

**SUSTAINABLE FINANCIAL PRACTICES FOR LONG-  
TERM STABILITY**

**BY**

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# 1. INTRODUCTION

With great delight, I thank the Council of Association of National Accountants of Nigeria (ANAN) for inviting me again to speak at the 29<sup>th</sup> Annual Conference with the theme, **“Advancing Accounting Excellence in a Changing World.”** The need to focus on the next evolution of the accounting profession is now. The profession must position itself, especially at the forefront of relevant global developments.

At the 2023 EU Green Week, global industry leaders, experts and finance professionals explored the crucial role of the accounting profession in driving sustainability and the relevant skills and capacity building needed to empower accountants.

As the world seeks to decarbonise its economies and achieve net zero emissions, the finance and accounting professionals, including auditors are expected to play a critical role in enabling the transition to a greener global economy.

The sub-theme considered in this paper is “Sustainable Financial Practices for Long-Term Stability.” In our context, sustainable financial practices include sustainable finance models, sustainable disclosures and reporting within the IFRS, IPSAS and ESG frameworks. Sustainable finance practices also include developing in-house environmental programmes, using sustainable purchasing processes, integrity ESG, utilising green financing, and planning frequently.

Sustainable finance represents a transformative shift in how financial services contribute to a greener, more equitable, and sustainable future (James 2024). Unlike traditional finance, which often overlooks environmental and social impacts, sustainable finance integrates these considerations into financial decision-modeling. This shift is becoming increasingly crucial as the effects of climate change become more evident, and the societal call for action grows harder.

The next part of this paper deals with sustainable finance: concepts and tools. We also highlight some examples of sustainable financial practices and give an overview of sustainability reporting standards. There is also exploration of sustainable finance

disclosures under IFRS and IPSAS. There are also sectors on Audit Practices and ESG Reporting, Accounting Profession and Sustainable Financial Practices and the Regulatory Framework for Sustainability Reporting in Nigeria.

The policy conclusions and recommendations of the paper are found in the last section.

## **2. SUSTAINABILITY FINANCE: CONCEPTS AND TOOLS**

Sustainable finance refers to the integration of environmental, social, and governance (ESG) considerations into financial decision-making. It aims to create long-term value while minimizing negative impacts on the environment and society.

Sustainable finance encompasses various aspects, including:

1. **Responsible investing:** Investing in companies that adopt sustainable practices and ESG considerations.
2. **Green finance:** Financing initiatives that support environmental sustainability, such as renewable energy projects.
3. **Social finance:** Financing initiatives that support social causes, such as affordable housing or education.
4. **Impact investing:** Investing in companies or projects that generate positive social or environmental impact alongside financial returns.
5. **Climate finance:** Financing initiatives that support climate change mitigation and adaptation efforts.
6. **ESG risk management:** Identifying and managing ESG-related risks in investment portfolios.
7. **Sustainable banking:** Banking practices that consider ESG factors in lending and investment decisions.

Sustainable finance benefits:

1. Long-term value creation

2. Risk management
3. Improved brand reputation
4. Compliance with regulations
5. Contribution to sustainable development

In Nigeria, sustainable finance is increasingly important as the country seeks to address environmental and social challenges while promoting economic growth.

## **BIODIVERSITY FINANCE**

Biodiversity finance refers to the management of financial resources to conserve and sustainably use biodiversity. It involves:

1. Investing in biodiversity conservation: Funding initiatives that protect and restore ecosystems, habitats, and species.
2. Sustainable use of natural resources: Financing activities that promote eco-friendly practices, such as sustainable agriculture, forestry, and fishing.
3. Ecosystem services valuation: Assigning economic value to ecosystem services like pollination, carbon sequestration, and climate regulation.
4. Payment for ecosystem services: Schemes that pay landowners or communities to conserve and restore ecosystems.
5. Green bonds and impact investing: Financing instruments that support biodiversity-friendly projects and businesses.
6. Blended finance: Combining public and private funding to support biodiversity initiatives.
7. Risk management and insurance: Financial instruments that mitigate risks associated with biodiversity loss.

Biodiversity finance aims to:

1. Conserve and restore ecosystems
2. Promote sustainable development

3. Support climate change mitigation and adaptation
4. Protect human well-being and livelihoods
5. Generate economic benefits

In Nigeria, biodiversity finance can support initiatives like:

1. Conservation of national parks and wildlife reserves
2. Sustainable agriculture and forestry practices
3. Protection of freshwater ecosystems
4. Promotion of eco-tourism

## **GREEN FINANCE**

Green finance refers to financial instruments, mechanisms, and strategies that support environmentally friendly projects, companies, and initiatives.

It aims to:

1. Mitigate climate change
2. Promote sustainable development
3. Support eco-friendly technologies
4. Encourage responsible investment practices

Green finance includes:

1. Green bonds: Bonds specifically used for environmentally friendly projects.
2. Green loans: Loans for sustainable projects or businesses.
3. Impact investing: Investments made with the intention of generating positive environmental impact.
4. Sustainable equity: Investments in companies with strong environmental track records.
5. Carbon credits: Financial instruments representing the right to emit a certain amount of greenhouse gases.
6. Green asset-backed securities: Securities backed by environmentally friendly assets.
7. Sustainable insurance: Insurance products covering environmental risks.

Green finance benefits:

1. Supports transition to a low-carbon economy
2. Encourages sustainable development
3. Manages environmental risks
4. Provides investment opportunities
5. Promotes transparency and accountability

In Nigeria, green finance can support initiatives like:

1. Renewable energy projects
2. Sustainable agriculture
3. Eco-friendly infrastructure development
4. Conservation of natural resources

### **3. SUSTAINABLE FINANCIAL PRACTICES**

Sustainable financial practices refer to the integration of environmental, social, and governance (ESG) considerations into financial decision-making. Some examples include:

1. Responsible investing: Investing in companies with strong ESG track records.
2. Impact investing: Investing in companies or projects with positive social or environmental impact.
3. Green finance: Financing initiatives that support environmental sustainability.
4. Sustainable banking: Banking practices that consider ESG factors in lending and investment decisions.
5. ESG risk management: Identifying and managing ESG-related risks in investment portfolios.
6. Stakeholder engagement: Engaging with stakeholders to understand their ESG concerns and expectations.

7. Transparency and disclosure: Providing clear and accurate ESG information to stakeholders.
8. Sustainable asset management: Managing assets in a way that considers ESG factors.
9. Climate finance: Financing initiatives that support climate change mitigation and adaptation.
10. Financial inclusion: Providing access to financial services for underserved populations.

Benefits of sustainable financial practices include:

1. Long-term value creation
2. Risk management
3. Improved brand reputation
4. Compliance with regulations
5. Contribution to sustainable development

In Nigeria, sustainable financial practices are increasingly important as the country seeks to address environmental and social challenges while promoting economic growth.

## **4. OVERVIEW OF SUSTAINABILITY REPORTING STANDARDS**

### **TOP SEVEN (7) SUSTAINABILITY REPORTING STANDARDS IN 2024**

For organisations that are new to sustainability reporting – or expecting to broaden their ESG metrics, disclosure, and target-setting, there are seven sustainability reporting standards.

	<b>Standard</b>	<b>Definition</b>
1	EU CSRD (EU Corporate Sustainability Reporting Directive)	The EU CSRD is an update to the Non-Financial Reporting Directive (NFRD) which takes effect in 2024.

2	ISSB (IFRS)	The IFRS Sustainability Disclosure Standards were created in 2022 by the ISSB to serve as a global format for sustainability and climate reporting. The first IFRS S1 and S2 were released in June, 2023.
3	TCFD (The Task Force on Climate-Related Financial Disclosures)	The TCFD guides companies on disclosing climate-related financial risks to investors, lenders, insurers and other stakeholders.
4	CDP (Carbon Disclosure Project)	The CDP manages a global environmental disclosure system used by more than 23,000 companies. Companies disclose by completing any or all of the CDP questionnaire of climate change, forests, water security and supply chain reporting module.
5	GRI (Global Reporting Initiative)	The GRI created the first global, third party sustainability and social impact measurement standards in 1997. The newest GRI standards provide three sets (economic, environmental and social) of 34 topics – specific standards to help companies report on material ESG issues to their investors and other stakeholders.
6	SASB (Value Reporting Foundation)	The Sustainability Accounting Standards Board (SASB) develops and provides non-financial, sector – specific sustainability reporting standards that track and communicate ESG performance areas and metrics that are most financially material to investors.
7	B - Corp	The B – Corp is a private certification and set of standards that is most widely adopted by smaller, privately held companies.

## **5. SUSTAINABLE FINANCE DISCLOSURES UNDER IFRS, IPSAS**

### **SUSTAINABLE FINANCE DISCLOSURES UNDER IFRS**

Sustainable finance disclosures under IFRS refer to the guidelines for companies and organisations to report on their sustainability-related practices and impacts.

Key aspects of sustainable finance disclosures under IFRS:

#### 1. IFRS Sustainability Disclosure Standards:

- Proposed standards for disclosure of sustainability-related information
- Focus on climate-related risks and opportunities

#### 2. Disclosure requirements:

- Governance and risk management
- Strategy and business model
- Metrics and targets
- Scenario analysis

#### 3. Industry-specific disclosures:

- Climate-related disclosures for industries with high greenhouse gas emissions
- Disclosure of sustainability-related risks and opportunities for all industries

#### 4. Guidance on sustainability reporting:

- Reference to international frameworks (e.g., TCFD, GRI)
- Encouragement of integrated reporting

#### 5. Effective date:

- Proposed standards expected to be effective in 2024 or later

IFRS Foundation's sustainable finance disclosures aim to:

1. Enhance transparency and accountability
2. Support informed decision-making
3. Promote sustainable finance practices globally

Note: The specific requirements and timeline may evolve as the IFRS Foundation continues to develop and refine its guidance on sustainable finance disclosures.

IFRS Foundation has also established the:

1. International Sustainability Standards Board (ISSB) to develop global sustainability disclosure standards
2. Task Force on Climate-related Financial Disclosures (TCFD) to develop climate-related disclosure guidelines.

## **SUSTAINABLE FINANCE DISCLOSURES UNDER IPSAS**

Sustainable finance disclosures under IPSAS refer to the guidelines for public sector entities to report on their sustainable finance practices and impacts.

Key aspects of sustainable finance disclosures under IPSAS:

1. Integration with existing standards:
  - IPSAS 34: Separate Financial Statements
  - IPSAS 35: Consolidated Financial Statements
2. Disclosure requirements:
  - Sustainability risks and opportunities
  - Environmental, social, and governance (ESG) considerations
  - Sustainable investment practices
  - Green financing and climate-related disclosures
3. Recommended disclosures:
  - Sustainability strategy and goals
  - ESG metrics and targets
  - Climate-related risks and opportunities
  - Sustainable finance products and services
4. Guidance on sustainability reporting:
  - IPSASB's Sustainability Reporting Guidelines

- Reference to international frameworks (e.g., GRI, TCFD)

5. Effective date:

- Phase 1 (2023): Disclosure of sustainability risks and opportunities

- Phase 2 (2025): Expanded disclosures on sustainable finance practices

IPSASB's sustainable finance disclosures aim to:

1. Enhance transparency and accountability

2. Support informed decision-making

3. Promote sustainable finance practices in the public sector

Note: The specific requirements and timeline may evolve as the IPSASB continues to develop and refine its guidance on sustainable finance disclosures.

## **6. ESG REPORTING AND DISCLOSURES UNDER IFRS, IPSAS**

### **The Difference between ESG Reporting and Disclosure**

The works of Hyde (2024) summarise the difference between ESG

Reporting and ESG Disclosure as follows:

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The key difference lies in the scope and intent: ESG Reporting is a comprehensive presentation of a company's ESG strategy and performance, aimed at showcasing sustainability efforts and outcomes. ESG Disclosure, however, is more focused on providing specific, often quantifiable, information about particular ESG issues, driven by transparency and accountability demands.

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## **ESG DISCLOSURES UNDER IFRS**

ESG Disclosures under IFRS are guidelines for companies to report on their sustainability performance.

Here's an outline:

### **I. Environmental Disclosures**

1. IFRS 1: First-time Adoption of International Financial Reporting Standards (disclosure of environmental liabilities)
2. IAS 16: Property, Plant and Equipment (disclosure of environmental costs)
3. IAS 20: Accounting for Government Grants and Disclosure of Government Assistance (disclosure of environmental grants)
4. IAS 36: Impairment of Assets (disclosure of environmental impairment)
5. IFRS 15: Revenue from Contracts with Customers (disclosure of environmental revenue)

### **II. Social Disclosures**

1. IAS 19: Employee Benefits (disclosure of employee benefits and social costs)
2. IFRS 8: Operating Segments (disclosure of social information by segment)

### **III. Governance Disclosures**

1. IFRS 7: Financial Instruments: Disclosures (disclosure of governance structure and risk management)
2. IFRS 9: Financial Instruments (disclosure of governance structure and risk management)
3. IFRS 10: Consolidated Financial Statements (disclosure of governance structure and control)

### **IV. Additional Disclosures**

1. IFRS Practice Statement 1: Management Commentary (guidance on ESG disclosures in management commentary)

## 2. IFRS Practice Statement 2: Making Materiality Judgments (guidance on materiality assessments for ESG disclosures)

Note: IFRS does not have specific ESG disclosure requirements, but companies can use the above guidelines to report on their ESG performance.

In Nigeria, companies listed on the Nigerian Stock Exchange are required to adopt IFRS and provide ESG disclosures in their annual reports.

### **ESG DISCLOSURES UNDER IPSAS**

ESG disclosures under IPSAS refer to the guidelines for public sector entities to report on their ESG performance and impacts.

Key aspects of ESG disclosures under IPSAS:

#### 1. Environmental disclosures:

- Greenhouse gas emissions
- Energy and water consumption
- Waste management
- Biodiversity and ecosystem impacts

#### 2. Social disclosures:

- Employee welfare and safety
- Community engagement and development
- Human rights and labor practices
- Customer and stakeholder relationships

#### 3. Governance disclosures:

- Ethics and corruption prevention
- Board composition and diversity
- Executive compensation and accountability
- Risk management and internal controls

#### 4. Reporting guidelines:

- IPSAS 34: Separate Financial Statements
  - IPSAS 35: Consolidated Financial Statements
  - IPSAS 36: Investments in Associates and Joint Ventures
5. Disclosure requirements:
- Qualitative and quantitative information
  - Comparative data and trends
  - Management's discussion and analysis
6. Effective date: Varies depending on the specific IPSAS standard and the entity's reporting cycle.

IPSASB (International Public Sector Accounting Standards Board) provides guidance on ESG disclosures to enhance transparency, accountability, and decision-making in the public sector.

## **SUSTAINABLE FINANCIAL PRACTICES UNDER IFRS**

Sustainable financial practices under IFRS involve integrating ESG considerations into financial reporting and decision-making.

Some examples include:

1. Disclosure of ESG risks and opportunities (IFRS 7, IFRS 9)
2. Accounting for environmental liabilities (IAS 37)
3. Recognition of intangible assets (IAS 38)
4. Disclosure of social and environmental expenditures (IAS 1)
5. Reporting of sustainability performance metrics (IFRS Practice Statement 1)
6. Integration of ESG factors into financial statements (IFRS Practice Statement 2)
7. Disclosure of climate-related risks and opportunities (TCFD recommendations)
8. Reporting of human capital and diversity metrics (IAS 19)
9. Disclosure of supply chain and sourcing practices (IAS 1)
10. Assurance and audit of sustainability reports (ISAE 3000)

IFRS standards and guidance support sustainable financial practices by:

1. Enhancing transparency and disclosure
2. Promoting accountability and responsibility
3. Supporting informed decision-making
4. Encouraging long-term thinking
5. Facilitating comparability and consistency

In Nigeria, companies listed on the Nigerian Stock Exchange are required to adopt IFRS and report on their ESG performance.

## **7. AUDIT PRACTICE AND ESG REPORTING**

### **IMPROVING AUDIT QUALITY IN ESG DISCLOSURES AND REPORTING**

Improving audit quality in ESG disclosures and reporting is crucial for ensuring the accuracy and reliability of ESG information. Here are some ways to achieve this:

1. Enhanced auditor training: Provide auditors with comprehensive training on ESG matters, including industry-specific issues and emerging trends.
2. Specialized ESG audit teams: Establish dedicated ESG audit teams with expertise in sustainability reporting and ESG standards.
3. Robust audit procedures: Develop and implement rigorous audit procedures for ESG disclosures, including verification of data and documentation.
4. Use of technology: Leverage technology, such as data analytics and AI, to enhance ESG audit quality and efficiency.
5. Stakeholder engagement: Encourage auditors to engage with stakeholders, including investors and NGOs, to understand their ESG information needs.
6. ESG risk assessment: Conduct thorough ESG risk assessments to identify potential material issues and focus audit efforts accordingly.
7. Independent assurance: Provide independent assurance on ESG reports to enhance credibility and trust.

8. Continuous monitoring: Continuously monitor ESG reporting developments and update audit procedures accordingly.
9. Collaboration and knowledge sharing: Foster collaboration and knowledge sharing among auditors, industry experts, and stakeholders to stay up-to-date on best practices.
10. Regulatory oversight: Strengthen regulatory oversight to ensure auditors adhere to high-quality standards in ESG auditing.

By implementing these measures, audit quality in ESG disclosures and reporting can be significantly improved, providing stakeholders with reliable and accurate ESG information.

## **STANDARDIZED ESG**

Standardized ESG metrics and frameworks provide a common language and set of standards for measuring and reporting ESG performance.

Some widely used examples include:

Metrics:

1. Greenhouse gas (GHG) emissions (e.g., carbon footprint)
2. Water usage
3. Energy consumption
4. Waste management
5. Diversity and inclusion metrics (e.g., gender pay gap)
6. Employee engagement and turnover rates
7. Supply chain risk metrics

Frameworks:

1. Global Reporting Initiative (GRI)
2. Sustainability Accounting Standards Board (SASB)
3. Task Force on Climate-related Financial Disclosures (TCFD)
4. International Integrated Reporting Council (IIRC)
5. CDP (Carbon Disclosure Project)
6. Dow Jones Sustainability Indices (DJSI)

## 7. EU's Sustainable Finance Disclosure Regulation (SFDR)

These standardized metrics and frameworks help:

1. Simplify ESG reporting
2. Enhance comparability
3. Improve data quality
4. Increase transparency
5. Support informed decision-making

By using standardized ESG metrics and frameworks, companies can ensure consistency, accuracy, and reliability in their ESG reporting, making it easier for stakeholders to understand and compare their performance.

### **THE ISSA 5000**

The ISSA 5000 is a standard for auditing and assessing an organization's information security management system. A readiness assessment for ISSA 5000 would evaluate an organization's current state of information security controls and preparedness for an ISSA 5000 audit. Here's a general outline of a readiness assessment:

1. Gap analysis: Identify gaps between current security controls and ISSA 5000 requirements.
2. Documentation review: Review existing security policies, procedures, and records.
3. Interviews and surveys: Conduct interviews and surveys with personnel to assess awareness and understanding of security controls.
4. Technical testing: Perform technical tests to assess security controls, such as vulnerability scanning and penetration testing.
5. Risk assessment: Identify and assess potential security risks.
6. Control evaluation: Evaluate the design and operating effectiveness of security controls.
7. Report and recommendations: Provide a detailed report highlighting gaps, weaknesses, and recommendations for improvement.

The readiness assessment helps organizations:

1. Identify areas for improvement
2. Prioritize remediation efforts
3. Develop a roadmap for ISSA 5000 compliance
4. Enhance overall information security posture

By conducting a readiness assessment, organizations can ensure they are prepared for an ISSA 5000 audit and have a robust information security management system in place.

## **ISQM 1**

ISQM 1 is a standard issued by the International Auditing and Assurance Standards Board (IAASB) that deals with quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements.

ISQM 1 focuses on the following key areas:

1. Leadership and governance: Firm leadership and governance responsibilities for quality management.
2. Risk management: Identifying, assessing, and responding to quality risks.
3. Quality management policies and procedures: Establishing and maintaining policies and procedures for quality management.
4. Quality control: Monitoring and maintaining quality control processes.
5. Resources and capabilities: Ensuring sufficient resources and capabilities for quality management.
6. Information and communication: Communicating quality management information within the firm.
7. Monitoring and review: Monitoring and reviewing the quality management system.

ISQM 1 aims to:

1. Enhance quality management

2. Improve audit quality
3. Increase transparency and accountability
4. Support consistent global quality management practices

By adopting ISQM 1, firms can demonstrate their commitment to quality management and enhance the quality of their services.

## **MEASUREMENT ERRORS IN ESG DISCLOSURES**

Measurement errors in ESG disclosures can occur due to various reasons, including:

1. Data quality issues: Inaccurate, incomplete, or inconsistent data.
2. Methodological flaws: Incorrect or inconsistent application of measurement methodologies.
3. Lack of standardization: Inconsistent use of ESG metrics and frameworks.
4. Human error: Mistakes in data collection, calculation, or reporting.
5. Systematic biases: Biases in data collection or reporting processes.
6. Lack of transparency: Insufficient disclosure of measurement methods and data sources.
7. Evolution of ESG standards: Changes in ESG reporting standards and frameworks.
8. Complexity of ESG issues: Difficulty in measuring complex ESG issues, such as supply chain impacts.

These measurement errors can lead to:

1. Inaccurate reporting
2. Misleading stakeholders
3. Inadequate risk assessment
4. Poor decision-making
5. Reputational damage

To minimize measurement errors, companies should:

1. Implement robust data management systems
2. Use standardized ESG metrics and frameworks
3. Ensure transparency in measurement methods and data sources

4. Provide regular training to data collectors and reporters
5. Conduct regular audits and assurance activities
6. Stay up-to-date with evolving ESG reporting standards and frameworks.

## **8. THE ACCOUNTANCY PROFESSION AND SUSTAINABLE FINANCIAL PRACTICES**

### **THE ACCOUNTANCY PROFESSION AND SUSTAINABILITY REPORTING**

The accountancy profession is undergoing significant changes due to various factors, including:

1. Digitalization and automation: Technology advancements, AI, and blockchain are transforming accounting processes and services
2. Globalization and international standards: Increased adoption of global standards, such as IFRS, and growing cross-border transactions.
3. Sustainability and ESG considerations: Growing emphasis on environmental, social, and governance (ESG) reporting and assurance.
4. Changing business models and client expectations: Shift towards advisory services, outsourcing, and cloud-based solutions.
5. Talent and skills gap: Need for accountants to develop new skills, such as data analytics and digital literacy.
6. Regulatory changes and compliance: Evolving regulatory requirements, such as anti-money laundering and data protection.
7. Increased competition and market disruption: New entrants, such as fintechs and non-traditional accounting firms, disrupting traditional business models.
8. Demographic changes and diversity: Shifting workforce demographics and growing importance of diversity, equity, and inclusion.
9. Continuing professional development (CPD) and lifelong learning: Need for accountants to continually update skills and knowledge.
10. Ethics and professionalism: Ongoing focus on maintaining high ethical standards and professionalism in the face of changing circumstances.

These changes require accountants to adapt, innovate, and develop new skills to remain relevant and provide value to clients and stakeholders.

The accountancy profession is evolving to meet these changes, with a focus on:

1. Digital transformation
2. Sustainability and ESG
3. Advisory services
4. Globalization and international standards
5. Talent development and diversity
6. Regulatory compliance
7. Innovation and disruption
8. Ethics and professionalism

By embracing these changes, the accountancy profession can continue to thrive and provide valuable services to society.

## **SUSTAINABLE DEVELOPMENT AND NET-ZERO TRANSITIONS**

IFAC has noted eight key takeaways for the accountancy profession and its roles in enabling capital markets and societies to achieve sustainability goals:

1. Engagement with government and policymakers is critical in the context of a just transition.
2. Clear and effective corporate governance must be established.
3. Use the consequences and cost of inaction as a business case for decarbonization and sustainability.
4. Finance and accountancy professionals have a significant role in net-zero of sustainability.
5. Enhance decision making with effective data and insights.
6. Larger multinational companies can play a key role in influencing supply chain partners.

7. Refine and standardise reporting and disclosure.
8. Prioritize education, upskilling and talent management.

## **9. REGULATORY FRAMEWORK FOR SUSTAINABILITY REPORTING IN NIGERIA**

### **THE FINANCIAL REPORTING COUNCIL (FRC)**

The Financial Reporting Council (FRC) in Nigeria engages with auditors through various activities, including:

1. Training and capacity building: FRC provides training on auditing standards, ESG reporting, and other relevant topics.
2. Workshops and seminars: FRC organizes workshops and seminars on auditing and financial reporting issues.
3. Roundtable discussions: FRC hosts roundtable discussions with auditors to address industry concerns and challenges.
4. Stakeholder forums: FRC participates in stakeholder forums to engage with auditors and other stakeholders.
5. Advisory groups: FRC establishes advisory groups comprising auditors and other stakeholders to provide guidance on auditing standards.
6. Consultation on standards and guidelines: FRC consults with auditors on proposed standards and guidelines.
7. Enforcement activities: FRC engages with auditors during enforcement activities, such as inspections and investigations.
8. Annual auditors' conference: FRC hosts an annual conference for auditors to discuss industry issues and developments.
9. Technical support: FRC provides technical support to auditors on auditing standards and ESG reporting.
10. Feedback mechanisms: FRC establishes feedback mechanisms to receive input from auditors on its activities and initiatives.

These engagements aim to:

1. Improve audit quality
2. Enhance ESG reporting
3. Promote transparency and accountability
4. Support auditor professional development
5. Foster collaboration and cooperation

By engaging with auditors, FRC ensures that auditing standards and ESG reporting requirements are practical, effective, and meet stakeholder needs.

## **FINANCIAL REPORTING COUNCIL SUSTAINABILITY ROADMAP**

The Financial Reporting Council of Nigeria (FRC) has developed a roadmap for the adoption of sustainability reporting in Nigeria. The roadmap is divided into phases and includes timelines for the implementation of sustainability reporting and assurance.

Key components of the roadmap include:

- Adoption of International Sustainability Standards Board (ISSB) standards
- Establishment of the Adoption Readiness Working Group (ARWG) for Sustainability Reporting.
- Launch of the ISSB Sustainability Disclosure Standards, IFRS S1 & S2
- Assurance of sustainability reporting market study.
- Memorandum of understanding (MoU) with the Nigerian Internal Reporting Commission (NIRC) for sustainable reporting.

The FRC's roadmap aims to promote sustainability reporting as an integral part of enterprise and societal value creation in Nigeria.

## **POTENTIAL PITFALLS IN SUSTAINABILITY REPORTING IN NIGERIA**

Potential pitfalls in Sustainability Reporting in Nigeria include:

1. Lack of clear guidance: Insufficient guidance on implementing sustainability reporting standards.
2. Limited stakeholder engagement: Inadequate involvement of stakeholders in the adoption process.
3. Inadequate capacity building: Insufficient training and capacity building for companies and auditors.
4. Enforcement challenges: Difficulty in enforcing compliance with sustainability reporting requirements.
5. Data quality issues: Poor data quality and reliability in sustainability reports.
6. Greenwashing: Companies presenting misleading or exaggerated sustainability claims.
7. Cost and resource constraints: High costs and resource requirements for implementing sustainability reporting.
8. Lack of harmonization: Inconsistencies between FRC requirements and other regulatory bodies.
9. Insufficient assurance: Inadequate assurance processes for sustainability reports.
10. Resistance to change: Companies resistant to adopting new sustainability reporting requirements.

Addressing these pitfalls is crucial to ensure a successful implementation of the FRC Roadmap on Sustainability Reporting in Nigeria.

## **10. POLICY CONCLUSIONS AND RECOMMENDATIONS**

From the foregoing presentations, this paper arrives at the following policy conclusions and recommendations:

### **Policy Conclusions**

1. The adoption of sustainable financial practices under IFRS and IPSAS in Nigeria is slow and incomprehensive. The early adopters of sustainability reporting and disclosure are already reaping the benefits of long-term value creation and sustainable growth.
2. There are still challenges and obstacles limiting the integration of sustainable financial practices. These challenges include limited availability of financing options for sustainable projects, including lack of reliable data to assess the impact of sustainable financial practices.

### **Policy Recommendations**

1. Public and private sector entities should embrace sustainable finance tools and standardising procedures to achieve Sustainable Development Goals (SDGs).
2. Specifically, the role of public finance in sustainable development and environmental initiatives should be emphasized.
3. There is a constant need to deepen ESG Audit Practice in Nigeria. Auditors and other Assurance Providers should always be prepared to offer market-leading, innovative sustainable finance solutions.
4. The Stakeholders' Engagement on Sustainability issues should be sustained. The voluntary adoption period for the implementation of IFRS S1 and S2 (2024-2027) will prepare all organisations for mandatory sustainability reporting by 2028.
5. Our financial institutions should embrace Sustainability-Linked Loans (SLLs) as a means of contributing to sustainable growth in Nigeria.
6. In addition to the Financial Reporting Council Roadmap on sustainability reporting and disclosure, financial institutions in Nigeria should also embrace the 'Nigerian Sustainable Finance Roadmap', in line with the Design of a Sustainable Financial System initiated by the United Nations Environment Programme (UN Environment) to advance policy options for improving the financial- systems effectiveness in mobilizing capital towards a green and inclusive economy.
7. The Accountancy Profession (ANAN & ICAN), through their training and education mandates, should develop green skills for finance and accountancy

professionals. The focus should be on adapting existing skills, developing new capabilities for high-quality, decision-useful sustainability disclosures.

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