

# BUSINESS AND SUSTAINABLE DEVELOPMENT IN NIGERIA: **THE BANKING INDUSTRY**



# **BUSINESS AND SUSTAINABLE DEVELOPMENT IN NIGERIA: THE BANKING INDUSTRY**

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# Director's Note

We are happy to present the first edition of the 'Business and Sustainable Development in Nigeria' industry report. It is published as part of the Lagos Business School Sustainability Centre's mandate to bring together theory and practice on sustainability in a manner that is academically rigorous and relevant to practice. We aim to find solutions to critical sustainable development challenges in Nigeria and Africa.

Indeed, the launch of the Nigerian Sustainable Banking Principles (NSBPs) in 2012 marked a new era in the corporate sustainability journey in the country. Nonetheless, growing concerns around poverty, hunger, environmental degradation, inequality and limited infrastructure in Nigeria consistently question the impact of business and the banking industry on the society.

With a 23.1 per cent unemployment rate as reported by the International Monetary Fund (IMF) and a rising number of people living below the poverty line, it has become imperative to investigate and report on the contributions of the banking industry, a critical contributor to the sustainable development of the country.

This report is a business-relevant resource on corporate sustainability practices in Nigeria's banking industry. It aims to bridge the gap in the available knowledge and information on sustainability practices, impact, challenges, opportunities and prospects. Relying on our strong commitment to evidence-based reporting, this edition unearths corporate sustainability practices among commercial banks.

This report is a market-enabling resource to guide key players in the private and public sectors on complex issues and solutions for sustainable banking. It does not advocate legislative bills but is an important resource for the drafting of new laws, policies and regulations.

We hope that by reading this report, you will gain insight into developments and best practices in sustainable banking in Nigeria.

**Prof Chris Ogbechie**

**Director, LBS Sustainability Centre**



## ABOUT THE REPORT

# About The Report

## Objective & Scope

The main objective of this report, Business and Sustainable Development in Nigeria: The Banking Industry, is to present a business-relevant resource on corporate sustainability practices in Nigeria's banking industry. It is a practical resource for banks, business executives, investors, market analysts, regulators, academics and the public.

It is designed to provide information on sustainability trends, efforts to address sustainable development in the banking industry, as well as related challenges and opportunities.

Our study looks at the sustainability trajectory of Nigeria's Deposit Money Banks (DMBs), otherwise referred to as commercial banks.

### Methodology

Using the sub-headings: Marketplace, Workplace, Community, Environment, and Corporate Governance, the Business and Sustainable Development in Nigeria: The Banking Industry report captures unique sustainability directions or practices, impacts, challenges, opportunities and prospects in the banking industry.

This approach draws on the [Bursa Malaysia CSR framework](#), introduced by Bursa Malaysia (the Malaysian Stock Exchange) in 2006, and the [Nigerian](#)

[Stock Exchange Sustainability Disclosure Guidelines for Listed Companies](#), introduced in 2017 and approved by Nigeria's Securities and Exchange Commission (SEC) in November 2018.

Both serve as practical frameworks for public-listed companies (PLCs) in articulating, implementing and reporting their sustainability and CSR priorities. We adapted these frameworks to map developments in sustainability in the banking industry and to assess sustainable development opportunities in the value chain.

Through qualitative research, we obtained varied insights and perceptions on sustainability in Nigeria and its adoption in the banking industry. Primary and secondary data were collected through extensive desk research, including the use of reports of the Central Bank of Nigeria (CBN), annual and sustainability reports of 23 Deposit Money Banks (DMBs) in Nigeria, academic journals, industry reports as well as news publications.

In-depth interviews were conducted with the sustainability executives of 11 DMBs: Zenith Bank Plc, Fidelity Bank, Wema Bank Plc, Sterling Bank Plc, Stanbic IBTC Bank, Access Bank Plc, Diamond Bank, Heritage Bank, First City Monument Bank, United Bank for Africa Plc and Polaris Bank Ltd.



## Authors

This report was produced by the Lagos Business School Sustainability Centre team: Prof Chris Ogbechie, Dr Ijeoma Nwagwu, Oreva Atanya, Kingson Elendu and Jude Obidiagha. It was supported by Oseghale Ehilen and Angela Omiyi. Dr Franklin Nwgu provided technical support on the research.

## Acknowledgements

Lagos Business School (LBS) Sustainability Centre would like to thank all participating individuals, banks and other financial institutions for sharing their corporate sustainability practices, anecdotes, data, challenges and insights towards the advancement of sustainable banking practices in Nigeria. We are also grateful to the technical experts within and outside the financial sector who granted us interviews for their time and insights.





# EXECUTIVE SUMMARY

## EXECUTIVE SUMMARY

Businesses have a critical role to play, alongside the government and civil society, in achieving sustainable development. Integrating sustainable development thinking in strategy and operations is vital for the long-term success of businesses, including banking. In Nigeria, however, there is a huge gap in knowledge and information on corporate sustainability thinking and practices, a basis for understanding banking progress on sustainability, which is a prerequisite for meaningfully advancing responsible business practices.

In light of this, the Lagos Business School (LBS) Sustainability Centre conducted this study titled *Business and Sustainable Development in Nigeria: The Banking Industry* to provide relevant knowledge on unique sustainability directions, practices, impacts, challenges, opportunities and prospects in the Nigerian banking industry.

Starting with an overview of the Nigerian economy and financial sector, this report captures unique sustainability practices in the banking industry under the headings of marketplace, workplace, community, environment, and corporate governance.

It reveals notable strategies adopted in Nigeria's banking industry, including corporate social responsibility (CSR), corporate philanthropy, and socially responsible investing. We found that sustainability is of increasing business concern in Nigeria's banking industry, reflecting the global trend of increasing moral expectations and legal obligations on corporations to be socially responsible.

With the introduction of the Nigerian Sustainable Banking Principles (NSBPs) in 2012, more banks are integrating environmental, social and governance (ESG) criteria and sustainability reporting into their standard practices.

The credit disbursed to various sectors of the economy by Deposit Money Banks indicates, however, that the **Oil and Gas sector remains the preferred customer, as potentially high social impact sectors like agriculture and SMEs have seen minimal increase in funding from 2015 to 2018.**

Decision makers are increasingly recognising the role of regulators as agents for the effective implementation of corporate sustainability. Additionally, while the banks are willing to support growth in sectors that will have widespread socio-economic impact, such as agriculture and manufacturing, **we found that the risks associated with such transactions are discouraging banks from making funding commitments in those sectors.**

We also found that employee unwillingness to participate in sustainability initiatives underscores the need for a broader buy-in and understanding of the concept of true sustainable business practices. Other findings are explained in the body of this report.

We recommend more industry collaboration to drive, monitor and evaluate the economic, environmental and social impacts of the banking industry on national sustainable development.

The report also highlights the need to strengthen the banking industry to finance more capital intensive or long-term projects, such as infrastructure and businesses, needed to foster sustainable development.

We hope that by reading this report, you will gain valuable insight into the various sustainable development trends in the banking industry.



An aerial photograph showing a circular river loop that winds through a dense, lush green forest. The river is a light blue-grey color, contrasting with the vibrant green of the trees. The loop is roughly circular, with a small inlet on the right side. A tiny pink object, possibly a boat or a person, is visible on the river's surface near the top right of the loop. The forest is thick and covers the entire area, with some variations in green shades, suggesting different tree species or light conditions. The overall scene is serene and natural.

SECTION ONE

# INTRODUCTION

The concept of corporate sustainability is gaining attention globally, particularly on the heels of the adoption of the United Nations Sustainable Development Goals (UN-SDGs) in 2015. With the launch of the SDGs, businesses were for the first time recognised as active participants and critical partners in advancing the global sustainable development agenda.

As a catalyst of economic growth, the banking industry is ideally positioned to support the global sustainable development agenda. According to the [2018 Global Progress Report](#) on sustainable banking, reaching the SDGs and climate targets will require an estimated \$70 trillion of financing by 2030. This reality led to the launch of the Sustainable Banking Network (SBN) to foster national policies, guidelines, principles, or roadmaps on sustainable banking in [18 emerging economies](#).

The idea of sustainable banking entails a system that integrates profit maximisation with social and environmental concerns in the operations, credit risk management and investment decisions to create positive value in the society. It draws on the principles of responsible business practices, shared value and the triple bottom line of environmental, social and governance factors (ESG) to manage negative footprints and contribute to the transformation of the society while remaining profitable.

In Nigeria, growing concerns around poverty, climate change, limited infrastructure and social amenities consistently challenge the role of the banking industry in sustainable development. It has become imperative to strengthen the capacity of banks to measure their impacts on the broader ecosystem – environment, society and economy.



Indeed, the launch of the [Nigerian Sustainable Banking Principles](#) (NSBPs) in 2012, together with commitments in the SBN and in United Nations Global Compact (UNGC) mark a new era in the corporate sustainability agenda in which banks are expected to do measurably more to drive gains in human, market and environmental development.

Are the sustainable banking principles turning the tide on major social, economic and environmental issues in Nigeria? Are the banks rethinking their strategies to embrace sustainability? Here, we explore how Nigeria's banking industry is responding to sustainable development issues.

This report highlights key elements of Nigeria's sustainable development profile against the backdrop of broader global developments. The main body explores landmark events in Nigeria's sustainable banking journey and the adoption of sustainability as a business strategy among commercial banks. It then analyses the trends and challenges of sustainable practices among Nigerian banks, and concludes with highlights of prospects for sustainability integration in various aspects of the banking industry.

“ IN NIGERIA, GROWING CONCERNS AROUND POVERTY, CLIMATE CHANGE, LIMITED INFRASTRUCTURE AND SOCIAL AMENITIES CONSISTENTLY CHALLENGE THE ROLE OF THE BANKING INDUSTRY IN SUSTAINABLE DEVELOPMENT. ”





## THE NIGERIAN ECONOMY AND FINANCIAL SECTOR

In Q4 2017, the Nigerian economy rallied to its former pace for the first time since it slipped into recession in Q2 2016. The economy grew by 2.38 per cent in the fourth quarter of 2018 following the oil price increase in the international market; increase in oil production volume due to stability in the Niger-Delta; and growth in the agriculture sector.

It grew 1.94 per cent year-on-year in the second quarter of 2019, easing from an upwardly revised 2.10 per cent expansion.

Nigeria's economy is still heavily reliant on crude oil export, which generates over 90 per cent of the country's total export revenue. Prior to the economic recovery, the inflation rate in Nigeria was 15.13 in December 2017 and dropped to 11.44 per cent in December 2018.

The Central Bank of Nigeria (CBN) surprised markets in March 2019 with the first cut of interest rate since 2015, from 15 per cent to 13.50 per cent.

Food and other commodity prices are on the rise in Nigeria due to increased production costs and a high foreign exchange rate. The nation has the largest extreme poverty population globally, with about 86.9 million Nigerians now living below the poverty line – representing nearly 43 per cent of the estimated population of 198 million.

Additionally, data available from the CBN suggests that the economy continues to rely largely on oil and gas (upstream and downstream), manufacturing and services sectors.

As the lifeline of every economy, the banking industry plays a pivotal role in stimulating economic activity for sustainable development. The industry is dominated by commercial banks, also referred to as Deposit Money Banks (DMBs), which provide the foundation for the development of the financial system. In 2019, the industry witnessed the merger of Access Bank and Diamond Bank and the entrance of three new banks: Globus Bank Ltd, Titan Trust Bank Ltd and TAJ Bank. According to the apex bank, Titan Trust and Globus Bank were granted licences to operate as commercial lenders while TAJ Bank Limited was licensed to operate as a non-interest bank. Nigeria currently has [23 licensed commercial banks](#).

Nigeria's financial sector contributed 3.37 per cent to the country's Gross Domestic Product (GDP) in 2017 and 3.31 per cent in Q2 2018. The sector's contribution to aggregate nominal GDP was 3.23 per cent in Q1 2019, lower than the 3.76 per cent it represented the previous year, but higher than the contribution of 2.84 per cent recorded in the preceding quarter.

The CBN projected that the banking industry will contribute N90 billion to the Agro-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) by the end of 2018. Nigeria's Bankers Committee, an umbrella body of CBN officials and Managing Directors of DMBs, is also renewing its focus on agriculture and non-oil exports to help catalyse economic growth and eliminate overdependence on oil.

## LEVEL OF SOUNDNESS OF COMMERCIAL BANKS

[The Nigeria Deposit Insurance Corporation \(NDIC\) 2018 Annual Report](#) revealed that the industry non-performing loans (NPLs) decreased by 25.15 per cent to N1.79 trillion in 2018 from N2.36 trillion in 2017.

According to the report, the overall condition of DMBs in 2018 was relatively stable and sound based on an analysis of their Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and sensitivity to market risk.

It recorded an increase in the average capital adequacy ratio from 10.23 per cent in 2017 to 15.26 per cent, liquidity ratio of 51.87 per cent as against 45.56 per cent recorded in 2017, an improvement in NPLs ratio from 14.84 per cent in 2017 to 11.70 per cent as well as improvement in earnings & profitability. According to the report, the banking industry unaudited profit before tax (PBT) significantly rose by 106 per cent, from 150 billion in 2017 to N310 billion in 2018.

That could be attributed to a reduction in operating expenses by 25 per cent from N440 billion in 2017 to N330 billion in 2018. A [Proshare Confidential Banks Performance - H1 2018](#) report indicates that the recent recovery from economic recession resulted in diminishing non-performing loans, thereby improving the microprudential levels of the banks.

Some commercial banks were seen to be eagerly increasing their holdings of government treasury bills and other non-risk securities instead of lending to their clients. But the CBN in July 2019 barred banks from buying bills for their accounts, a move intended to force them to lend rather than invest in government debt.

The regulator seems to be stepping up a campaign to get credit flowing to improve the economy by limiting the size of interest-bearing deposits it would hold for banks. As a catalyst of economic growth, it is also vital to position the banking industry to finance the more capital-intensive and long-term projects needed to foster sustainable human development in Nigeria.



“ AS A CATALYST OF ECONOMIC GROWTH, IT IS ALSO VITAL TO POSITION THE BANKING INDUSTRY TO FINANCE THE MORE CAPITAL-INTENSIVE AND LONG-TERM PROJECTS NEEDED TO FOSTER SUSTAINABLE HUMAN DEVELOPMENT IN NIGERIA. ”



YEAR	CAPITAL ADEQUACY RATIO	BANK RESERVES	LENDING INTEREST RATES TO THE PRIVATE SECTOR	CURRENCY OUTSIDE BANKS	LIQUIDITY RATIO	LOANS - TO DEPOSIT RATIO	BANK NONPERFORMING LOANS IN % OF TOTAL GROSS LOANS
2018	15.26	52406437.40	16.9	19362342.24	51.87	64.69	11.7
2017	11.51	41079685.79	17.55	18709147.99	45.56	72.30	14.8
2016	11.37	40931534.76	16.87	17564275.2	45.95	79.96	12.8
2015	12.38	50219139.31	16.85	15449059.61	42.35	69.58	4.9
2014	10.42	41550439.18	16.55	14958925.27	38.33	64.24	3
2013	10.39	29968439.53	16.72	14492832.85	63.21	37.97	3.4

Table 1: SUMMARY OF NIGERIA'S BANKING INDUSTRY INDICATORS

# NIGERIAN & GLOBAL DEVELOPMENTS IN SUSTAINABILITY

## TREND: The Rise of Climate Finance Driven by Life after Fossil Fuel

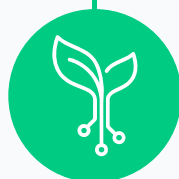
### NIGERIA'S POSITION

- With the limited basic infrastructure in Nigeria, the country lags in the movement towards renewables. Participating in the new green economy trend will require significant investment in new fleets, charging infrastructure and electricity grid capacity management for the nation to plug in, an agenda which falls behind immediate pressures on businesses and government to provide basic material needs, healthcare and education to citizens.
- Further, considering the current state of the oil revenue, there is a need for a concerted effort to diversify the economy from the oil and gas resource base to one that will survive after fossil fuels. While there is increasing attention to the availability of climate funds locally, the broader move to diversify proceeds slowly.

## TREND: The Rise in Regulation and Voluntary Standards

### NIGERIA'S POSITION

- Nigerian lawmakers have introduced a bill to amend the Financial Reporting Council Act of 2011. The bill seeks, amongst other things, to compel businesses to integrate Corporate Social Responsibility into their policies.
- Nigeria also has some locally conceptualised frameworks and policies aimed at guiding businesses. The Nigerian Stock Exchange (NSE) has their Sustainability Disclosure Guidelines; while the CBN introduced the Nigeria Sustainable Banking Principle (NSBPs). Also, commitment to voluntary standards is taking shape through the self-regulation of businesses across industries and public private divides through the Private Sector Advisory Group (PSAG), for instance.



## TREND: Financing Regenerative and Climate Smart Agriculture is on the Rise

### NIGERIA'S POSITION

- Nigeria is working towards making agriculture a bedrock of the economy.
- The threat of food insecurity means there is an urgent need to finance agricultural techniques that serve the needs of the present generation without posing more social and environmental risks for future generations.

The focus is more on ensuring food adequacy, nutritional security and less on climate smart agricultural inputs, techniques and processes - efforts in the latter direction proceed via small-scale pilot projects.

## TREND: Customers are Increasingly Asking for Green/Sustainable Products

### NIGERIA'S POSITION

- Commercial banks operating in Nigeria have started leveraging on the opportunities in the growing market for sustainable products and services.
- This approach is necessary to avert the market risks associated with global competition in this regard as well as to expand the local market to eco-friendly goods and services. At the retail level, sustainability is increasingly taking the form of banks developing products and services to increase financial inclusion of the poor, rural dweller and women who, through digital banking, may also reduce the carbon footprint attendant in patronising far-flung physical bank locations.



## TREND: The Rise of Sustainability Reporting

### NIGERIA'S POSITION

- Banks operating in Nigeria are increasingly tracking and reporting their sustainability footprints, demonstrating accountability to a growing list of stakeholders.
- The NSE has also made it mandatory for publicly-quoted companies to report on sustainability.

See details table in Appendix I

# NIGERIA'S SUSTAINABLE DEVELOPMENT PROFILE

## LIMITED INFRASTRUCTURE

It is estimated that about US\$100 billion (about N30.5 trillion) must be invested annually to finance infrastructural development in Nigeria. Meanwhile, only [N2.7 trillion has been spent on infrastructure since 2015](#). The World Economic Forum (WEF) in the [\\_Global Competitiveness Report 20172018](#) ranks Nigeria's infrastructure stock low at 132 out of 138 countries.



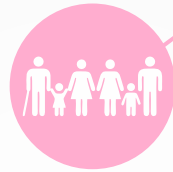
## CLIMATE CHANGE

In 2016, Nigeria became the 146th country to endorse the Paris Climate Agreement. The effects of climate change are far-reaching, and include increased health risks, declining agricultural productivity, biodiversity loss, desertification in the North and extreme weather events such as flooding and drought. Climate change has also led to food insecurity as productivity has declined, and clashes between herdsman and farmers have increased.



## POVERTY

The Brookings Institute report on global poverty states that Nigeria has overtaken India as the country with the highest number of extremely poor in the world. The report states that six Nigerians fall into extreme poverty every six minutes. This implies that the nation has about 86.9 million people living below the poverty line - representing nearly 43 per cent of the estimated 198 million population.



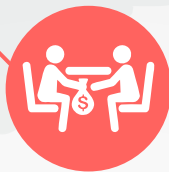
## RAPID POPULATION GROWTH

The overall population of Nigeria is currently about 198 million, estimated to increase to about 398 million by the end of 2050. With a current birth rate of 20,211 per day, one child is born in Nigeria in every four seconds. The most challenging aspect of the Nigerian demography is that it comprises mostly of young people who lack the requisite skills and opportunities to make a decent living.



## CORRUPTION

In a survey by Transparency International in 2017, Nigeria ranked 148<sup>th</sup> out of the 180 countries surveyed. Nigeria, according to the Corruption Perception Index (CPI), scores 27 out of 100, which is below average in Sub-Saharan Africa. Corruption in all its forms is a major obstacle to achieving sustainable development because it deprives a country of economic development and results in increasing poverty.



## INSECURITY

According to a report by Global Peace Index on the level of peace in the world, Nigeria ranked 148 out of 163 countries. Sustainable development cannot be achieved in a country that suffers from terrorism because it hinders a sustainable future for businesses and the citizens.



## RISING YOUTH UNEMPLOYMENT

Rising unemployment in any country underscores the vicious cycle of poverty. The [Nigeria Bureau of Statistics \(NBS\) states that 52.65 per cent of the youth population are unemployed](#). Unemployment breeds income inequality, poverty, high dependency levels, hunger and so on.



**See details in Appendix II**



## CREDIT TO SECTORS OF THE ECONOMY

A review of bank lending across the sectors of the Nigerian economy by DMBs from 2015 to 2018 indicates that the oil and gas sector, specifically the downstream segment, ranks the highest.

The sector received 27.1 per cent of all credit from 2015 to 2018 (downstream got 19.6 per cent and upstream secured 7.5 per cent). Services secured 15.5 per cent and manufacturing got 13.1 per cent in the same period. Power and energy got 4.2 per cent, agriculture got 3.2 per cent, and trade and general

commerce got 6.5 per cent of all loans disbursed from 2015 to 2018.

Additionally, data from CBN suggests that the oil and gas (upstream and downstream), manufacturing and services sectors are priority areas for the banks. The highest amount of credit went to these sectors consistently from 2015 to 2018. Agriculture, education and mining sectors rank the lowest from 2015 to 2018.

### Credit Lending 2015 - 2018

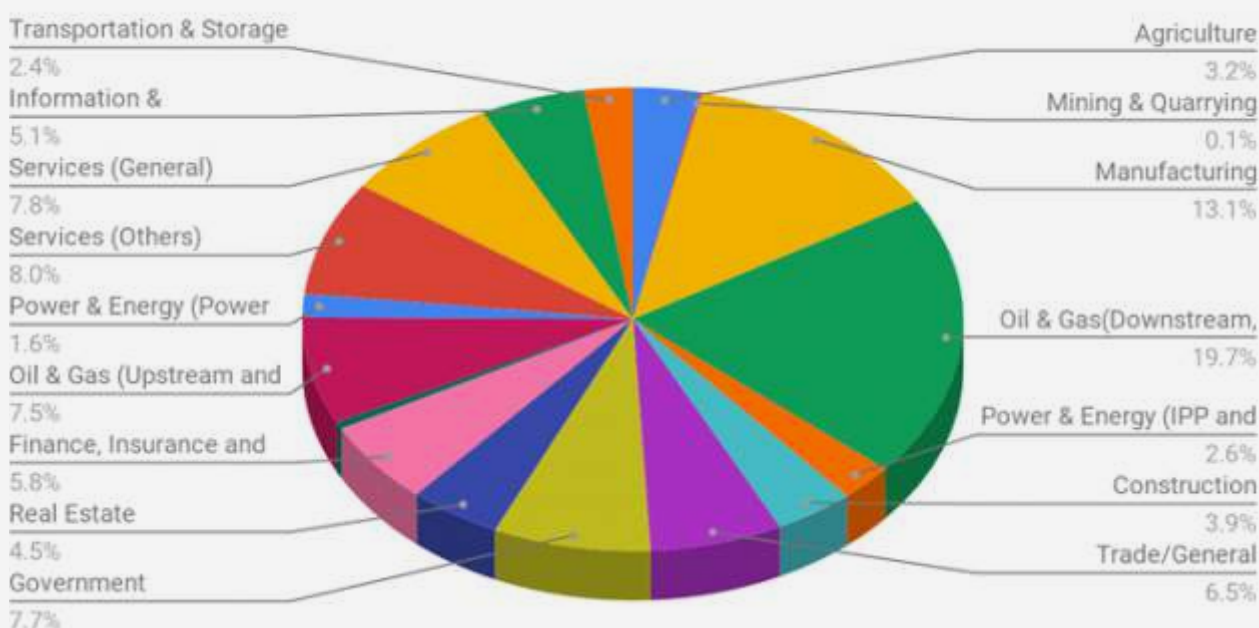


Figure 1: Credit to sectors (February 2015 - December 2018)

The total credit disbursed by banks has grown slightly from 2015 to 2018. In 2015, total credit amounted to N144.4 trillion, of which the government got N7,996 trillion, agriculture N5,145 trillion, manufacturing N20,479 trillion, and oil and gas (upstream and downstream) N36,657 trillion - the highest. The 2016 figures point to the same trend: N178,6 trillion credit was disbursed, of which the government got N15,387 trillion, agriculture N5,905 trillion, manufacturing N24,388 trillion, and oil and gas

N50,331 trillion.

In 2017 the total credit amounted to N204,1 trillion, of which the government got N16,409 trillion, agriculture N6,246 trillion, manufacturing N26,427 trillion, and oil and gas N56,841 trillion. Credit by the banks amounted to N210,5 trillion in 2018, The government received N16,910 trillion, agriculture N6,618 trillion, manufacturing N25,396 trillion, and oil and gas N56,578 trillion.

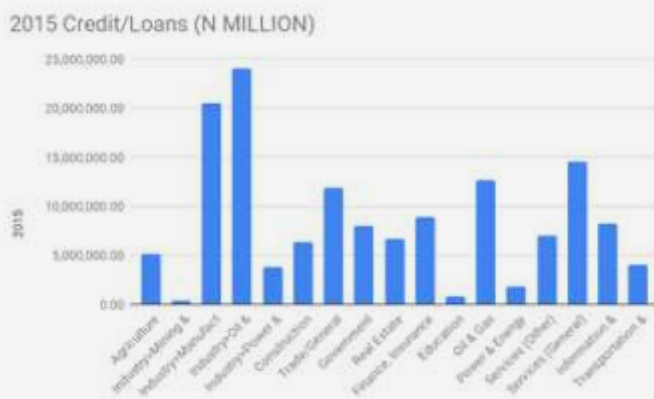


Figure 3: Credit to 19 Sectors in 2015

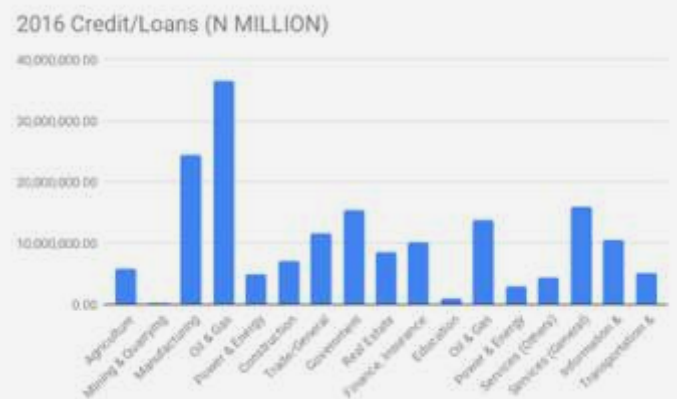


Figure 4: Credit to 19 Sectors in 2016

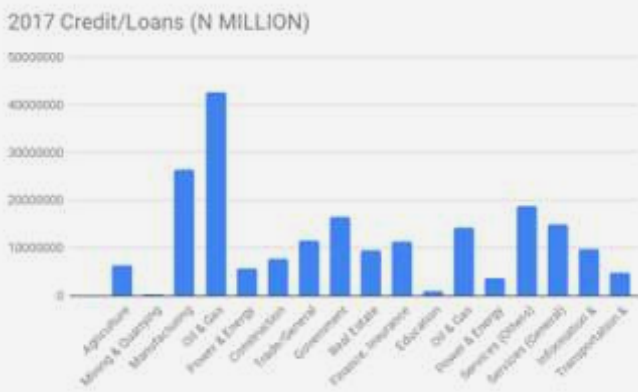


Figure 5: Credit to 19 Sectors in 2017

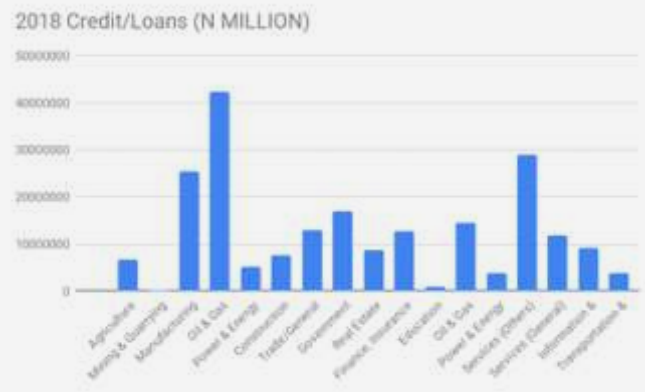


Figure 6: Credit to 19 Sectors in 2018

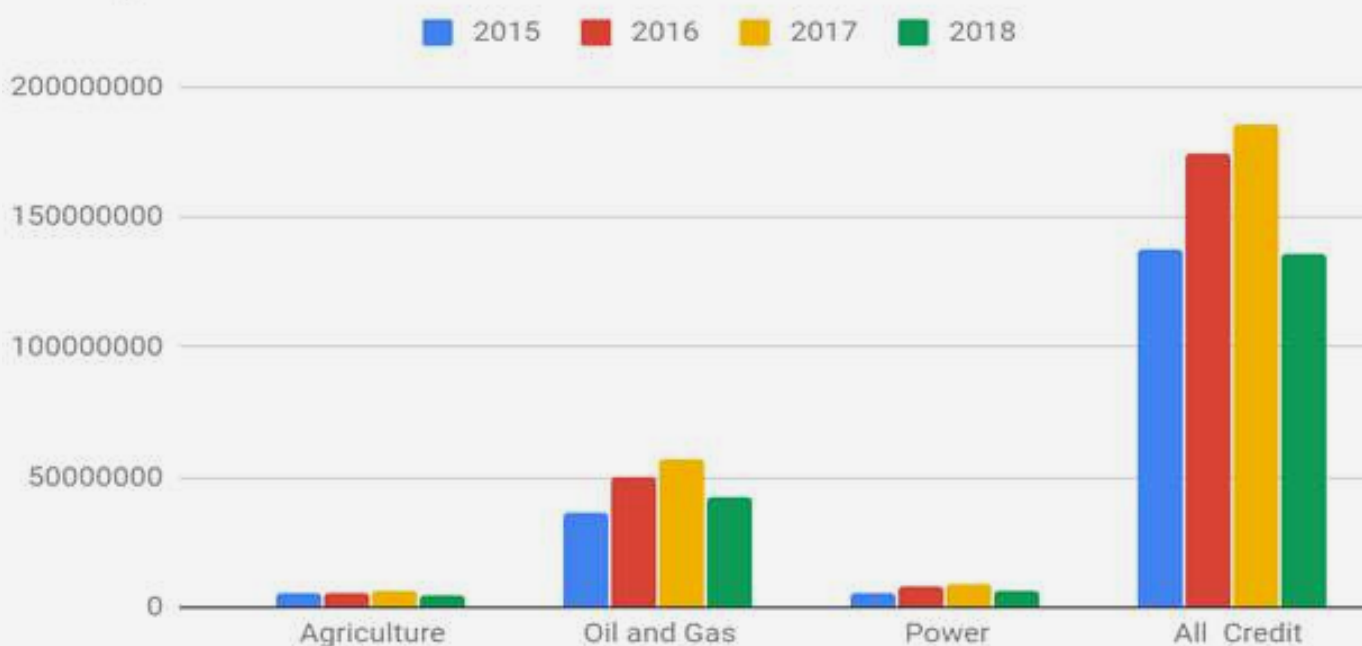
Analysis of a report on yearly credit by DMBs in Nigeria restates the obvious: while there have been attempts to diversify the economy, progress is slow.

The oil and gas sector continues to dominate the business environment and receives a large portion of the credit from the formal financial sector.

## NSBPs Focus Sectors (Agriculture, Oil & Gas and Power)

Agriculture, power and oil and gas are the priority sectors for the implementation of the Nigerian Sustainable Banking Principles (NSBPs). From 2012 to 2017, the number of loans allocated to the agricultural, oil and gas, and power sectors steadily increased. The highest loan amount across the three sectors was recorded in 2017.

### Lending to Agriculture, Oil & Gas and Power Sectors (2015 - 2018)



**Figure 2 - Deposit Money Banks Credit to NSBPs Focused Sectors (Feb. 2015 - Sept. 2018)**

As earlier stated, oil and gas leads as the preferred sector for credits. This could be explained by Nigeria's high economic dependence on oil. Despite the environmental and social risks associated with oil and gas production, it is still the industry of choice for lending, likely due to high rates of return.

According to the CBN data, the agricultural sector ranks the lowest as seen in Figure 2. This could mean that banks do not value the agricultural sector as it is still viewed as high-risk due to unpredictability regarding weather, communal conflicts, and crop storage, amongst other factors.

**See details of credit to sectors of the economy in Appendix III**



# Landmarks

## IN NIGERIA'S SUSTAINABLE BANKING JOURNEY

The Nigerian formal business environment was built on capitalist paradigm that prioritises profit. This paradigm primarily upholds the stockholder philosophy, which emphasises that the primary role of a firm is to make profit for their financiers, with little or no social, economic and environmental consideration. Contrary to this philosophy is sustainability, which embraces the stakeholder theory: a company's role is to satisfy all its stakeholders, not just shareholders. The sustainability mindset focuses on fostering inclusive development: meeting today's needs without compromising the ability of future generations to meet theirs.

In Nigeria's banking industry, there have been efforts to advance the idea of sustainability and to get banks to support the achievement of the Sustainable Development Goals (SDGs). Several banks are members of the United Nations Global Compact (UNGC). Beyond that, the journey of sustainability in the banking sector has been marked by the following industry initiatives:

### ***Launch of the Nigeria Sustainable Banking Principles (NSBPs) by the CBN***

One major initiative which has driven sustainability to the forefront in Nigeria is the launch of the Nigerian Sustainable Banking Principles (NSBPs) in 2012 by the CBN. The Nigerian Bankers Committee initiated the principles to ensure that banks and their clients would 'deliver positive development impacts to the society while protecting the communities and environment in which they operate.'

The NSBPs consist of nine guidelines for banks in implementing sustainability in their operations. The principles cover environment and social (E&S) risk management, mitigation of the banks' E&S footprints, promotion of human rights, women empowerment, financial inclusion, E&S governance,

capacity building, collaborative partnerships and reporting. The principles also include specific sector guidelines for risk assessment in the high-risk sectors of oil and gas, power and agriculture (CBN, 2012).

Indeed, the launch of the NSBPs marked a new era in the Nigerian banking sector and in the corporate sustainability journey as a whole, given the role banks play in promoting sustainability through trade facilitation. Banks now implement sustainable practices, with the hope of being recognised for their sustainability initiatives, thus gaining social legitimacy and acceptance.

This has led to significant positive changes in the sector. Banks have also developed E&S frameworks to guide their activities, and some have developed special products to encourage women's economic empowerment and financial inclusion (Deloitte, 2017).

### ***Launch of Sustainability Disclosure Guidelines for Companies Listed on the Nigerian Stock Exchange***

As part of efforts to champion sustainable business practices among quoted companies in Nigeria, the Nigerian Stock Exchange (NSE) published guidelines on sustainability disclosures in 2017. The guidelines are to provide the value proposition for sustainability in the Nigerian business context and guide companies in the integration of sustainability into organisational operations and disclosures.

In the guidelines, sustainability is covered under Economic, Environmental, Social and Governance factors. The guidelines also highlight nine principles and corresponding core elements that constitute the indicators of responsible business practice and outlines the fundamentals of implementing the guidelines. They should enable businesses to go beyond compliance and embrace sustainability as part of their ethos.

The NSE has shown through this effort the importance of sustainable business practices in delivering value and supporting economic growth. It intensified advocacy efforts to support the integration of the Environmental, Social and Governance (ESG) imperatives in the capital market.

The guidelines were approved by the SEC in December 2018, with effect from January 1, 2019.

### **Issuance of Nigeria's First Sovereign Green Bonds**

December 18, 2017 marked another sustainability landmark in the financial sector: the issuance of the country's first FGN Sovereign Green Bonds to promote investment in environmental programmes. Nigeria is the first African country to take this step toward green investments.

A total of N10.69billion (\$29million) worth of green bonds was offered by the Federal Government. The offer closed on December 20, 2017. The bonds' tenure is five years and investors would receive a 13.48 per cent coupon annually, creating high expectations for the environmental projects linked to the issuance. The government plans to use proceeds from the bonds to provide renewable electricity to rural communities, improve education and support an afforestation initiative.

According to the [Debt Management Office \(DMO\)](#)

[report on June 13, 2019](#), the second FGN Sovereign Green Bond offer yielded over 220 per cent subscription rate. The offer for N15 billion yielded a subscription value of N32.93 billion. The number of subscribers doubled when compared to the first issue in December 2017. The green bond issuance marked a significant breakthrough in Nigeria's effort to address climate change.

It portends a significant step towards meeting its requirement for Nationally Determined Contributions under the Paris Agreement, put at N142 billion by 2030. The issuance of these bonds opened a new source of funds to spend at the nexus of environmental protection, enterprise development, and Nigeria's broader strategy of reducing dependence on fossil fuels.

Nigeria's issuance was the first of four sovereign green bond programs to be granted the Climate Bond Initiative Best Practice distinction, instilling much confidence in banks, institutional investors and retail investors who took up the bond.

The green bond has created pathways towards greater sustainability goals: engaging the government and financial markets in the merits and opportunities associated with greening Nigeria's economy, and generating funds to invest in sustainable programs.





# Sustainability

## AS A BUSINESS STRATEGY

Sustainability has become a business concern for Nigerian banks. Our respondents revealed that there has been a remarkable upsurge of corporate sustainability awareness and initiatives in Nigeria's banking industry: almost all the banks having a documented sustainability agenda. It is believed that the introduction of the Nigeria Sustainable Banking Principles (NSBPs) led to this development.

How does this business concern for sustainability play out in practice? Often, it comes in the form of sustainability initiatives, frameworks, and more recently the integration of sustainability elements and indicators into a bank's overall strategy and operations. Corporate Social Responsibility initiatives, corporate philanthropy and impact investing represent related approaches to sustainability adopted by banks.

### **Corporate Social Responsibility**

Corporate Social Responsibility (CSR) has become a global phenomenon that has influenced discourses, policies, and practices. A succinct definition of CSR was articulated by the [European Commission](#) as "...the responsibility of enterprises for their impacts on society".

It often plays out in the form of setting measurable goals around environmental and social programmes, stakeholder engagement, sustainability issues

mapping, sustainability management systems (SMS), life cycle assessment, sustainability/CSR reporting, and sustainability branding.

### **Corporate Philanthropy**

This approach to sustainability most often involves the contribution of money, time and resources to specific causes. Corporate philanthropy entails a business' attempt to drive change, particularly in societies facing poverty, epidemics, conflicts and similar issues. The term corporate philanthropy is often used interchangeably with CSR.

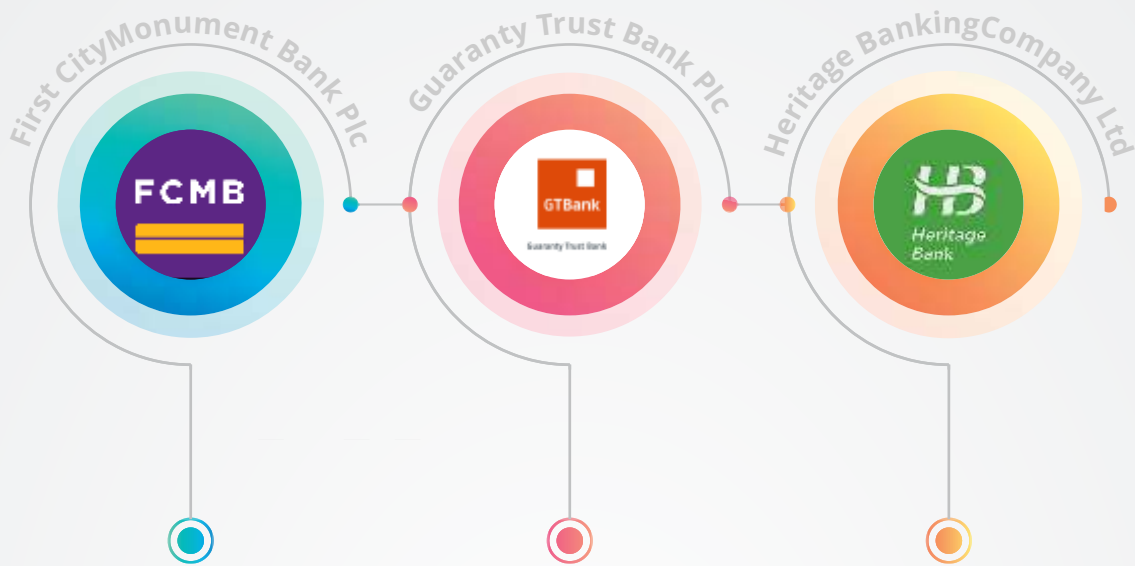
Over the years, banks in Nigeria have advanced their philanthropic activities by creating dedicated teams or departments that directly execute philanthropic projects or do so through consultants.

### **Socially Responsible Investing (Impact Investing)**

In the spheres of asset management and capital investments, sustainability has also gained ground through what is known as socially responsible investment or impact investing. This is an approach to investment that aims to generate specific social or environmental benefits as well as profit. Impact investing is articulated by the [Global Impact Investing Network](#) to mean "unlocking significant sums of private investment capital to complement public resources and philanthropy in addressing pressing social challenges".

# How banks name and communicate their sustainability Report:





Sustainability and Corporate Social Responsibility

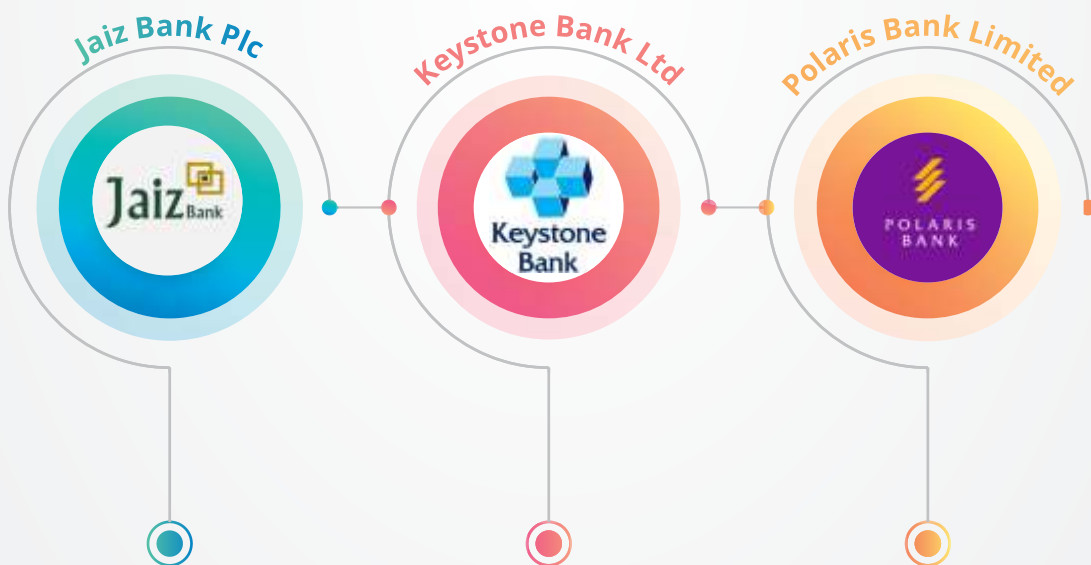
2018 Report

Corporate Social Responsibility

(Within the Annual Report) 2018 Report

Corporate Social Responsibility

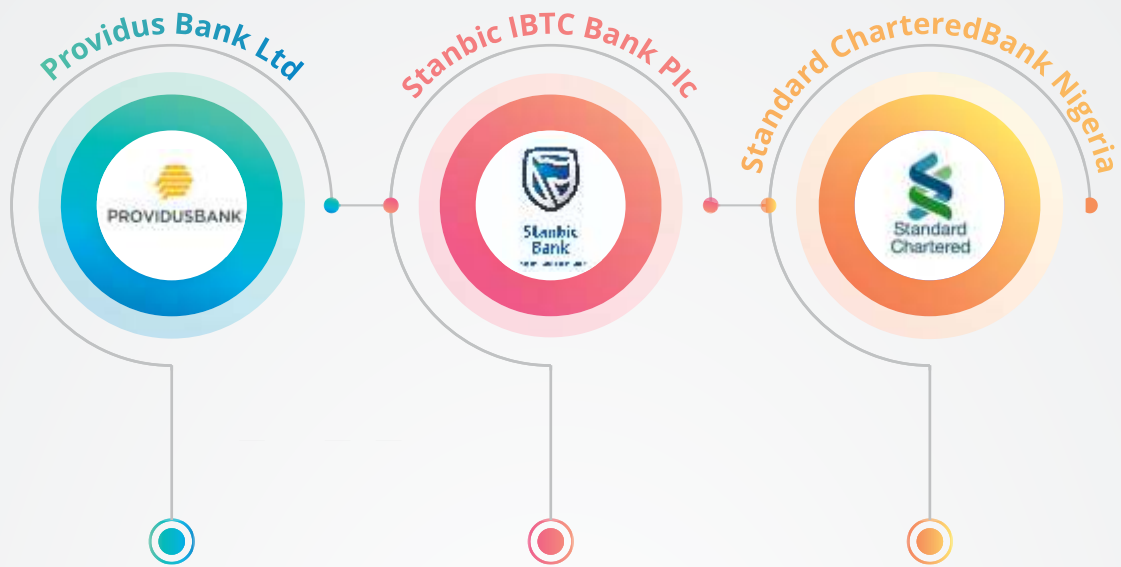
No Reporting



Sustainability  
(Within annual report) 2018 Report

Sustainable Banking  
No Reporting

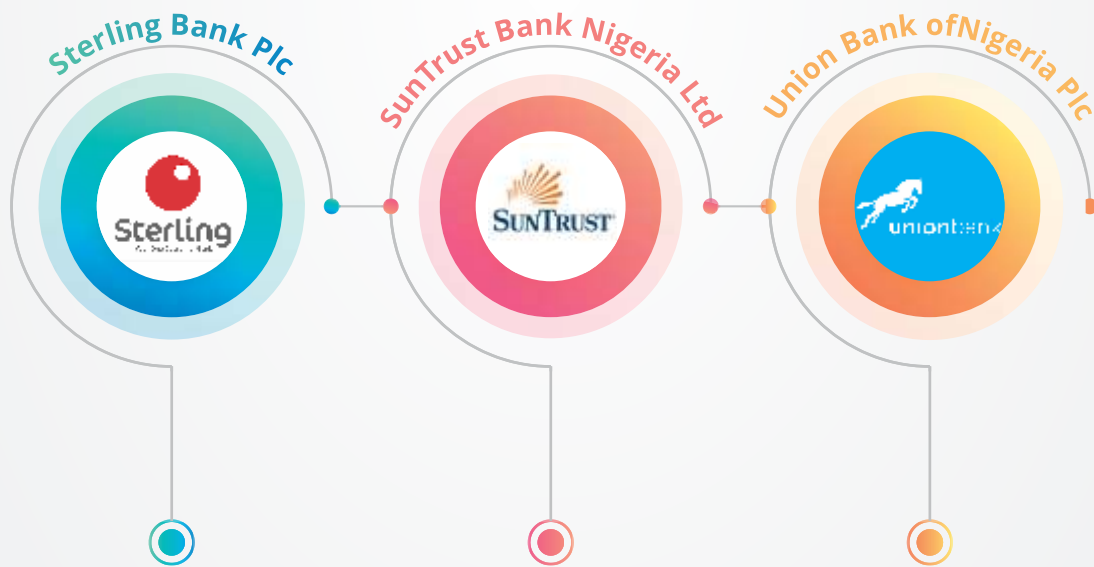
Sustainability Financing and Corporate Social Responsibility  
No Reporting



**No Reporting**

**Corporate Social Responsibility**  
**2018 Report**

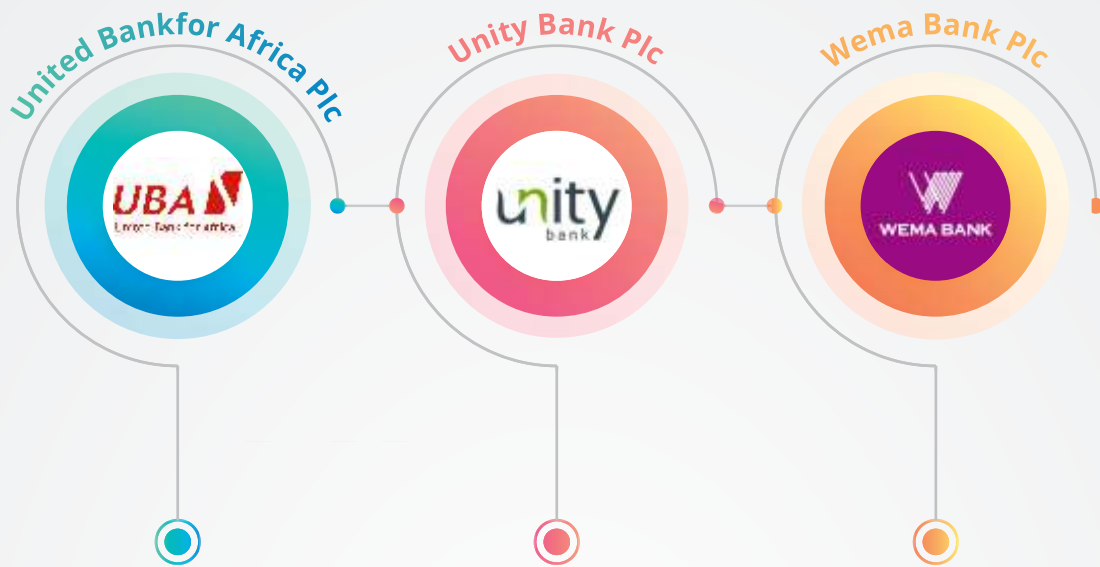
**Sustainability**  
**(Reporting only at the Global Group Level not on Nigeria)**  
**2018 Global Report**



**Sustainability**  
**(Within the annual Report)**  
**2018 Report**

**No Reporting**

**Citizenship, Sustainability and Innovation (CSI)**  
**2017 Report**



Corporate Philanthropy  
 (Within the Annual report)  
 2018 Report

Environmental and Social Management  
 No Reporting

Sustainability and Corporate Social Responsibility  
 (Within the annual report)  
 2018 Report



Sustainable Development and Corporate Social Responsibility  
 2017 Report

See other details in Appendix IV



# Sustainability Trends

## IN NIGERIA'S BANKING INDUSTRY

Banks operating in Nigeria have similar approaches and challenges in the field of sustainability, with varying levels of adoption.

This section categorises the positive and negative sustainability trends in the industry under the headings: Marketplace, Workplace, Community, Environment and Corporate Governance. This framework is an adaptation of the [Bursa Malaysia CSR framework](#) and the [Nigerian Stock Exchange Sustainability Disclosure Guidelines for Listed Companies](#).

The marketplace category covers trends related to the economic activities and business systems (products and services).

Workplace deals with the business approach to employee engagement and welfare, covering issues from non-discrimination and gender equity to work-life balance. Community covers business strategy, activities and impact on society through social investment and CSR initiatives.

Environment covers trends in businesses' stewardship and management of the ecosystem and their impact on the environment.

Corporate Governance covers trends related to the assignment of responsibility for environmental, social and broader economic performance to the board level. From our extensive studies the following are trends in sustainability:



# Marketplace *Trends*

## *Exploring Product Development for Financial Inclusion*

From our engagement with various stakeholders in the banking industry, it is clear that Nigerian banks are beginning to explore the inclusion of unbanked and underbanked segments of the market through technology-driven financial products and services.

Banks are increasingly facilitating account opening, payments and transfer of loan requests and disbursement through Financial Technology (Fin-Tech) solutions like Unstructured Supplementary Service Data (USSD), apps and internet banking.

More banks are also developing services that focus on women, micro-businesses, rural dwellers and individuals without formal education. Banks are collaborating with information and communications technology (ICT) and telecommunications companies to include the unbanked. These efforts are promising, though the majority are at exploratory and embryonic stages.

## *Integration of Sustainability in Credit Risk Management (CRM)*

Banks are increasingly integrating sustainability principles and practices into their credit risk assessments through environmental and social management systems. Some banks are collaborating with the International Finance Corporation (IFC) to train their staff on IFC Performance Standards on Environment and Social Sustainability (E&S).

Others have integrated the Nigerian Sustainable Banking Principles (NSBPs) concept of E&S into their CRM checklists. The E&S desks are usually tasked with critically assessing, identifying, reporting and recommending actions on social and environmental risks identified from credit facilities.

Loan applications are usually categorised and flagged as low, medium or high risk, which might lead to the restructuring or rejection of the credit facility depending on the risk exposure level.

While E&S is usually structured under CRM or general Risk Management headed by top management, in some banks, it is managed by dedicated sustainability units. Generally, the E&S units focus on clients and business risk management, leaving sustainability units to focus on assessing the social impact and general stakeholder management of applicant businesses.

## *The Spread of Responsible Sourcing in the Banking Operations*

Sustainability is no longer narrowly focused on improving operations within the banking system; more banks are engaging with their suppliers and contractors to influence their socio-environmental performance standards, excluding partners engaged in practices such as forced or child labour.

Some of these banks have developed procurement frameworks or supplier policy codes, which they use to evaluate third-party service providers before engaging them.



# Workplace Trends

## *Knowledge Gap on Sustainable Banking*

From our findings, sustainability is still an evolving concept in Nigeria. Many leaders and managers in the banking industry are only beginning to fully understand it.

Overwhelmingly, participants in the study mentioned the need for wide-scale training and awareness of the concept of sustainability and best practices in the field. One participant explained that neutral bodies, such as research organisations, could advance the message by facilitating training and awareness programmes, and by mediating partnerships between organisations.

## *Need for Increased Employee Support for Sustainability Initiatives*

One of the major challenges slowing down the implementation of sustainability initiatives in the workplace is employees' unwillingness to support them. Many employees fear that changes associated with sustainability implementation in the banks could affect their working conditions.



For instance, some respondents stated that in the name of advancing sustainability, their banks have cut down working hours through early bank closure to encourage work-life balance and reduced their carbon footprint by limiting the use of diesel-powered generators. However, many employees still close late to use the banks' facilities, such as power, internet, printers or photocopiers. Also, in areas characterised by infrastructural deficits and traffic blockages, employees close late to wait out the traffic.

There is a need for broad employee engagement to ensure worker-centred design and buy in of sustainability initiatives.

## *Gender Issues Are Receiving More Attention in Banking*

Bank culture is shifting towards a more gender-inclusive workplace, with more banks addressing issues that affect women or impede their growth in the workplace.

For instance, some banks have increased the number of women in their board of directors and at the executive level, while others have encouraged their women employees to form networks that foster women's interests in the workplace.

Some banks are considering changes to parental leave policies. For instance, Access Bank recently extended maternity leave from three to four months. Banks have also started introducing the child care support mechanisms for employees and nursing mothers in particular. Also, Wema Bank, established a creche within its head office premises, making it easier to care for babies.

However, there is still a major gap in the ratio of women and men in the workforce of commercial banks. An analysis of the number of male and female employees in the annual and sustainability reports of banks show that while the ratio of men to women employees is around 57 to 43 per cent, it is significantly unbalanced at senior management and board levels.

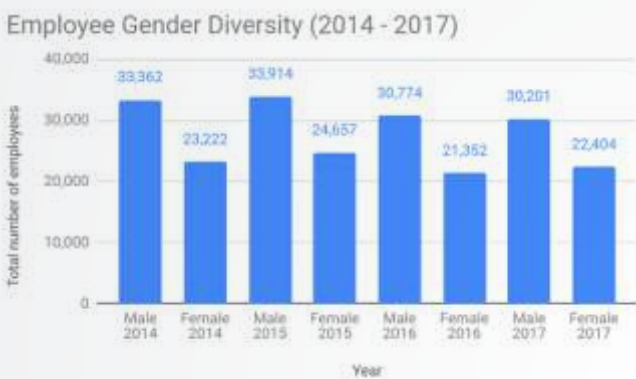
In 2014, the number of employees was estimated to be over 56,000, with over 33,000 males (59 per cent) and above 23,000 women (41 per cent). By 2017, the DMBs reported the number of employees as being over 52,000, with 30,201 men (57.4 per cent) and 22,404 women (42.6 per cent).

At the senior management level (Assistant General Manager to General Manager) the figures indicate that more men attain such roles.

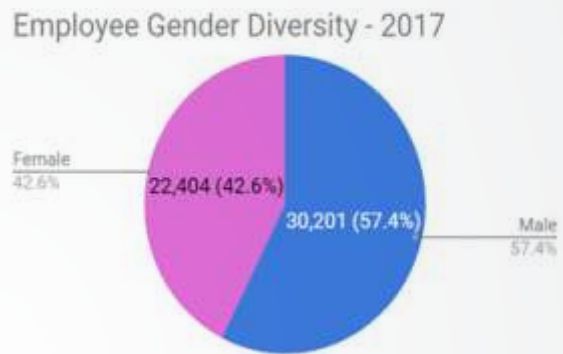
In 2014, senior executives from available reports numbered 920, with 685 men (74.5 per cent) and 235 women (25.5 per cent). By 2017, the number of senior executives was 712, with 505 men (70.9 per cent) and 207 women (29.1 per cent).

At the board level, the ratio gap widens even further. In 2014, the number of directors (executive and non-executive) was estimated at 180, with 147 men (81.7 per cent) and 33 women (18.3 per cent). By 2017, the total number of directors was 162 with 125 men (77.2 per cent) and 37 women (22.8 per cent).

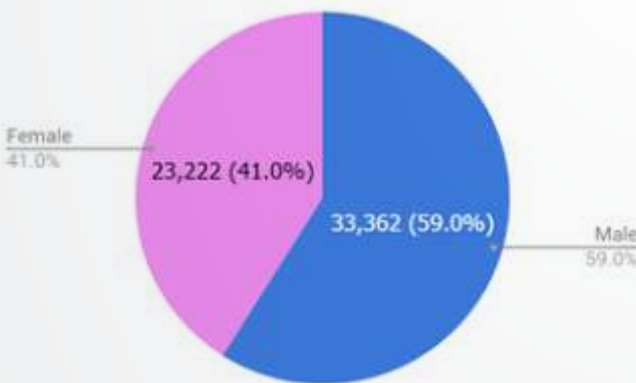
**See other details in Appendix V**



**Figure 3: Diversity in total number of employees in DMB (2014-2017)**



**Figure 4: Gender diversity ratio in number of employees in DMBs in 2017**



**Figure 5: Gender diversity ratio in number of employees in DMBs in 2014**



**Figure 6: Gender diversity in senior management staff in DMBs (2014 - 2017)**

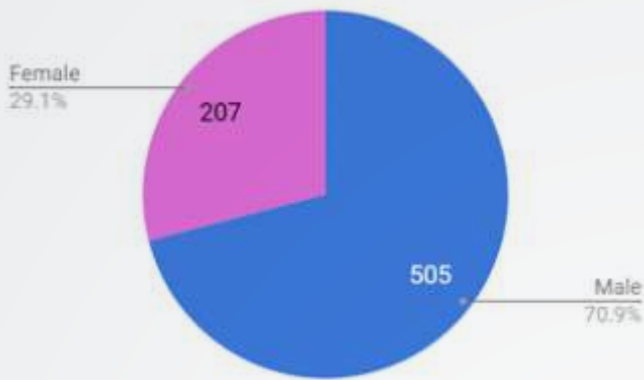


Figure 7: Gender diversity ratio among senior management staff in DMBs in 2017

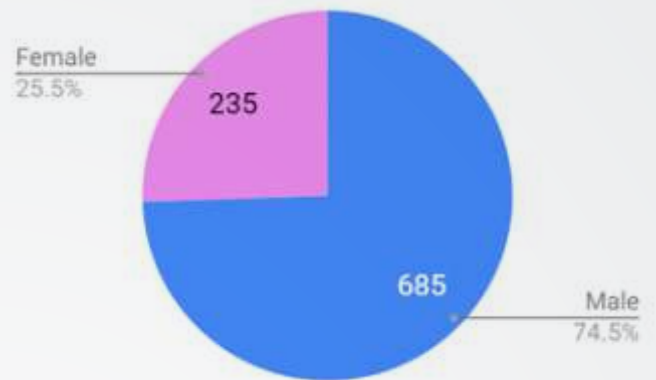


Figure 8: Gender diversity ratio among senior management staff in DMBs in 2017

### GENDER DIVERSITY ON BOARD OF DIRECTORS

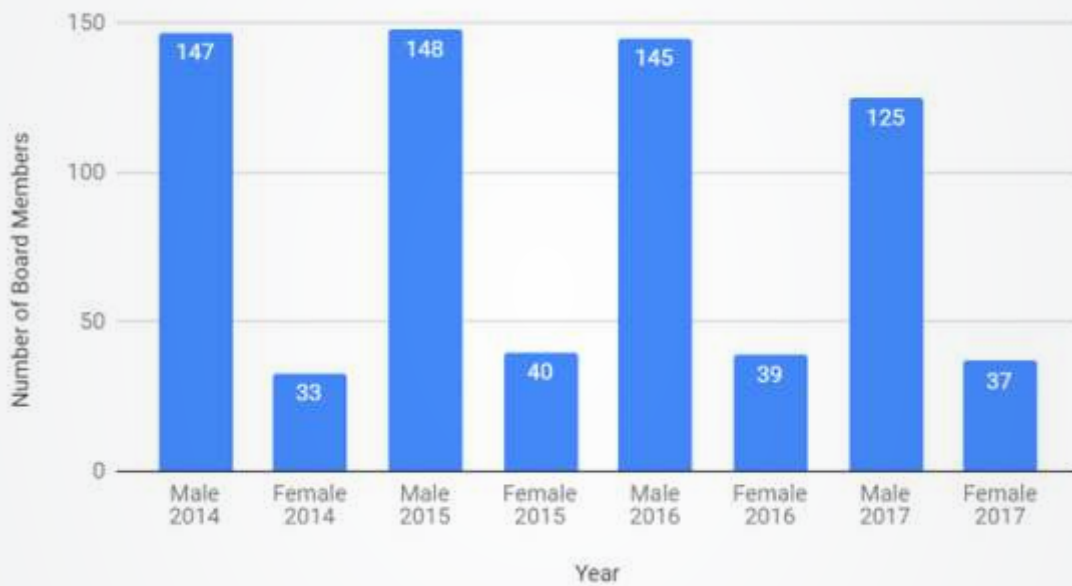


Figure 9: Gender diversity on Board of Directors of DMBs in 2014 - 2017

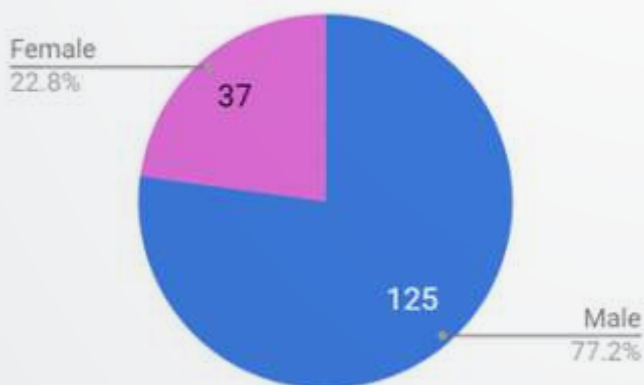


Figure 10: Gender diversity ratio on Board of Directors of DMBs in 2017

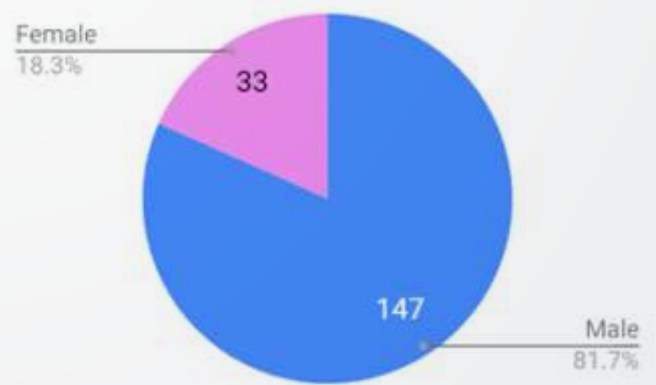


Figure 11: Gender diversity ratio on Board of Directors of DMBs in 2014

# Community/Social investment *Trends*

## *Sustainability is Practised as Corporate Social Responsibility (CSR)*

With the exception of some banks that integrate sustainability into the Credit Risk Management, most banks still practise sustainability with a CSR focus.

## *Bank Employees Are Volunteering for Social Change*

Many banks have employee volunteer networks that raise funds for social initiatives, such as in supporting IDP (Internally Displaced Persons) camps and orphanages.

## *Education, Health, and Women/Youth Empowerment are CSR Priorities*

Our findings reveal that education, health, and women/youth empowerment are the priorities in corporate social investments of many banks. This indicates that CSR activities of the banks are mostly directed at improving the wellbeing of the society, and responding to immediate pressures from high-poverty environments where basic human needs are unmet. As such, issues relating to environmental concerns, for instance, take second place.

## *Host Communities Demand More CSR Projects*

When asked to review one of the major challenges in implementing CSR, many respondents answered that their host communities usually do not appreciate the banks' initiatives. Even where the banks seem to have made significant impact, host communities still demand more CSR projects, believing that the banks can do more.

## *Need to Include Infrastructure in CSR Initiatives*

Low investment in infrastructure has been identified as one of the major challenges slowing sustainable development in Nigeria. It is estimated that about US\$100 billion must be invested annually to finance

infrastructure development. However, little attention has been given to infrastructure in bank's CSR initiatives.

Bank sustainability professionals recognise the need to demonstrate more commitment to closing the infrastructure deficit in Nigeria by making infrastructure a major priority in their social investments.

The responsibility to provide infrastructure principally rests on the government. The capital-intensive nature of infrastructure projects, from roads to waterworks, perhaps account for the reluctance of banks to channel their social investments funds to infrastructure provision.

## *Few Banks are Measuring the Impacts of their Social Investments*

More banks are engaging in CSR initiatives, but very few are measuring the impact of their social investments over time.

For instance, a respondent revealed that their employee volunteer network funded the education of more than 1000 students, without following up to assess how this intervention impacted the communities.

Analysis of the amounts reported by DMBs - in annual and sustainability reports - as spending on CSR initiatives, philanthropy and donations indicate that the commercial banks spent over N27billion from 2014 to 2018.



### CSR, Philanthropy and Donations Spend (2014 - 2018)

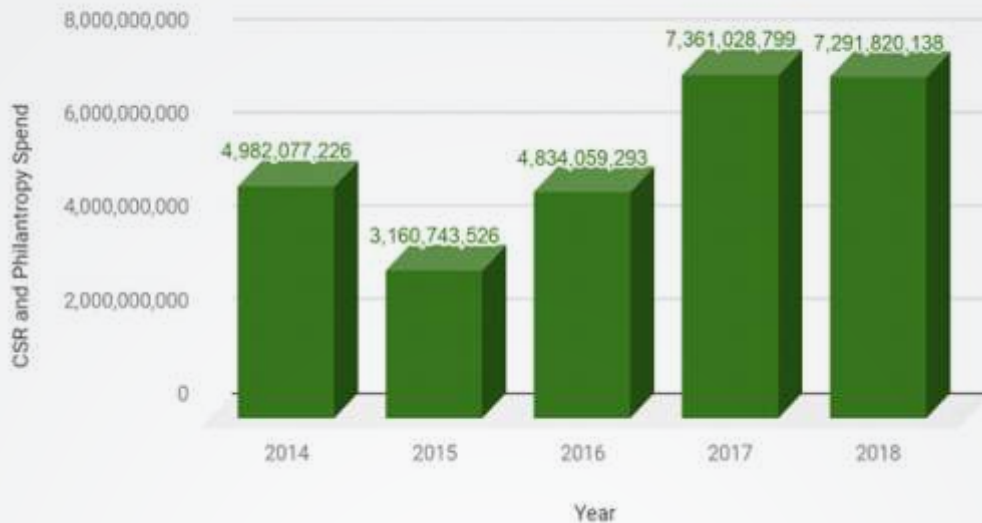


Figure 12: DMBs spend on CSR Initiatives, Philanthropy and Donations 2014 -2018

In that period, nine of the 21 banks reported spending over N1billion on CSR, philanthropy and donations. These include Zenith Bank (N10.2billion), Guaranty Trust Bank Plc (N3.2billion), First Bank of Nigeria Ltd (N2.19billion), United Bank for Africa Plc (N2.18billion), Access Bank Plc (N1.9billion), First City Monument Bank Plc (N1.4billion), Diamond Bank Plc (N1.2billion from 2014 to 2017), Ecobank Nigeria Ltd(N1.2billion), Sterling Bank Plc (N1.029Billion).

### Bank with CSR Spend of over N1billion (2014 - 2018)

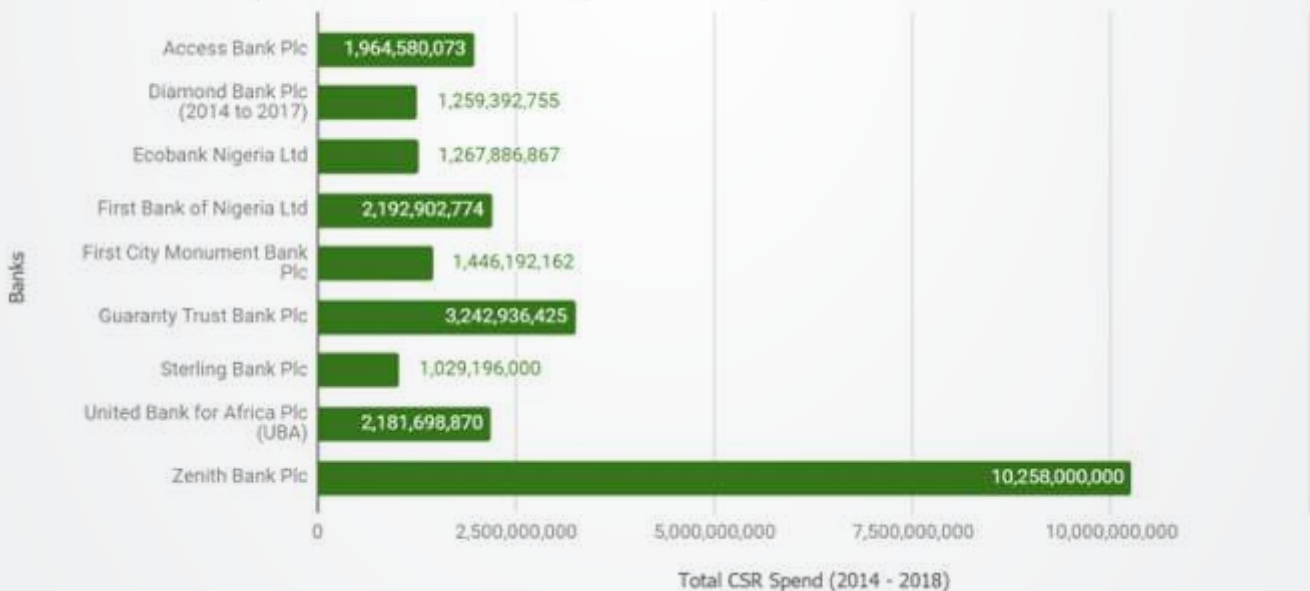


Figure 13: CSR Spend of over N1billion by Nine DMBs 2014 -2018

See other details in Appendix V1



## Environment *Trends*

### *Paper Waste and Power Generator Pollution are Major Ecological Risks in Banking*

The use of print paper and power generators have been reported as major environmental risks common in the banking industry. Every bank location is equipped with at least one standby diesel-powered generator, which emits carbon dioxide that pollutes the air and causes noise pollution. There is a perception that the sector leaves a meager environmental footprint compared to others.

Notwithstanding, many banks have initiated policies to reduce paper waste through the programmes *Reduce and Reuse*, and have shortened their operational time to reduce the impact of power generators.

### *More Bank Employees Are Volunteering for Environmental Sustainability*

More banks in Nigeria are encouraging their employees to volunteer for environmental sustainability exercises, which sometimes involves the cleaning of municipal areas – streets and markets – and watersides.

### *The Use of Mass Transit to Reduce Carbon Footprint*

Some banks have adopted the use of mass transit in the form of staff buses to convey employees to and from their offices, thereby reducing CO2 emissions from staff members' private vehicles.

“

The use of print paper and power generators have been reported as major environmental risks common in the banking industry.

”

# Corporate Governance *Trends*

## *The Use of Sustainability Reporting for Stakeholder Accountability*

Banks are increasingly adopting sustainability reporting as a tool to demonstrate accountability and to disclose their sustainability footprint to stakeholders. Unfortunately, many of these do not report much about their negative footprint and implementation challenges, but use the reports to tell feel-good stories about their CSR projects.

## *Sustainability is a Top Management Concern in Most Banks*

Sustainability has become a business concern for top management in many banks, increasing the likelihood of it becoming a key part of business strategy and being integrated into all aspects of management.

## *Need for Increased Enforcement of Sustainable Banking Regulations*

Professionals are increasingly recognising the role of the regulator in monitoring the effective implementation of sustainability in the banking industry.

The respondents reported that to embed sustainability principles in bank operations, there is a need to go beyond self-regulation or voluntary action. They recommended that the regulators of the financial services industry impose sanctions for noncompliance with the NSBPs.

## *Interest in Collective Action for Sustainable Development is on the Rise*

Banks operating in Nigeria are coming together through the Bankers' Committee to discuss key sustainable development issues affecting the nation. The Bankers' Sub-Committee on Economic Development and Sustainability, in conjunction with sector regulators and financial services providers, committed to the Nigerian Sustainable Banking Principles. However, there is a need for more collaborative efforts by the banks to address specific social and environmental issues in the industry.





# Prospects and Recommendations

## **Engage in More Industry Collaboration**

Banks in Nigeria need to engage in more strategic collaboration, even with competitors. The sector is characterised by hyper-competition and a limited record of partnership on key sustainable development issues.

Strategic partnerships within the industry will help to address sustainable development challenges that are either too complex or widespread to be addressed by a single bank.

Cooperation and strategic alliances among competitors promises mutual benefits arising from economies of scale, a common pool of substantial resources and technical skills converging to address common risks and scale positive impact.

However, the banking sector is beset by hyper-competition, limiting possibilities to collaboratively drive and scale impactful sustainable development initiatives. This needs to change.

## **Broadening and Deepening Sustainable Banking Awareness**

To gain and sustain internal buy-in for sustainable banking at board, management and employee levels, the industry must expand training and awareness on the concept, use case studies to educate stakeholders, and develop tools to address

issues within the industry. This is needed to align various departments within the banks with their overall sustainability objectives and goals.

## **Measure the Impact of Social Investments**

It is important for banks to increase commitment and measure the immediate and long-term impacts of their social investments. This will communicate clear evidence of purpose to their shareholders, board of directors, regulators, host communities and other stakeholders.

Banks need to systematically follow up on executed projects to understand how their investments have impacted the society, where improvement is required, and to understand social impacts created relative to their bottom-line.

## **Improve Social Investments in Infrastructure**

Infrastructure development is a critical requirement for sustainable development in Nigeria. As drivers of economic growth, and given the government's constraints, it is imperative for banks to develop innovative ways to help bridge the infrastructure gap. The banks can help to reduce the deficit by making infrastructure a social investment priority and by engaging in Public-Private Partnerships (PPP) as a cost-effective funding model.



# About us

## Lagos Business School

Lagos Business School (LBS) is the graduate business school of Pan-Atlantic University (formerly Pan-African University). LBS offers academic programmes, executive programmes and short courses (customised to specific company needs, as well as open-enrolment courses) in management education. Besides the quality bar set at world-standards, LBS programmes also stand out because of the emphasis on professional ethics and service to the community.

Education at LBS is comprehensive, drawing on the experiences of a multinational faculty and participants. Learning is participant-centred and uses the case study method and the group work approach. Activities are held in the school's purpose-built facilities — its lecture halls see more than 3,000 participants yearly from indigenous and multinational companies.

LBS is a member of the Association of African Business Schools (AABS), the Global Business School Network (GBSN), the Principles for Responsible Management Education (PRME), AACSB International-The Association to Advance Collegiate Schools of Business and the Graduate Management Admission Council (GMAC), alongside 220 leading graduate business schools worldwide.

LBS is the first business school in West, East and Central Africa regions to be accredited by The Association of MBAs (AMBA). This puts LBS amongst the exclusive group of only 2% of business schools in 70 countries to achieve this accreditation. The Association to Advance Collegiate Schools of Business (AACSB) has also accredited LBS, the first institution to be so recognised in all of West Africa.

LBS thus joined the league of less than 5% of business schools globally, to be accredited by AACSB in December 2016. This accreditation affirms Lagos Business School's undeniable commitment, over the last 25 years, to world-class standards in teaching, learning, research, academic and professional management. LBS is listed among the top 50 global business schools on The Economist magazine's 2018 Executive MBA ranking.

## LBS Sustainability Centre

The Sustainability Centre of Lagos Business School, Pan-Atlantic University, Lagos, Nigeria, launched in 2010, is designed to refocus the relationship between business and its stakeholders by ensuring a consistent development of responsible business leaders, working with organisations on becoming positive change agents that incorporate sustainable practices in their operations, develop innovative products and services that transform their communities while generating economic value.

The Centre is committed to equipping decision-makers and managers with the relevant skills to design and implement responsible and sustainable business strategies. The Centre brings together theory and practice on sustainability, builds leadership skills and supports constructive dialogue and collaboration between business, government, civil society and academics to find solutions to critical sustainability challenges.

The Centre achieves its mission through conducting research that is academically rigorous and policy-relevant; delivering courses on sustainability management in Executive Education, MBA, and custom programmes; and hosting business action platforms to enable constructive dialogue and collaboration between business, government, civil society and academics to find solutions to critical sustainable development challenges in Nigeria.



# Appendices

## 1. THE NIGERIAN ECONOMY AND FINANCIAL SECTOR

Year	Capital Adequacy Ratio	Bank Reserves	Lending Interest Rates to the Private Sector	Currency Outside Banks	Liquidity Ratio	Loans-To-Deposit Ratio	Bank Nonperforming Loans in % of Total Gross Loans
2018	12.08% (1st Half)		16.17		46.09% (1st Half)	65.17 (Sep 2018)	
2017	11.51%	41079685.79	17.55	2017: 18709147.99	45.8% (1st Half)	72.84 (December)	14.8
2016	11.37	40931534.76	16.87	2016: 17564275.2	45.95	79.96	12.8
2015	12.38	50219139.31	16.85	2015: 15449059.61	42.35	69.58	4.9
2014	10.42	41550439.18	16.55	2014: 14958925.27	38.33	64.24	3
2013	10.39	29968439.53	16.72	2013: 14492832.85	63.21	37.97	3.4

### Sources

(1) 2018 CBN Money And Credit Statistics 05022019

(2) <https://www.vanguardngr.com/2018/11/banks-fail-cbn-liquidity-ratio-requirement/>

(3) Capital Adequacy Ratio <https://www.indexmundi.com/facts/nigeria/indicator/FB.BNK.CAPA.ZS>

(4) Nigeria: Lending interest rate [https://www.theglobaleconomy.com/Nigeria/lending\\_interest\\_rate/](https://www.theglobaleconomy.com/Nigeria/lending_interest_rate/)

(5) Nigeria Bank nonperforming loans in % of total gross loans <https://knoema.com/atlas/Nigeria/topics/Economy/Financial-Assets/Banknonperformingloans-to-total-gross-loans>

## 2 - NIGERIA'S RESPONSE TO GLOBAL DEVELOPMENTS IN SUSTAINABILITY

TREND	BACKGROUND	NIGERIA'S RESPONSE
<b>The Rise of Climate Finance Driven by Life after Fossil Fuel</b>	<ul style="list-style-type: none"> <li>In 2017, there were around 385,000 electric buses on the roads globally, and around 13% of the total global municipal bus fleet was electric in 2017.</li> <li>Investors are increasingly moving away from fossil fuel funding. For instance, at the <a href="#">One Planet Summit</a> the World Bank Group stated that it will no longer finance upstream oil and gas after 2019. Joined in this declaration are <a href="#">AXA and the bank ING insurance companies</a> which announced that they would be divesting from fossil fuel projects, with a particular focus up on reducing their exposure to coal.</li> <li>Mercedes Benz, Volvo, Land Rover and BMW are moving to electrification through either conventional gas-electric hybrids (HEVs), plug-in gas-electric hybrids (PHEVs), or pure battery electric vehicles (BEVs). Tesla also plans to sell 100 % BEVs now and forever.</li> </ul>	<ul style="list-style-type: none"> <li>With the limited infrastructure in Nigeria, this trend will require significant investment in new fleets, charging infrastructure and electricity grid capacity management for the nation to plug in.</li> <li>Further, as the current state of the oil revenue portrays a pessimistic outlook, there is need for a concerted effort to diversify Nigeria's economy from the oil and gas resource based to one that will survive life after fossil fuels.</li> </ul>
<b>Financing Regenerative and Climate Smart Agriculture is on the Rise</b>	<ul style="list-style-type: none"> <li>According to the World Bank's report on <a href="#">Climate-Smart Agriculture</a>, agriculture, forest loss and land use changes generate a quarter of the world's greenhouse gases —and about 80% of deforestation worldwide is driven by agriculture. financing regenerative and climate smart agriculture is on the increase to promote alternative sustainable approaches to farming such as 'agroecology'.</li> <li>The World Bank made \$4bn commitments in Fiscal Year 2017 in climate smart agri culture.</li> <li>In the 2017 Fiscal Year alone, IFC arranged over \$800 million in financing for climate -smart agribusiness projects.</li> </ul>	<ul style="list-style-type: none"> <li>Nigeria is striving to make agriculture a bedrock of its economy.</li> <li>However, there is need to feed the rapidly growing population by financing agricultural techniques that serve the needs of the present generation without posing more social and environmental risks or compromising the ability of the future generations to meet their own needs.</li> </ul>

<p><b>The Rise in Regulation and Voluntary Standards</b></p>	<ul style="list-style-type: none"> <li>Corporate sustainability is advancing beyond voluntary action to become a matter of legal obligation. The report on <a href="#">Global Trends in Sustainability Reporting Regulation and Policy</a> by Carrots &amp; Sticks reveals that in OECD countries, new reporting requirements have been introduced through laws such as company acts and accounting regulations. Growing public consciousness of sustainability issues is opening more voluntary opportunities for businesses to adopt sustainability frameworks, and increase integration of sustainability across different departments and production channels. These voluntary frameworks include 2015 Paris Climate Agreement; UN Sustainable Development Goals (UN SDGs); United Nation Global Compact Principles (UNGC); Global Reporting Initiative (GRI); Principles for Responsible Investment (PRI); IFC Equator Principles, the UN Sustainable Stock Exchange Initiative and many more. According to the report by Ethical Corporation, more than 9,500 companies have joined the UN Global Compact in support of the SDGs.</li> </ul>	<ul style="list-style-type: none"> <li>Nigerian lawmakers have introduced a bill for an amendment to the Financial Reporting Council Act 2011. The bill has scaled second reading on the floor of the House of Representatives on July 5, 2018 seeking amongst other things to compel banks and other companies to integrate Corporate Social Responsibility in their individual corporate policies.</li> <li>Nigeria also has some locally conceptualised frameworks and policies aimed at guiding businesses. The Nigerian Stock Exchange (NSE) has the NSE Sustainability Disclosure Guidelines and the Central Bank of Nigeria introduced the Nigeria Sustainable Banking Principle (NSBP).</li> </ul>
<p><b>Customers are Increasingly Asking for Green/Sustainable Products</b></p>	<ul style="list-style-type: none"> <li>Customers are becoming more interested in sustainable living and increasingly looking for brands that better align with their values or are dedicated to addressing particular socio-economic challenges. So when it comes to making purchases, consumers have learnt to check labels or search for information on the internet for public opinion on the manufacturers' reputation and their business practices.</li> <li>According to <a href="#">The Sustainability Imperative</a> report by The Nielsen Company in 2015, "of the 66% of global respondents willing to pay more, over 50% of them are influenced by key sustainability factors, such as a product being made from fresh, natural and/or organic ingredients (69%), a company being environmentally friendly (58%), and company being known for its commitment to social value (56%). Sales, and coupons didn't even make the top five..."</li> </ul>	<ul style="list-style-type: none"> <li>Commercial banks operating in Nigeria have started leveraging on the opportunities from the growing market for sustainable products and services.</li> <li>This approach is necessary to avert the market risks associated with global competition in this regard as well as to expand the local market to eco-friendly goods and services.</li> </ul>

### 3 - NIGERIA'S SUSTAINABLE DEVELOPMENT PROFILE

Topic	Description
<p><b>Limited Infrastructure</b></p>	<p>In the search for greener pastures, many people move from rural areas to settle in urban areas. This movement causes infrastructural facilities in these urban areas to be considerably strained. Using Lagos as an example, with a population of more than 20 million people, the available infrastructural facilities are designed originally for million people. This exacerbates rising income inequality, increasing slums and crime rates, and other urban challenges. According to the <a href="#">ESDH Research</a> to close the deficit in infrastructure. It is estimated that about US\$100 billion (about N30.5 trillion) must be invested annually to finance infrastructural development in Nigeria. Meanwhile, only a total of <a href="#">\$2.7 trillion has been spent on infrastructure since 2015</a>. Additionally, the World Economic Forum (WEF) in the <a href="#">Global Competitiveness Report 2017</a> ranked Nigeria's infrastructure low - 132 out of 138 countries. These reports underscore the need for more robust financing and private partnerships (PPP) to drive infrastructure development in Nigeria.</p>
<p><b>Poverty</b></p>	<p>Achieving sustainable development in Nigeria will be <del>fratched</del> without addressing the issue of poverty. The issue of poverty is inextricably linked to issues like poor education, inequality, and hunger which are all focus of the UN sustainable development goals. Living below 1.25 dollars per day is the <del>measur</del> <del>case</del> <del>in</del> establishing the targets for achieving goal 1 of the 17 global goals of 2030. In Nigeria, the causes of poverty numerous and at the same <del>intwined</del> intertwined. The cause of poverty is most related to issue of education, poor infrastructural facilities, bad governance and leadership. As at May 2018, the Brookings Institute released a report on global poverty that states that Nigeria has overtaken India as the country with the highest number of extreme poor in the world. The report states that 6 Nigerians fall into extreme poverty every six minutes. This implies that the nation has about 86.9 million people living below the poverty line, representing nearly 43% of the estimated 198 million population. Solving poverty is not just about giving food but <del>ly</del> <del>ain</del> <del>about</del> building capacity in people, to help themselves thrive and create wealth</p>

<b>Climate Change</b>	<p>In 2016, Nigeria became the 146th country to endorse the Paris Climate Agreement; the agreement brings nations to a common cause to combating the effects of climate change and adapt quickly to its effects. In Nigeria, the effects of climate change are far reaching to include issues such as increased health risk, declining agricultural productivity, biodiversity loss, desertification in the North and extreme weather events such as flooding and droughts. The consequences of climate change have also led to issues of food insecurity as productivity has declined, as well as clashes between herdsmen and farmers. Due to the variability in rainfall, cattle herders in the North have migrated to the south in search of food for their cattle and as a results farmlands of farmers in the south are easy targets for trespass. Indirectly climate change effects can lead to increases in food prices, decrease in farmers' incomes, spread of infectious diseases and detrimental human health outcomes such as fainting, heat exhaustion, heat stroke and death.</p>
<b>Rapid Population Growth</b>	<p>The overall population of Nigeria is currently about 198 million, estimated to increase to about 398 million by the end of 2050. With a current birth rate of 20,211 per day, one child is born in Nigeria in every 4 seconds. The most challenging aspect of the Nigerian demography is that it comprises more of increasing youth population. Research has proven that population growth affects consumption, production, employment and income distribution. It places heightened pressure on the planet and further complicates efforts to provide essential social amenities such as water, housing, sanitation and so on. The moment the Nigerian government can successfully engage the youth population in economically productive activities then it has paved a way to sustainable development in the country.</p>
<b>Corruption</b>	<p>Certainly, corruption is one of the major challenges to the enhancement of sustainable development in Nigeria. In a survey carried out by Transparency International in 2017, to ascertain the corruption perceptions in the public sectors of 180 countries, Nigeria ranked 148<sup>th</sup> out of the 180 countries surveyed. Nigeria, according to Corruption Perception Index (CPI) scores 27 out of 100, which is below average in Sub-Saharan Africa. Corruption in all its forms is a major obstacle to achieving sustainable development, this is because it deprives a country of economic development and results in increasing poverty. This also leads to inequitable access to vital services such as healthcare, education, and water and sanitation.</p>
<b>Insecurity</b>	<p>The Boko Haram insurgency in the North-East, militancy in the Niger-Delta and the herdsmen crisis has resulted into various negative domino effects that include but is not limited to displaced homes and families, rising youth unemployment in those areas, increased crime rate, highly damaged infrastructural facilities and disruption of business activities. With this rate of insecurity, development in Nigeria has been hugely hampered. For instance, funds that would have been allocated for economic development have been allocated for the procurement of arms and ammunition to fight the terrorist groups that threaten Nigeria's sovereignty. According to a report by Global Peace Index, showing the level of peace in the world, Nigeria ranked 148 out of 163 countries This means that Nigeria as a nation is very far from being called a peaceful nation. Sustainable development can hardly be achieved in any country that suffers from terrorism because it hinders a sustainable future for its citizens.</p>
<b>Rising Youth Unemployment</b>	<p>Rising unemployment in any country underscores the vicious cycle of poverty. It breeds a situation where all that is earned is spent on consumption and nothing is left to be saved. Idle youths taking to carrying arms in the robbery is an example of the effect of unemployment in Nigeria. About 200,000 students graduate from different Nigerian universities every year and as at Q3 2018, the <a href="#">Nigeria Bureau of Statistics (NBS) states that 52.65% of the youth population of Nigeria are unemployed</a>. Unemployment breed issues of income inequality, poverty, high dependency levels, hunger and so on. These are indicators of a country treading an unsustainable development path.</p>

## 4 - BANKS SPENDING ON SOCIAL INVESTMENTS AND PHILANTHROPY

BANK	CORPORATE SOCIAL RESPONSIBILITY (CSR)					
	DONATIONS & CHARITABLE GIFTS SPEND					
	2014	2015	2016	2017	2018	Total
Zenith Bank Plc	1,102,000,000	923,000,000	2,557,000,000	2,611,000,000	3,065,000,000	10,258,000,000
Guaranty Trust Bank Plc	599,916,416	398,211,628	449,616,533	867,113,525	928,078,323	3,242,936,425
First Bank of Nigeria Ltd	1,194,510,700	436,175,485	188,514,179	234,117,825	575,760,070	2,192,902,774
United Bank for Africa Plc (UBA)	388,055,794	177,110,100	321,729,616	649,653,598	1,033,205,556	2,181,698,870
Access Bank Plc	388,832,257	346,628,505	285,339,153	567,027,158	376,753,000	1,964,580,073
First City Monument Bank Plc	363,448,893	202,561,950	169,018,480	395,360,073	315,802,766	1,446,192,162
Diamond Bank Plc	882,038,129	386,741,000	353,666,000	518,985,755	N.P.A.	1,259,392,755
Sterling Bank Plc	80,090,000	92,106,000	212,000,000	346,000,000	299,000,000	1,029,196,000
Ecobank Nigeria Plc	399,724,607	140,668,862	110,510,900	342,231,431.00	N.P.A.	993,135,800
Fidelity Bank Plc	254,556,400	92,841,027	65,578,432	330,818,921	158,362,356	902,157,136
Stanbic IBTC Bank Plc	162,500,000	169,500,000	22,100,000	267,000,000	175,157,000	796,257,000
Unity Bank Plc	188,168,500	20,222,532	12,150,000	122,697,000	13,380,000	356,618,032
Wema Bank Plc	112,500,000	32,427,765	30,200,000	53,585,000	34,620,000	263,332,765
Citibank Nigeria Limited	105,279,453	112,918,888	16,706,000	9,916,000	N.P.A.	244,820,341
Union Bank of Nigeria Plc	30,550,000	57,433,494	30,550,000	45,522,513	30,200,000	194,256,007
Jaiz Bank Plc	N.P.A.	8,371,775	9,380,000	N.P.A.	N.P.A.	17,751,775
Heritage Banking Company Limited	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
Keystone Bank Ltd	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.

## 5 - EMPLOYEE DIVERSITY (Total Number of Staff)

	BANK	2014		2015		2016		2017		2018	
		M	F	M	F	M	F	M	F	M	F
1	Access Bank	1,605	1,116	1,630	1,167	1,670	1,288	1,756	1,433	1,808	1,598
2	Citibank Nigeria Limited	157	85	155	88	152	83	152	83	N.P.A.	N.P.A.
3	Diamond Bank Plc	2,665	1,903	3,213	2,276	2,043	1,512	1,896	1,384	N.P.A.	N.P.A.
4	Ecobank Nigeria Plc	3,075	2,075	2,842	1,931	2,424	1,653	2,146	1,512	N.P.A.	N.P.A.
5	Fidelity Bank Plc	1,911	1,458	2,009	1,502	1,915	1,443	1,800	1,408	1,615	1,293
6	First Bank of Nigeria Limited	4,994	3,192	4,633	2,983	4,432	2,868	4,083	2,646	4,450	2,757
7	First City Monument Bank Plc	2,752	1,678	2,545	1,598	2,125	1,360	2,166	1,363	2,277	1,505
8	Guaranty Trust Bank Plc	1,850	1,490	1,827	1,516	1,834	1,515	1,804	1,480	1,849	1,545
9	Heritage Banking Company Limited	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
10	Jaiz Bank Plc	N.P.A.	N.P.A.	288	93	N.P.A.	N.P.A.	547	152	N.P.A.	N.P.A.
11	Keystone Bank Ltd	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
12	Polaris Bank Limited	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
13	Providus Bank Limited	N.Appl.	N.Appl.	N.Appl.	N.Appl.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
14	Stanbic IBTC Bank Plc	1,293	888	1,128	845	1,128	845	1,206	892	1,683	1,250
15	Standard Chartered Bank Nigeria	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
16	Sterling Bank Plc	1,748	1,294	1,381	904	1,348	913	1,344	909	1,431	970
17	SunTrust Bank Nigeria Limited	N.Appl.	N.Appl.	N.Appl.	N.Appl.	37	27	N.P.A.	N.P.A.	N.P.A.	N.P.A.
18	Union Bank of Nigeria Plc	1,881	1,095	1,677	952	1,716	987	1,679	966	1,612	981
19	United Bank for Africa Plc	5,428	4,565	5,296	4,595	4,994	4,389	4,702	4,124	5,187	4,437
20	Unity Bank Plc	N.P.A.	N.P.A.	1,387	744	1,283	671	1,172	636	1,122	612
21	Wema Bank Plc	652	470	609	471	562	449	571	463	568	453
22	Zenith Bank Plc	3,351	3,008	3,294	2,992	3,111	2,859	3,177	2,953	3,236	3,017
	<b>TOTAL</b>	<b>33,362</b>	<b>23,222</b>	<b>33,914</b>	<b>24,657</b>	<b>30,774</b>	<b>21,352</b>	<b>30,201</b>	<b>22,404</b>	<b>26,838</b>	<b>20,418</b>

Note: N.P.A (Not Publicly Available); N.Appl. (Not Applicable)

## 6 - GENDER DIVERSITY IN SENIOR MANAGEMENT (AGM - GM)

	BANK	2014		2015		2016		2017		2018	
		M	F	M	F	M	F	M	F	M	F
1	Access Bank	58	16	61	19	41	13	52	15	46	14
2	Citibank Nigeria Limited	70	31	66	32	65	29	63	29	N.P.A.	N.P.A.
3	Diamond Bank Plc	31	8	29	11	28	11	20	7	N.P.A.	N.P.A.
4	Ecobank Nigeria Plc	53	21	63	23	35	13	32	11	N.P.A.	N.P.A.
5	Fidelity Bank Plc	38	7	17	5	33	8	34	9	31	5
6	First Bank of Nigeria Limited	43	23	54	22	44	40	N.P.A.	N.P.A.	N.P.A.	N.P.A.
7	First City Monument Bank Plc	51	18	45	15	45	15	43	11	44	12
8	Guaranty Trust Bank Plc	39	17	39	18	39	22	33	21	34	20
9	Heritage Banking Company Limited	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
10	Jaiz Bank Plc	N.P.A.	N.P.A.	5	2	9	2	N.P.A.	N.P.A.	N.P.A.	N.P.A.
11	Keystone Bank Ltd	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
12	Polaris Bank Limited.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
13	Providus Bank Limited	N.Appl.	N.Appl.	N.Appl.	N.Appl.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
14	Stanbic IBTC Bank Plc	66	22	72	28	36	12	17	37	55	25
15	Standard Chartered Bank Nigeria	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
16	Sterling Bank Plc	42	12	59	13	40	10	37	12	31	12
17	SunTrust Bank Nigeria Limited	N.Appl.	N.Appl.	N.Appl.	N.Appl.	6	0	N.P.A.	N.P.A.	N.P.A.	N.P.A.
18	Union Bank of Nigeria Plc	37	16	33	15	34	12	31	8	29	11
19	United Bank for Africa Plc	67	21	64	19	59	22	62	22	67	23
20	Unity Bank Plc	17	1	17	1	18	1	18	2	16	2
21	Wema Bank Plc	16	1	17	4	19	4	17	3	17	2
22	Zenith Bank Plc	57	21	52	22	48	22	46	20	43	21
	<b>TOTAL</b>	<b>685</b>	<b>235</b>	<b>693</b>	<b>249</b>	<b>599</b>	<b>236</b>	<b>505</b>	<b>207</b>	<b>413</b>	<b>147</b>

Note: N.P.A (Not Publicly Available); N.Appl. (Not Applicable)



## 7 - GENDER DIVERSITY ON BOARD OF DIRECTORS

	BANK	2014		2015		2016		2017		2018	
		M	F	M	F	M	F	M	F	M	F
1	Access Bank	11	6	11	5	10	5	10	6	10	5
2	Citibank Nigeria Limited	10	3	8	3	11	4	8	5	N.P.A.	N.P.A.
3	Diamond Bank Plc	11	2	11	2	8	3	8	5	N.P.A.	N.P.A.
4	Ecobank Nigeria Plc	12	3	7	3	7	5	8	3	N.P.A.	N.P.A.
5	Fidelity Bank Plc	12	3	11	3	11	3	11	3	9	3
6	First Bank of Nigeria Limited	17	3	17	4	13	4	N.P.A.	N.P.A.	N.P.A.	N.P.A.
7	First City Monument Bank Plc	10	0	10	0	10	0	11	1	9	1
8	Guaranty Trust Bank Plc	11	3	10	4	10	4	10	4	10	4
9	Heritage Banking Company Limited	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
10	Jaiz Bank Plc	N.P.A.	N.P.A.	14	0	13	0	14	0	N.P.A.	N.P.A.
11	Keystone Bank Ltd	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
12	Polaris Bank Limited.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
13	Providus Bank Limited	N.Appl.	N.Appl.	N.Appl.	N.Appl.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
14	Stanbic IBTC Bank Plc	4	1	4	2	4	0	4	0	1	0
15	Standard Chartered Bank Nigeria	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.	N.P.A.
16	Sterling Bank Plc	3	0	5	1	5	0	4	0	3	0
17	SunTrust Bank Nigeria Limited	N.Appl.	N.Appl.	N.Appl.	N.Appl.	1	0	N.P.A.	N.P.A.	N.P.A.	N.P.A.
18	Union Bank of Nigeria Plc	6	1	5	1	5	1	5	1	N.P.A.	N.P.A.
19	United Bank for Africa Plc	6	1	5	1	9	0	9	0	9	0
20	Unity Bank Plc	13	3	10	5	10	5	3	4	6	3
21	Wema Bank Plc	11	2	10	4	8	4	8	4	7	4
22	Zenith Bank Plc	10	2	10	2	10	1	12	1	11	1
	<b>TOTAL</b>	<b>147</b>	<b>33</b>	<b>148</b>	<b>40</b>	<b>145</b>	<b>39</b>	<b>125</b>	<b>37</b>	<b>75</b>	<b>21</b>

Note: N.P.A (Not Publicly Available); N.Appl. (Not Applicable)

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