pillars (People, Planet & Prosperity) as well as some cross-cutting issues as detailed in the diagram that follows:

Figure 1 – Sustainability Pillars





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# People



Historically, there has been an almost exclusive focus on economic development, with little or no focus on other broad pillars of sustainable development. Sustainability, therefore, advances a fine balance between economic prosperity, human capital development and a safe planet. Sustainable development promotes well-being and longevity of human beings thereby ensuring that people fulfil their potential in dignity, equality and a healthy environment. The growing need to address social issues affecting us remains paramount, especially following the events of the pandemic and the opportunity to rebuild a resilient society in what is termed as 'the decade of action'.

We have identified related trends which we envision will shape the year 2021 in Nigeria, including: the effects of COVID-19 and vaccine access by poor and developing countries; people wellness and development; corporate social responsibility; and Insecurity challenges.

As COVID-19 intensified the already existing social inequalities in our society, this year, businesses will take bolder steps towards innovative approaches to reducing these inequalities while promoting the social pillar of sustainable development.





# COVID-19 and Vaccine Access by Poor and Developing Countries



COVID-19 was declared a global pandemic by the World Health Organization (WHO) on the 11<sup>th</sup> of March 2020<sup>1</sup> and its implications on lifestyle, businesses and government are expected to be long lasting and significant. We have seen it reveal gaps in business operations, healthcare systems, economies, and a general lack of access to affordable healthcare. Undeniably, the pandemic created the need for government and businesses to respond quickly & sustainably.

The first wave of the pandemic in Nigeria revealed commendable efforts and dedication of the government, healthcare workers and businesses despite the country's fragile health care system. In a bid to curb the spread, policy makers were faced with a dilemma between lives and livelihood in their decision to impose a 14-day country wide lockdown. This forced businesses to operate remotely and the healthcare system had to be innovative in its provision of services.

According to the National Bureau of Statistics, the nationwide lockdown in Nigeria resulted in a GDP contraction of 6.1% in the second quarter of the year.<sup>2</sup> In a bid to reflate the economy, the Government was quick to respond by developing the Nigeria Economic Sustainability Plan (NESP) with emphasis on local content & self-reliance,

economic stimulation, job preservation, and focus on vulnerable groups.<sup>3</sup> Private sector leaders also mobilized resources through initiatives such as Coalition Against COVID-19 (CACOVID), to raise public awareness, support healthcare professionals, institutions and governments through provision of infrastructure and services across the country.

With Nigeria receiving a limited number of COVID-19 vaccines, some form of lockdown and social distance measures will continue as material and equitable access to the vaccines will remain a challenge for developing countries such as Nigeria. On the part of the private sector, businesses will continue to deploy business continuity plans and innovative ways to support remote working, capable of handling the uncertainty of outbreaks. With the government failing to meet the WHO recommendation of at least allocating 15% of yearly national budgets to healthcare, a vacuum will persist in the government funded healthcare system. In the short to medium term, this healthcare vacuum will be filled by Public-Private Partnership (PPP) initiatives and impact funding schemes led by private sector and international donors.





Mental health has emerged as a key topic, leading to considerations for employee wellness by organisations in the wake of the pandemic. The uncertainty of the virus spread, economic impacts, and disruption of daily lives has resulted in many suffering from anxiety, stress, forced social isolation and other mental health issues. The approach taken by businesses to manage brain capital will be of utmost importance in 2021, especially as many employees will continue to work from home while dealing with the direct and indirect impacts of the pandemic.

Insufficient mental health statistics, indifference in behaviour and denial further exacerbates the decline in brain health in our society. Research shows that the range of mental illness in Nigeria is about 20% with about 64 million Nigerians suffering from some form of mental illness.<sup>4</sup> The workplace has great potential for promoting or hindering the mental health of an individual as it provides a platform for different psychological interactions and experiences.

Fundamentally, it is important for organisations to tailor work experiences and culture towards being employee centric to ensure that mental health is prioritised, and maximum efficiency is achieved.

At the national level, national strategies for maximizing brain capital will begin to spring up as policymakers continue to recognise the interconnectedness between brain health and the global economy. Beyond providing standard healthcare programmes, we expect that businesses will prioritise the mental health of their employees in 2021 by investing in innovative approaches to wellness and work-life balance such as Employee Assisted Programmes. Failure to make these necessary investments may result in staff burnout, aggravated mental health cases and increased rate of unemployment which have damaging impacts on the bottom line.



Range of mental illness in Nigeria is about **20%**



**64 million** Nigerians suffering from some form of mental illness



## Local Economic Development

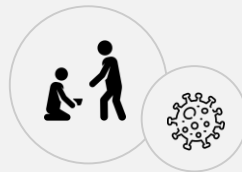


In Nigeria, about 90 million people live in extreme poverty and poor living conditions, which was a catalyst for high transmission rates of the pandemic in urban areas.<sup>5</sup> COVID-19 has worsened the already existing social inequalities plaguing Nigeria by highlighting the interconnectedness of the human system and how a single event can significantly impact an already fragile system.

While local economic development on the part of individual companies can be small-scale efforts and initiatives within their immediate sphere of influence, the COVID-19 pandemic provided companies with an opportunity to showcase their local economic development initiatives on a larger scale. We saw several multinationals and businesses mobilise to support the government's humanitarian response by providing medical supplies, food items and financial assistance to communities.

An example of this philanthropy is evident through the Private Sector Coalition Against COVID-19 (CACOVID) - a partnership between private sector, the Federal Government, the Nigeria Centre for Disease Control (NCDC) and the World Health Organisation (WHO) with the aim of combating COVID-19 in Nigeria.<sup>6</sup>

In the wake of the pandemic, private sector actors will continue to partner with the government in awareness creation and provision of support, while working towards designing and achieving an inclusive business model with an emphasis on social impact. We envision that companies will work towards creating shared value as businesses are realising that by creating a healthy society, they in turn benefit from the economic growth and outputs of the society. Additionally, stakeholder engagement will continue to grow in 2021 and beyond to ensure that companies are responding to the appropriate sustainability topics in line with their corporate values and stakeholder needs.



**90 million**

people live in extreme poverty and poor living conditions, which was a catalyst for high transmission rates of the pandemic in urban areas



# Insecurity



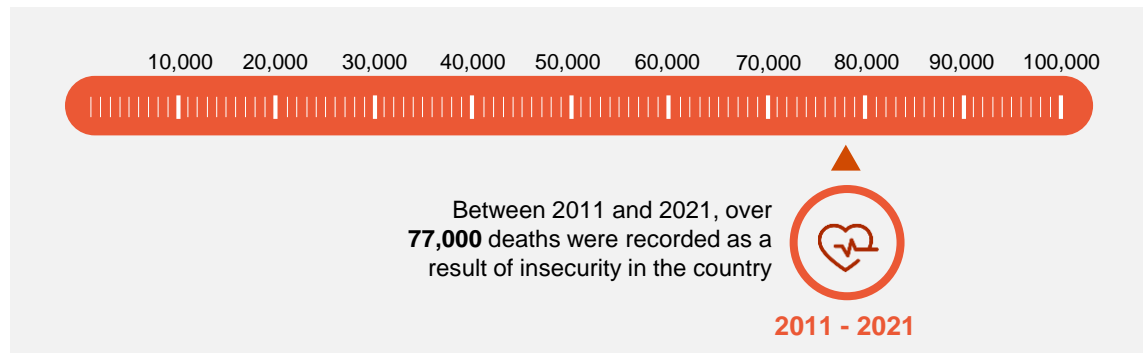
Over time, Nigeria has contributed to the peace and security of West Africa. However, for more than a decade, the devastation caused by militancy, terrorism, banditry and insurgencies have been difficult to overcome. Between May 2011 and March 2021, over 77,000 deaths were recorded as a result of insecurity in the country.<sup>7</sup> What was once predominantly localised in the southeast and northeast of the country has now spread to most parts of the country - with the farmer and herdsman conflict creating insecurity across the country.

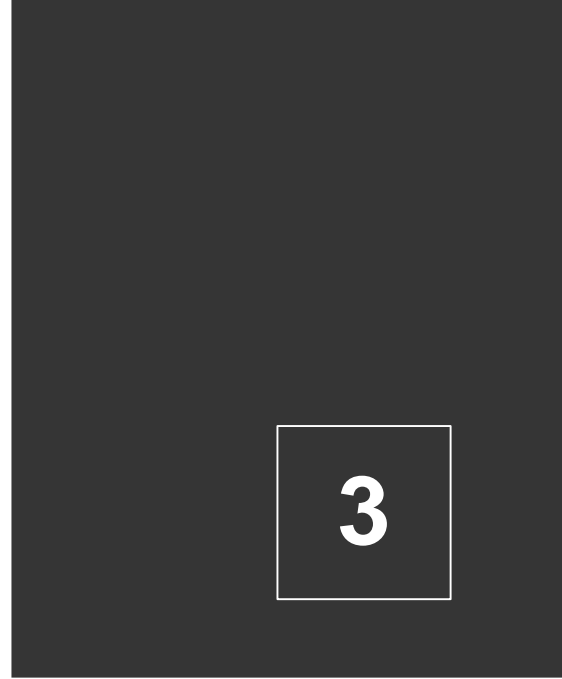
An issue of growing concern in the coming years is the drying of Lake Chad which is exacerbating poverty and insecurity in the region.<sup>8</sup> Overall, insecurity does not just pose

a threat to human lives but also significantly affect livelihoods, food security and the economy in the long run.

In 2021, insecurity will continue to pose a significant threat on lives and livelihoods if the underlying socio-economic & environmental causes are not addressed.

Evidently, addressing these challenges will have to include poverty alleviation programs which, according to experts, is a catalyst for securing the nation.<sup>9</sup> We anticipate that the global pandemic and recovery plan will allow the Nigerian government to rethink and redesign its response to insecurity by addressing some of the underlying socio-economic root causes in a bid to ensure safety of all regions.





# Planet



Our planet is blessed with vast amounts of natural resources and living organisms which thrive symbiotically in a functional ecosystem for optimal preservation. Movement restriction and a significant slowdown in socio-economic activities aimed at curbing the spread of COVID-19 brought about a temporary positive impact on nature and the environment. The world witnessed improved air quality in different cities, better access to cleaner water, and an overall reduction in GHGs emissions.

While this has provided an opportunity for our ecological system to recover briefly, we are experiencing a shift back to the way things were.

To support the needs of the present and future generations, there is a need to take urgent action on climate change by protecting the planet from degradation, improving access to clean and affordable energy, waste management and pollution control initiatives, responsible production & consumption.





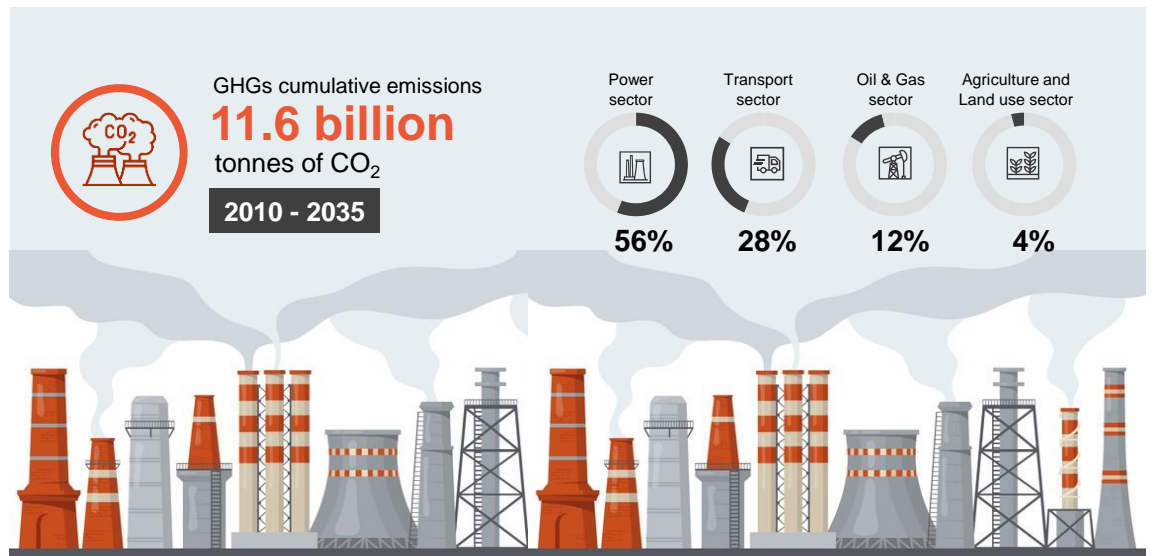
Our planet is on the clock as climate change is becoming an existential threat requiring immediate action. According to climate change experts, continuing the current track of emissions is already starting to lead to further devastating consequences which will have long-term effects on how we live. From extreme heat affecting millions, to rising sea levels, erosion and variable rainfalls, Nigeria is already seeing the adverse impacts of climate change.<sup>10</sup>

In line with the Paris Agreement signed in 2015 and the Nationally Determined Contribution (NDC) submitted by Nigeria to the United Nations Framework Convention on Climate Change (UNFCCC), Nigeria has

pledged to reduce its GHGs emission by 20% by 2030.<sup>11</sup> A 2013 report on low-carbon development by the World Bank projected that continuing on the current emission trajectory will lead to a two-fold increase of GHGs emissions by 2035.

Projections suggest that the GHGs cumulative emissions from 2010 - 2035 will amount to 11.6 billion tonnes of CO<sub>2</sub> which is five times the amount of emissions between 2005 and 1990.

Emissions in Nigeria by year 2035 are expected from the power sector (56%), transport sector (28%), the oil & gas sector (12%) and agriculture and land use (4%).<sup>12</sup>



Nigeria's (2018) First Biennial Update Report (BUR1) under the UNFCCC showed the inventory of GHGs from 2000 to 2015. Agriculture, forestry and land-use changes (AFOLU) contributed most greenhouse gas emissions at 66.9% while energy, waste and industrial processes contributed about 33.1% of GHGs over the years. Nigeria aims to meet its set emission targets while unlocking significant environmental and economic benefits by ending gas flaring by 2030, introduction of Off-grid Solar Photovoltaics (PV), efficient gas generator, overall improvements in the electricity grid, innovative shifts in transportation, and climate smart agriculture and reforestation.<sup>14</sup>

In Nigeria, the adoption of net-zero strategy to curb the emissions would remain slow as awareness and commitment to such initiatives is seen as 'a nice to have' rather

than a 'must have'. We envision that with the growing economic crisis in the country, insufficient priority will be placed on the country's climate change and environmental commitments by the government as they try to reflate the economy & get it back on the growth trajectory. The same is expected of private sector actors and individuals who are faced with a growing dilemma of profit generations and cost savings during such turbulent times. Multinational companies are better positioned to prioritize a 'just transition' to a sustainable future for all due to external forces driving the need for greater considerations for our climate. We are optimistic that the visionary companies will see the need to lead & embrace a just transition to a net-zero economy which can lead to creation of sustainable jobs, competitive advantage, while ensuring long-term value creation.

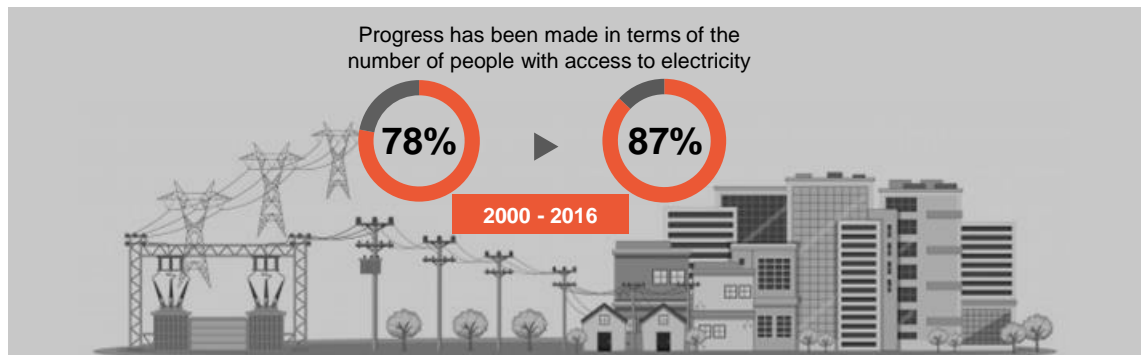




The UN highlights that SDG 7, Clean and Affordable Energy, is paramount to achieving the 2030 Sustainable Development Agenda and the Paris Agreement in relation to climate change.<sup>15</sup> According to the United Nations Development Programme (UNDP), one in seven people lack access to electricity, however, progress has been made between 2000 and 2016 concerning the number of people with access to electricity from 78% to 87%.<sup>16</sup> Nigeria's ever-growing population growing at 3.2% per year, according to the US Census Bureau, will consequently demand cleaner & more affordable energy with projections of 402 million people by 2050.<sup>17</sup> Despite Nigeria's riches in crude oil, the country is also blessed with renewable energy resources such as solar, hydropower, wind and biomass.<sup>18</sup>

To reach these potentials, efforts will have to be made towards creating a favourable business environment for investors, including technological investments and improved security.<sup>19</sup>

With a looming power deficit, the national grid will continue to be insufficient and access to clean affordable energy will remain a challenge for most of the country (including commercial and private consumers). Given this, diesel generators will continue to play a significant role (this year) in the country's energy mix for individuals and businesses alike. Larger industries with high energy consumption will on some level, diversify their energy mix by decentralising and investing in alternative forms of energy such as solar and biofuels.







There is a direct link between increase in population and pollution, leading to changes in the balance of natural cycles and the decline in natural ecosystems which has adverse effects on the entire ecosystem and the ecosystem services they provide.<sup>20</sup> Pollution prevention is often responsible for improved health & safety, enhanced rates of productivity & innovation, cultural and societal development, waste management and conservation of landfill spaces.<sup>21</sup> The Health Effects Institute (HEI) reported that Nigeria has the highest mortality rate attributed to air pollution in Africa from a continent that claims over 700,000 lives to air pollution every year.<sup>22</sup> The main contributors to pollution in Nigeria are carbon monoxide fumes from generators, old automobile engines, kerosene stoves in households and the use of coal and firewood for cooking.<sup>23</sup>

In the coming years, pollution control will remain a challenge for the government unless progressive policies and initiatives such as investment in alternative energy sources, inspection of exhaust emissions for automobiles, stringent enforcement of environmental regulations and pollution abatement systems are implemented. From a business and individual perspective, there will be little change in terms of how we manage pollution and the impacts on our environment and health. Overall, pollution hinders sustainable development in Nigeria, and solving our pollution crisis would require significant government intervention, innovative initiatives by private sector actors, and attitude change by most Nigerians.



## Waste Management



Nigeria's ever-growing population which exceeds 170 million people brings about the need to establish effective waste management practices to ensure a healthy and sustainable standard of living for its citizens. Research estimates Nigeria's solid waste generation to about 32 million tons per year, making it one of the largest in Africa.<sup>24</sup> A failing waste management system leads to soil and water contamination, greenhouse gas emissions, air pollution and a deteriorating biodiversity which has an overall societal impact. Limited funding and lack of awareness are major challenges to the country's waste management systems, thus resulting in an inefficient system supplemented by an informal system which remains harmful and unintegrated in our society. Our informal waste management sector already practices some form of circular activity in its operations and with enough

investments in circular economy the waste management sector can be scaled-up.

In 2021, we predict that the end-to-end waste value chain will continue to have significant challenges, unless the right funding structure is adopted, technological advancements are made, investments in education and awareness are strengthened, as well as a major change in our attitude/culture towards waste. Additionally, the future of waste management in Nigeria will continue to be shaped by both the formal and informal systems unless significant investments are made. From a policy and governance point of view, we do not expect that these systems will become fully integrated this year, however we do expect that in the coming years, these systems will need to be integrated, to ensure a sustainable waste management system is in place.



Research estimates Nigeria's solid waste generation to about **32 million tons per year** making it one of the largest in Africa.





4

# Prosperity



The world is experiencing the great economic acceleration with significant changes that are causing unwanted consequences to mankind and the environment. Rapid increase in resource utilisation, increase in consumption from rising middle class in developing countries, increase in poverty numbers in numerous countries and the increase in economic disparities further affirm this reality. There is an increasing consciousness around the globe that our economic, social, & technological systems need to be decoupled

from resource use and ensure economic growth and social equality are achieved.

To attain prosperity in a sustainable manner, there is need for a shift towards:

- producing and consuming sustainably,
- building a circular economy,
- creating sustainable supply chains,
- adopting sustainable production and consumption practices,
- integrating responsible investment, and
- leveraging sustainable finance.



## Sustainable Production and Consumption



Sustainable Consumption and Production (SCP) is the utilisation of products and services for basic human needs to enhance the quality of life, while limiting the use of natural resources and release of pollutants during the product or service lifecycle.<sup>25</sup> A rising population, increasing urbanisation and an increasing global middle class are driving the demand for already constrained natural resources at an unprecedented rate. Staying on this trajectory will lead to grave depletion of natural resources, as such improvements in resource efficiency remains critical to our development as a society. This demonstrates the urgent need to reduce our ecological footprints through a shift in our production methods and consumption patterns aimed at achieving sustainable development and promoting economic growth.

Overall, sustainable consumption patterns - sustainable diets, eco-friendly products, sustainable transportation, sustainable packaging, eco-tourism and sharing economy- are on the rise in developed countries. However, a galvanizing shift towards these patterns will happen nascently in Nigeria. On the production end of things - the informal sector in Nigeria already practices some form of 'circular' activities (mostly through re-use and recycling) and we expect that such trends will continue, as the formal sector struggles to support the entire population. We believe that the growing awareness and need for sustainable production and consumption practices, as well as the COVID-19 pandemic offers countries such as Nigeria an opportunity to rethink their policies and attitude towards more sustainable practices.

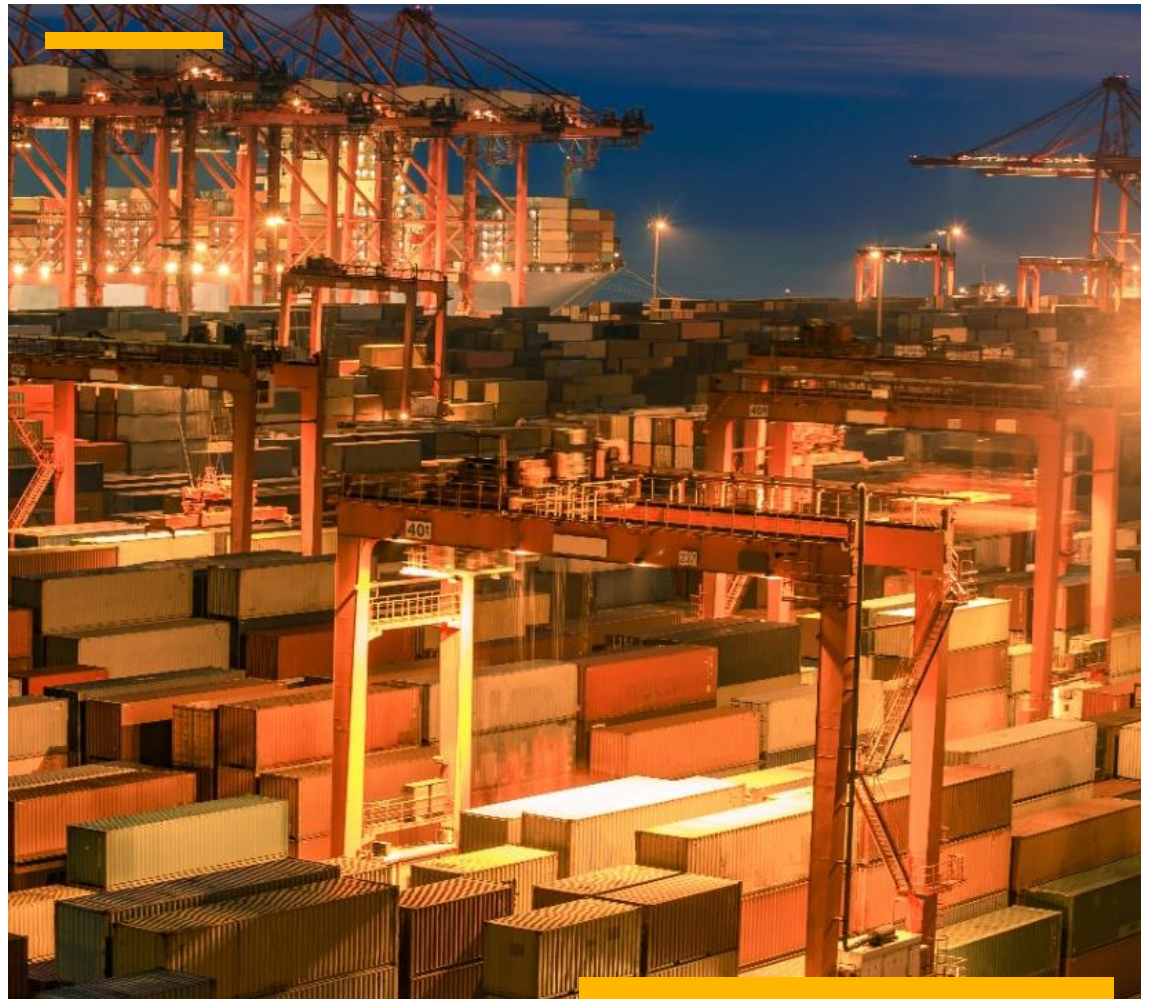


- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

The consequences of our current and linear production model are increasingly becoming apparent. Circular economy offers an alternative way of thinking about economic activities, which promotes social and economic prosperity in the long term. A circular economy model derives its inspiration from nature's biological cycle and creates a closed loop system which eliminates waste from the value chain. Beyond waste reduction and recycling, circular economy highlights a rethinking about our current economic model at a global level.<sup>26</sup> Circular economy is gaining popularity in manufacturing industries, strategy creators and governments across the globe due to its ability to offer solutions for the increasing natural, economic and social difficulties of the 21st century.<sup>27</sup>

In solving this problem, shared efforts would be required to see the integration of circular economy into our core business principles.

In recent years, we have seen international and local companies invest in new business models that are eco-friendly, efficient, and sustainable. It is expected that the growing trend will gain momentum in light of the pandemic and its impact on our traditional production systems. In 2021, we expect to see more local companies embrace the concept of circularity through repairs & recycling, however adoption of more advanced stages such as eco-design will remain slow as the necessary understanding and expertise are not prevalent in our society.





Finance is seen as a pivotal lever that influences the outcomes of sustainable development, as illustrated by the success of green, social and sustainability bond markets. Key financing players have an opportunity to change the financing landscape by incentivising businesses that manage their environmental, social and governance (ESG) impacts and risks.<sup>28</sup> Essentially, sustainable finance is the flow of capital towards sustainable investments, encouraged transparency in financing opportunities, and assimilation of social & environmental factors to ensure sustainable growth.

The effect of the pandemic and imposed restrictions on society aimed at curbing the spread of the coronavirus diseases, have proceeded to demonstrate the fragility of our economic systems resulting in a halt in financial & economic activities around the world. While the financial sector has experienced substantial losses and remains unstable with concern of a looming debt crisis, the sustainable finance market (specifically sustainability & social bond categories) have recorded historic growth trends in 2020.<sup>29</sup> This growth is driven by equity issuance for sustainable companies;

and increased capital raising by banks, states and multilaterals for Covid-19 relief & recovery efforts.<sup>30</sup>

The pandemic and the growing need for new financing avenues as a response to unexpected economic & social disruptors will lead to a growing demand for sustainable financing options in 2021 and beyond. Following the rise in sustainable finance, we expect that global companies will work towards integrating ESG criteria into their business models as individual investors will increasingly look towards achieving positive environmental and social outcomes along with their financial returns. From the perspective of the government, we anticipate that this growing trend will not remain unnoticed – as green, infrastructure and social bonds are already being issued by the Nigerian government. Additionally, policies and initiatives incentivising sustainable financing options will also prevail in the coming years. Majority of sustainable investments will be around climate finance and with pledges being made globally, there is an opportunity for growing investments in climate funds to further strengthen this field.



## Responsible Investment



Consideration for ESG issues has moved from being a niche to the mainstream in the investment industry. This is due to the ability of responsible investment to integrate ESG factors into investment analysis and decision making process, while focusing on the long-term impacts these investments have on the environment, society & profit to investors.<sup>31</sup> According to the Investment Association, responsible investment funds saw net flows of £7.1bn between January and September of 2020 — 275 per cent more than the £1.9bn measured in the first three quarters of 2019.<sup>32</sup> The growing trend is concentrated in developed nations, with developing countries struggling to integrate ESG considerations into their investment decisions and portfolio management strategies.

With the growing pool of conscious investors responsible investment has the potential to grow and significantly contribute to our country's economic growth & development objectives. In the aftermath of the pandemic, it is expected that policy makers will recognise the essential role such investments can play in tackling social and economic challenges in the country. Key financial & investment players such as private equity firms are beginning to recognise the growing appetite of conscious investors and will continue to harness the global momentum. With the global markets in disarray, capital will be diversified towards emerging markets such as Nigeria, and our institutions will work towards ensuring that capital from foreign & domestic sources are being invested appropriately in Nigeria.



Responsible investment funds saw net flows of

**£7.1bn**

January 2020 - September 2020

▶ 275% more than the **£1.9bn** measured in the first three quarters of 2019.





5

## Cross-Cutting Issues



These cross-cutting issues are trends that transcend all three sustainability pillars. They are principal to achieving sustainable development.

We have identified Sustainability Reporting and Disclosure; Sustainable Development Goals; Governance; and Culture & Behaviour as trends that will shape the way businesses operate in 2021. As new disclosure requirements take effect, companies will need to increase their ESG reporting efforts,

especially as investors are increasingly seeking for responsible investments. With less than a decade to 2030 and setbacks caused by the pandemic towards achieving the 17 SDGs by the year 2030, there is a need for greater investments by businesses and governments.

Overall, societal awareness for sustainability issues (especially in Nigeria) will be a key determinant of our success in realising sustainable development.







The outbreak of the COVID-19 pandemic has heightened our awareness on the importance of sustainability which has accelerated ESG disclosure by companies. This is supported by pressure from stakeholders to report on material sustainability issues and ensure consistent and transparent disclosures.

The lack of a universal sustainable reporting framework, and a diverse range of reporting standards has made reporting inconsistent and challenging for organisations. Recently, key standard-setters such as the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board (CDSB) and the Climate Disclosure Project (CDP) have expressed their commitment towards collaborating on the development of a universal global non-financial reporting standard. Additionally, there are broader conversations being championed by organisations such as the International Financial Reporting Standards (IFRS), International Integrated Reporting Committee (IIRC), the World Economic Forum (WEF), and private sector led initiatives (big four accounting firms' collaboration on ESG reporting metric). In 2020, PwC and other 'Big 4' firms collaborated with WEF in a bid to harmonise and standardise ESG reporting across sectors.<sup>33</sup> We expect to see this trend continue in 2021, with bold moves being made by standard setters and key industry players.

The Nigerian Securities and Exchange Commission has issued Corporate Governance Guidelines effective from the 1<sup>st</sup> of January 2021 which provides guidelines for reporting compliance with the securities

and SEC Corporate Governance Guideline (SCCG). This guideline highlights the importance of companies reporting on social issues such as corruption - a major threat to businesses and national development. It also calls for more transparency from companies, their boards and individual directors while exhibiting a culture of integrity.<sup>34</sup>

Additionally, the Nigerian Stock Exchange (NSE) in 2015 embarked on a project to integrate sustainability reporting for its listed companies, which led to the development of Sustainability Disclosure Guidelines (SDG) to be considered by listed companies when providing annual disclosure to The NSE.<sup>35</sup> It is apparent that Nigerian organisations are recognising the importance and need for non-financial reporting and as sustainability issues become more prevalent in the global and local community, more companies will be required by their stakeholders to disclose their sustainability practices.

In 2021, larger conversations will be held around standardisation and harmonisation of reporting standards. However, GRI will remain the dominant standard setter in the non-financial reporting space with global institutions and private sector led initiatives happening more frequently to ensure consistency across the board. From the perspective of regulation and compliance, reporting will continue to remain voluntary, however, businesses recognising the additional benefits will publish their non-financial reports while eventually moving towards assurance. In this regard, the need for a single harmonised standard will become apparent thus prompting global policy makers to ensure that a single standard is adopted.



## Sustainable Development Goals (SDGs)



While this pandemic is bound to have negative effects on SDGs 1 (No Poverty), 2 (Zero Hunger), 3 (Good Health and Well-being) and 8 (Decent Work and Economic Growth), it is expected that all people and prosperity-related SDGs have on some level been affected, as they are interconnected. Conversely, progress has been recorded on planet-related SDGs with a reduction in greenhouse gas emissions, cleaner air and water, and resurgence of nature on land and in sea.<sup>36</sup> The pandemic has further highlighted areas of weakness and the need for collaboration to ensure that SDGs are achieved by 2030.

Undoubtedly, the focus today is on preserving life and devising ways of boosting the economy but the broader effect on sustainable development must be addressed in this Decade of Action. With the Decade of Action well underway, we predict that sustainable development will be at the forefront of decision making for most governments when planning their long-term recovery plans. From the perspective of individuals, significant work around education and awareness is required for the SDGs to be achieved in 2030. The private sector offers a unique opportunity in this light, and multinational businesses will significantly shape the landscape of how we respond in this Decade of Action.



## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



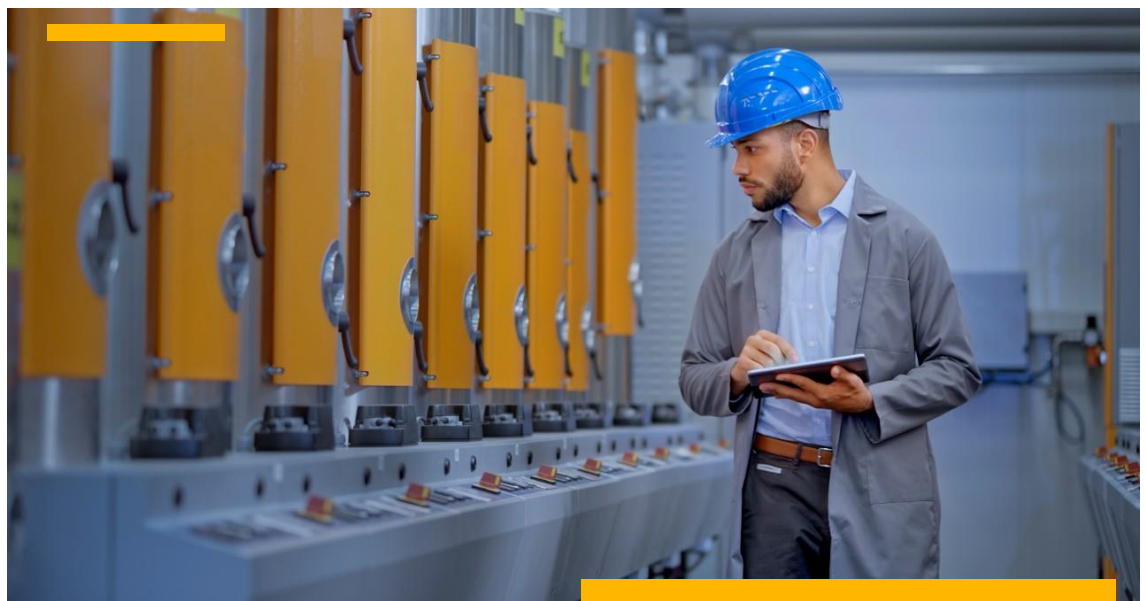


The pandemic increased the realisation that not all situations can be planned for, yet organisations and governments alike must be prepared to swiftly respond to every situation. In increasing efforts towards achieving sustainability, the Securities and Exchange Commission released the Corporate Governance Guidelines which stipulate that, to foster good corporate governance, companies should engage in increased disclosure beyond the statutory requirements in the newly revised Companies and Allied Matters Act, 2020.

Additionally, an Economic Sustainability Committee has been established by the President, with the responsibility of developing a response plan to the social and economic challenges caused by the pandemic. The Plan has been designed to promote production and reliance on local products and services while stimulating the local economy by preserving and creating jobs and extending protection to the vulnerable groups of society.<sup>37</sup> This plan has proposed projects such as Mass Agricultural Programme, Extensive Public Works and

Road Construction Programme, Mass Housing Programme, Strengthening the Social Safety Net and Support for Micro, Small and Medium Enterprises,<sup>38</sup> all of which will contribute towards sustainable development of the country.

In 2021, a significant shift will be observed following the pandemic with respect to how national governments and private sector actors choose to respond and emerge from the pandemic. While governments have historically initiated and led sustainability policies and regulations, we expect that market regulators and operators will step up and play a leadership role in encouraging good corporate governance and transparency among companies. Overall, sound governance is the foundation for positive social and environmental impacts and with investors urging company boards to review their corporate strategy through an environmental, social and governance (ESG) lens, increased consideration for sustainability by governments and businesses will be evident in 2021.





The impacts of human activity on the planet is intensified due to rapid rates of globalisation, population growth, changing lifestyles and conflicting cultural perspectives. While awareness creation doesn't always lead to behavioural change in our society, cultural norms do impact our achievement of sustainability in a complex and dynamic environment. Overall, culture can be a powerful driver for sustainability, with community-wide social, economic and environmental effects, making it essential to achieving the required level of behavioural change in our society. In developing countries such as Nigeria, there is often a culture of disregarding sustainability issues and action towards combating such issues is often weak.

However, there is a growing discipline of behavioural science, which is being applied - mostly in developed countries- to shape individual behaviour towards more sustainable patterns and attention must be paid to this by

developing countries. There is a need to transform awareness into action, and action to sustained behaviour change towards sustainability in our society. Nigerian policymakers will need to design more effective policies using behavioural insights to shift consumption patterns and achieve the Sustainable Development Goals (SDGs), however for this to be achieved, further research on the application of behavioural science in developing countries is needed.<sup>39</sup>

The coming years will prove critical in the race towards achieving the SDGs and our culture and behaviour as a society will continue to pose a challenge. We predict that culture and behaviour towards sustainability will remain nascent in our society, for example - tax morale at the country level remains low, indiscriminate waste disposal will continue to be an issue at the community level, and businesses will continue to struggle with prioritising lives or livelihood in making sustainable choices.



## Conclusion

The COVID-19 pandemic has resulted in major impacts on the three (3) pillars of sustainability, earlier identified as people, planet, prosperity. This has affected several people related and prosperity related SDGs, highlighting several weaknesses in our ability to achieve the SDGs targets by 2030. Conversely, progress has been recorded on planet-related SDGs with -a reduction in GHGs emissions, cleaner air and water, and resurgence of nature on land and in sea - thus providing an opportunity for our entire ecological system to thrive. Starting in 2021, the global collective actions of governments, non-governmental organisations, private sector actors and individuals in response to the pandemic will significantly shape the outcome of the SDGs.

In our inaugural Sustainability Outlook, PwC Nigeria has been able to predict the growing trends in the sustainability landscape, while highlighting the key areas of focus in recovering from the setback caused by the pandemic. This outlook offers opportunities towards converting the COVID-19 crisis into a gateway for rebuilding our economy in the areas outlined across the triple bottom line to achieve a prosperous and equitable society for present and future generations.

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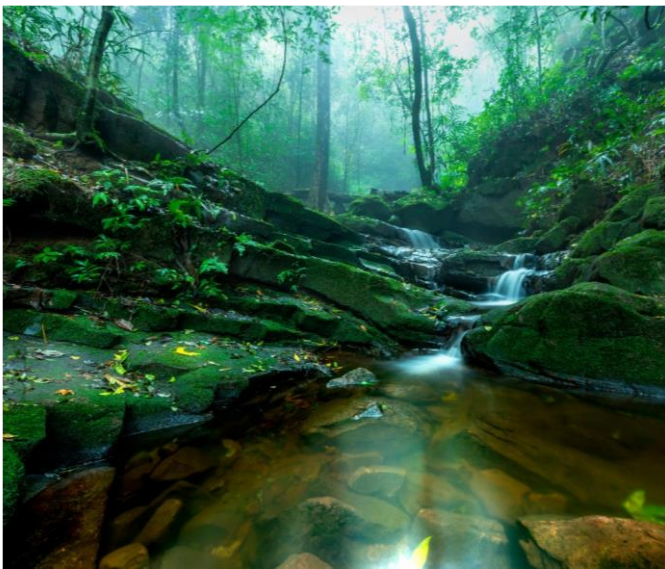
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