

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Nigeria



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1. Country progress summary – Nigeria



SBN Member: [Central Bank of Nigeria \(CBN\)](#) (member since 2012)

SBN Working Group: Measurement Working Group, IDA Taskforce, and Green Bond Working Group

Key policy documents:

- Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012)
- Reporting Template for the Nigerian Sustainable Banking Principles (CBN, 2014)
- New Rule on Green Bonds (Securities Exchange Commission - SEC, 2018)
- Green Bond Financial Product listed (FMDQ OTC Securities Exchange, 2018)
- Nigerian Sustainable Finance Roadmap (FMDQ OTC Securities Exchange & UNEP FI, 2018)

Key milestones since 2018 SBN Report:

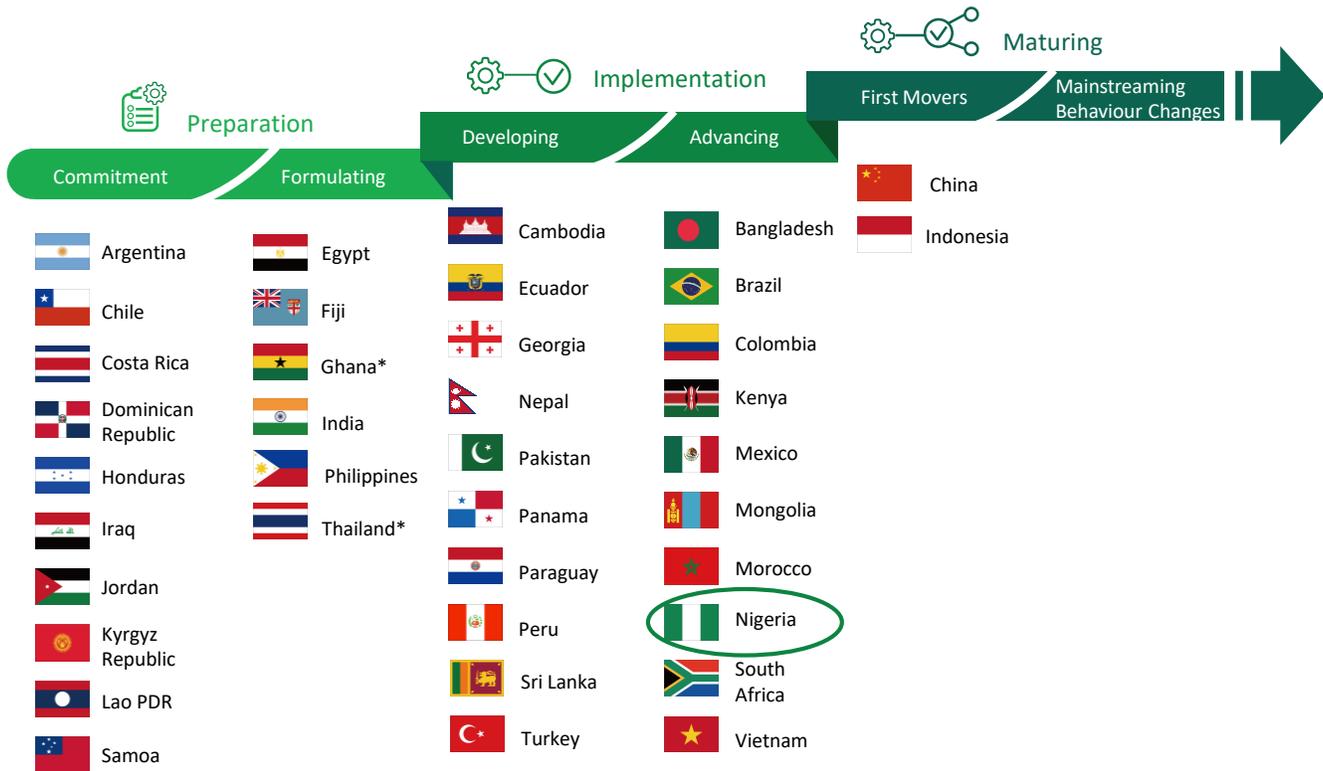
- Nigeria SEC published rules on green bond issuance (2018).
- Nigeria SEC issued the “New Rules for Listing of Green Bonds” (2018).
- FMDQ OTC Securities Exchange launched Debt Capital Markets Development Project and started listing Green Bond Financial Products on its website in 2018.
- FMDQ OTC Securities Exchange and UNEP FI jointly published the Nigerian Sustainable Finance Roadmap in 2018.

Ambitions for next phase: The cross-agency Financial Services Regulation Coordinating Committee (FSRCC) is planning to develop the National Sustainable Finance Roadmap.

SBN and IFC role: IFC has provided advisory services to CBN in relation to policy development, implementation, and capacity building, in partnership with Canada and SECO. Through SBN, CBN has shared its experience with other SBN members – including by hosting the 2014 SBN Global Meeting – and has benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

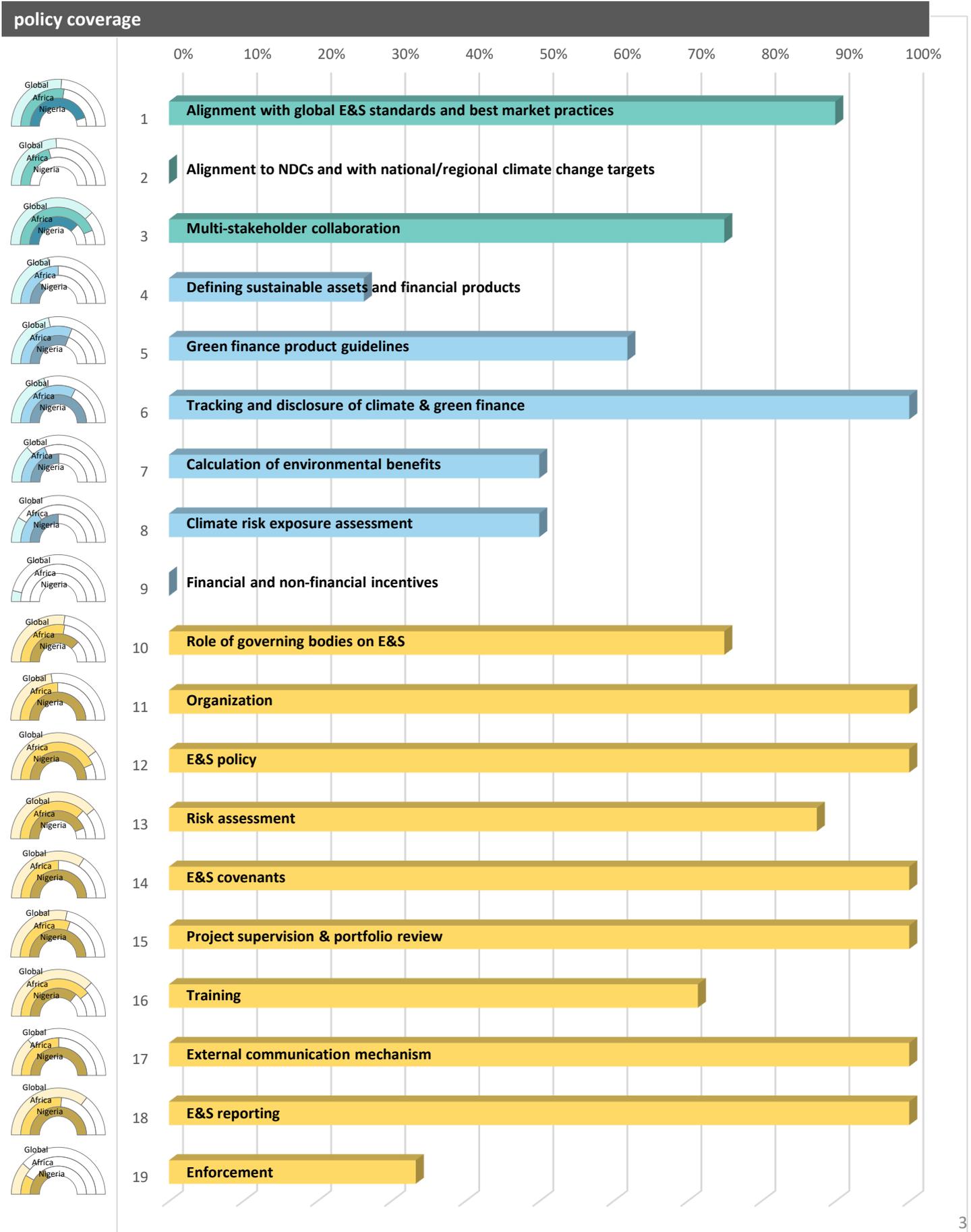


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

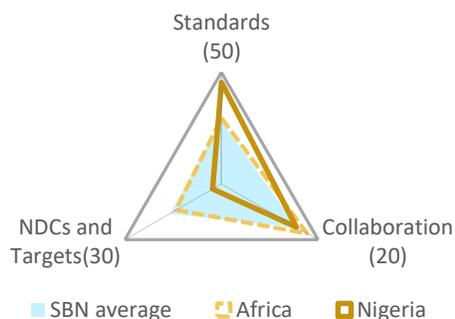
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



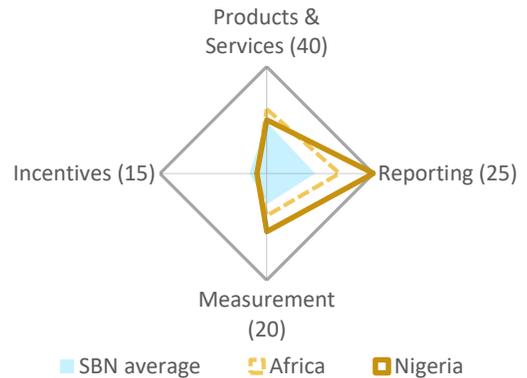
3. Policy coverage developed

Pillar I: Strategic Alignment



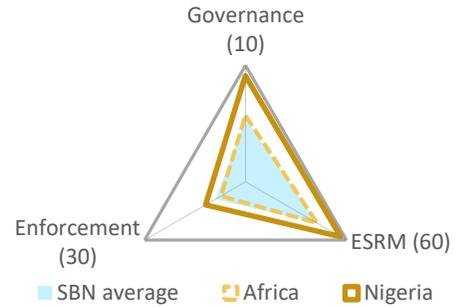
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	<p>Principle 8 of the Sustainable Banking Principles encourages banks to incorporate best practices from international E&S standards, such as the IFC Performance Standards and the Equator Principles, and to commit to international initiatives, such as the UN Global Compact and international green finance reporting standards.</p> <p>The Guidance Note recommends an external review of banks' E&S policies.</p>	<p>Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 8 page 5 §5 "Incorporate relevant international E&S standards and industry best practice"; Sector Guidelines (Power, Oil & Gas and Agriculture), page 28, §7 "Commit to international standards and best practice initiatives"</p> <p>Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 6 page 25, §2 "Establish internal and, where appropriate, external E&S audit procedures" and 4th line of tab "Demonstrating progress", Principle 9 page 32 "Internal reporting system" and "External reporting"</p>
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	-	-
Multi-stakeholder collaboration		
Indicator 3	<p>The Principles strongly encourage national collaboration within the banking sector to develop and promote sustainable finance in Nigeria. Other government ministries and agencies collaborated in the development of the Principles.</p>	<p>Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 8 page 28 (introductory framed text)</p>

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4, 5	<u>Defining sustainable assets and financial products</u> The framework provides definitions and examples of green assets	SEC New Rule on Green Bonds (SEC, 2018) - 2.0; Green Bond Financial Product listed by FMDQ OTC Securities Exchange (Nigerian Stock Exchange, 2018) – eligible projects
	<u>Green finance product guidelines</u> The Nigeria Securities and Exchange Commission now provides rules on Green Bonds, including a short list of green assets. It also refers to existing standards and recommends third party verification.	SEC 7New Rule on Green Bonds (SEC, 2018) – 3.0 iv; Green Bond Financial Product listed by FMDQ OTC Securities Exchange (Nigerian Stock Exchange, 2018) – Green Bond Principles & Eligible Projects
Climate and green investment reporting		
Indicator 6	CBN provides a reporting template asking banks to report on the amount of their lending to green projects, among other things.	Reporting Template for the Nigerian Sustainable Banking Principles (CBN, 2012) - Question 1.14 Principle 1 (page 4)
	The SEC has also introduced Listing Rules for green bonds, asking issuers to report on the amounts disbursed. It also requires FIs to report on climate risk exposure at portfolio level and encourages FIs to publicly report their green finance activities.	SEC New Rule on Green Bonds (Securities and Exchange Commission, 2018) - 5.0
Measurement		
Indicator 7, 8	<u>Calculation of environmental benefits</u> The frameworks asks FIs to calculate environment benefits of their investments.	SEC New Rule on Green Bonds (Securities and Exchange Commission, 2018) – page 12, ii
	<u>Climate risk exposure assessment</u> The reporting template provided by CBN asks banks to report on their investments in “companies or projects that have a high climate risk exposure”, also at portfolio level.	Reporting Template for the Nigerian Sustainable Banking Principles (Central Bank of Nigeria, 2012) - Question 1.12 Principle 1 (page 4)
Incentives		
Indicator 9	-	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		

Indicator 10, 11

Role of governing bodies

The Guidance Note requires FIs to define clear E&S governance structures, to determine roles and responsibilities, and to ensure adequate resources and capacity, especially by developing dedicated training sessions.

The policy requires one of the FIs' governing bodies to approve an E&S strategy and for management to report on the E&S strategy implementation to the governing bodies.

The Guidance Note recommends the establishment of a Board-level Sustainable Banking Governance Committee. The Guidance Note also recommends that FIs integrate E&S risk management into the tasks of the risk committee.

Organization

The framework asks FIs to define roles and responsibilities, highlighting the roles of front officers and second lines of defense. It also asks FIs to define competencies for each role.

Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - page 5, §6 "Define clear E&S governance structures" and §8 "Build and maintain sufficient institutional capacity"; Principle 6 page 24 §5 "Establish E&S governance responsibility"; Principle 7 page 26, §5 "Identify relevant roles and responsibilities for delivery against Sustainable Banking commitments", §1 "What does this Principle mean?"

Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 6 page 25, 1st line of tab "Demonstrating progress" & Principle 6 page 25, 2nd line of tab "Demonstrating progress"

Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - page 5, §6; Principle 6 page 24 §5 & page 25 row 2; Principle 7 page 26, §1 & §5

E&S risk management		
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Indicator 12 - 13

E&S policy

The Guidance Note requires FIs to formalize an ESG policy and asks them to set E&S or ESG objectives and targets. It also encourages FIs to go beyond local E&S laws and regulations and to disclose publicly their E&S policies and governance.

The Guidance Note refers to good international practice and provides FIs with 3 additional guidelines for the most sensitive sectors (oil & gas, power, and agriculture). The scope of work is clearly stated: the Principles apply to banks, discount houses, and development finance institutions.

Risk assessment

Banks are required to screen and categorize projects and, if needed, to include conditions and covenants in transaction documents. The Guidance Note provides indicative levels of risks per transaction type.

At project level, the Guidance Note requires FIs to develop procedures to manage ESG risks during supervision. These include customized E&S due diligence procedures at both project and client levels, monitoring of client E&S performance, and reviews of E&S conditions. It encourages FIs to work with clients to mitigate negative E&S impacts.

Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - page 11, §2; Principle 1 page 19, §4 "Development of appropriate E&S policies" and §5 "Development of appropriate E&S procedures"; Sector Guidelines (Appendixes)

Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 1, page 10 §1 "Categorisation of potential E&S risks"

Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 1, page 10 §2 "Development and customisation of E&S due diligence procedures" and §3 "Monitoring E&S risks and reviewing E&S conditions"

Pillar III: ESG Integration (cont.)

Indicator	Policy requirement	Reference
E&S risk management (cont.)		
Indicator 14 - 18	<p><u>E&S covenants</u> The framework asks FIs to incorporate E&S covenants and investment conditions into legal agreements with clients.</p>	Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 1, page 10 §2
	<p><u>Project supervision & portfolio review</u> The framework asks FIs to develop processes to manage E&S risks during supervision. It also encourages periodic review of E&S risks at the portfolio level.</p>	Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 1, page 10 §2, §3 & page 11&12
	<p><u>Training</u> The Principles recommend FIs to monitor the training and capacities of key departments, including finance and credit risk.</p>	Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 1, page 11 §1 & Principle 7, page 26 §6 and §7
	<p><u>External communication</u> The policy requires FIs to establish and maintain any inquiry/complaints mechanism in relation to their E&S or ESG practices.</p>	Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 3, page 17 §1 " Integration of human rights due diligence into E&S procedures"
	<p><u>E&S reporting</u> The Guidance Note requires the reporting of relevant performance indicators and targets, and the disclosure of annual E&S reports. The reporting template aims to increase consistency between banks' practices.</p>	Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) - Principle 9, page 30; Reporting Template for the Nigerian Sustainable Banking Principles (CBN, 2014) - Question 1.4 Principle 1 (page 4)
Enforcement		
Indicator 19	The CBN asks FIs to report biannually on their implementation of the Principles, using a reporting template released in 2014. The CBN also performs onsite visits to banks.	Reporting Template for the Nigerian Sustainable Banking Principles (CBN, 2014)

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	10%	➤ Reference to international climate finance reporting standards
	Alignment to NDCs and with national/regional climate change targets	100%	➤ Aligned with national NDCs or other national and regional policies on climate ➤ Defined main climate risks for their local financial sector
	Multi-stakeholder collaboration	25%	➤ Collaboration with representatives of civil society
Pillar II: Climate and Green Finance	Products & services	55%	➤ A comprehensive taxonomy for green assets ➤ Definitions/examples for social/sustainable assets ➤ Guidelines for green financial assets (excluding green bond)
	Climate & green investment reporting	0%	-
	Measurement	50%	➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, and/or templates to measure and report environmental impacts ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	10%	➤ Requirement of FI operational bodies to report to the governing bodies on implementation of the E&S strategy
	E&S risk management	7%	➤ Encourage site visits for high-risk transactions ➤ Highlight the training of (i) front officers, (ii) second lines of defense, and (iii) E&S experts
	Enforcement	67%	➤ Financial and non-financial incentives for establishing ESRM systems ➤ Sanctions/penalties/warnings in case of noncompliance with the framework

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