

SUSTAINABILITY GUIDE FOR SMES

May 2024

www.dealhqpartners.com



Foreword

In today's rapidly evolving global landscape, the pursuit of sustainability has transitioned from a mere corporate responsibility to an essential driver of long-term success and resilience. As environmental concerns, social equity, and governance (ESG) considerations take center stage, businesses, especially Small and Medium-sized Enterprises (SMEs), are uniquely positioned to make a significant impact. This guide aims to illuminate the path for SMEs to integrate sustainable practices into their operations, not just as a moral imperative but as a strategic advantage.

The concept of sustainability has a storied history, tracing back to seminal events such as the 1972 Stockholm Conference and the 1992 Rio Earth Summit. These milestones have shaped the framework within which we understand and practice sustainability today, leading to the establishment of the Sustainable Development Goals (SDGs) in 2015. These goals provide a comprehensive blueprint for achieving a more sustainable and equitable world by 2030.

Our sustainability guide is designed to offer SMEs a detailed roadmap for navigating the complexities of sustainable business practices. It covers critical areas such as the importance of embedding sustainability into business strategies, understanding the regulatory landscape, leveraging sustainable financing, and effectively managing supply chains. By providing actionable insights and practical tools, this guide empowers SMEs to contribute to the global sustainability agenda while enhancing their own operational efficiency and market competitiveness.

We believe that the integration of sustainability into business practices is not only beneficial for the planet but also creates immense value for businesses. Sustainable SMEs can lead the way in innovation, efficiency, and customer trust, driving economic growth and fostering a healthier environment. This guide is a testament to our commitment to supporting businesses in their sustainability journey, offering expert advice and strategic insights to help them thrive in an increasingly conscious market.

We invite you to explore the pages ahead, embrace the principles of sustainability, and join us in the collective effort to build a more sustainable future for all.



A stylized, handwritten signature in white ink, appearing to read 'Tosin Ajose', written over a dark background.

Tosin Ajose
Lead Advisor



CONTENT

01 Introduction	02 Assessing Current Sustainability Legal Framework	03 Key Consideration s for Developing Sustainability Policy for SMES	04 Access to Finance as an Imperative for SMES to Pursue Sustainability
05 Sustainability and Supply Chain Management	06 R&D: Technology, Innovation, Ip and Sustainability	07 Future Trends and Innovations in SME Sustainability	08 Our Value Proposition to SMES
09 About DealHQ Partners	10 DealHQ Sustainability Practice Capability Statement		

INTRODUCTION

A. The Journey to Sustainability

The United Nation's Brundtland Commission defines sustainability as "the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs." At its core, therefore, sustainability focuses on ensuring that the environment, human and natural resources are used in a judicious manner that supports long-term ecological balance and survival needs of future generations.

The concept of sustainability entered mainstream conversations on account of rising concerns around the consequences of human activities (such as population explosion, deforestation, infrastructure, and business activities) on the environment. Prior to this time, concepts relating to the use and management of earth's resources had been promoted dating as far back as 500 BC[1]. These generations prioritized living in harmony with nature by minimizing waste and by consciously preserving resources for future generations.



With the Second Industrial Revolution (which lasted until the early 20th Century) came increased awareness of the effect of human activities on the environment. The 1952 Great Smog of London, a five-day fog caused by temperature inversion and smoke emissions led to the death of thousands of people. This first of its kind natural disaster alerted the world on the negative impact of burning coal and dangers of air pollution.

The concept of sustainability further gained prominence in 1962 with the publication of Rachel Carson's groundbreaking book, "Silent Spring[1]". Carson's work shed light on the harmful effects of pesticides and other chemicals on the environment; inspiring the environmental movement of the 1960s and 1970s. In addition to Carson's work, thought shapers such as Paul Ehrlich and David Suzuki continued to raise awareness of the need for sustainable living across the globe. Other core events and policy directions that have shaped the global journey to sustainability include:

i. Stockholm Conference 1972

Massive environmental protests continued to garner momentum in the 1960s resulting in the declaration of the World Earth Day on April 22nd, 1970, which later influenced the first ever global environmental conference in 1972.

The United Nations held its first ever Conference on the Human Environment, the Stockholm Conference (1972), in a bid to acknowledge heightening demand for environmental responsibility across the globe. The objective of the Conference was to foster international cooperation on environmental issues, raising awareness about the importance of environmental protection, and establishing principles for sustainable development. The Stockholm Conference featured participation from 114 countries. It was the first major international conference on environmental issues, and it laid the groundwork for global environmental governance as we know today.

The Stockholm Conference introduced the concept of "sustainable development", emphasizing the need to balance economic growth with environmental protection and social equity. This principle laid the foundation for future environmental policies and agreements. The conference also produced the Stockholm Declaration, which outlined the fundamental principles for environmental protection and sustainable development. It affirmed the right to a healthy environment and called for collective action to safeguard the planet for present and future generations.

In addition to these, the Conference established the United Nations Environment Programme (UNEP), the leading global environmental authority which coordinates international efforts on environmental issues, provides technical assistance to countries, and promotes environmental awareness and action. The conference elevated environmental concerns on the global agenda and paved the way for future international environmental agreements and conventions, setting the stage for subsequent multilateral negotiations.

ii. Publication of the Brundtland Report “Our Common Future”

The Brundtland Report was published by the Brundtland Commission in 1987 in response to growing concerns about environmental degradation, social inequality, and economic instability.

The Report introduced “sustainable development”, defining it as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” emphasizing the interconnectedness of environmental, social, and economic issues. The report identified three pillars of sustainable development: economic growth, social equity, and environmental protection, arguing that these pillars were mutually reinforcing and essential for achieving long-term prosperity.

The report was a call to action for governments, businesses, and civil society to adopt sustainable development as a guiding principle. It urged policymakers to pursue policies that promote sustainable resource management, poverty reduction, and social equity. Beyond the technical aspects, the Brundtland Report underscored the ethical imperatives of sustainable development. It stressed the moral obligation of present generations to steward the planet responsibly for the sake of future generations, particularly the most vulnerable populations.

The Brundtland Report had a profound impact on global sustainability efforts, shaping policies and initiatives at national and international levels. Its definition of sustainable development became widely accepted, providing a common framework for addressing environmental and social challenges.



iii. The Rio Earth Summit

The United Nations Conference on Environment and Development (UNCED), widely known as the Rio Earth Summit, convened in Rio de Janeiro, Brazil, from June 3rd to 14th, 1992. According to the UN, the primary objective of the Rio Earth Summit “was to produce a broad agenda and a new blueprint for international action on environmental and development issues that would help guide international cooperation and development policy in the twenty-first century.”

The summit sought to address a range of global environmental challenges, including climate change, biodiversity loss, deforestation, pollution, and resource depletion by bringing together representatives from governments, NGOs, and the private sector, the summit provided a platform for discussing and strategizing solutions to these pressing environmental and social issues. Among the key accomplishments of the Summit was the creation of Agenda 21, a comprehensive action plan for sustainable development in the agriculture, forestry, biodiversity and energy sectors. Agenda 21 contains 27 principles, including the centrality of human beings to sustainable development concerns; placing environmental concerns on an equal footing with development; understanding the importance of the environment to present and future generations; and the principle of common but differentiated responsibilities. In addition to these principles, the Summit required member states to enact adequate environmental protection frameworks.

iv. The UN’s Millenium Development Goals

Adopted in the year 2000, the Millennium Development Goals (MDGs) were a set of eight international development goals set by the United Nations (UN). Designed to address key global challenges and improve the lives of the world's most vulnerable populations, the MDGs provided a framework for global action on poverty, hunger, disease, education, gender equality, environmental sustainability, and global partnership.

Whilst the MDGs focused primarily on social and economic development, they laid the groundwork for integrating sustainability principles into global development agendas. The MDGs mobilized international attention and resources towards achieving measurable improvements in key areas of human development. While progress was made on many fronts, there were also challenges and shortcomings in achieving all the goals by the target date of 2015.

As a result, the UN adopted the Sustainable Development Goals (SDGs) in 2015, providing a more comprehensive and ambitious framework for addressing global challenges, including poverty, inequality, climate change, and environmental degradation, with a view to ensuring peace and prosperity for all.

v. The UN’s Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) emerged as a successor framework to the Millennium Development Goals (MDGs), building upon the lessons learned and addressing new challenges. The SDGs were adopted by the United Nations General Assembly in September 2015 as part of the 2030 Agenda for Sustainable Development, which provides a comprehensive roadmap for addressing global challenges while promoting prosperity, equity, and environmental sustainability. Each SDG contributes to promoting sustainable development by addressing key social, economic, and environmental challenges in an integrated manner. By targeting specific areas such as poverty, hunger, health, education, gender equality, clean energy, and climate action, the SDGs aim to create a more equitable, prosperous, and environmentally sustainable world for present and future generations. The SDGs have at their core three E’s: Environment, Economy and Equity.



The Sustainable Development Goals are the foundation of a collective framework of actions geared towards improving the lives of populations around the world and mitigating the impact of human activity on the environment. It stewards the involvement of global corporations and businesses at the core of the global movement towards sustainability by recognizing that businesses play a significant role in resource utilization, consumption and waste generation. Small and Medium-sized Enterprises (SMEs) constitute a significant portion of the global business landscape, accounting for approximately 90% of global business activities whilst contributing significantly to employment, innovation, and economic growth. With such controlling influence on global trade and the economy; it is imperative that SMEs are at the epicenter of global sustainability policies and practices.

SUSTAINABLE DEVELOPMENT GOALS



SMEs collective impact on sustainability is substantial, as their operations span diverse industries/sectors with footprints across local, regional, and global markets. While SMEs may individually have smaller environmental footprints compared to large corporations, their cumulative impact on natural resources, energy consumption, and waste generation is significant. Unsustainable practices such as inefficient resource use, pollution, and deforestation can exacerbate environmental degradation and contribute to climate change.

B. Navigating the Global Sustainability Landscape

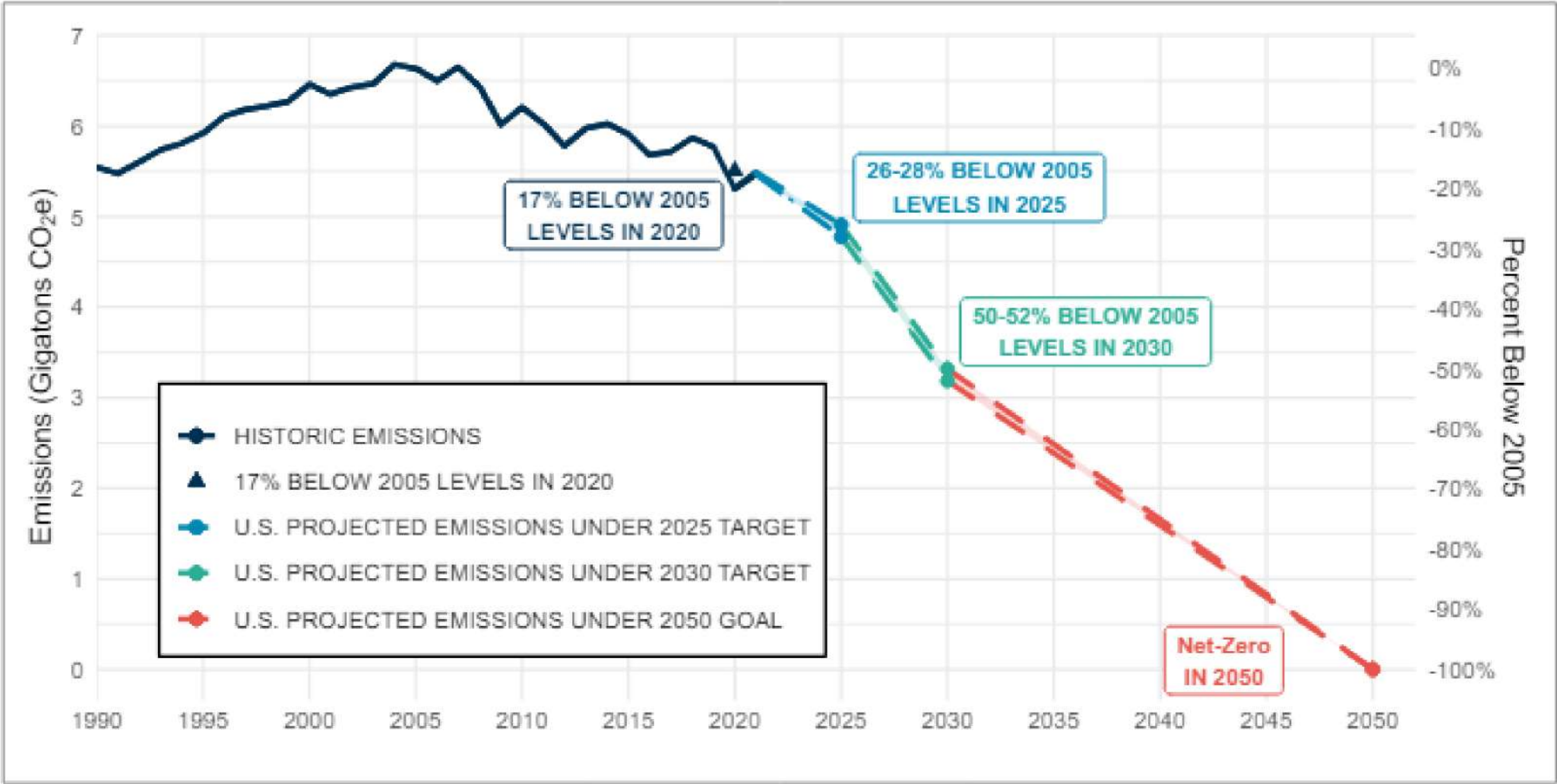
Over the last decade, the world has seen a significant shift in the global priorities of Sovereigns, Sub-Sovereigns and Corporation’s attention towards collective action for sustainability with momentum and awareness reaching unprecedented heights. Sustainability has emerged as a paramount global concern, driving policymakers at the international, regional, and national levels to enact bold initiatives aimed at addressing pressing environmental, social, and economic challenges. From climate change mitigation to the promotion of renewable energy and the advancement of sustainable development goals, governments worldwide are increasingly prioritizing sustainability in their policy agendas.

At the international level, organizations such as the United Nations (UN), the World Bank, and the International Monetary Fund (IMF) play pivotal roles in shaping the global sustainability agenda. Initiatives like the Paris Agreement, adopted in 2015, set ambitious targets for reducing greenhouse gas emissions and limiting global temperature rise. Additionally, the Sustainable Development Goals (SDGs), endorsed by UN member states in 2015, provide a comprehensive framework for addressing key sustainability challenges, including poverty, inequality, and environmental degradation.

In addition to global efforts, regional organizations and blocs are taking proactive measures to promote sustainability within their respective jurisdictions. For example, the European Union's Green Deal aims to make Europe the world's first climate-neutral continent by 2050, with ambitious targets for reducing emissions, transitioning to renewable energy, and promoting sustainable agriculture and transport. Similarly, organizations like the African Union and the Association of Southeast Asian Nations (ASEAN) are spearheading initiatives to address sustainability challenges unique to their regions.

At the national level, governments around the world are enacting a wide range of policies and regulations to foster sustainability across various sectors. Countries like Norway and Sweden have implemented stringent environmental regulations and incentives to promote renewable energy adoption and reduce carbon emissions.

In the United States, the government has released a Nationally Determined Contribution Plan to reduce net greenhouse gas emissions by 50% in 2030 and achieve 100% clean energy by 2035 with an ultimate goal to reach Net Zero emissions by 2050[1]. It has also launched initiatives like the Global Methane Pledge, Clean Power Plan and the Green New Deal which seek to accelerate the transition to a low-carbon economy and create sustainable jobs through the reduction of emission of harmful non-CO2 gases into the atmosphere.



This figure shows the historical trajectory of U.S. net GHG emissions from 1990 to 2019, the projected pathway to the 2030 NDC of 50-52% below 2005 levels, and the 2050 net-zero goal. The United States has also set a goal for 100% clean electricity in 2035; that goal is not an economy-wide emissions goal so does not appear in this figure, but it will be critical to support decarbonization in the electricity sector, which will in turn help the U.S. reach its 2030 and 2050 goals in combination with broad electrification of end uses

U.S. Historic and Projected Emissions. Source: The Longterm Strategy of the US: Pathways to Net Zero (2021)

The Longterm Strategy of the US: Pathways to Net Zero (2021) [Jacobus A. Du Pisani Professor of History \(2006\) Sustainable Development – historical roots of the concept, Environmental Sciences, 3:2, 83-96](#)
[Carson, Rachel, 1907-1964. Silent Spring. Boston: Houghton Mifflin, 2002.](#)

Nigeria is not left out in the journey towards sustainability, implementing its National Climate Change Policy (2021-2030) which details steps to execute the National Action Plan to Reduce short-lived climate pollutants (SLCPs), with a view to reduce 83% of black carbon emissions by 2030, and to reduce methane emissions by 61%. In addition, Nigeria has ratified the Kigali Amendment to the Montreal Protocol aimed at reducing the use of Hydrofluorocarbons (HFCs) in air conditioning and cooling systems due to their greenhouse effects. In terms of Nationally Determined Contributions, Nigeria's vision is to be a "country of low carbon, climate resilient, circular economy that reduces its current level of emissions by 50% and is moving towards net-zero emissions across all sectors of its development[1]."

In addition to policy initiatives, technological advancements and private sector innovations are playing a crucial role in driving sustainability forward. From the rapid growth of the renewable energy sector to the emergence of circular economy models and sustainable finance instruments, businesses, entrepreneurs, and investors are increasingly recognizing the economic opportunities inherent in sustainable practices.

This global sustainability policy direction is being driven by the need to reduce carbon emissions, limit the earth temperature to 1.5C and ensure responsible use of resources. Carbon emissions, primarily from the burning of fossil fuels and industrial activities, contribute significantly to the greenhouse effect, leading to global warming and destabilizing climate patterns. UNEP reports that energy generation and distribution is responsible for over 60% of the global GHG emissions. By transitioning to renewable energy sources, improving energy efficiency, and adopting low-carbon technologies, businesses and communities can reduce their carbon footprint and contribute to global efforts to limit temperature rise to well below 2 degrees Celsius.

Sustainability also addresses the critical concerns around resource scarcity and depletion. The indiscriminate extraction and consumption of natural resources, including water, minerals, and forests, are depleting essential ecosystems and threatening biodiversity. By implementing sustainable resource management practices, such as recycling, waste reduction, and sustainable agriculture, organizations can minimize their environmental impact and ensure the long-term availability of essential resources for future generations.

Beyond environmental considerations, sustainability also offers tangible economic benefits. Investing in renewable energy, energy efficiency, and sustainable technologies can enhance operational efficiency, reduce costs, and mitigate financial risks associated with resource scarcity and regulatory compliance. Additionally, businesses that prioritize sustainability often enjoy enhanced brand reputation, increased consumer trust, and access to new markets, positioning them for long-term growth and competitiveness in a rapidly changing global landscape.

In the global sustainability landscape, efforts are primarily aggregated around these 4 elements driving the frontiers of sustainable development:

i. The Pillars of Sustainability:

- **Environmental Sustainability:** This focuses on minimizing the environmental impact of business activities. Environmental Sustainability involves the inculcation of carbon emission reduction practices, waste minimization, energy efficiency and promoting the use of renewables in production.
- **Social Sustainability:** This requires businesses to operate ethically by contributing to a just society. This ranges from ensuring fair labor practices to promoting diversity and inclusion in the workplace and delivering impact projects in the local communities.
- **Economic Sustainability:** This pillar communicates the need to deploy sustainable business models that ensure long term profitability while minimizing environmental and social risks. Businesses are now required to identify opportunities to increase resource efficiency and circular economy principles to ensure responsible consumption.

ii. International Cooperation and Governance:

Achieving global sustainability requires collaboration and cooperation among countries, organizations, and stakeholders at the international, national, and local levels. International agreements, conventions, and frameworks provide the foundation for collective action on sustainability issues, such as the United Nations Sustainable Development Goals (SDGs), the Paris Agreement on Climate Change, and the Convention on Biological Diversity (CBD).

iii. Circular Economy: The transition to a circular economy is essential for minimizing waste generation, maximizing resource efficiency, and promoting sustainable consumption and production patterns. Circular economy principles prioritize the reduction, reuse, recycling, and recovery of materials and resources throughout their lifecycle, thereby reducing environmental impacts and promoting economic resilience.

[Nigeria's Nationally Determined Contributions (2021), Federal Ministry of Environment. The Longterm Strategy of the US: Pathways to Net Zero (2021) Jacobus A. Du Pisani Professor of History (2006) Sustainable Development – historical roots of the concept, *Environmental Sciences*, 3:2, 83-96
 Carson, Rachel, 1907-1964. Silent Spring. Boston: Houghton Mifflin, 2002.

iv. Climate Change: Climate change remains one of the most urgent and complex challenges facing the world today. Increasing temperatures, extreme weather events, and rising sea-levels constitute a threat to ecosystems, communities, and economies worldwide. Efforts to mitigate and adapt to climate change involve international agreements, policy interventions, technological innovations, and behavioral changes.

C. SMEs and Sustainability

Implementing sustainability initiatives pose unique challenges for small and medium-sized enterprises (SMEs) as by their very nature the businesses lack scale and therefore are in consistent mode of navigating resource constraints, limited expertise, and competing priorities. Whilst many acknowledge and even recognize the importance of sustainability, SMEs often struggle to allocate sufficient time, financial resources, and manpower to develop and implement effective sustainability strategies. Additionally, SMEs may face immense difficulty accessing relevant information, technology, and support networks necessary for integrating sustainability strategies into their operations. Moreover, the lack of standardized frameworks, regulations and guidance tailored to the needs of SMEs further complicates the issue.

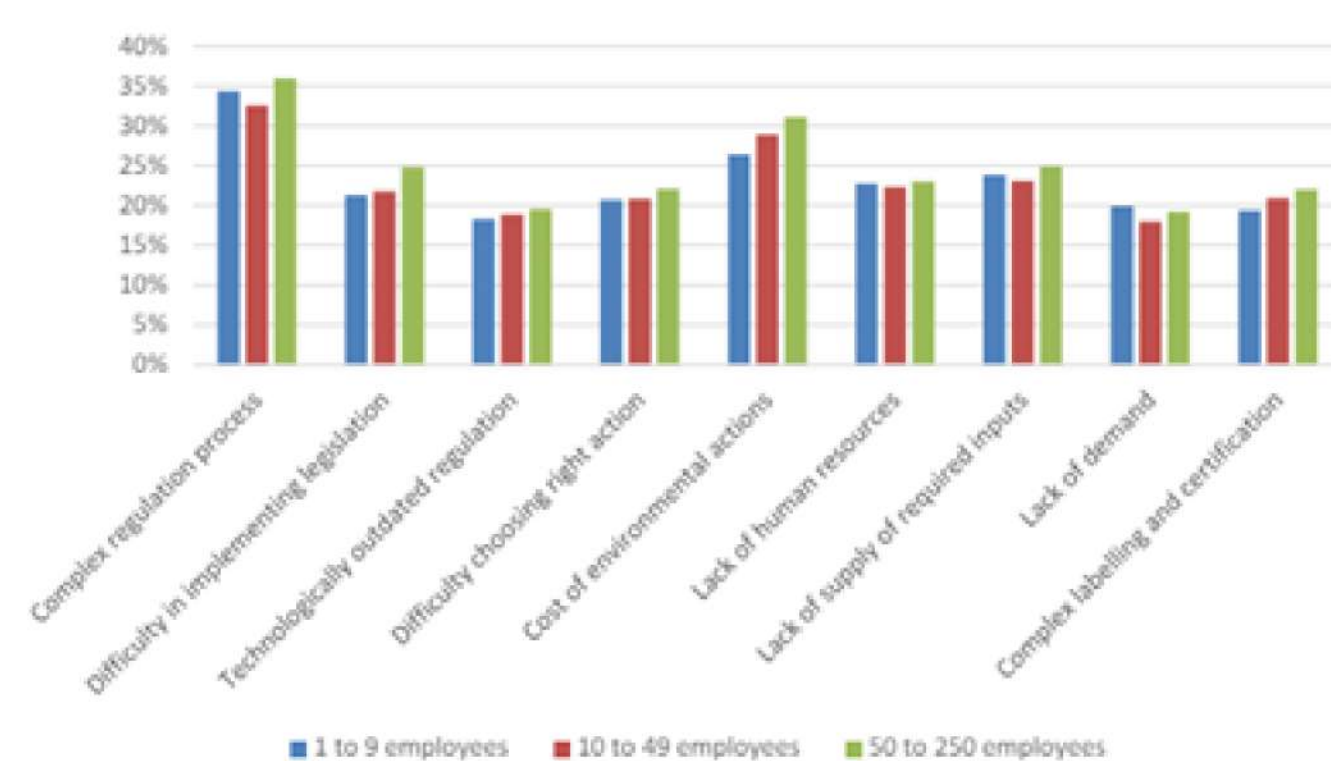
These challenges are even more so amplified amongst SMEs in developing countries, particularly in Africa, where access to sustainable finance is near non-existent and small businesses largely dependent on international aid and grants. On the other hand, the European, American and Asian markets have a high level of SME compliance in integration of sustainability initiatives due to well centered legislation and policy direction, availability of financial grants and other economic incentives. Navigating the core hurdles faced by SMEs therefore demands a nuanced understanding of the specific challenges that SMEs encounter on their sustainability journey. Primary amongst which would be:

i. **Limited Resources:** SMEs typically have limited financial resources, which can constrain their ability to invest in sustainability initiatives. They may lack the capital needed to purchase eco-friendly equipment, implement energy-efficient technologies, or hire sustainability experts. The World Bank's Enterprise Surveys and Investment Climate Assessments, report that cost of finance is the greatest obstacle to growth being faced by SMEs. The IFC also found that 71%

of SMEs in emerging markets such as Africa cited lack of access to finance as a major barrier to adopting sustainable practices[1]. Despite the importance of these businesses to economic growth and the journey towards sustainability, SMEs particularly in developing countries are lagging in the adoption of sustainable practices in their sourcing, production and business value chain due to a lack of capital. Conversely, SMEs also have to demonstrate existing sustainability initiatives or practices to gain access to sustainable finance and in some cases even grow their businesses. Governments are increasingly leaning towards sustainable procurement, requiring that contractors and suppliers have a history of sustainable practices whilst banks are looking to invest in SMEs with verifiable sustainability cultures.

ii. **Lack of Awareness and Expertise:** Many SMEs lack awareness of sustainability issues and may not fully understand the benefits of implementing sustainable practices. Additionally, they may lack the internal expertise needed to develop and implement effective sustainability strategies. According to the European Commission[1], only 37% of SMEs in the European Union have a good understanding of sustainability issues, and only 15% have dedicated staff responsible for sustainability. According to the OECD[2], many SMEs are subject to the information barrier, "with a misconception that protecting the environment is associated with technical complexity, costs and burdens." This information barrier results in many SMEs being averse to implementing new practices and technologies that promote sustainability.

Figure 10 Challenges to the adoption of resource efficiency activities, 2021

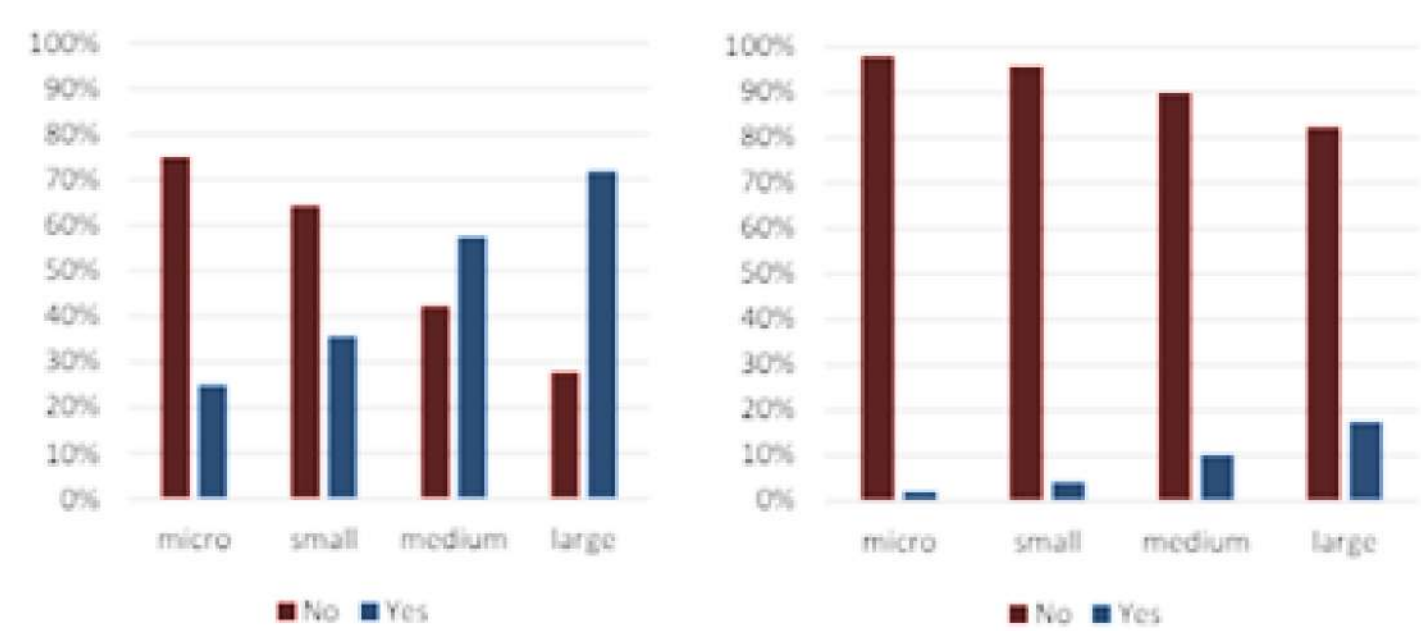


Source: European Commission, Flash Eurobarometer 498: SMEs, green markets and resource efficiency, 2021

Activate Win

iii. Regulatory Compliance: SMEs may struggle to navigate complex and evolving regulatory requirements related to sustainability. Compliance with environmental regulations, waste management standards, and emissions targets can be particularly challenging for SMEs with limited regulatory expertise and resources. In 2018, the UK government introduced the Streamlined Energy and Carbon Reporting (SECR) framework, requiring large and quoted companies to disclose their energy use and carbon emissions. However, the European Commission has noted that smaller enterprises are less likely to audit or measure their supply chain and business practices for CO2 emissions.

Figure 6 External audit of CO₂ emissions (left) and monitoring of CO₂ emissions along the supply chain (right)



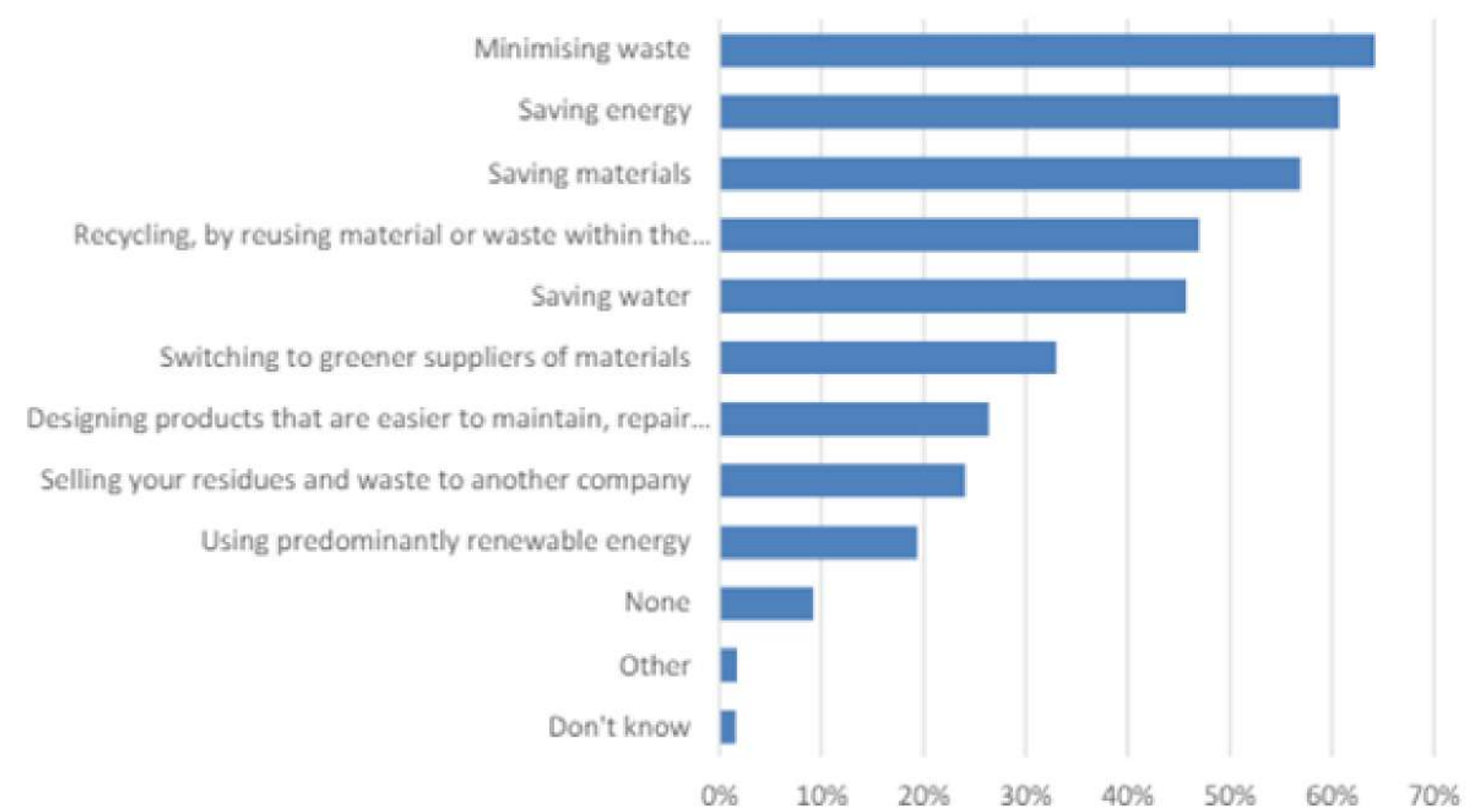
Source: EBRD BEEPS, 2018-2020
Note: Question BMGC.10: “Over the last three years, did this establishment complete an external audit of its CO₂ emissions?” And Question BMGC.11: “Over the last three years, did this establishment monitor CO₂ emissions along its supply chain?”

iv. Supply Chain Complexity: SMEs operating within complex supply chains may face challenges in ensuring the sustainability of their products and services. They may lack visibility into their upstream and downstream supply chain activities and struggle to influence the sustainability practices of their suppliers and partners. The United Nations Global Compact participants rank supply chain practices as “the biggest difficulty in improving sustainability performance”. These difficulties lie in auditing and monitoring their supply chains to ensure compliance with sustainability standards, particularly in industries with fragmented or opaque supply chains.

v. Cost of Compliance: Implementing sustainability measures often requires investments in new technologies, equipment upgrades, staff training, and certification processes, all of which can incur substantial expenses. For SMEs operating on tight budgets and with limited access to capital, these upfront costs may be prohibitive and act as a barrier to integrating sustainability into their operations. Additionally, SMEs may face difficulties in demonstrating the immediate return on investment (ROI) for sustainability initiatives, making it challenging to justify these expenditures to stakeholders or investors. Overcoming this challenge requires innovative financing mechanisms, such as grants, subsidies, or low-interest loans, tailored to the needs of SMEs to support their transition to sustainable practices without placing undue financial strain on their businesses.

vi. Resource Efficiency and Circular Economy: Attaining resource efficiency and a circular economy are two essential metrics in the journey towards sustainability. However, the EU SME Annual Report states that less than 50% of SMEs on the continent currently recycle by reusing material or converting waste to products. Whilst 60% currently minimize waste and save energy, only 28% of EU based SMEs are designing products that are easier to maintain or repair, with a little over 30% switching to green suppliers of raw materials. Transitioning to a circular economy model and improving resource efficiency often requires upfront investments in new technologies, equipment, and processes. SMEs may struggle to justify these costs, particularly if they operate on tight budgets with limited access to financing. Additionally, due to the limited workforce and sustainability expertise of SMEs, they may lack the expertise needed to identify opportunities for resource optimization, as well as optimizing products for reuse, and recycling.

Figure 9 Resource efficiency activities of SMEs, 2021



Source: European Commission, Flash Eurobarometer 498: SMEs, green markets and resource efficiency, 2021

D. Setting the Business Case for Sustainability adoption by SMEs

The integration of sustainability has emerged not just as a moral imperative but as a strategic necessity for small and medium-sized enterprises (SMEs). While traditionally viewed as a responsibility peculiar to large corporations, sustainability is increasingly recognized as a strategic imperative for SMEs seeking to enhance competitiveness, mitigate risks, and drive long-term growth. Embracing sustainable practices in business operations can offer several benefits to business owners ranging from brand identity to financial access and customer loyalty. The points below explore the comprehensive business case for SMEs to embrace sustainability, elucidating the multifaceted advantages that extend beyond mere ethical considerations both in terms of financial outcomes and broader business performance.

OECD (2018), Environmental Policy Toolkit for SME Greening in EU Eastern Partnership [Nigeria’s Nationally Determined Contributions (2021), Federal Ministry of Environment. The Longterm Strategy of the US: Pathways to Net Zero (2021) Jacobus A. Du Pisani Professor of History (2006) Sustainable Development – historical roots of the concept, Environmental Sciences, 3:2, 83-96

1. **Cost Savings:** According to 2013 research titled, “SMEs and Environmental Responsibility: A policy Perspective[1]”, one third of UK SME expenditure on energy is wasted through inefficient practices. In addition, SMEs contribute about 64% of total industrial waste in Europe. When combined, this leaves a huge ecological footprint that can no longer be ignored. SMEs can reduce costs by adopting eco-friendly and sustainable practices in the areas of product design, process efficiency and product packaging. SMEs can also save energy costs by implementing renewable energy sources into their energy mix. The IEA estimates the cost savings potential of SMEs as between 10-30% of their current energy demands. McKinsey estimates that integrating circular economy practices into business operations can boost EU resource productivity by 3%, leading to annual cost savings of over EUR 600 million.

2. **Access to Finance:** As the financial landscape increasingly prioritizes Environmental, Social, and Governance (ESG) criteria, SMEs incorporating sustainable practices can gain access to a broader pool of funding. Foreign investors, stakeholders and financial institutions are more inclined to support businesses contributing to positive social and environmental impacts, providing SMEs with embedded sustainability practices with a competitive edge in accessing capital. By aligning with ESG principles, SMEs can access a broader pool of financing options, secure better loan terms, and attract investment capital to fuel growth and expansion.

3. **Consumer Demand:** A 2018 survey by the European Commission shows that about half of SMEs in the EU indicate that their main motive to offer green products and services is consumer demand. In the Sustainability Imperative: New Insights on Consumer Expectations (2015), Nielsen suggests that two-thirds of consumers are willing to pay more for green products. This position is reiterated in the UN Global Compact’s SME Sustainability Action Guide of 2022 as 81% of the surveyed Malaysian population prefer sustainable products. The World Economic Forum survey also reports that globally, consumers across different generations are willing to spend more on sustainable products.

4. **Supply Chain Management:** Due to the increasing focus on enhancing sustainable practices, multinationals, corporates and even governments are demanding that their value chains adopt sustainability. For instance, the Government Green Procurement Initiative of Malaysia was initiated to reduce the negative environmental impacts of government activities and has since 2016 resulted in emission reduction equivalent to 100,431 tons of CO2.

5. **Economic Incentives:** Incorporating sustainable practices also allows SMEs to access economic incentives such as tax incentives, exemptions and grants. In Malaysia, SMEs can apply for the Green Investment Tax Allowances (GITA) for the acquisition of green technology assets whilst SMEs providing green technology services are eligible for the Green Income Tax Exemptions (GITE). In Germany, the Federal Ministry for Economic Affairs and Energy offers grants and loans through programs such as the "Environmental Innovation Program" to support SMEs in implementing energy-efficient technologies and eco-innovations. Similarly, in the United States, the Small Business Administration (SBA) administers the "Green Loan Program," which provides financing to small businesses for projects that promote energy efficiency, renewable energy adoption, and pollution prevention.

6. **Employee Engagement and Talent Attraction:** Embracing sustainability can also boost employee morale, engagement, and retention within SMEs. Employees are more likely to feel motivated and proud to work for a company that prioritizes environmental and social responsibility. Moreover, sustainability initiatives can attract top talent, particularly among younger generations who prioritize purpose-driven work and seek employers that share their values. According to the 2021 Deloitte Global Millennial and Gen Z report, 49% of people aged 18-25 and 44% of people aged 26-38 prefer to work for ethically and environmentally conscious businesses.

7. **Regulatory Compliance:** Integrating sustainable practices also helps SMEs meet their obligations under environmental laws. For instance, the EU has comprehensive environmental regulations covering various aspects such as waste management, air and water quality, and energy efficiency. SMEs operating within EU member states must comply with these regulations, including directives like the Waste Framework Directive and the Energy Efficiency Directive. In the U.S., SMEs are subject to laws such as the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act, which regulate air and water pollution, hazardous waste management, and other environmental issues.



E. Positioning SMEs at the Centre of all Global Sustainability Efforts.

It remains imperative and a critical priority to position SMEs at the core of all global sustainability efforts primarily because they are irrefutably the backbone of all global economies. According to the World Trade Organisation (WTO), SMEs represent about 90% of businesses globally, providing as much as 50% of total employment worldwide. The WTO reckons that formal SMEs alone contribute up to 40% of Gross Domestic Product (GDP) and are responsible for creating 7 out of every 10 jobs in emerging markets.

The International Finance Corporation (IFC) reports that registered SMEs with less than 250 employees represent more than two-thirds of formal employment in the 30 high income countries of the Organization for Economic Cooperation and Development (OECD)[1]. In addition to providing jobs and economic benefits, SMEs on aggregate contribute significantly to environmental challenges.

In the early years of the call for sustainability, SMEs were not a core focus of policies and frameworks on environmental degradation and climate change. Rather the focus was on large entities due to their noticeable emissions and environmental footprint. However, this approach is changing as the world now recognizes that SMEs, on aggregate, have a significant environmental footprint and the potential development of innovative solutions to address environmental challenges.

SMEs contribute to 64% of the industrial pollution in Europe[2] and are responsible for 13% energy consumption worldwide. The International Trade Centre (ITC)[3] estimates that SMEs contribute 50% of worldwide GHG emissions. In addition, about one-third of UK SME expenditure on energy is wasted through inefficient practices. The British Business Bank reports that more than 14% of UK based SMEs are involved in the top six emitting sectors[4] in the United Kingdom and are responsible for 57% of total business driven emissions in the United Kingdom. The U.S. Energy Information Administration (EIA) in 2018 estimated SMEs contribution to business energy consumption at 36%. Furthermore, the IFC[5] reports that Chinese SMEs on aggregate consume 2.5 times as much energy as larger firms to produce the same goods.

These reports and surveys have disproved the myth that SMEs do not have a huge impact on the environment. Rather, they show reasons why SMEs must be at the epicenter of the journey towards sustainability. SMEs must play a pivotal role in global sustainability efforts due to their widespread presence, diverse operations, and significant cumulative socioeconomic impact.

This significant contribution to economic growth and development makes SMEs an integral aspect of the sustainability journey. Their collective impact on environmental, social, and economic sustainability is substantial, making them critical stakeholders in sustainability efforts. In addition to these, focusing on SMEs in sustainability initiatives is essential for several reasons, including:

- **Innovation and Adaptability:** SMEs are often at the forefront of innovation and adaptation, driving the development and adoption of sustainable technologies, products, and business models. Their agility, flexibility, and entrepreneurial spirit enable them to experiment with new ideas, embrace sustainable practices, and catalyze positive change within industries and value chains.
- **Supply Chain Dynamics:** SMEs are integral components of complex supply chains, where sustainability risks and opportunities are interconnected. Collaborating with SMEs to improve sustainability practices within supply chains can enhance transparency, traceability, and responsible sourcing, thereby promoting ethical and sustainable production and consumption patterns.
- **Local and Global Impact:** SMEs operate at both local and global levels, influencing sustainability outcomes in their communities and beyond. Their business practices, resource consumption, waste generation, and greenhouse gas emissions contribute to environmental degradation and climate change. Addressing sustainability challenges at the SME level can therefore have far-reaching implications for global sustainability goals.





2.

ASSESSING THE STRENGTH OF GLOBAL LEGAL AND REGULATORY FRAMEWORK FOR SUSTAINABILITY

Climate change and sustainability concerns have reached unparalleled heights on the global scale, prompting heightened awareness amongst society and consumers. This rapid growth is propelled by governmental agendas and initiatives from regulatory bodies and supervisors, aimed at fulfilling the obligations of the several multilateral and unilateral sustainability agreements, catering to emerging needs, and offering assurance and transparency to investors.

Several laws, standards, policies, and regulations have been designed to address environmental, social and governance protection issues, both on the international and local levels. As the world grapples with the challenges of climate change, biodiversity loss, and social inequality; governments, international organizations, and industry bodies are increasingly recognizing the need for a coordinated approach to sustainability regulation.

This section encompasses a range of laws, enactments, agreements, initiatives, from reporting requirements and disclosure standards to voluntary guidelines and industry-led initiatives, all designed to drive transparency, accountability, and responsible practices across sectors using the European countries, the Americas, Asia and Africa as case studies. By providing a common language and set of expectations, the global regulatory framework for sustainability seeks to level the playing field, reduce greenwashing, and unlock the necessary investments and innovations to achieve a more sustainable and resilient future for all.

A. Overview of Policies and Standards Driving Sustainability

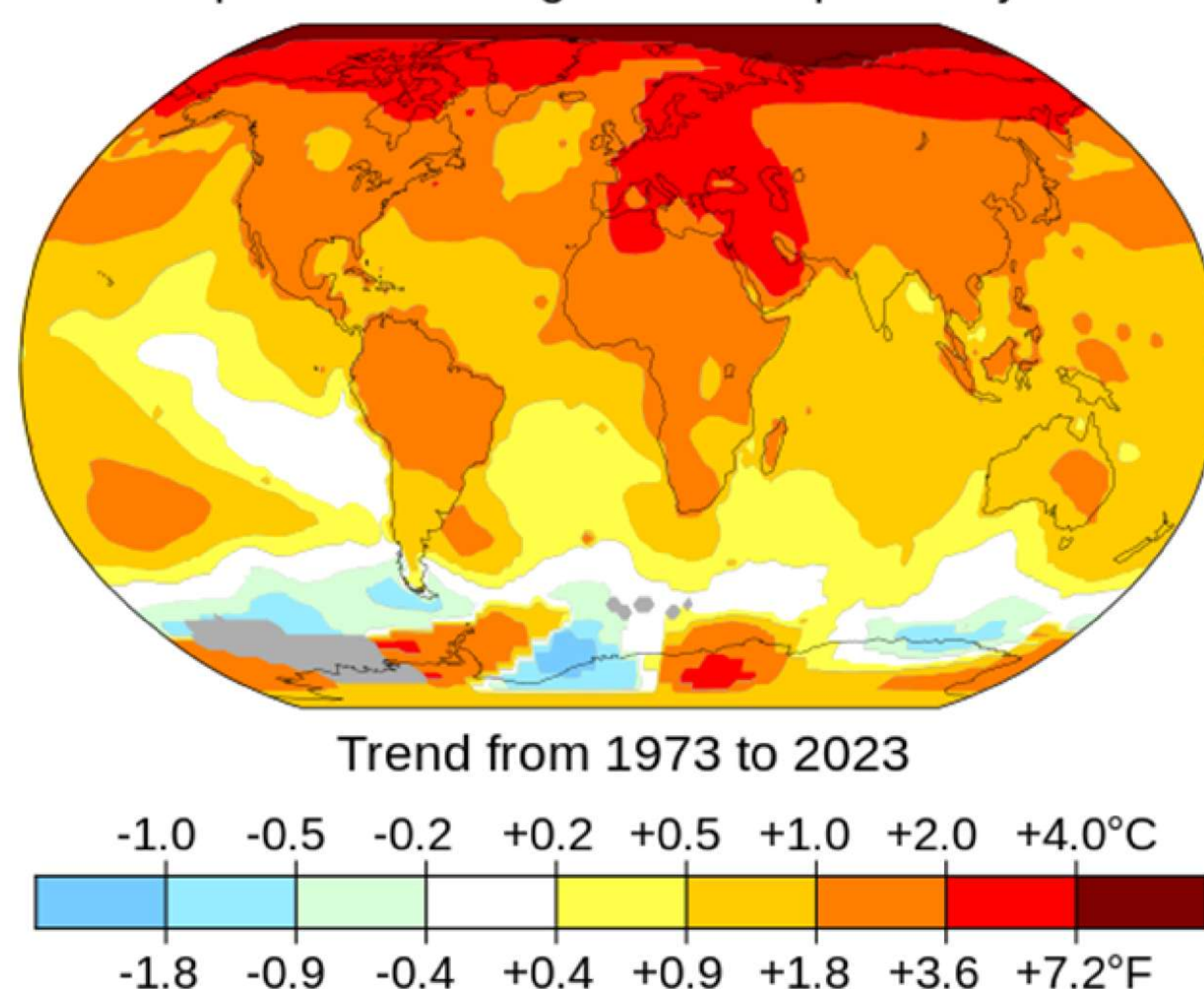
At the global level, several key initiatives have emerged to drive sustainability regulation. The United Nations Sustainable Development Goals (SDGs) provide a framework of 17 goals and 169 targets to end poverty, protect the planet, and ensure peace and prosperity. The Task Force on Climate-related Financial Disclosures (TCFD) has developed a set of recommendations for companies to disclose climate-related financial risks and opportunities. The Global Reporting Initiative (GRI) provides a widely used framework for sustainability reporting, while the International Organization for Standardization (ISO) 26000 offers guidelines for social responsibility.

Countries around the world continually work to mitigate the impacts of climate change and meet targets to reduce carbon emissions and have come together to reach collective agreements to coordinate the drive for global sustainability with the increasing use of regulation, standards and climate-related disclosure requirements, and agreements. Some notable international sustainability drivers are highlighted below:

i. The Paris Agreement

The environmental effects of climate change were rapidly becoming broad and far-reaching, affecting oceans, ice, and weather.

Temperature change over the past 50 years



Source- NASA's Scientific Visualization Studio, Key and Title by uploader (Eric Fisk) -- Changes in surface air temperature over the past 50 years. The Arctic has warmed the most, and temperatures on land have generally increased more than sea surface temperatures.

In a bid to further the global effort to combat climate change, the Paris Agreement was negotiated and signed into enforcement.

The Paris Agreement is an international treaty within the United Nations Framework Convention on Climate Change (UNFCCC), which was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015 and opened for signature on 22 April 2016. The Agreement addresses the urgent challenge of climate change through collective action and cooperation among nations. It aims to reduce the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. To limit global warming to 1.5°C, greenhouse gas emissions must peak before 2025 at the latest and decline by at least 43% by 2030.

The Paris agreement which was preceded by the Kyoto Protocol of 2005 provides a framework for financial, technical, and capacity building support for Developing and Least Developed Countries who are most susceptible to the impact of climate change. The Agreement does not specifically set a binding emission target, however, a set of procedures were set and made binding, having countries regularly set more ambitious goals and re-evaluate their predetermined goals every five years.

Since coming into force, the Agreement has already begun to record significant results with low-carbon solutions as more countries, regions, cities, and companies are establishing carbon neutrality targets from Nationally Determined Contributions (NDCs) to other sustainability goals. NDCs comprise specific actions that countries plan to undertake to reduce their emissions of greenhouse gases and transition into a sustainable future.

While achieving a zero-carbon economy by 2030 may seem out of reach, the Paris Agreement has led to the development of zero carbon solutions in several economic sectors. According to the UN, zero-carbon solutions are becoming competitive across economic sectors responsible for 25% of emissions. This trend is most noticeable in the power and transport sectors and has created many new business opportunities, with EU lawmakers passing a law to ban the sale of new fossil fuel powered cars by 2035[1].

Whilst by 2030, zero-carbon solutions could become entrenched in key sectors responsible for 70% of global emissions such as power generation, industry, transportation, and buildings; it is clear global carbon neutrality will likely not be achieved until 2050.

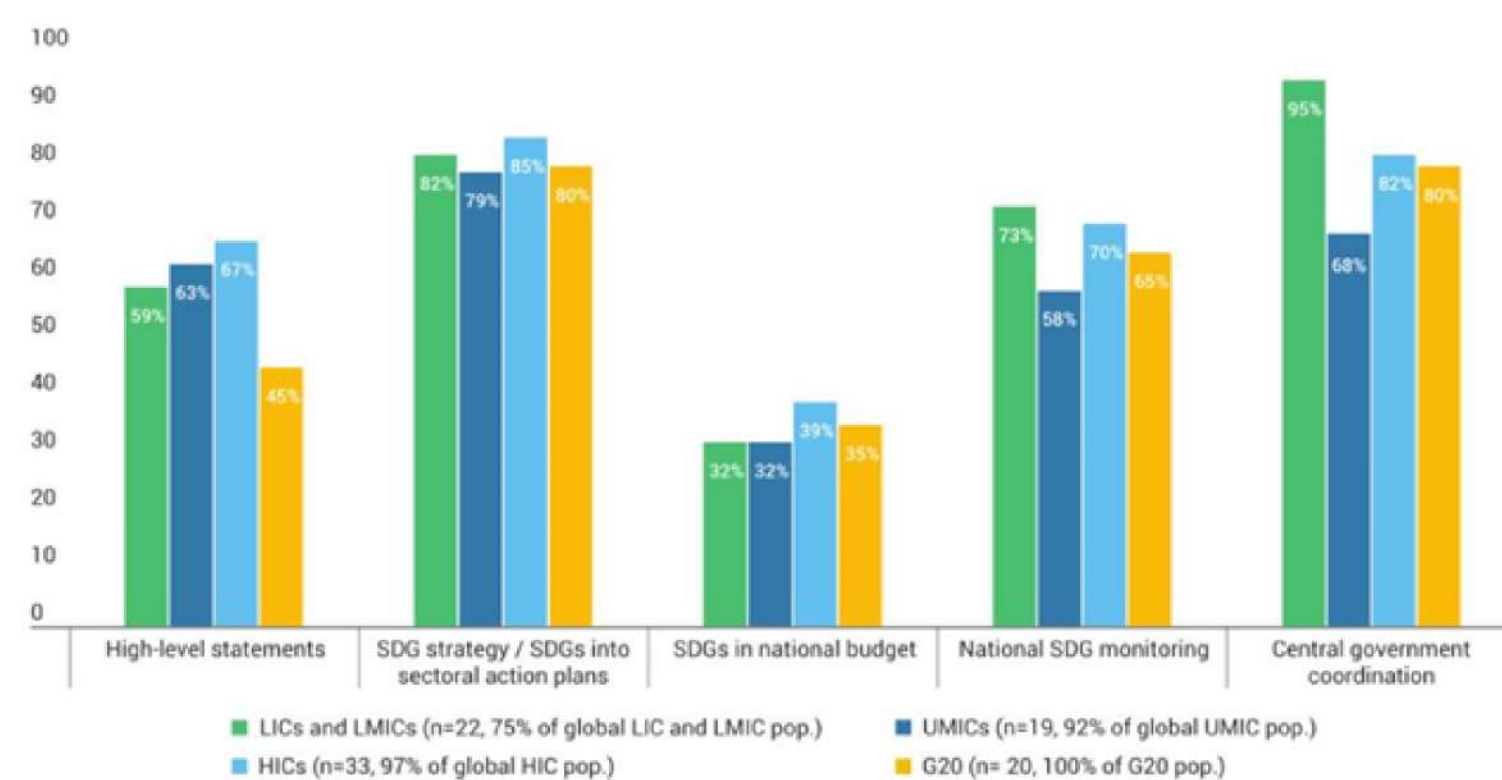
ii. The United Nations Sustainable Development Goals

As discussed in Chapter 1, the Sustainable Development Goals form the foundation of collective actions geared towards improving the lives of populations around the world and mitigating the impact of human activity on climate change and environmental degradation. To ensure successful implementation, each goal has targets and each target has indicators of expected outcomes or implementation strategies for the targets.

Governments, policy makers and organizations use the SDGs as yardsticks for the formation of their sustainability goals. A large majority of governments have published some form of strategic vision or action plan to implement the goals either in the form of a national sustainability strategy explicitly linked to the 2030 Agenda goals and targets or a mainstreaming approach, where SDGs are implemented by each government ministry within the scope of its mandate.



Source: Global Services in Education

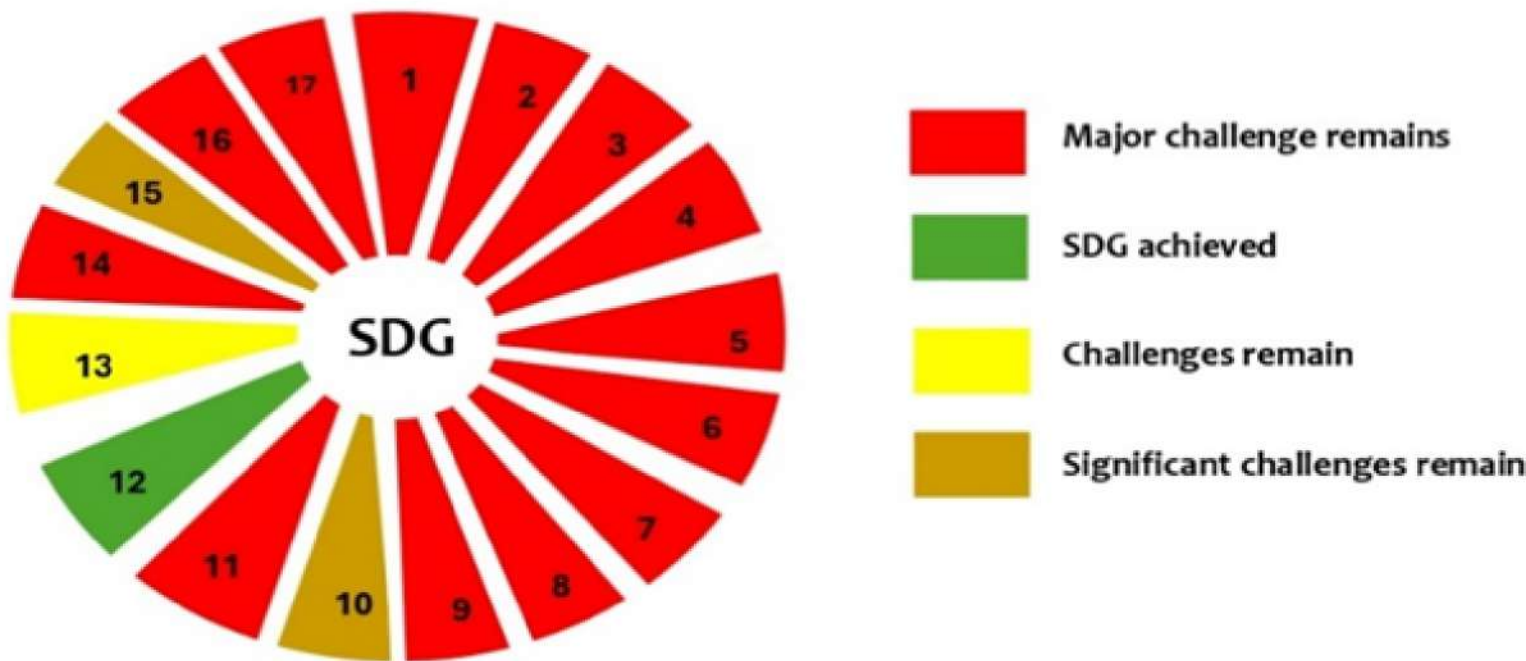


Source: SDSN 2023 Survey of Government Efforts for the SDGs (February 2023).

Several countries, including Nigeria benchmark the success of their Sustainability direction to their SDG Score Sheet which tracks progress in the implementation of the sustainable development goals (SDGs). The United Nations in its Sustainability Development Report also keeps records of the progress of all member countries with regards to the SDGs. Nigeria presented its Voluntary National Review (VNR) in 2017 and 2020 on the implementation of the SDGs at the High-Level Political Forum on Sustainable Development (HLPF). In 2020, Nigeria ranked 160 on the 2020 world's SDG Index. The government affirmed that Nigeria's current development priorities and objectives are focused on achieving the SDGs.

Corporate bodies, businesses and SMEs also rely on the SDGs while formulating or drafting their sustainability goals as they encapsulate the need for sustainability in

several ways including encouraging companies to integrate social, environmental, and economic considerations into their operations and decision-making processes; promoting a long-term perspective, encouraging companies to prioritize sustainability and resilience over short-term gains; emphasizing the importance of engaging with stakeholders, including employees, customers, suppliers, and local communities, to understand their needs and priorities; encouraging companies to adopt responsible business practices, such as ethical sourcing, sustainable supply chains, and human rights due diligence; encouraging companies to leverage innovation and technology to develop sustainable solutions and products; fostering collaboration and partnerships among companies, governments, and civil society organizations to achieve common sustainability goals; promoting transparency and accountability and encouraging companies to report their sustainability performance and progress towards achieving the Goals.



STATUS OF SDG TARGET NIGERIA- SUSTAINABLE DEVELOPMENT REPORT2023based on the 17 SDGs.

iii. The United Nations Sustainable Development Goals

With the growing importance of transparency, communication and stakeholder involvement in the sustainability and ESG movement, reporting and disclosure became an important fit.

The ISSB was launched as an initiative by the International Financial Reporting Standards (IFRS) Foundation in 2021 to address the need for global sustainability reporting by setting reporting standards, especially accounting report standards. It aims to provide a globally consistent and comparable set of sustainability disclosure standards by engaging with stakeholders from both the public and private sectors to ensure standards that guarantee a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets[1]. The ISSB standards are not mandatory for SMEs, however, they can be adopted voluntarily to demonstrate a commitment to sustainability and transparency and will help SMEs to report sustainability in a more consistent and comparable manner.

The ISSB works in close cooperation with the IASB, ensuring connections between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. Each board is independent, but their Standards complement each other to provide investors and other capital market participants with comprehensive information to meet their needs. Both Boards always work simultaneously to ensure their Standards are compatible.

In 2023, IFRS S1 and IFRS S2, were introduced by the International Sustainability Standards Board (ISSB). This significant development signals a transformative phase in sustainability-related disclosures within global capital markets, representing a profound change in how companies communicate their sustainability-related information alongside financial statements, environmental impact, social responsibilities, and governance practices. While IFRS S1 introduces a comprehensive range of disclosure requirements designed to provide investors with a more nuanced understanding of a company’s short, medium, and long-term exposure to sustainability-related risks and opportunities, the IFRS S2 provides a detailed and standardized framework for reporting climate-related risks and opportunities, ensuring that investors have access to crucial information to assess a company’s preparedness, resilience, and potential impact in a changing climate landscape and make sustainable investment decisions. These standards are designed to ensure that companies provide, and they are suitable for application around the world, creating a truly global baseline.

In applying, IFRS S1 companies are required to consider the Sustainability Accounting Standards Board’s (SASB) 77 industry-based Standards to identify risks and opportunities. The SASB Standards are organized by industry, enabling a company to identify sustainability-related disclosure topics and metrics applicable to its business model and operations.[1] The SASB standards are available for download online[2]. According to IFRS S1, information about sustainability-related risks and opportunities is essential for investors because a company's long-term cash flow generation is closely tied to its interactions with stakeholders, society, the economy, and the environment throughout its value chain. A company and its value chain form an interconnected system, where the company's dependencies and impacts on resources and relationships create sustainability-related risks and opportunities that can impact its ability to generate cash flows in the short, medium, and long term.[3]

<https://dashboards.sdgindex.org/profiles/nigeria>

The International Sustainability Standards Board (ISSB) collaborates with the Global Reporting Initiative (GRI), the leading provider of sustainability standards for a wide range of stakeholders. This partnership seeks to establish a harmonized framework, ensuring that the ISSB's investor-focused sustainability disclosure standards align with GRI's broader stakeholder-focused standards. This compatibility enables companies to provide consistent and interconnected information, serving the needs of both capital markets and a wider range of stakeholders.

The International Sustainability Standards Board (ISSB) has international support backed by the G7, the G20, the International Organization of Securities Commissions (IOSCO), the Financial Stability Board, African Finance Ministers and Finance Ministers and Central Bank Governors from more than 40 jurisdictions, and several countries have adopted the ISSB standards,[1] including Canada, Singapore, United Kingdom and Nigeria. Additionally, more than 140 jurisdictions use the IFRS Accounting Standards, which the ISSB Standards have been developed to work with.

To show Nigeria's drive and continuous progress, The Financial Reporting Council of Nigeria (FRCN) announced in 2022 that they would be adopting the International Sustainability Standards Board's (ISSB) IFRS Sustainability Disclosure Standards[2]. In June 2023, the FRCN, ISSB and NGX Regulation Limited launched the IFRS S1 and IFRS S2 standards in Nigeria, making Nigeria the first African country to adopt these standards

iv. The Global Reporting Initiative (GRI) Sustainability Reporting Standards

Another of such standard setting organizations is the GRI which is an independent international organization that was established in 1997 by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP) for the development and promotion of sustainability reporting standards. The GRI Standards provide a comprehensive framework for organizations to report[1] on their economic, environmental, and social performance, enabling stakeholders to assess their sustainability impacts and contributions in a transparent manner. The GRI encourages organizations to engage with stakeholders throughout the reporting process.

GRI collaborates with policymakers globally to adopt effective policies and regulatory frameworks that foster the alignment of private sector disclosures with sustainable development, thereby fostering a more transparent and responsible investment landscape.

GRI's mission is to empower decision-makers across the globe, through sustainability reporting, to drive positive change toward a sustainable global economy. The organization envisions a global economy where organizations manage their economic, environmental, social, and governance impacts responsibly.

The GRI Standards are strongly aligned with the United Nation SDGs and are one of the most widely used global standards for sustainability reporting. The standards and principles have influenced regulatory developments, stock exchange listing requirements, and corporate reporting practices worldwide.

The GRI Universal Standards apply to all organizations, large and small thereby allowing for better integration of SMEs into global value chains by developing their capacity for sustainability reporting through its Competitive Business Program[1]. By providing resources, training, and support, the program helps businesses, regardless of size or sector, to assess their sustainability performance, set goals, develop effective strategies, and report progress using GRI Standards. This enables SMEs to demonstrate their commitment to sustainability, improve their brand value, and gain a competitive edge, while also contributing to a more sustainable and responsible business landscape. By participating in the program, businesses can future-proof their operations, attract investors and customers, and contribute to a more sustainable future.

The standards consist of three sections which are the GRI 1 or Foundation which outlines the purpose of the GRI Standards, clarifies critical concepts, and explains how to use the Standards. It outlines the requirements that an organization must comply with to meet the GRI reporting Standards. It also specifies the principles such as accuracy, balance, and verifiability which are fundamental to good quality reporting; GRI 2 or General Disclosures which contains disclosures relating to details about an organization's structure and reporting practices, activities and workers, governance, strategy, policies, practices, and stakeholder engagement to give insight into the organization's profile and scale, and help in providing a context for understanding an organization's impacts; and GRI 3 or Material Topics which provides guidance for organizations to identify and prioritize the most significant topics that are relevant to their impacts and operations. This standard outlines a step-by-step process for determining material topics and explains how to leverage Sector Standards in this process. Additionally, it offers disclosure requirements for reporting an organization's list of material topics, the methodology used to determine these topics, and how they are managed and addressed.

The GRI Sector Standards aim to boost the quality, completeness, and consistency of reporting by organizations. Standards are developed for 40 sectors, starting with those with the highest impact, such as oil and gas, agriculture, aquaculture, and fishing. The standards topics are material on a sector basis, and they indicate key disclosures to be made. Where the applicable Sector Standard is available, the concerned organization is required to use it when reporting with the GRI Standards.

The GRI Topic Standards contain disclosures for providing information on topics. Each Standard offers an overview of the topic, as well as specific disclosures that enable organizations to transparently share their management approaches and associated impacts. By selecting the Topic Standards that align with their material topics, organizations can provide stakeholders with detailed information on their sustainability performance and progress.

The standards are organized into Economic, Environmental, and social categories and they allow organizations to choose the reporting level that suits their current capabilities and ambitions. The GRI Standards are a modular system consisting of three series of Standards which are the GRI Universal Standards, the GRI Sector Standards, and the GRI Topic Standards. Each Standard begins with a detailed explanation of how to use it and contains disclosures, which provide a structured means for an organization to report information about itself and its impacts.

To produce a comprehensive report, organizations must first identify and assess its impacts through an assessment of the characteristics of businesses in its sector, with key attention on its day-to-day activities. Once an organization has assessed the significance of its impacts, it needs to decide on which material topic to report. An organization that has determined its material topics then proceeds to gather relevant data to report specific information on each material topic. The GRI Sector Standards build upon the foundational Topic Standards by providing sector-specific guidance on disclosures relevant to a particular industry. These Sector Standards identify and outline specific disclosures from the Topic Standards that are most relevant to organizations operating within that sector. The Topic Standards, in turn, specify the exact information that organizations need to collect and report on to comply with GRI Standards. By following this framework, organizations can ensure they are providing comprehensive and sector-relevant sustainability reporting, in accordance with GRI Standards.

According to the 26 October 2022 KPMG Survey of Sustainability Reporting, 78% of the world's biggest 250 companies by revenue (the G250) and 68% of the top 100 businesses in 58 countries (5,800 companies known as the N100) have adopted the GRI Standards for reporting.



v. The EU Corporate Sustainability Reporting Directive (CSRD)

In order to modernize and strengthen the rules concerning the information that companies have to report and to enhance policy on corporate due diligence, particularly with regard to supply chains, and sustainable finance initiatives, including increased reporting, on 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force as a new set of rules that updates the Non-Financial Reporting Directive (NFRD) to include Environmental, Social and Governance (ESG) information as part of the non-financial disclosure requirements. The CSRD requires a broader set of large companies, as well as listed SMEs[1], to report on sustainability. Some non-EU companies will also have to report if they generate over EUR 150 million from the EU market.

The new rules aim to ensure that investors and other stakeholders have unbridled access to the important information they need to assess the impact of the activities of companies on people and the environment. This information will also allow investors to evaluate financial risks and opportunities related to climate change and other sustainability issues, promoting responsible investing and sustainable business practices. Finally, reporting costs will be reduced for companies over the medium to long term by harmonizing the information to be provided[2].

CSRD reporting is based on the concept of double materiality- Impact and Financial materiality. Organizations are required to provide information on their business activities and its impact on the planet and

its people, including how their sustainability goals, measures and risks affects the financial life of the business. For example, CSRD requires organizations to provide a comprehensive report on their energy usage, including not only consumption and costs, but also the environmental impact of their energy use through emissions metrics, specific reduction targets, and financial projections detailing how achieving these targets will affect their bottom line, thereby providing stakeholders with a thorough understanding of the organization's sustainability efforts and their financial implications

vi. The Task Force on Climate-related Financial Disclosures (TCFD)

The Paris Agreement was recognised as insufficient to achieve the goal of keeping global warming well below 2 °C or efforts to limit it to 1.5 °C.

It was realized that climate change presents financial risk to the global economy hence, financial markets need clear, comprehensive, high-quality information on the impacts of climate change. This includes disclosures on the risks and opportunities presented by rising temperatures, climate-related policies, and emerging technologies in our changing world.

To address the issues, the G20 and the Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to improve and increase reporting of climate-related financial information. Under the chairmanship of Michael Bloomberg, the Task Force published recommendations designed to standardize worldwide climate-related disclosures that could promote more informed investment and enable stakeholders understand better the dynamics of carbon related financial assets.

The Task Force on Climate-related Financial Disclosures (TCFD) served as a guide to companies, both large and small, including SMEs on disclosing climate-related financial risks to investors, lenders, insurers, and other stakeholders. TCFD was primarily a theme or pillar-based recommendations framework which was increasingly being used throughout the finance and banking sectors and championed by the US Securities and Exchange Commission (SEC), the National Association of Insurance Commissioners (NAIC), UK Financial Conduct Authority (FCA), and the Singapore Exchange (SGX).

However, following the release of the Task Force's 2023 Status Report[1] and upon request of the FSB, the TCFD was reported to have fulfilled its mandate and has been disbanded[2]. The TCFD website is no longer being updated or monitored, but it will remain available as a resource for materials developed by the TCFD.

B. Global Frameworks for Sustainability

As the global regulatory framework for sustainability continues to evolve, regional efforts are gaining momentum, shaping the landscape of sustainability regulation. In this section, we will delve into the sustainability regulatory efforts in key regions, exploring the unique approaches, initiatives, and challenges faced by each. From the European Union's pioneering efforts in sustainable finance to the emerging markets of Asia, where sustainability reporting is becoming increasingly important, we will examine the regional regulatory frameworks that are driving sustainability forward. We will also explore the efforts of Africa, highlighting some sustainability regulations in select countries. By examining these regional regulatory frameworks, we can gain a deeper understanding of the diverse approaches to sustainability regulation and the potential for global convergence.

i. EU and Sustainability Regulation

The European Union (EU) has been at the forefront of sustainability regulation, with a comprehensive framework for sustainable finance and reporting. There are several directly applicable EU laws, like the EU's Sustainable Finance Disclosure Regulation (SFDR) which requires financial institutions to disclose ESG risks and opportunities; The EU's Non-Financial Reporting Directive (NFRD) which requires large public companies to report on ESG factors; The European Commission's Action Plan on Sustainable Finance which sets out a roadmap for sustainable finance regulation; European Climate Law of 2021, which sets the goals for the European Green Deal for Europe to become climate neutral by 2050, also setting out immediate targets of reducing net GHG emissions by at least 55% by 2030.

There are also some local laws which have been passed individually by some European countries like France[1], Germany[2], Italy[3], the Netherlands[4] and so on, which are in force and binding on all citizens, geared towards climate protection as well as the protection of the EU taxonomy.

One key cornerstone driving the EU sustainability journey is the European Emissions Trading System (EU ETS). It is a "cap and trade" scheme that aims to reduce greenhouse gas emissions in the European Union by combating climate change with its key focus on reducing greenhouse gas emissions cost-effectively. The European Union's Emissions Trading System (ETS) is the world's first and largest carbon market, covering approximately 45% of the EU's greenhouse gas emissions. It operates across the EU, as well as Iceland, Liechtenstein, and Norway.

The system functions by establishing a cap on the total amount of greenhouse gases that can be emitted by participating installations. Within this cap, operators are allocated emissions allowances, which can be bought, sold, or traded with other participants as needed, creating a market-driven incentive to reduce emissions[1].

To achieve a smooth transition, the EU developed a comprehensive policy agenda on sustainable finance, including an action plan on financing sustainable growth and a renewed sustainable finance strategy within the European green deal. In 2016, the High-level Expert Group on Sustainable Finance was set up by the European Commission to advice on developing a sustainable finance strategy. The High-level Expert Group formulated recommendations, which formed the basis for the Commission's 2018 "Action Plan[2]", aimed at driving a sustainable economic growth across Europe, by harnessing the powers of the financial market.

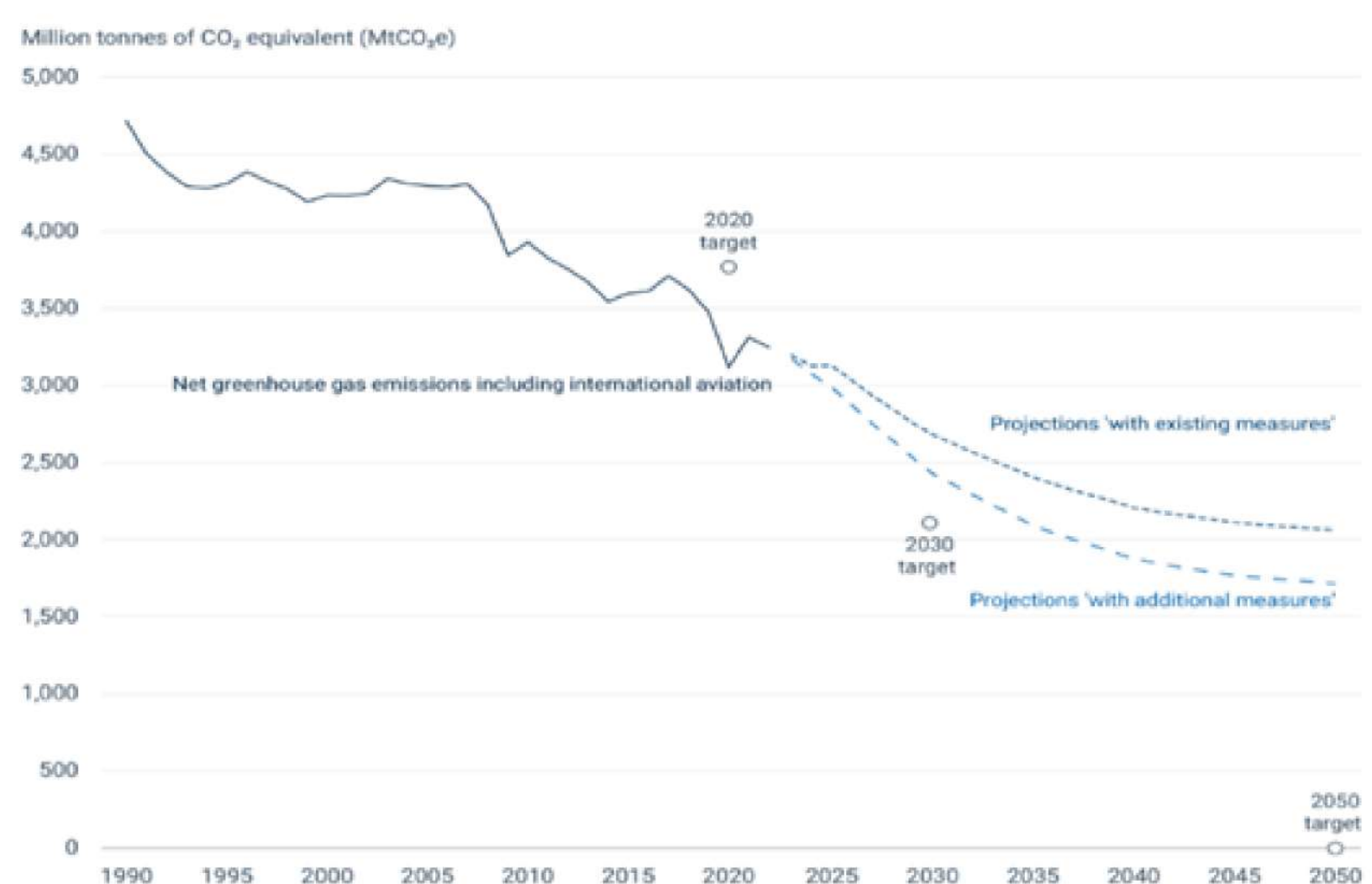
The EU's Sustainable Finance Action Plan has led to several key regulatory initiatives, including the EU Taxonomy Regulation, which establishes a common framework for environmentally sustainable activities and requires financial products and companies to disclose their environmental impact; the Sustainable Finance Disclosure Regulation (SFDR), which mandates financial institutions to disclose how they consider sustainability risks and adverse environmental and social impacts; the Corporate Sustainability Reporting Directive (CSRD), which requires companies to disclose their sustainability risks, impacts, and due diligence processes; and the Corporate Sustainability Due Diligence Directive, which obliges large EU companies to conduct due diligence on their value chains to ensure compliance with human rights and environmental standards, promoting transparency, accountability, and sustainability in the financial sector and helping to achieve the EU's environmental and social objectives. The United Kingdom also has its Streamlined Energy and Carbon Reporting (SECR) regulation which is a pivotal step towards enhancing climate transparency among UK businesses as it acknowledges the need to evaluate the risks of climate change and the energy efficiency of the broader economy.

A 2024 report on Global Sustainable Funds flow by Morning star records that in Q1 2024, European sustainable funds remained resilient and registered almost USD 11 billion of inflows, more than double the subscriptions of the previous quarter (Q4, 2023).[1]

The European Environmental Agency published an article in October 2023 titled Total net greenhouse gas emission trends and projections in Europe[2] which noted that compared to 1990, net EU GHG emissions in 2021 had fallen by 30%, while prosperity significantly increased over the same period.

This achievement includes emissions from international aviation and takes the carbon sink from the land use, land use change and forestry sector (LULUCF) into account.

Given the financing, regulatory and reporting support, so far, the EU has taken significant steps towards fulfilling its net zero ambitions. The reduction in net GHG emissions has primarily taken place within the past two decades alongside a gradual strengthening of policies to reduce GHG emissions. The overall decrease can be largely attributed to shifts in energy production methods, and growth in the adoption of renewable energy sources. Additionally, according to the EEA, energy consumption has decreased modestly, while GHG emissions from industrial processes have dropped significantly.



Progress towards achieving climate targets in the EU-27

Road to achieving a Sustainability Goal

Asides the policies, regulations and frameworks put in place, the European Commission understood the need for financing support as well as government involvement and has implemented practical steps to fulfil its part in driving sustainability.

EU established the Cohesion Policy[1] which mandates EU countries to devote at least 37% of the financing they receive under the €672.5 billion Recovery and Resilience Facility to investments and reforms that support climate objectives. The European Commission, on behalf of the EU, intends to raise 30% of the funds under NGEU through the issuance of green bonds[2] hence, 30% of the EU's multiannual budget (2021-2028) and the EU's unique Next Generation EU (NGEU) instrument to recover from the COVID-19 pandemic, has been allocated for green investments.[3] The Commission pledged to mobilize at least €1 trillion in sustainable investments over the next decade to achieve the goals set by the European Green Deal.

The European Commission has also adopted an ambitious and comprehensive package of measures of financing the transition, enabling by providing incentives and awards and providing general practical support to public authorities and project promoters in planning, designing and executing sustainable projects to help improve the flow of money towards financing the transition to a sustainable economy[1].

In furtherance of the Green Deal Investment Plan, the EU also set up The Just Transition Mechanism which was created as a key tool to ensure that the transition towards a climate-neutral economy is fair and inclusive. While all regions will require funding and the European Green Deal Investment Plan caters for that, the Mechanism provides targeted support to help mobilise at least €100 billion over the period 2021-2027 in the most affected regions, to alleviate the socio-economic impact of the transition. The Just Transition Mechanism receives funding from three sources: [2]:

- a. A Just Transition Fund, which will receive €7.5 billion of fresh EU funds, coming on top of the Commission's proposal for the next long-term EU budget. Funds gotten from the Just Transition Fund with money from the European Regional Development Fund and the European Social Fund and additional national resources will be merged to provide between €30 and €50 billion of funding, and lead to even more investments. The Fund will be primarily used to support investments in the clean energy transition, provide grants to regions, support workers to develop skills and help SMEs, start-ups and incubators to create new opportunities in economies of these regions.
- b. A dedicated just transition scheme under Invest EU to see to the provision of up to €45 billion of investments. It will seek to attract private investments, including in sustainable energy and transport that benefit those regions and help their economies find new sources of growth.
- c. A public sector loan facility with the European Investment Bank backed by the EU budget to mobilise between €25 and €30 billion of investments, for lending to the public sector to support the construction and implement sustainable projects.

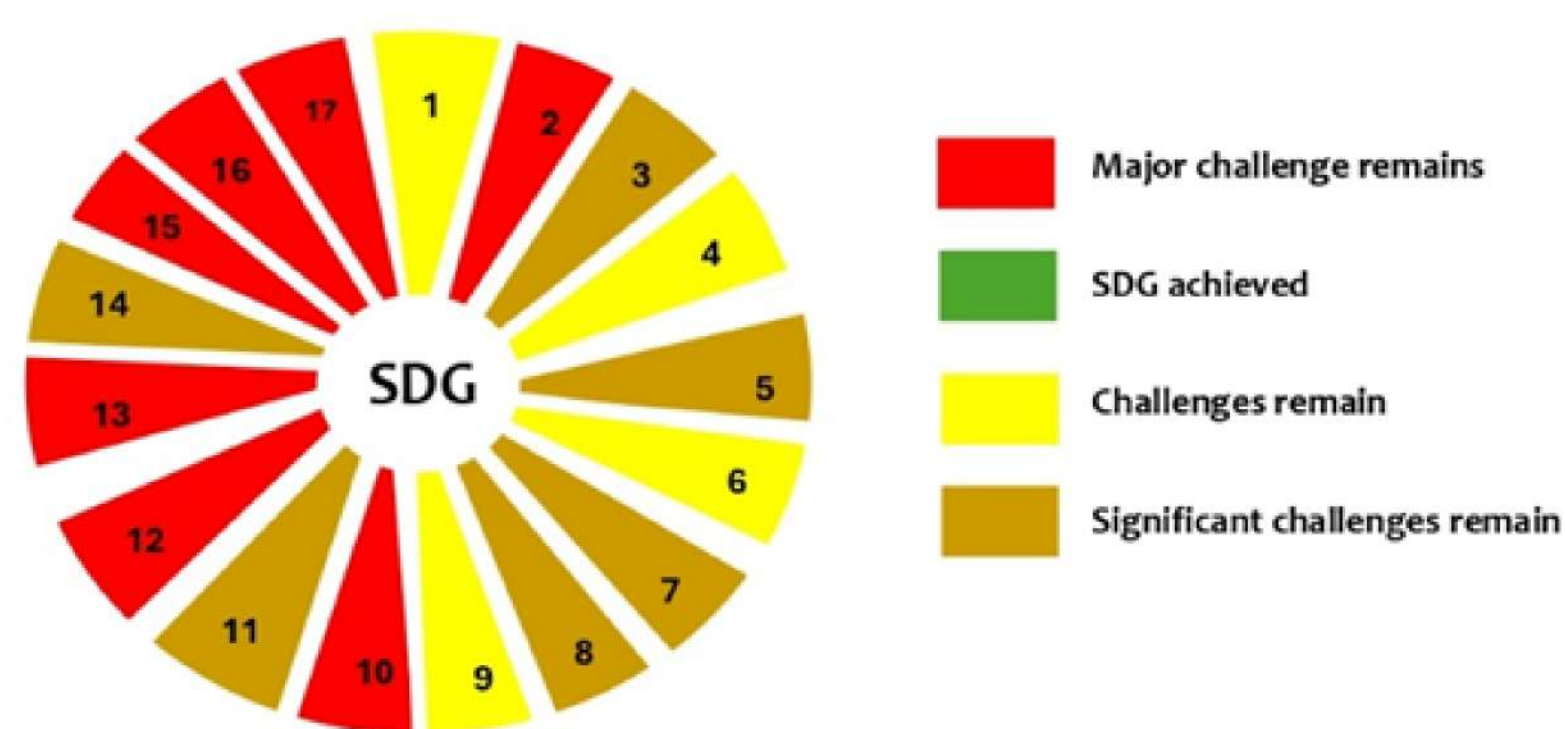
ii. The Americas

A growing number of countries are pushing companies and financial institutions to report their climate-related risk on a mandatory rather than voluntary basis, and countries in Northern and Southern America have not been left out.

The Task Force on Climate-related Financial Disclosures (TCFD) requires companies to report their climate-related risks. The ESG Disclosure Simplification Act[1] of 2021 and The Sustainable Finance Disclosure Regulation (SFDR) is one of those regulations which mandates companies based in the United States to make disclosures of their environmental, social and governance risks in their portfolios. The Corporate Sustainability Reporting Directive (CSRD) of 2023 is another which requires all large companies (including those based in the US) to report their sustainability data.

Aside from the reporting obligations, efforts are being made to see that emission of harmful gases is reduced and that renewable energy is prioritized. The Methane Emissions Reduction Plan[2] an Action plan by the White House, together with the Supplemental Methane Proposal put forth by the Environmental Protection Agency (EPA) in 2022, is one of such guides, which primarily requires oil and gas companies to reduce methane emissions from their operations. Another is the Sustainable Electricity Plan[1], released by the Department of Energy in 2022, which outlines the president's goals for increasing the use of renewable energy and reducing greenhouse gas emissions from the electricity sector.

Spotlighting the US for instance, one significant climate legislation in the US history is the Inflation Reduction Act of 2022, which intends to ensure a smooth transition to a clean energy economy and drive the deployment of new clean electricity resources and allocates \$400 million to carbon emission reductions, renewable energy and environmental justice projects. As regards the SDGs, The Biden-Harris Administration has signaled a willingness to incorporate the SDGs into its international development priorities and strategies. Although some challenges still abound on the road to achieving the sustainable development goals as no SDG has been successfully achieved, the US is putting in some efforts and the diagram below shows the status of the SDG targets in the U.S.



STATUS OF SDG TARGET NIGERIA- SUSTAINABLE DEVELOPMENT REPORT2023 based on the 17 SDGs.

Other regulations in the Americas include the General Climate Change Law passed by Mexico in 2012 and Ley Marco de Cambio Climático passed by Guatemala in 2013, aimed at addressing the adverse effects of climate change in these countries.

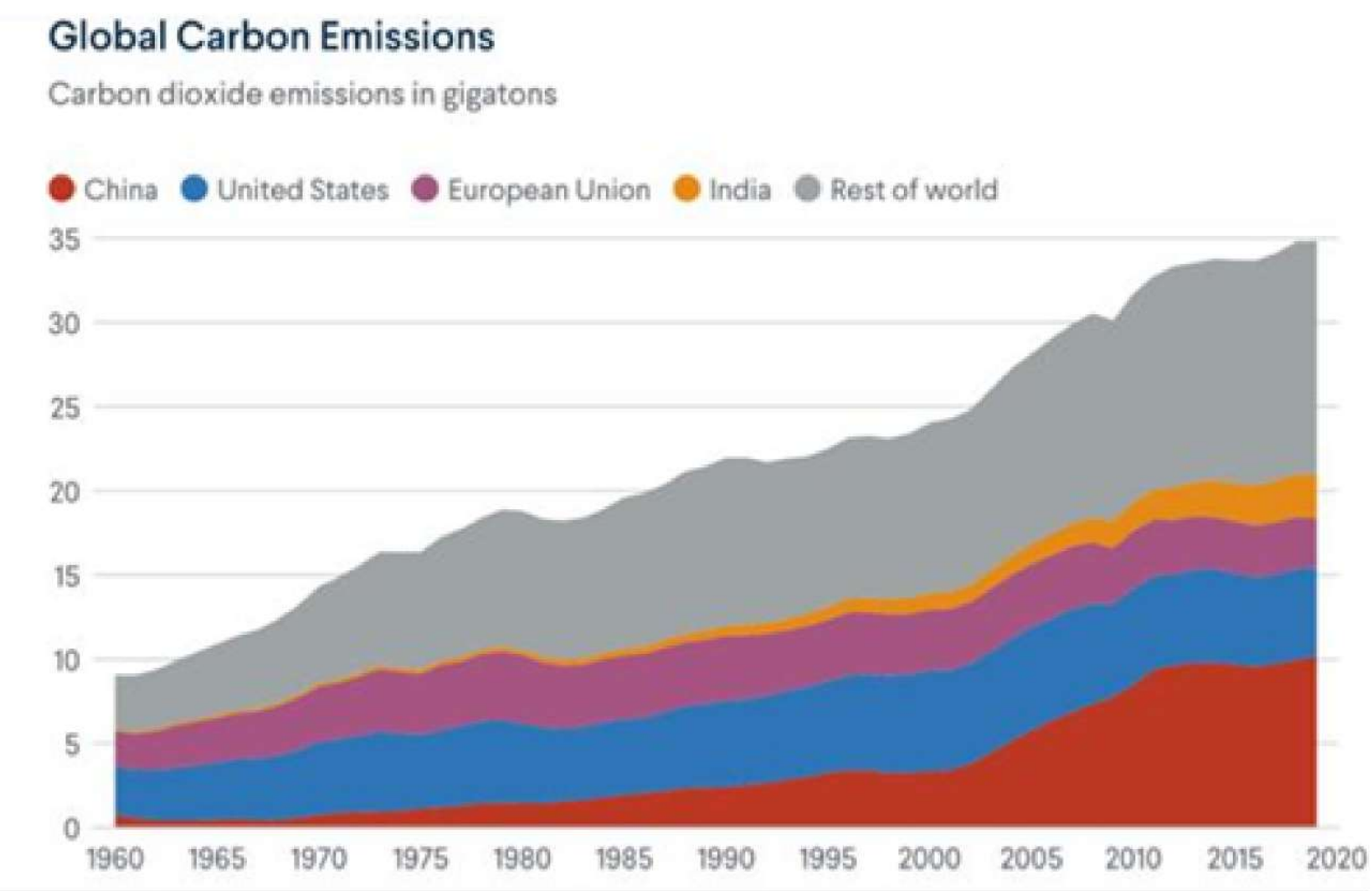
Countries on the American continent also have an array of guidance notes, publications and standards that although not binding, they define technical screening measures to allow a common understanding of activities that contribute to ESG purposes. One of such is the Taxonomy Roadmap Report for Canada published in 2022 which contains ten (10) recommendations addressing the advantages, design and implementation of a green finance taxonomy for Canada; the Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean is another guidance paper that was published in July 2023, with the intention of serving as a voluntary reference to educate policy actors, including government, law makers, development agencies and other stakeholders who are in the process of, or have intentions to develop taxonomies in the region to the extent that such taxonomy classifications must meet certain similar eligibility definitions, including sustainability standards. Other countries like Mexico, Chile and Colombia also have their taxonomy roadmap.

iii. Asia

Asia is the largest continent in the world by both land area and population. Asia is a center of growth and urbanisation. It plays a critical role in the global supply chain and it is shaped by abundant biodiversity. Asia has the largest continental economy in the world by both GDP nominal and PPP values and is the fastest growing economic region.

As of 2023, China dominates the Asian economy, accounting for nearly half of the continent's GDP in nominal terms. The next tier of economic powerhouses in the region includes Japan, India, South Korea, Indonesia, Saudi Arabia, and Turkey, all of which rank among the top 20 global economies in both nominal and PPP values[1]. Moreover, small and medium-sized enterprises (SMEs) form the backbone of Asian businesses, comprising over 96% of the total and generating two-thirds of private-sector employment opportunities in the continent.[2]. Given Asia’s significant manufacturing, production and supply activities, the effects of the changing climate are already being felt, and by 2050, between 600 million and one billion people could be impacted by lethal heat waves. According to recent McKinsey analysis, up to \$4.7 trillion of GDP in Asia is at risk annually from loss of effective outdoor working hours resulting from increased heat and humidity.

One of the largest Asian countries, China suffers environmental crisis, because of decades of rapid industrialization, which not only threatens the health and livelihoods of the country’s large population but also the global fight against climate change. China suffers notoriously from bad air pollution as the world’s largest source of greenhouse gas emissions in recent years.



<https://www.whitehouse.gov/wp-content/uploads/2021/11/US-Methane-Emissions-Reduction-Action-Plan-1.pdf>
https://www.energy.gov/sites/default/files/2023-01/2022_Sustainability_Plan_Final_Public_Release.pdf SDG Dashboards and Trends-
<https://dashboards.sdginde.org/profiles/united-states>

Despite uneven progress towards the 2030 Agenda in the Asia-Pacific region, Asian countries are making remarkable strides towards sustainability. Led by China, innovative initiatives are underway to reduce carbon emissions and promote eco-friendly practices. China has taken a significant leap forward by relaunching its voluntary carbon credits program, the China Certified Emission Reduction (CCER) scheme. This program empowers companies to take proactive steps towards sustainability by purchasing carbon credits, supporting projects that reduce greenhouse gases, and promoting sustainable development. With such efforts, the region is poised to make significant progress towards achieving the 2030 Agenda.

The relaunch of the CCER scheme demonstrates China's commitment to achieving its climate goals and transitioning towards a low-carbon economy. By providing a platform for companies to invest in sustainable projects and reduce their carbon footprint, China is setting an example for other Asian countries to follow. This initiative is expected to drive growth in the region's carbon market, promote clean energy, and support sustainable development projects. The president of China on the 30th of March 2023 in a meeting with the Russian president stated that it has no intention of moving along with the Western push to net-zero, however based on China's energy and resource endowments, the country will advance initiatives to reach peak carbon emissions in a well-planned and phased way, in line with the principle of getting the new before discarding the old. Thereby emphasizing that China will not discontinue its reliance on coal fired power plants, until it is able to build its renewable energy substitutes. In November of the same year however, China, the world's largest climate polluter, agreed in a deal with the United States to reduce planet-warming emissions from the power sector this decade and committed for the first time to curb all greenhouse gases.

It is notable that the country is making significant move towards prioritizing renewables as it has released a draft of its Energy Law for public comments after the bill was approved by the National People's Congress Standing Committee, China's top legislative body. The Law was initially drafted in 2005 and might finally be passed into law in 2024. The Law supports prioritising the development of renewable energy; rational development of clean and efficient use of fossil energy; and orderly promotion of non-fossil fuel energy instead of fossil fuel energy, and low-carbon energy instead of high-carbon energy.

Other Asian countries are not left out of the trend. The Korean government is committed to achieving a net-zero society by building on existing initiatives, including a 2030 target for reducing greenhouse gas emissions and a plan to increase renewable energy sources to 20% of the country's energy generation capacity by 2030. To support this transition, the government will implement a comprehensive green infrastructure overhaul, aimed at strengthening the safety net against climate and environmental risks, and promoting a sustainable and eco-friendly future through a robust and resilient energy system. In addition, the use of low-carbon and decentralized energy will be promoted, while regions and groups that lag the transition will be protected. The government also intends to support the workforce with an investment of 73.4 trillion won, including 42.7 trillion won from the treasury by 2025 in the Green New Deal which will in turn create 659,000 new jobs[1]. Korea will also support and invest in the development of innovative climate technologies to achieve carbon neutrality by 2050. The government understands that tackling climate change requires global efforts and collective engagement and has committed to lead by example to encourage the international community to jointly make efforts toward realizing carbon neutrality by 2050.

Japan has also committed to achieving net zero emissions by 2050. Japan aims to reduce its greenhouse gas emissions by 46% by 2030 and has outlined a Green Growth Strategy to achieve this goal. The strategy focuses on 14 key areas, including circular economy technologies like energy storage, offshore wind power, advanced solar cells, hydrogen, and carbon recycling. To support innovative green projects, a \$15 billion Green Innovation Fund has been established to provide financing over the next decade. Additionally, Japan's national plan for Global Warming Countermeasures has been updated to align with its industrial structural reform and economic growth goals, paving the way for concrete actions to address climate change.

It is also noteworthy that transparency and stakeholder involvement are gaining importance in the Asian markets. A PWC report notes that there is an overall rise in disclosure of identified climate-related risks and opportunities in companies' sustainability reporting from 77% in 2021 to 88% in 2022[1]. Consequently, Asian Governments are making ESG reporting mandatory. This is exemplified by Thailand's Securities and Exchange Commission (SEC) making sustainable development strategy disclosure a part of the mandatory reporting requirements for listed companies focusing on ESG data, especially greenhouse gas emissions.

Although the goals are far from being met, as Asian countries continue to prioritize sustainability, the region is poised to play a significant role in global efforts to combat climate change and achieve a more sustainable future.

iv. Africa

Notably, the sustainability framework for Africa is not as strong or firmly developed as in Europe or America, however, Africa is not excluded from the growing efforts towards sustainability. Many African countries also have implemented climate related laws aimed at promoting climate resilient economic development. Kenya had its Climate Change Bill passed by the parliament in March 2023; South Africa implemented its Climate change Bill in February 2021 aimed at developing an effective climate change response and the transition plan to a low carbon economy and climate resilient environment. South Africa also has the National Climate Change Adaptation Strategy which was passed in August 2020 in support of its obligations to meet the terms of the Paris Agreement an international treaty that aims to mitigate climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels.

In 2022, Nigeria's government adopted its Energy Transition Plan (ETP), which set out how it intends to achieve Net Zero by 2060. Amongst other objectives, the ETP aims to lift 100 million individuals out of poverty by driving economic growth, connecting people to modern energy services, and managing potential job losses in Nigeria's valuable oil sector because of global decarbonization. In Nigeria, SMEs account for over 90% of businesses and 84% of employment making them important in the achievement of these ETP objectives.

In furtherance of Nigeria's commitment to net zero emissions declared at COP26[1], on 18th November 2021 the President, Muhammadu Buhari in signed the Climate Change Act into law thereby setting regulatory framework to protect the Nigerian environment and ecosystem from the depletion associated with climate change and to achieve the reduction of greenhouse gas emissions by monitoring the emissions of carbon dioxide and other greenhouse gases and ensuring that climate change risks are adapted to. The law is binding on MDAs of the Federal Government of Nigeria, public and private entities, including SMEs within the territorial boundaries of Nigeria. Nigeria has also published its Nationally Determined Contribution in accordance with its obligations under the Paris Agreement, with plans to reduce carbon emissions by 20% below business-as-usual levels by 2030 and 47% below business-as-usual levels by 2050 conditional upon international support due to the costs of implementation.

Despite Nigeria's alliances with the UN and its participation in signing the goals and agreements into force, we can see that the race towards sustainability is still some way off as we see current trends indicating higher priority is placed on economic growth, profit generation, and cost savings as opposed to environmental commitments by both governments and businesses. Nigeria's revenue is currently highly reliant on crude oil and fossil fuels which are the top causes of the climate change in Nigeria. Nigeria can fully enforce its transition to other renewable energy sources such as solar, hydropower, wind, and biomass which she is also blessed with.

C. Sustainability Framework for Nigeria

Narrowing down to Nigeria, although the country does not have a specific comprehensive national sustainability framework, Nigeria has taken steps to develop and implement the already existing collective global and regional sustainability frameworks to address environmental, social, and economic challenges by implementing various initiatives, policies, and regulations that are binding on both government agencies and parastatals, public entities, private entities, and individuals in their own capacity thereby contributing to sustainable development.



In 2022 the FG & UN Signed Cooperation Framework 2023-2027, in support of Nigeria's sustainable development.

i. The Constitution of the Federal Republic of Nigeria

According to Chapter II of the Nigerian Constitution, as amended, all government officials and actors across the legislative, executive, and judicial branches of government are mandated to uphold and implement the Environmental, Social, and Governance (ESG) directive principles outlined in Chapter II of the Constitution, serving as a guiding framework for their actions and decision-making processes. Also, Section 12 states that any foreign agreements signed by the National Assembly should be adopted as law in Nigeria. This includes agreements relating to the environment such as the Paris Agreement, the United Nations Framework Convention on Climate Change (UNFCCC) etc.

ii. Regulations passed by the Federal Ministry of Environment, Nigeria

The Federal Ministry of Environment, established in 1999, is a vital arm of the Nigerian government tasked with addressing environmental concerns and overseeing all environmental matters nationwide. Its primary objectives include mitigating environmental issues, conserving natural resources, and developing policies to combat desertification, deforestation, and pollution.

Additionally, the ministry works to manage floods and erosion, address climate change, and promote clean energy initiatives. Through its efforts, the ministry strives to ensure a sustainable environment and a healthier future for Nigerians. The ministry carries out its duties through its departments and parastatals. Some of its parastatals and departments include National Biosafety Management Agency (NBMA), National Agency for the Great Green Wall, National Park Service (NPS), National Environmental Standards and Regulations Enforcement Agency (NESREA), and National Oil Spill Detection and Response Agency (NOSDRA). Some notable laws include these ones:

a. National Environmental Standards and Regulations Enforcement Agency (NESREA) Act and Regulations

Before the NESREA, Nigeria had the Federal Environmental Protection Agency Act which was the primary environmental protection law in Nigeria until it was repealed on July 30, 2007, by the NESREA Act because of its failures to achieve the environmental protection goals. Thus, the NESREA Act effectively assumed the status of Nigeria's premier environmental law, setting standards and regulations for environmental protection. It covers a wide range of environmental issues, including air and water pollution, waste management, biodiversity conservation, and climate change. As Nigeria's flagship environmental law, the NESREA Act provides a legal framework for the protection of the environment and natural resources and serves as a basis for other environmental laws and regulations in the country. Its provisions and regulations are enforced by NESREA,

NESREA is Nigeria's environmental regulatory agency responsible for enforcing environmental standards, regulations, and policies on MDAs, Public and private enterprises as well as being responsible for ensuring compliance and taking action against environmental offenders. The agency has the power to establish and enforce administrative penalties, seal orders and shut down properties or facilities whose activities pose a threat to the environment, life and property.

NESREA plays a significant role in waste management and environmental protection. The National Environmental Standards and Regulations Enforcement Agency (NESREA) Act empowers the Agency to be responsible for enforcing all environmental laws, guidelines, policies, standards and regulations in Nigeria, as well as to enforce compliance with provisions of international agreements, treaties, protocols, and conventions related to the environment to which Nigeria is a signatory. NESREA also administers the Environmental Impact Assessment Act which makes an environmental impact assessment mandatory for all public and private developmental projects.

Since its establishment, the Agency has enacted several Regulations to ensure that the environment is protected from the hazardous activities carried out by businesses and individuals from different industries and sectors. Such regulations include the National Environmental (Soil Erosion and Flood Control) Regulations, 2011 (S.I. No. 12 of 2011); National Environmental (Surface and Groundwater Quality Control) Regulations, 2011 (S.I. 22 of 2011); National Environmental (Ozone Layer Protection) Regulations, 2009 (S.I. No. 32 of 2009); National Environmental (Domestic and Industrial Plastic, Rubber and Foam Sector) Regulations 2011. S.i. no. 17/2011); National Environmental (Chemical, Pharmaceutical, Soap and Detergent Manufacturing Industries) Regulations 2009. S.I. no. 36/2009; National Environmental (Permitting and Licensing System) Regulations 2009. S.I. no. 29/2009; National Environmental (Textile, Wearing Apparel, Leather and Footwear Industry) Regulations 2009. S.I. no. 34/2009; and many others, all aimed at enforcing protection and development of the environment in Nigeria.

b. The National Policy on Solid Waste Management

Nigeria, like many nations is faced with gross environmental problems and solid waste stands as one of the major challenges. With a population of 170 million (2006 national census), Nigeria produces a large volume of solid waste out of which less than 20% is collected through a formal system. Due to the realization of the harm this can cause and the overall degradation and defacing of the environment caused by solid waste of several categories. The Ministry of Environment in partnership with the United Nations Industrial Development Organization (UNIDO) oversaw the development of the National Policy on Solid Waste Management.

The federal government launched the National Policy on Solid Waste Management to harness the nation's waste to wealth and manage the waste disposal in the country by providing a framework for the effective management of solid waste in Nigeria, including waste collection, disposal, and recycling initiatives. The National Policy on Solid Waste Management seeks to ensure efficient and effective management of all solid waste streams, promoting a clean and healthy environment. This policy specifically encourages a circular economy and involves a wide range of stakeholders, including government agencies, private companies, and community groups, working together to implement waste management programs and infrastructure development.

The policy also imposes a duty of care on any person(s) or organization handling or managing solid wastes, making them ethically responsible for applying utmost care in ensuring that waste is managed responsibly to avoid acts or omissions (which can be reasonably foreseen) that are likely to cause any harm to others or the environment. It also mandates training and capacity building for all persons required to handle/dispose waste to ensure safe procedures for dealing with all waste types/categories

c. Plastic Waste Management Policy

Following a report on Nigeria's waste generation by the World Economic Forum[1] that In 2018, Nigeria was estimated to have discharged around 200,000 tonnes of plastic waste into the ocean per year, while its annual plastics production is projected to grow to 523,000 tonnes by 2022, it was announced that the Government of Nigeria will join the World Economic Forum's Global Plastic Action Partnership alongside Indonesia, Ghana and Vietnam to advance national efforts to fight plastic pollution, create jobs and increase business opportunities.

The Nigerian Federal Ministry of Environment initiated the Plastic Waste Management Policy, and the Federal Executive Council (FEC) approved it in 2020. The Policy seeks to ban single-use plastics, manage plastic waste effectively, with a focus on reducing plastic pollution and emphasizing the reduction of waste generation by reducing, reusing, and recycling materials, and it is a fundamental aspect of circular economy initiative and sets recycling targets for plastic at local, municipal, state, and national levels.

Spotlighting on Lagos state, which is the commercial hub of the country, with approximately 22 million inhabitants generating an average of 870,000 tonnes of plastic waste yearly, In January 2024, the Lagos State Government banned the use and distribution of Styrofoam and other single-use plastics in the State.



iii. Nigeria's Climate Change Act

Nigeria, like other parties to the United Nations Framework Convention on Climate Change (UNFCCC) and other treaties aimed at stabilizing greenhouse gas (GHG) emissions (i.e. the Kyoto Protocol and Paris Agreement), actively participated in the 2021 UN Climate Change Conference (COP26) which took place in Glasgow between October and November 2021. The goals of COP26 were for countries to renew their commitment to securing net-zero targets by mid-century and to keep the 1.5degrees target within reach; protect communities and natural habitats; mobilise finance to deliver on the first two goals; and to work together to deliver on the various goals.

At the 26th Conference of the Parties (COP26) in Glasgow, the Federal Republic of Nigeria made a commitment to attain a net-zero goal aimed at mitigating greenhouse gas emissions and promoting sustainable and environmentally conscious growth by the year 2060. In a swift follow-up action, His Excellency President Muhammadu Buhari signed the Climate Change Act, 2021 (the Act) into law barely a week after the conference. The Act seeks to establish a framework for the attainment of low Greenhouse Gas (GHG) emissions and to integrate climate change mitigation and adaptation actions into national plans and programmes. Apart from establishing the National Council on Climate Change (NCCC) which has the power to make policies and decisions on all matters relating to climate change in Nigeria, the Act also provides that the NCCC will collaborate with the Federal Inland Revenue Service (FIRS) to develop a mechanism for carbon tax in Nigeria. The proceeds from the carbon tax, as well as emissions trading among other sources of funds, will be a primary revenue source for Climate Change Fund established by the Act. The Act applies to Ministries, Departments & Agencies of the Federal Government of Nigeria, public and private entities, which includes SMEs, and places an obligation on these entities to develop and implement mechanisms geared toward reducing carbon emissions and building an environmentally sustainable and climate resilient society.

iv. Environmental Impact Assessment Act:

The EIA Act was enacted to ensure that projects are environmentally sustainable, minimize environmental harm, while conserving natural resources, and improving the quality of life for present and future generations and promoting sustainable development. This Act addresses how environmental impact of projects should be considered by both public and commercial initiatives before commencement in order to identify and mitigate potential environmental impacts, ensure compliance with environmental laws and regulations. Some of the sections of the EIA that make provisions for protecting the environment include;

- Section 2(1) which provides that Public or private projects which are anticipated to have an adverse impact on the environment must be assessed;
- Section 2(4) provides that before beginning projects, applicants must submit a written application to the Agency for the Agency to conduct an environmental evaluation and make decision on the approval of the project;
- Section 60 creates a legal responsibility for contravention of any of the provisions of the Act.

Basically, the Act serves as a tool used to ensure that the potential negative consequences of a project are assessed and considered before the project is approved. The primary goal of the EIA process is to ensure that all the necessary environmental factors are considered and used in making an informed decision. By achieving these objectives, the EIA Act aims to balance economic development with environmental protection and social responsibility and ensure that projects are executed in an environmentally friendly and responsible manner.

v. Regulations for Renewable Energy Initiatives



Promoting clean and renewable technology in Nigeria is crucial for addressing the country's energy needs, reducing greenhouse gas emissions, and promoting sustainable development. Nigeria has abundant renewable energy resources such as solar, wind, hydro, and biomass, which, if harnessed effectively, can contribute significantly to its energy mix.

a. Nigeria's National Renewable Energy and Energy Efficiency Policy (NREEEP) serves as a guiding framework for promoting and developing renewable energy and energy efficiency in the country. The policy sets specific targets for increasing the share of renewable energy in the energy mix and outlines strategies for achieving these targets. Additionally, the Nigerian Electricity Regulatory Commission (NERC) plays a crucial role in regulating the electricity sector, having issued various regulations and guidelines related to renewable energy, including rules for grid-connected renewable energy projects and guidelines for procuring renewable energy.

b. The Nigerian Energy Support Programme (NESP) is a collaborative initiative between the Nigerian and German governments, aimed at supporting the implementation of the Nigerian Renewable Energy and Energy Efficiency Policy. Through this programme, technical expertise and capacity-building support are provided to promote the development and utilization of renewable energy sources and energy-efficient practices, furthering Nigeria's transition to a sustainable energy future.

c. The Renewable Electricity Action Program (REAP) is an initiative designed to accelerate the adoption of renewable electricity generation in Nigeria. Its primary objectives are to facilitate the development of renewable energy projects and create a conducive environment that attracts investments in the renewable energy sector, thereby catalyzing Nigeria's transition to a sustainable and low-carbon energy future.

vi. National Action Plan for the reduction and eventual elimination of mercury use in artisanal and small-scale gold mining (ASGM)

In furtherance of Nigeria's effort to combat the environmental degradation, Nigeria was a party to the Minamata Convention on Mercury in 2013[1], where she signed the treaty which required member countries to carry out activities towards the reduction in the use of Mercury. Following this event, the Federal Ministry of Health (FMOH) conducted public health and institutional assessments on Artisanal & Small-Scale Gold Mining (ASGM) in Nigeria[2], and identified that ASGMs were responsible for 37% of the anthropogenic emission and releases of mercury into the environment during its gold extraction processes which was generally harmful to health and the environment at large. As a result, the Ministry of Environment, in collaboration with UNIDO, the Ministry of Mines and Steel Development and other stakeholders worked together to provide a roadmap to reduction and possible elimination of the use of mercury by artisanal miners across Nigeria.

The government, through the former Minister of Environment, Dr. Muhammad Mahmood Abubakar, unveiled the National Action Plan for the reduction and eventual elimination of mercury use in artisanal and small-scale gold mining (ASGM) in the country in alignment with best practices and addressing the danger associated with pollution and depletion of the ozone layer. This was the result of several recommendations which emanated from the assessments conducted.

The Action Plan emphasizes the need for effective waste management and harmonization with all sectors to align with the current administration's development agenda. It aims to promote the principles of a circular economy, focusing on zero-waste reduction, efficient resource use, and reuse throughout the life cycle of products, particularly plastics. The plan is in line with Sustainable Development Goals (SDGs), encouraging greater commitment from stakeholders, providing clear guidance, and promoting job creation, poverty alleviation, waste-to-wealth programs, conservation of natural resources, attraction of foreign direct investments, and a cleaner environment.

vii. Nigeria Economic Sustainability Plan

The Nigeria Economic Sustainability Plan (ESP) which was approved by the Federal Executive Council (FEC) on June 24, 2020, aims to reduce greenhouse gas emissions by 20% unconditionally and 47% conditionally by 2030, promote sustainable agriculture practices, reduce deforestation, increase the use of renewable energy, improve energy efficiency, and promote sustainable transportation. It is a comprehensive plan aimed at promoting economic growth, job creation, and poverty reduction in Nigeria. Launched in 2020, the plan is a response to the economic challenges posed by the COVID-19 pandemic and the decline in oil prices. The ESP focuses on several key areas, including agriculture, infrastructure, energy, and small and medium-sized enterprises (SMEs).

The plan aims to achieve several objectives, including increasing local food production, improving transportation networks, and expanding access to electricity and clean water. It also seeks to support SMEs, promote digital economy, and create jobs for young Nigerians. The ESP is expected to have a positive impact on the Nigerian economy, including increasing GDP growth, reducing unemployment, and improving living standards. The plan is being implemented through a combination of government funding, private sector investment, and international partnerships and is aligned with the Nationally Determined Contribution (NDC) under the Paris Agreement and is guided by its Sustainable Development Goals (SDGs).

viii. The National Action Plan on Gender and Climate Change for Nigeria

The National Action Plan on Gender and Climate Change for Nigeria is a comprehensive plan aimed at addressing the gender-differentiated impacts of climate change in the country. The plan recognizes that women and men are affected differently by climate change, and that gender equality is crucial for effective climate change mitigation and adaptation efforts. It identifies key sectors such as agriculture, water, health, and energy, where gender-sensitive approaches can make a significant difference in building climate resilience.

The plan outlines specific objectives and strategies for mainstreaming gender into climate change policy and programming, including increasing women's participation in climate change decision-making, promoting gender-sensitive climate-smart agriculture, and supporting women's access to climate information and early warning systems. The plan also prioritizes the empowerment of women and girls through education, skills development, and access to finance, to enhance their capacity to adapt to climate change and contribute to climate change mitigation efforts.

ix. The National Action Plan for the Revitalization of the Water, Sanitation, and Hygiene (WASH) sector

The National Action Plan for the Revitalization of the Water, Sanitation, and Hygiene (WASH) sector is a comprehensive plan aimed at addressing the challenges facing the WASH sector in Nigeria. The plan was launched in 2018 and is aligned with the country's National Development Plan and the Sustainable Development Goals (SDGs). Its goal is to ensure universal access to sustainable and safely managed WASH services, with a focus on equity, inclusion, and sustainability.

The plan identifies key areas for improvement, including increasing access to piped water, improving sanitation and hygiene practices, and strengthening sector governance and financing. It also prioritizes the needs of vulnerable populations, such as women, children, and people living with disabilities. The plan sets specific targets and indicators to measure progress, including increasing access to piped water from 7% to 30% by 2025 and reducing the number of people practicing open defecation from 47 million to 23 million by 2025.

The National Action Plan for the Revitalization of the WASH sector is a collaborative effort between the Federal Government of Nigeria, state governments, local governments, development partners, and civil society organizations. Its successful implementation is expected to have a significant impact on the health, education, and economic productivity of Nigerians, particularly in rural and marginalized communities. The plan is also expected to contribute to the achievement of SDG 6, which is to ensure universal access to safe and equitable water and sanitation for all by 2030.

x. The Extended Producer Responsibility (EPR) Framework

The country has been working to develop a sustainable management system for e-waste due to the fact that Nigeria has been facing a significant challenge with the management of electronic waste (e-waste) because of the large volume of imported used electronics.

This led to the establishment of The Extended Producer Responsibility (EPR) Framework[1] in Nigeria by the National Environmental (Electrical/Electronic Sector) Regulations in 2011. The EPR framework makes producers responsible for their products throughout their entire lifecycle, including the post-consumer stage. The framework aims to reduce waste, increase recycling and promote sustainable and eco-friendly alternative designs and responsible end-of-life disposal.

Notably, the framework requires producers to register with a Producer Responsibility Organization (PRO) to ensure compliance with the EPR policy. It also establishes collection centres to collect and store e-wastes temporarily before they are responsibly recycled; and runs an accreditation system where E-waste recyclers need to be registered and accredited to ensure proper treatment and recycling of e-wastes.

D. Compliance requirements for SMEs

Small and Medium-sized Enterprises (SMEs) operating in Nigeria and globally are increasingly expected to adhere to Environmental, Social, and Governance (ESG) and sustainability compliance requirements. These requirements are both legal requirements and internationally recognized best practices and encompass a range of recommendations that enable SMEs to demonstrate their commitment to responsible business practices, social responsibility, and environmental stewardship. By adopting ESG and sustainability compliance requirements, SMEs can ensure transparency, accountability, and long-term sustainability, while also meeting legal and regulatory obligations.

Non-compliance with sustainability requirements can result in various consequences for organizations. These consequences can extend beyond legal implications to impact a company's reputation, relationships with stakeholders, and overall business success. Some common consequences are-

i. Legal Penalties and Fines:

Governments and regulatory bodies may impose fines and penalties for non-compliance with environmental, social, and governance (ESG) regulations. The National Environmental Standards and Regulations Enforcement Agency has the power to enforce compliance with the environmental laws and take procedures prescribed by law against any violator. Section 27 of NESREA Act provides that the discharge of hazardous substances into the environment is an offence that is punishable with a fine not exceeding N1,000,000 (One Million Naira)



and an imprisonment term of 5 years in the case of a body corporate, the penalty includes an additional fine of N50,000 for every day the offence subsists and liability of all its officers to criminal proceedings. Other environmental protection regulations equally provide for penalties and fines for noncompliance.

ii. Loss of Business Opportunities:

Many clients, investors, and business partners prioritize working with organizations that adhere to sustainable practices. The threat of business closure looms for SMEs that neglect environmental regulations enforced by the National Environmental Standards and Regulations Enforcement Agency (NESREA) and other environmental protection regulators.

iii. Reputational Damage:

Non-compliance with sustainability standards can tarnish a company's reputation. Consumers and stakeholders increasingly expect businesses to operate sustainably and ethically. Doing otherwise can lead to negative publicity, social media backlash, and public scrutiny which can erode customer trust and loyalty.

iv. Employee Consequences:

The Ministry of Labour and Employment oversees labor regulations in Nigeria, and SMEs failing to comply with these laws may face legal actions and penalties. Adhering to labor laws is not only a legal requirement but also crucial for creating a positive work environment.

It's essential for organizations to proactively address sustainability requirements, not only to avoid these consequences but also to leverage sustainability as a strategic advantage. Implementing robust sustainability practices can enhance reputation, attract investment, and contribute to long-term business success.



3. DEVELOPING SUITABLE AND ADAPTABLE SUSTAINABILITY STRATEGIES FOR SMES

Entrenching sustainability practices and compliance reporting in the broader corporate governance framework for SME governance is essential for fostering long-term resilience and success in today's rapidly changing business landscape. By integrating sustainability principles into corporate governance structures, SMEs can effectively manage environmental, social, and governance (ESG) risks while capitalizing on opportunities for innovation and growth. This entails aligning business strategies with sustainable development goals, establishing clear policies and procedures for sustainable practices, and ensuring accountability and transparency throughout the organization. Through robust governance frameworks that prioritize sustainability, SMEs can enhance their reputation, attract investment, and contribute positively to society and the environment.

As small businesses increasingly prioritize sustainability, they are forced to navigate a complex web of laws, regulations, and international standards that govern environmental protection, human rights, labor standards, and supply chain management. Developing an effective sustainability policy for any organization will require a thorough understanding of the underlisted considerations to mitigate risks, capitalize on opportunities, and ensure compliance with evolving legal requirements, ultimately driving business success while contributing to a more sustainable future. The following outline key areas to be considered by businesses while developing sustainability policy:

a. Establish Clear Sustainability Goals: Begin by defining clear and measurable sustainability goals that align with your SME's values, mission, and stakeholders' expectations. These goals may include reducing environmental impact, promoting social responsibility, enhancing corporate governance practices, and ensuring long-term financial viability. Clearly articulated goals provide a roadmap for guiding decision-making and prioritizing actions towards sustainability.

b. Identify Sustainability Goals and Objectives and Aligning Governance Structures with the United Nations Sustainable Development Goals (SDGs):

Many organizations align their sustainability efforts with the United Nations Sustainable Development Goals (SDGs), which provide a universal framework for addressing global challenges such as poverty, inequality, and climate change. For instance, IKEA has integrated the SDGs into its sustainability strategy by setting ambitious targets related to renewable energy, resource efficiency, and social inclusion. By aligning governance structures, such as board oversight and executive accountability, with the SDGs, companies can ensure that sustainability remains a priority throughout the organization.

c. Establish Key Performance Indicators (KPIs):

To establish a clear sustainability policy, establishing key performance indicators (KPIs) is the way to go as this provides a structured way to monitor progress toward environmental, social, and economic goals. Some broadly applicable Key Performance Indicators (KPIs) that can be used across various industries to measure sustainability include:

i. **Energy Consumption Tracking:** Track the total energy consumed by the business, aiming for reductions over time.

KPI: kWh per unit of production or square foot.

ii. **Greenhouse Gas Emissions Monitoring:** Measure and report on the emissions of greenhouse gases (CO₂, methane, etc.) associated with business operations.

KPI: Metric tons of CO₂ equivalent emissions.

iii. **Water Usage Monitoring:** Monitor water consumption and implement strategies to reduce usage.

KPI: Cubic meters of water per unit of production.

iv. **Waste Generation and Recycling:** Quantify the total waste generated and the percentage that is recycled or diverted from landfills.

KPI: Percentage of waste recycled.

Some recommendations for establishing business or industry based KPIs are as follows:

i. **Clearly Define Sustainability Goals** which could broadly cover reducing carbon emissions, improving energy efficiency, promoting diversity and inclusion, or enhancing social responsibility, articulate specific and measurable objectives or can be streamlined to the business of the SME.

ii. **Align with stakeholder expectations** including customers, employees, investors, and local communities by tailoring KPIs to address their expectations and ensuring that sustainability efforts align their values and concerns.

iii. **SMART Criteria:** Ensure each KPI adheres to the SMART criteria:

Specific: Clearly articulate what the KPI aims to measure.

Measurable: Establish quantifiable metrics for tracking progress.

Achievable: Set realistic targets that can be feasibly attained.

Relevant: Align KPIs with overarching sustainability goals.

Time-bound: Define a specific timeframe for achieving each KPI.



d. Integrate Sustainability into Business Strategy: after identifying sustainability goals that are in alignment with the business, next step is to embed the already identified sustainability considerations into your SME's overall business strategy, incorporating them into strategic planning, operations, and decision-making processes. This involves identifying how sustainability can create value for the business, drive innovation, enhance competitiveness, and mitigate risks. Integrate sustainability metrics and Key Performance Indicators (KPIs) into performance management systems to track progress and ensure accountability.

e. Implement Sustainable Governance Practices: Strengthen governance structures and processes to support sustainability integration within the SME by establishing clear roles, responsibilities, and accountability mechanisms for overseeing sustainability initiatives. Integrate sustainability considerations into board governance, risk management, and internal control frameworks whilst ensuring transparency, integrity, and ethical conduct in decision-making and reporting processes.

f. Understand Environmental Liability and Ensure Compliance with Environmental legislation:

Environmental liability refers to the legal responsibility of organizations for environmental damage or harm caused by their activities, products, or services. This includes liability for pollution, climate change, waste management, natural resource damage, or environmental health impacts. Businesses must be aware of their potential environmental liabilities and take proactive steps to minimize risks and prevent environmental harm. This includes ensuring compliance with local, national, and international environmental laws and regulations implementing effective environmental management systems and conducting regular environmental impact assessments and audits.

Obtaining licenses, disclosing emissions and pollutants, and complying with predetermined requirements for emissions, waste management, and water usage are all part of this.

In Nigeria, aside the regulations already previously discussed, there are various environmental laws and regulations that businesses must comply with while considering sustainability. For instance, the Nigerian Environmental Protection Agency (NEPA) regulates and enforces environmental laws, including the National Environmental Protection (Pollution Control) Regulations 1991 and the Harmful Waste (Special Criminal Provisions, etc.) Act 1988. Similarly, in South Africa, the National Environmental Management Act 1998 and the Air Quality Act 2004 regulate environmental impact.

Reporting and disclosure legislations are also essential considerations. In Nigeria, the Nigerian Stock Exchange (NSE) requires listed companies to disclose their environmental, social, and governance (ESG) performance in their annual reports. Similarly, the Johannesburg Stock Exchange (JSE) in South Africa requires listed companies to disclose their ESG performance in accordance with the Global Reporting Initiative (GRI) standards. In addition, the African Union's Agenda 2063 and the United Nations' Sustainable Development Goals (SDGs) encourage countries to promote transparency and accountability in environmental reporting and disclosure. Businesses must comply with these reporting and disclosure requirements to demonstrate their commitment to sustainability and avoid legal and reputational risks. Fines, legal action, and reputational harm may arise from a company's failure to adhere to these standards.

g. Practice Sustainable Resource Management:

Sustainable resource management is a vital key legal consideration for sustainability initiatives. It involves acquiring raw materials and the responsible management of natural resources, such as water, energy, land, and raw materials, to ensure their long-term availability and minimize waste. In Nigeria, the Federal Ministry of Environment and State Ministries of Environment have enacted various regulations and guidelines to promote sustainable resource management, including the National Environmental Policy 1999 and the National Water Resources Management Framework 2006. These regulations require organizations to adopt sustainable practices, such as efficient water use, renewable energy, and sustainable land use, to minimize their environmental footprint.

Effective sustainable resource management requires organizations to adopt a proactive and integrated approach to resource procurement and use, considering the social, economic, and environmental impacts of their operations. This includes implementing efficient resource use technologies, adopting circular economy principles, and promoting sustainable supply chain management.

h. Conduct Environmental Impact Assessments (EIAs):

Conducting environmental Impact Assessment (EIA) is a crucial key legal consideration for all commercial ventures or projects. EIAs are a systematic process used to identify, predict, and evaluate the potential environmental consequences of a project or development proposal. Before starting specific projects or operations, many jurisdictions including Nigeria demand that corporations complete Environmental Impact Assessments (EIAs) and submit a report to the Federal Ministry of Environment or State Ministry of Environment, as applicable. The EIA report must identify potential environmental impacts, propose mitigation measures, and outline a plan for monitoring and managing environmental effects.

Conducting an EIA is essential for sustainability initiatives as it helps identify potential environmental risks and opportunities for mitigation. EIAs also provide a framework for stakeholder engagement, public participation, and consultation with affected communities. By conducting an EIA, organizations can demonstrate their commitment to sustainability, transparency, and accountability, and ensure compliance with environmental laws and regulations. Furthermore, EIAs can help organizations identify opportunities for environmental improvement, cost savings, and innovation, ultimately contributing to the achievement of the United Nations' Sustainable Development Goals (SDGs).

i. Take Responsibility for Products and Supply Chains:

Taking responsibility for products and supply chains is a key legal consideration for sustainability initiatives. This includes ensuring that products are designed, produced, and distributed in a socially and environmentally responsible manner, and that supply chains are transparent, ethical, and sustainable. It also includes providing sustainable labeling specifications, ensuring limitations to use of dangerous or toxic products, and making sure that vendors follow labor and environmental laws. Organizations have a legal and moral obligation to ensure that their products and supply chains do not harm people or the environment, and that they comply with relevant laws and regulations, such as:

1. Product safety and quality standards
2. Environmental and social impact assessments
3. Human rights and labor laws
4. Anti-corruption and bribery laws
5. Supply chain transparency and reporting requirements.

Organizations must also consider the extended producer responsibility, which holds them accountable for the entire lifecycle of their products, from design to end-of-life disposal or recycling

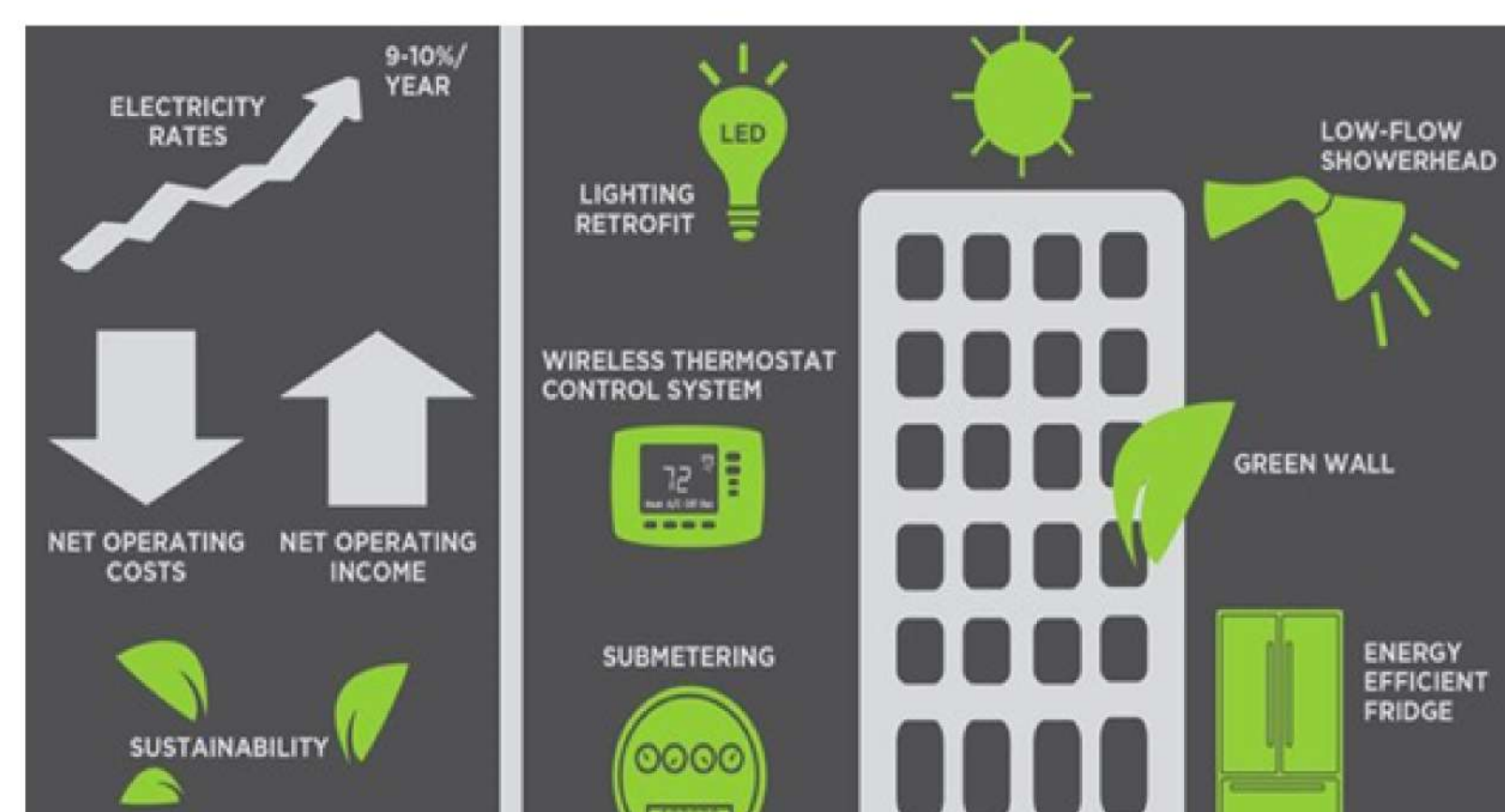
j. Implementing Energy-Saving Measures & Energy-Efficient Practices

Energy efficiency is about maximizing the output or service from a given amount of energy consumed, while energy savings refer to the actual reduction in energy consumption achieved through measures such as investing in energy-efficient technologies or adopting energy-saving behaviors. In today's world, where sustainability is becoming increasingly important, small and medium-scale enterprises (SMEs) have a crucial role to play in promoting energy efficiency. By implementing energy-saving measures and adopting energy-efficient practices, SMEs can not only reduce their environmental impact but also save on energy costs. Increasing energy efficiency and savings will play a key role in achieving the climate and energy targets.

In the quest for sustainability, SMEs can initiate change by encouraging the use of energy-efficient appliances and equipment. By simply replacing outdated systems with energy efficient equipment and products powered by solar energy, wind energy, geothermal energy, hydropower, ocean energy, bioenergy, businesses can witness a notable reduction in energy consumption over time.

Also, section 80 of the Electricity Act of 2023 encourages the diversification of the energy mix through the adoption and utilization of renewable energy. Investing in renewable energy sources, such as solar panels or wind turbines, not only aligns SMEs with a greener future but also provides substantial long-term cost savings.

By harnessing clean and sustainable energy, businesses can reduce their dependence on traditional power sources, contributing to a more sustainable and resilient energy infrastructure.



k. Waste Generation and Disposal Management

Waste management poses a great challenge for cities all over the world. Waste not only occupies large areas of land, it also poses a real threat to the quality of the environment, as represented by polluting groundwater and emitting greenhouse gases.

Nigeria falls among the 30 countries with the worst waste management practice out of 180 countries in the world, according to the Yale Center for Environmental Law and Policy. Nigeria's score of 12.7 out of 100[1] was drastically lower than its neighboring countries in Sub-Saharan Africa, Seychelles and Equatorial Guinea, which scored 69.10 and 63.10, respectively, highlighting a significant disparity in their performances.

Nigeria Environmental Performance Index (EPI) scores

A score of 100 indicates high performance while a score of 0 indicates low performance

EPI	Rank	Scores
Waste Management	152	12.70
Unsafe Sanitation	174	6.00
Recycling	171	4.70
Controlled Solid Waste	123	16.70
Ocean Plastic	124	12.70

The 2022 EPI provides a quantitative basis for comparing and analyzing environmental performance for 180 countries

Table: Dataphyte • Source: EPI • Created with Datawrapper

According to a United Nations Industrial Development Organisation (UNIDO) report[1], Nigeria generates over 32 million tonnes of waste annually with plastic accounting for 2.5 million tonnes. Nigeria is among the top 20 nations that contribute 83 percent of the total volume of land-based plastic waste that ends up in the oceans[2].

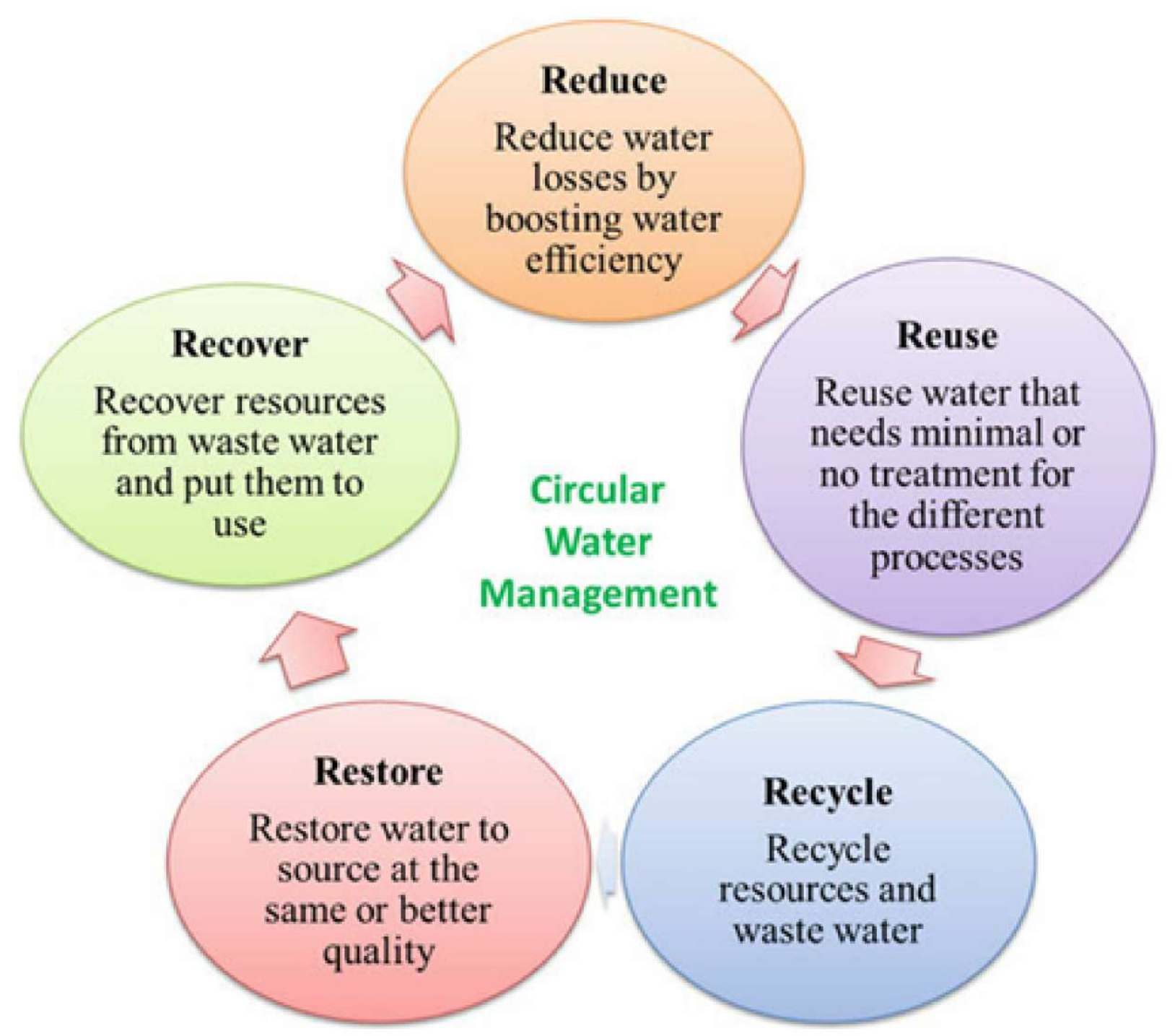
A national strategy to manage and commercialize waste is expected to unlock significant value. Recently, the Federal Ministry of Environment, the Embassy of Japan in Nigeria, and UNIDO signed a \$2.8 million agreement to support sustainable plastic waste management through circular economy practices. Nigeria has also joined the WEF's Global Plastic Action Partnership and established a Circular Economy Working Group to tackle plastic pollution.

Encouragingly, industries are making progress in containing solid waste. For instance, the Coca-Cola System partnered with Alkem in 2005 to introduce a PET collection and buy-back scheme, launching the first PET collection and sorting centers in the country. However, challenges persist, including the lack of a legislative framework, non-implementation of existing laws, outdated legal instruments, inadequate funding, and insufficient infrastructure to manage the volume and types of waste generated. Addressing these challenges is crucial to formalizing the sector and achieving sustainable waste management.

Despite the forgoing, SMEs are encouraged to take the initiative by starting small in their various business activities and practices to reduce the solid waste generated by them as well as take measures to practice safe waste disposal practices such as recycling and reusing, sorting reusable material options as opposed to disposable options, incineration and composting options. Composting helps mitigate the effects of climate change because it prevents the formation of methane, which results from the anaerobic decomposition of organic waste in municipal dumps. Methane and carbon dioxide are greenhouse gases responsible for the greenhouse effect. It has been estimated that human-generated methane is responsible for at least 25% of current global warming. SMEs should also discourage the use of single-use items. Promoting the use of reusable items like water bottles, shopping bags, and coffee cups helps minimize plastic waste and fosters sustainability.

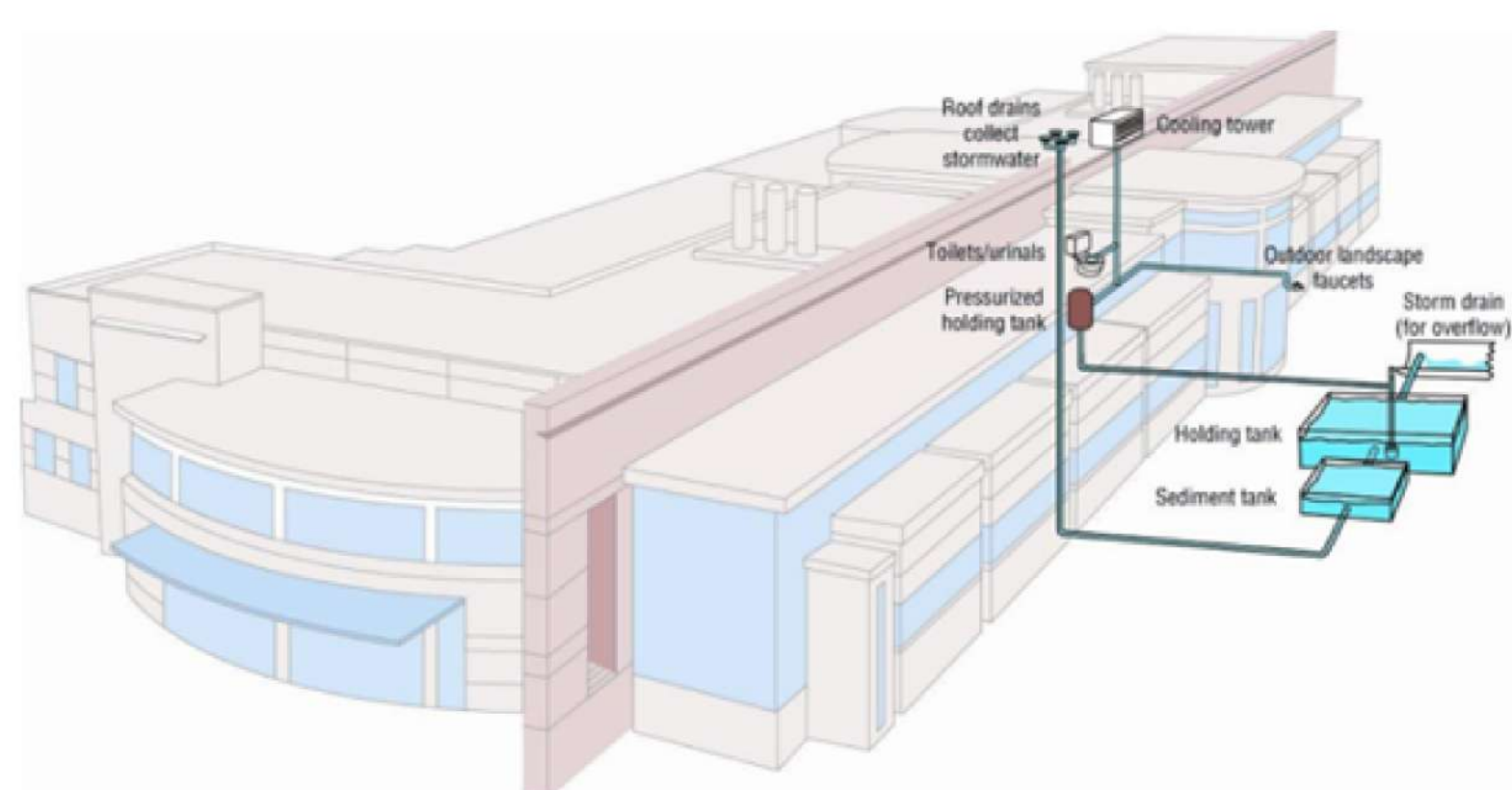
I. Reducing Water Consumption

Sustainable water management is the process of meeting current water needs without compromising future water needs. That is ensuring everyone has access to clean water today but not at the expense of future generations.



Businesses can invest in technology that not only increases our water supply, but also improves access to water security for populations around the world. This is possible through desalination, which removes dissolved mineral salts from water to make it safe for human consumption and irrigation. Other options include water reuse through stormwater runoff or wastewater treatment

Some water consumption reduction strategies SMEs can practice include Metering/ Measuring/ Managing water usage within their facility; optimize cooling towers by carefully controlling the ratio of water discharged to water evaporated; replace restroom fixtures with water efficient fixtures; eliminate single-pass cooling systems which allows water pass for cooling purposes just once before going down the drain as waste and rather install air-cooled or recirculating chilled water systems; use water-smart landscaping and irrigation for SMEs in the agricultural industry; control steam sterilizer tempering water systems which uses cooling water to temper steam condensate discharge from the sterilizer to the laboratory drain with models that only apply tempering water when needed as this will help save gallons of water that is usually wasted in the tempering process; reuse laboratory culture water as some laboratories use and waste gallons of water during their scientific culture and testing instead of reusing water when such options are available, at best after treating the water; recover air handler condensate that usually escapes from the cooling coils and repurpose for several other uses; recover rainwater by capturing it from the roof and redirecting to a storage tank.



Irresponsible handling of water bodies thereby causing water pollution is another issue currently experienced in places all over the world. The fight for sustainability goes beyond reducing water consumption. It extends to protecting water bodies and ensuring future generation has access to good quality water supply.

Industrial activities, such as oil exploration and mining, contribute significantly to water pollution. Industries often release toxic chemicals and waste into rivers and lakes, contaminating the water and endangering aquatic life. Additionally, the improper disposal of industrial waste escalates the problem, as many companies lack proper waste management systems.

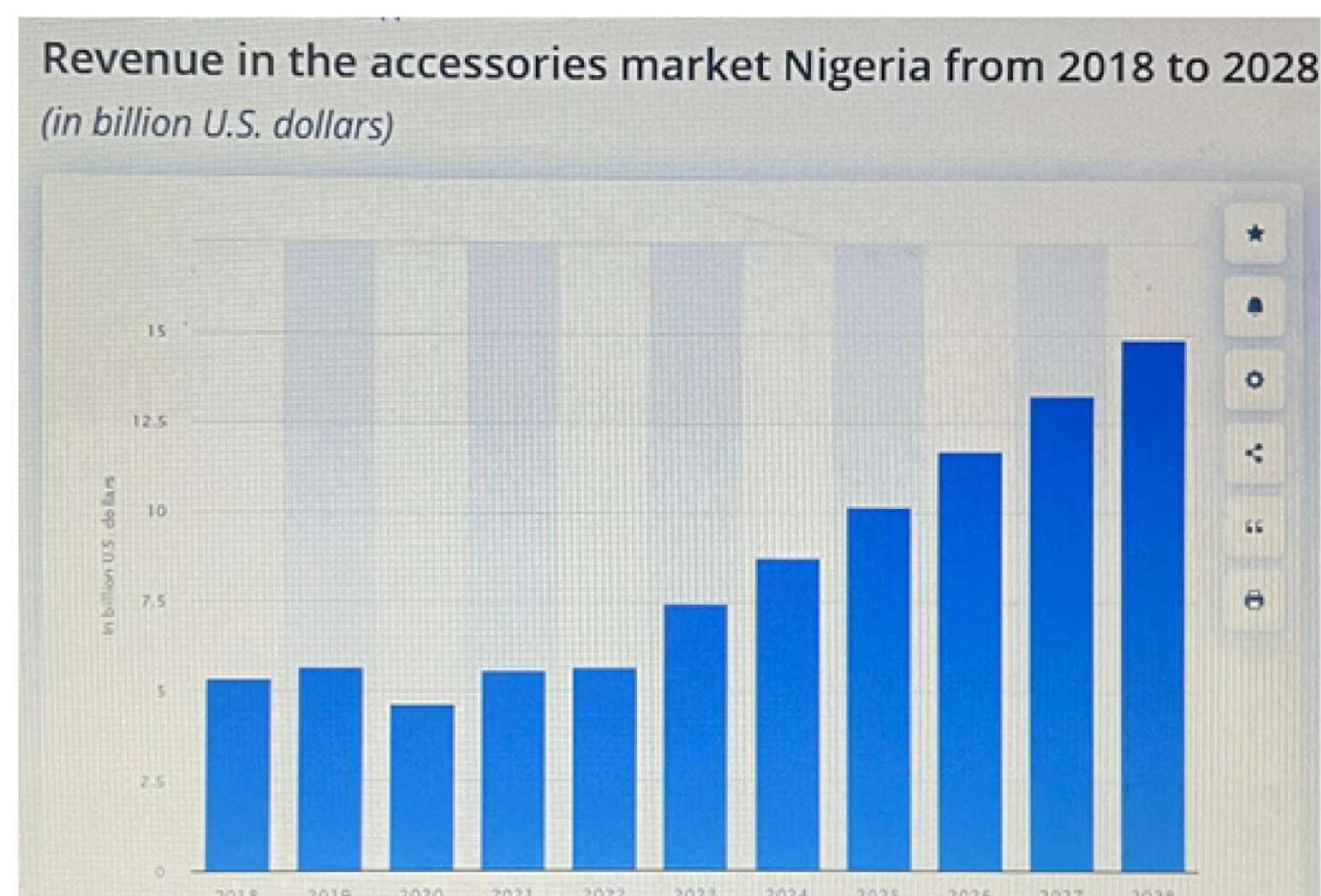
Improper sewage disposal is another major contributor to water pollution. Inadequate sewage treatment systems and open defecation contaminate water sources, spreading diseases and posing serious health risks to communities. Some agricultural practices, particularly the use of pesticides and fertilizers, also contribute to water pollution. When these chemicals are not properly managed, they enter water bodies through runoff, leading to the contamination of the water ecosystems.

The consequences of all this are far reaching as it affects both the environment and general quality of life. Businesses, small and large and individuals alike, are hence advised to imbibe proper waste management practices, invest in proper sewage disposal systems and practice responsible agricultural practices.

m. Practicing Responsible Resource Management and Product Packaging

To achieve global climate goals, while meeting the growing demand of consumers, CPG and FMCG companies would have to significantly cut their greenhouse emissions.

Consumer packaged goods (CPG) are products used by everyday consumers that have a limited lifespan and need to be replaced or replenished regularly. CPG items include food, beverages, clothes, makeup, and household products. Research by Statista has shown that the CPG industry continues to grow rapidly. An example can be made with the accessories market, with the image below



With the rapid growth recorded in these industries, one challenge that companies face in meeting their sustainability goals due to a shortage of low-emission materials such as green steel, recycled aluminum, and recycled plastic because production capacity of these low emission materials appears to fall short of future demands. For instance, a McKinsey analysis[1] suggests that in 2030 demand for green steel in Europe could be twice as great as the available supply. In anticipation of this prediction, players across value chains are expected to work on building the capabilities and strategies needed to avoid supply disruptions in the near term and beyond.

Some strategies that can be adopted include:

a) Decarbonising suppliers' energy use by helping suppliers shift to renewable electricity and fuels either by way of investing, demanding or switching to suppliers that use these renewable energy sources.

b) Adjusting the manufacturing materials mix which can be by switching to lower-emissions materials, redesigning products to use different or less material than they initially did, or developing circular products that can be recycled or reused.

c) Partnering with suppliers or manufacturers to expand production capacity for green materials or to implement low-emissions processes. For instance, automakers are assisting with the finance of zero-carbon steel plants that will supply them with the green steel they need[1].

A recent study by Gartner[2] revealed that 37% of U.S. consumers prioritize sustainability when making buying decisions and 30% of consumers are willing to pay a premium for products that deliver on sustainability claims [3].

Sustainability should not only be a concern with sourcing the raw materials for production. It should be a product life cycle concern – from the manufacturing phase to distribution phase. SMEs are encouraged to invest in eco-friendly packaging alternatives, such as biodegradable and compostable options, recyclable materials, water-based inks and adhesives. Clear labeling for different types of recyclable packing materials should be practiced as this encourages effective sorting and disposal. Businesses like McDonald's announced its packaging will be 100% renewable and recycled by 2025[4]. Such trends should be the order of the day. In Nigeria, there are a few sustainable businesses already in operation.



n. Conducting In-house Sustainability Audit:

SMEs must regularly and systematically assess, monitor and evaluate the impact of their activities on the environment, their social responsibility, and economic sustainability obligations to identify areas for improvement of sustainability efforts, collect relevant data, metrics, and indicators to measure environmental, social, and economic impacts and align business practices with ethical, environmental, and social standards.

A sustainability checklist will cover primary matters including local and international sustainability regulations compliance, specific industry regulations on areas such as energy consumption, waste management, social responsibility, and economic sustainability that align with the business goals, feedback from employees, customers, and suppliers, achievement of the SDGs relevant to their practices.

Conducting sustainability assessments, audits, and reviews is a continual process that requires commitment and collaboration. By systematically addressing environmental, social, and economic aspects, SMEs can contribute to a more sustainable and responsible business ecosystem, and ensure compliance with sustainability standards, regulations, and commitments.

o. Monitoring and Measuring Progress

In recent years, sustainability monitoring and measurement have become increasingly effective, due to the development of new standard-setting initiatives and the refinement of existing tools and models. These tools and models come in a variety of forms, including risk assessments, life-cycle assessments, cost-benefit analyses, ecosystem service valuations, triple bottom line reporting, environmental, social, and governance (ESG) reporting, integrated assessment models, the multi-capital approach, and scenario tools. Each tool has its own distinct scope and focus, identifying different options, preliminary issues, and opportunities for stakeholder engagement and collaboration. This diversity of tools and approaches enables organizations to choose the most suitable methods for their sustainability measurement and reporting needs.

Regular measuring, monitoring, and evaluation of sustainability efforts form integral components of a robust sustainability strategy. Monitoring entails continuous tracking of key performance indicators (KPIs) associated with sustainability initiatives. These KPIs encompass metrics such as energy consumption, waste generation, greenhouse gas emissions, water usage, supplier adherence to sustainability standards, and advancement towards specific sustainability goals. Monitoring enables businesses to discern patterns, monitor performance trends over time, and identify any discrepancies from established targets. Reporting entails consistent dissemination of sustainability performance and progress to stakeholders via comprehensive sustainability reports. These reports typically encompass data pertaining to environmental, social, and governance (ESG) performance, supplemented by analysis and commentary on accomplishments, hurdles, and future strategies. Evaluation involves assessing the effectiveness of sustainability efforts and initiatives in achieving their intended outcomes.

p. Transparent Reporting to Stakeholders and Compliance with Emerging Sustainability Reporting Standards

For organizations seeking to demonstrate accountability, build trust, and align with best practices in sustainable business, transparent reporting to stakeholders and compliance with emerging sustainability reporting standards are critical elements. To do this, SMEs must understand Emerging Standards and stay informed about emerging sustainability reporting standards and frameworks by staying up to date with such organizations like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD) which are influential in shaping global reporting expectations.

SMEs Align sustainability reporting practices with recognized standards set by these organizations that are relevant to industry and sector, while making sure to engage stakeholders in the reporting process by soliciting feedback, concerns, and reports on improvements. SMEs must consider adopting integrated reporting, which combines financial and sustainability information into a cohesive narrative. Integrated reporting provides a holistic view of the organization's value creation, demonstrating the interconnection between financial and non-financial aspects.

RS 9

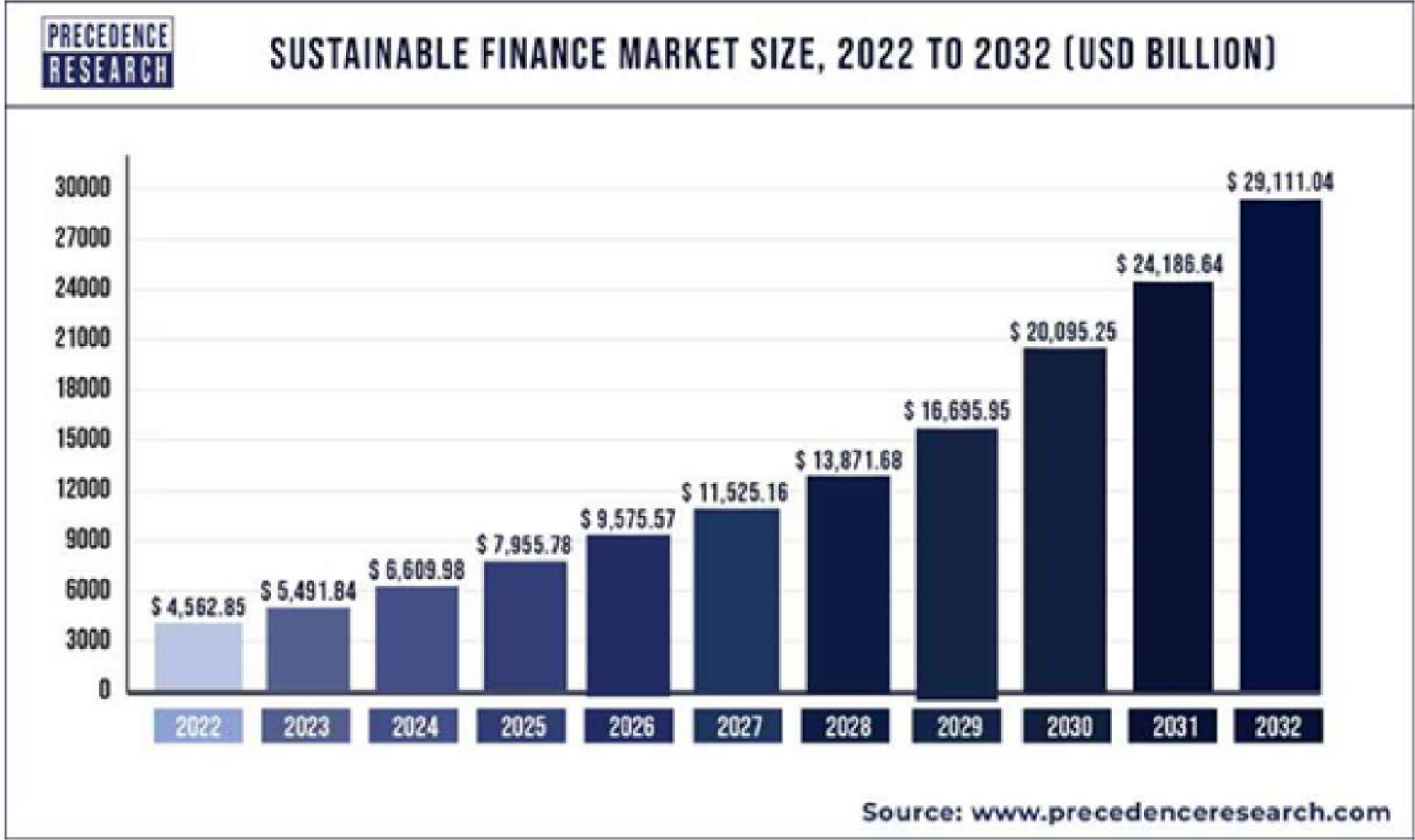


4. SMES: ACCESS TO FINANCE AS AN IMPERATIVE TO PROMOTE SUSTAINABILITY

In today's dynamic business landscape, SMEs face increasing pressure to embrace sustainability as a core component of their operations. Sustainable financing and incentives play a pivotal role in facilitating this transition by providing financial support and tangible rewards for environmentally and socially responsible practices. From green loans and grants to tax incentives and preferential procurement programs, these mechanisms not only alleviate the financial burden of sustainability initiatives but also incentivize SMEs to integrate sustainable practices into their business models. This section delves into the diverse array of sustainable financing options and incentives available to SMEs, highlighting their significance in driving positive environmental and social impact while fostering business growth and resilience.

A. Available Financing Options for Sustainability Projects

Accessing finance remains one of the biggest challenges faced by SMEs today. This realization has led to the creation of several policies, funds and associations to meet the capital demands of transitioning to a sustainable future and provide businesses with necessary incentives to make this jump. Sustainable financing focuses on prioritizing environmental, social and governance (ESG) considerations when making investment decision, leading to more long-term investments in sustainable economic activities and projects. It is clearly established that the future of capital will favour more sustainable and environmentally conscious projects and businesses. Environmental considerations include addressing climate change, protecting biodiversity, preventing pollution, and promoting sustainable resource use through the circular economy. Social considerations could refer to issues of inequality, inclusiveness, labour relations, investment in people and their skills, community development, as well as human rights issues. The governance including management structures, employee relations and executive remuneration – plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process.



In the global capital market, sustainable finance has gained prominence as investors increasingly recognize the importance of considering not only financial returns but also the impact of their investments on the planet and society. The global sustainable finance market is being driven by impact investing efforts in a bid to shore up responsible consumption and resource management. The sustainable finance market is a fast growing one, estimated at USD 4,235 billion in 2022 and an anticipated compound annual growth rate (CAGR) of 19.9% taking the market size to USD 25,900.21 Billion by .2032.

Several types of funds are available to SMEs and larger businesses in the sustainable finance market, ranging from green bonds which are earmarked to fund projects that have positive environmental or climate-related impacts, to Sustainable Investment or ESG Funds with a focus on companies that demonstrate strong environmental, social, and governance practices, and Climate Funds aimed at mitigating and adapting to climate change. These funds may invest in projects that reduce greenhouse gas emissions, promote climate resilience, or support carbon offsetting activities. According to the Climate Bonds Initiative, issuance of green bonds surpassed USD 269 Billion in 2020[1] and constitutes the majority of the sustainable finance market.

[1] Global Sustainable Finance Market Size Expected to Grow Over USD 25,900.21 Billion By 2032, at 19.9% CAGR: Polaris Market Research
<https://finance.yahoo.com/news/global-sustainable-finance-market-size-135500153.html>
[Record \$269.5bn green issuance for 2020: Late surge sees pandemic year pip 2019 total by \$3bn.
<https://www.climatebonds.net/2021/01/record-2695bn-green-issuance-2020-late-surge-sees-pandemic-year-pip-2019-total-3bn>

SUSTAINABILITY LINKED FUNDS AND INCENTIVES FOR SMES

Region	Incentive	Administering Body	Eligibility Criteria
Europe	European Regional Development Fund	European Commission	SMEs in eligible regions undertaking projects that contribute to environmental sustainability and innovation.
Europe	European Investment Bank (EIB)	European Investment Bank	SMEs investing in green projects, such as renewable energy, energy efficiency, and sustainable transportation.
Europe	Horizon Europe	European Commission	SMEs participating in research and innovation projects focused on sustainability, including climate action, circular economy, and biodiversity.
Europe	European Investment Fund (EIF)	European Investment Fund	SMEs accessing financing for sustainable initiatives, including energy efficiency upgrades and renewable energy projects.
America	Small Business Administration (SBA) Green Loans	U.S. Small Business Administration	U.S.-based SMEs seeking financing for environmentally friendly projects, such as renewable energy installations and energy-efficient upgrades.
America	Environmental Protection Agency (EPA) Grants and Incentives	U.S. Environmental Protection Agency	SMEs implementing pollution prevention measures, sustainable practices, and clean energy projects.
America	Clean Energy Fund	State-level agencies	SMEs in participating states undertaking clean energy projects, including solar, wind, and biomass.
Africa	African Development Bank (AfDB) Green Growth Financing	African Development Bank	SMEs across Africa investing in sustainable development projects, including renewable energy, climate resilience, and sustainable agriculture.
Africa	Green Climate Fund (GCF) Grants and Investments	Green Climate Fund	SMEs in developing countries accessing funding for climate mitigation and adaptation projects, such as renewable energy installations and sustainable land use.
Nigeria	Bank of Industry (BoI) Green Fund	Bank of Industry Nigeria	Nigerian SMEs investing in green projects, including renewable energy, energy efficiency, and sustainable manufacturing.
Nigeria	Nigerian Renewable Energy Fund (NREF)	Nigerian Renewable Energy Fund	Nigerian SMEs undertaking renewable energy projects, such as solar, wind, and biomass installations.
Nigeria	National Environmental Standards and Regulations Enforcement Agency (NESREA) Incentives	NESREA	Nigerian SMEs implementing environmentally friendly practices and complying with environmental regulations.
Asia	Green Fund Malaysia	Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) Malaysia	Malaysian SMEs investing in green projects, including renewable energy, energy efficiency, and sustainable manufacturing.
Asia	Green Financing Scheme (GFS)	Hong Kong Monetary Authority (HKMA)	SMEs in Hong Kong undertaking environmentally sustainable projects, such as green buildings and energy-efficient installations.
Asia	Sustainable Development Financing Scheme (SDFS)	Monetary Authority of Singapore (MAS)	Singaporean SMEs accessing financing for sustainable development projects, including renewable energy, sustainable transportation, and waste management.

To gain access to these funds, SMEs must clearly articulate their sustainability strategy, including environmental, social, and governance (ESG) initiatives. They must also provide transparent and comprehensive reporting on sustainability performance. This includes disclosing ESG metrics, goals, and achievements.

B. Sustainable Finance and Investing: A Driver for Global Capital Inflows

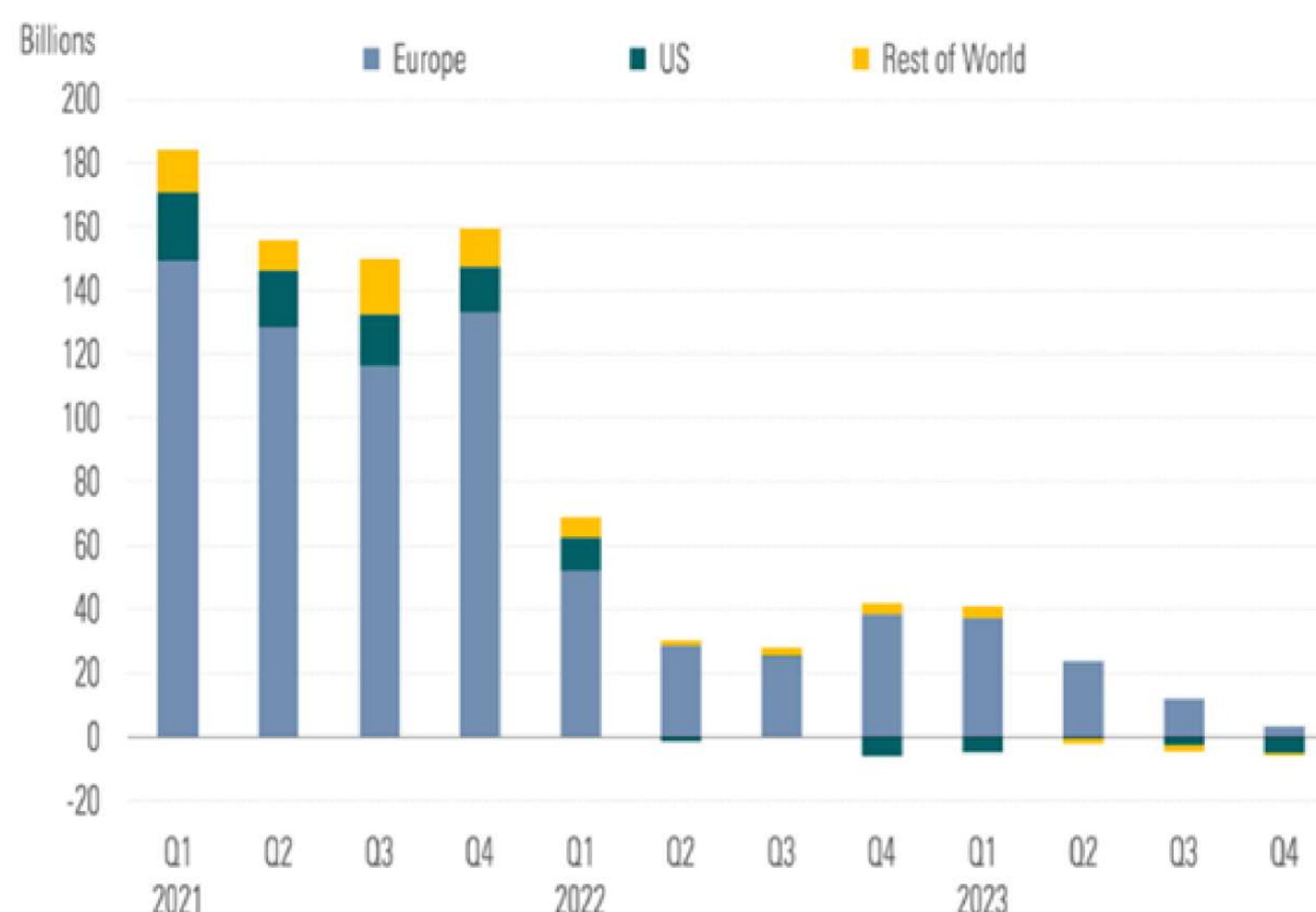
The growing significance of sustainable finance has become a compelling driver for capital inflows, influencing both investors and businesses across the globe. As the consequences of climate change, social inequality, and other global challenges become increasingly evident, Investors are acknowledging the necessity of a comprehensive approach to their investment strategies. Sustainable finance provides a framework that promotes investments in enterprises and initiatives dedicated to ethical conduct, environmental conservation, and fostering positive social impact.

The convergence of various factors, such as regulatory backing, market pressures, and the incorporation of Environmental, Social, and Governance (ESG) factors into investment approaches, is bolstering the harmonization of capital with sustainable principles. Governments and regulatory entities globally are proactively promoting sustainable finance by implementing policy frameworks and mandating disclosure standards. Concurrently, consumers and institutional investors are demonstrating an increasing inclination towards products and services that espouse ethical and sustainable values.

Moreover, sustainable finance is not confined to a niche market; it has become a mainstream phenomenon. Financial institutions, from asset managers to banks, are increasingly integrating ESG factors into their decision-making processes. An example of this commitment to sustainable finance is Impact investing, where financial returns are sought alongside measurable positive social or environmental impact. These are some instances where sustainable finance has been a driver for capital inflow:

i. **ESG Investment Growth:** Environmental, social, and governance (ESG) investing has seen significant growth. In 2020, global sustainable funds attracted record inflows, reaching nearly \$350 billion, according to Morningstar. This trend indicates a rising appetite for investments aligned with sustainability principles. In the last quarter of 2023, global sustainable funds experienced net outflows of USD 2.5 billion, marking the first time they entered negative territory. Despite the overall decline, European sustainable funds remained resilient and attracted USD 3.3 billion of net new money in Q4, primarily driven by passive funds which collected USD 21.3 billion. On the other hand, U.S. sustainable funds saw net outflows of USD 5 billion, contributing to a total of USD 13 billion outflows for the year 2023.

ii. **Sustainable Bond Market:** The market for sustainable bonds, including green bonds, social bonds, and sustainability-linked bonds, has expanded. These bonds attract capital for projects with environmental benefits, contributing to the growth of sustainable finance.



Global Sustainable Fund Flows: Q4 2023 in Review

C. How African Businesses can Access global Funding for Sustainability Transition

Funding the transition to sustainable practices in African countries has always involved a combination of financial mechanisms, partnerships, and strategic initiatives. In raising funds to transition to sustainable practices, businesses must consider the following:

i. **International Aid and Development Assistance:** African countries can leverage international aid and development assistance from organizations such as the United Nations, World Bank, International Monetary Fund (IMF), and various donor countries. These funds support sustainable development projects and initiatives.

ii. **Green Finance and Sustainable Investment:** Private equity and impact investment funds play a crucial role in financing sustainable practices and businesses in Africa. These funds invest in companies, projects, and initiatives that generate positive social and environmental impacts alongside financial returns. Examples include the Investisseurs & Partenaires (I&P) group, which focuses on investing in small and medium-sized enterprises (SMEs) in Africa that promote sustainable development, and the Global Innovation Fund (GIF), which provides early-stage financing to innovative social enterprises addressing development challenges in Africa and other regions.

iii. **Climate Funds and Initiatives:** Access to climate funds and initiatives that are designed to support projects mitigating and adapting to climate change are on the rise. Examples include the Green Climate Fund (GCF) and the Adaptation Fund, which provide financial resources to developing countries for sustainable development. The GCF is the world's largest climate fund and has disbursed over USD 12 billion in funding to 243 green climate projects across 129 developing countries as of 2023.

iv. **Multilateral and Bilateral Agreements:** Engage in multilateral and bilateral agreements with partner countries and organizations. These agreements can include financial support for sustainable projects, technology transfer, and capacity-building initiatives. Examples of such existing agreements include the Paris Agreement and the European Union-Africa Partnership which provides financial and technical assistance to sustainable projects in Africa through the European Development Fund (EDF) and the Africa-EU Renewable Energy Cooperation Program.

v. **African Development Bank (AfDB):** The AfDB is a regional multilateral development bank that provides financial and technical assistance to support sustainable development in African countries. The AfDB offers a range of financing instruments, including loans, grants, and guarantees, to fund projects and programs in areas such as renewable energy, sustainable agriculture, infrastructure development, and climate resilience. The bank's initiatives, such as the Africa Renewable Energy Initiative (AREI) and the Africa Climate Change Fund (ACCF), aim to promote clean energy access, climate adaptation, and sustainable development across the continent. The AfDB also offers an SME Programme that supports financial institutions with financial and technical assistance to enable them to meet the financing needs of SMEs.

D. Regional collaborations and alliances.

Regional collaboration and alliances play a pivotal role in promoting sustainability and enhancing access to sustainable finance in as regional collaborative efforts allow countries to pool resources for large-scale sustainability projects, including investments in renewable energy, environmental conservation, and infrastructure that contribute to sustainable development. Regional partnerships are particularly important in Africa, as the continent only benefited from less than 3% of the over USD 600 Billion total climate finance in 2020. Due to the continent's increased exposure to the effects of climate change and unsustainable resource consumption, many African countries have formed strategic partnerships to achieve sustainable development.

The African Union (AU) which was established in 2001 to succeed the Organization of African Unity (OAU) is composed of 55 member states of which Nigeria is a member state. The AU's Agenda 2063 outlines a strategic framework for the socio-economic transformation of the continent, emphasizing regional integration and sustainable development. This has led to several regional agreements and partnerships between and among African Countries aimed at promoting ESG principles such as the African Continental Free Trading Area (AfCFTA), ECOWAS Treaty Protocols, African Development Bank Partnerships. Etc.

The AfCFTA recognizes the importance of environmental protection and sustainable natural resource management. It encourages member states to promote sustainable practices in trade and investment, including the implementation of measures to minimize environmental degradation, conserve biodiversity, and mitigate climate change impacts. Furthermore, Article 3 of the Protocol on Trade in Services of the AfCFTA has as one of its objectives the promotion of sustainable development in accordance with the SDGs.

Provisions related to environmental standards, regulations, and certifications can also be incorporated into trade agreements under the AfCFTA framework to ensure that economic activities prioritize environmental sustainability. The AfCFTA covers 55 African nations, creating the largest free trade area worldwide in terms of member countries, with an estimated market of about 1.3 billion people and a combined GDP of USD 2.4 trillion.

However, this is yet to be fully utilized, as Africa is largely export dependent on other countries. As of 2017, UNCTAD figures[1] put the rate of Intra-African exports at 16% compared to over 68% in Europe and 55% in America. Furthermore, the share of exports from Africa to other continents between 2000 – 2017 is estimated to be as high as 90% - reflecting a greater trade relationship with the outside world than geographical neighbors.

Another example is the Economic Community of west African States (ECOWAS). ECOWAS is a regional organization established to promote economic integration, development, and cooperation among its member states. The ECOWAS Treaty, signed in 1975, serves as the foundational document for the organization, outlining its objectives and principles. ECOWAS has developed various protocols and agreements addressing a wide range of issues, including those related to environmental sustainability, social welfare, and governance standards.



These include the Protocol on Environmental Management for Sustainable Development which aims to address environmental challenges in the ECOWAS region and promote sustainable development practices. It covers provisions for environmental protection, natural resource management, pollution control, and climate change adaptation; and the Protocol on Democracy and Good Governance which promotes democratic governance, respect for human rights, and the rule of law within ECOWAS member states, free and fair elections, constitutional governance, accountability, and transparency, which are essential for promoting good governance and sustainable development.

The continent's limited access to capital in 2020 resulted in the launch of the African Climate Foundation's Sustainable Finance Programme. The African Climate Foundation (ACF) was established with a clear vision: to drive climate action and sustainable development across the African continent. Formed as a response to the urgent need for coordinated efforts to address climate change and its impacts on African communities, the foundation aims to catalyze transformative change by mobilizing resources, fostering collaboration, and supporting innovative solutions.

The foundation recognizes that Africa is particularly vulnerable to the adverse effects of climate change, including extreme weather events, sea-level rise, desertification, and loss of biodiversity. These impacts pose significant threats to livelihoods, food security, water resources, infrastructure, and ecosystems, exacerbating existing challenges and hindering progress towards sustainable development goals. Through its multifaceted approach, the foundation seeks to build resilience, promote low-carbon development pathways, and safeguard the well-being of current and future generations across the continent.

E. Multilateral Organizations and Access to Sustainable Capital

In the realm of global finance, the role of multilateral organizations stands as a linchpin for fostering sustainable capital access. These organizations, ranging from the World Bank to regional development banks, are financial powerhouses that act as facilitators of knowledge, coordinators of global efforts, and advocates for sustainable practices. They play a role in channeling financial resources towards initiatives that prioritize environmental, social, and governance (ESG) considerations. This funding often comes with favorable terms, technical assistance, and expertise to support initiatives related to renewable energy, environmental conservation, and social development.

These organizations also consider businesses with Sustainable Development Goals (SDGs) when facilitating sustainable capital access. For instance, The African Development Bank (AfDB) finances projects and businesses across Africa that contribute to sustainable development objectives, including infrastructure, renewable energy, and agriculture. In 2017, the AfDB invested in a sustainable tourism project in East Africa, supporting the development of eco-friendly lodges and community-based tourism initiatives that preserve biodiversity and support local communities. The Bank's assistance ranged from modernizing air transport systems in Morocco, to supporting the Nairobi-Addis Road corridor, to improving access between Kenya and Ethiopia, the Bank also supported the construction of a new terminal at Ghana's Kotoka International Airport, to make the country a destination of choice with a yearly target of 5 million passengers[1].

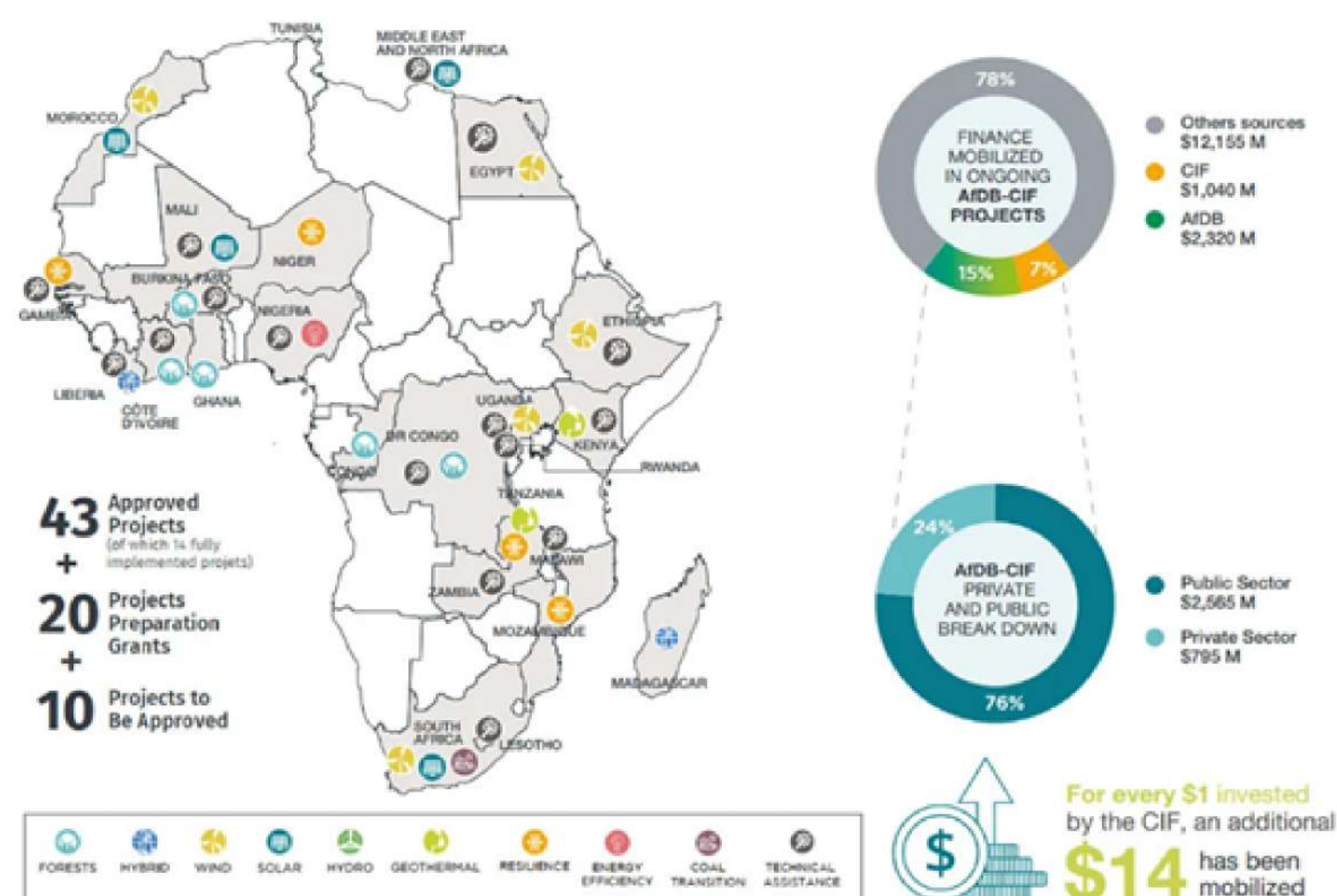
In 2018, the World Bank provided financing for the Nigeria Electrification Project (NEP)[2] for the purpose of at increasing access to electricity in rural and peri-urban areas of Nigeria by supporting off-grid and mini-grid electrification initiatives. It included investments in renewable energy technologies, such as solar power, to provide clean and sustainable energy solutions to underserved communities. Multilateral organizations such as the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, provided political risk insurance to investors and lenders against risks such as expropriation, political violence, currency inconvertibility, and breach of contract, thereby reducing the perceived risk of investing in developing countries and enabling access to capital for sustainable projects.

In December 2023, the World Bank approved the Nigeria Distributed Access through Renewable Energy Scale-up (DARES) initiative with the objective of broadening access to clean energy for approximately 17.5 million Nigerians. This project, funded by a \$750 million credit from the International Development Association (IDA), aims to mobilize over \$1 billion of private investment along with substantial parallel funding from various development partners.

Among these partners, the Global Energy Alliance for People and Planet has pledged \$100 million, while the Japan International Cooperation Agency (JICA) has committed \$200 million. Collaborators on this initiative also include the United States Agency for International Development (USAID), the German Development Agency (GIZ), SEforAll, and the African Development Bank (AfDB).

[1] <https://www.morningstar.com/business/insights/blog/funds/global-sustainable-fund-flows-monthly-data?con=14721>

The overarching goal of the DARES project, as stated by the World Bank in a recent announcement, is to enhance electricity access for more than 17.5 million Nigerians through the implementation of distributed renewable energy solutions. By leveraging innovative financing mechanisms, the project aims to foster private sector-led initiatives in the provision of clean electricity across Nigeria.



Source: African Development Bank (AfDB) Climate Investment Fund.

Multilateral institutions contribute to sustainable capital access by financing large-scale projects with a focus on sustainability. They leverage their resources to fund infrastructure projects, renewable energy initiatives, and programs that promote inclusive and environmentally friendly development.

F. ESG Reporting and Transparency for Global Investors

ESG reporting, and transparency play a crucial role in providing global investors with the information they need to assess the sustainability performance of companies and to make informed funding and investment choices. Companies that transparently report on their ESG performance are often viewed more favorably by investors seeking sustainable and responsible investment opportunities.

By integrating ESG considerations into investment analysis and decision-making processes, investors can better assess the long-term viability, resilience, and ethical conduct of companies, thereby influencing global capital access. Companies that demonstrate ESG leadership and transparency are more likely to attract investment capital, access capital markets, and secure favorable financing terms, as investors increasingly prioritize ESG considerations in their investment strategies and asset allocation decisions.

Global investors are increasingly recognizing the materiality of ESG factors and their impact on investment returns, risk mitigation, and long-term value creation. Institutional investors, asset managers, pension funds, and sovereign wealth funds are incorporating ESG considerations into their investment strategies, asset allocation decisions, and engagement practices. This trend is driven by growing investor demand for sustainable investments, regulatory requirements, fiduciary duties, and the need to manage reputational and financial risks.

G. Growing Popularity of Green Bonds and Other Sustainable Debt Instruments

The increasing popularity of green bonds and other sustainable debt instruments has been a notable trend globally, driven by an escalating demand from investors for environmentally conscious and socially responsible investment opportunities[1]. Green bonds, which are specifically designated to finance projects with positive environmental impacts, have experienced a significant surge in growth, with issuance volumes reaching \$270 billion in 2020 and anticipated to continue on an upward trajectory[2]. Moreover, sustainability-linked bonds, which tie the issuer's creditworthiness to explicit sustainability performance targets, have also gained considerable traction, with their share of total bond issuance increasing from 2% in 2020 to 9% in 2022. This burgeoning demand for sustainable debt instruments reflects the escalating importance of environmental, social, and governance (ESG) considerations in investment decisions and the need for innovative financing solutions to support the transition to a low-carbon economy.



1. Green Bonds:

Green bonds are financial instruments that play a crucial role in mobilizing capital towards environmentally beneficial projects, aligning financial markets with sustainability objectives, and accelerating the transition to a low-carbon and resilient economy.

Proceeds from green bonds are allocated to projects with positive environmental impacts, such as renewable energy, energy efficiency, sustainable infrastructure, and climate adaptation. Green bonds appeal to investors looking to align their portfolios with sustainable objectives, contributing to the transition to a low-carbon and environmentally conscious economy. Issuers often adhere to certification standards like the Green Bond Principles (GBP) to provide transparency and assurance regarding the green nature of the bonds.

The first sustainable financial instrument was the bond issuance under the name 'Climate Awareness Bond' issued by the European Investment Bank ("EIB"), with proceeds dedicated to renewable energy and energy efficiency projects. In 2008, The World Bank, in cooperation with the Centre for International Climate and Environmental Research, issued its first green bond with the objectives of funding climate-related projects[1].

Since then, the global green bond market has experienced rapid growth. The 2018 sustainability bond issuance totaled USD21bn, according to Climate Bonds data. This represents a 114% growth compared to 2017. Adding these bonds to CBI's green bond tally of USD167.6bn results in a total of USD188.6bn, or a 10% year-on-year increase[2].

In 2016, Apple issued \$1.5 billion in green bonds to finance renewable energy projects, energy efficiency initiatives, and other environmental initiatives. The proceeds from the green bonds have been used to fund projects such as solar energy installations, energy-efficient buildings, and water conservation efforts at Apple's facilities worldwide.

Bank of America has also issued multiple green bonds to finance renewable energy projects, green buildings, sustainable transportation, and other environmentally beneficial projects. In 2019, Bank of America issued a \$2.25 billion green bond to support renewable energy projects and energy efficiency initiatives in the United States.

Green bonds are an important development because they are a financial innovation designed to facilitate sustainable investing for institutional investors such as pension funds, insurance companies, mutual funds, and sovereign wealth funds. Any entity which has suitable green assets can issue green bonds, green sukuk or obtain a green loan. Suitable green assets include renewable energy infrastructure, low carbon transport, low carbon buildings, sustainable water and waste management, sustainable land use as well as climate change adaptation measures such as flood defenses. Available guidelines on how to access green financing can be obtained from Climate Bond Initiative.

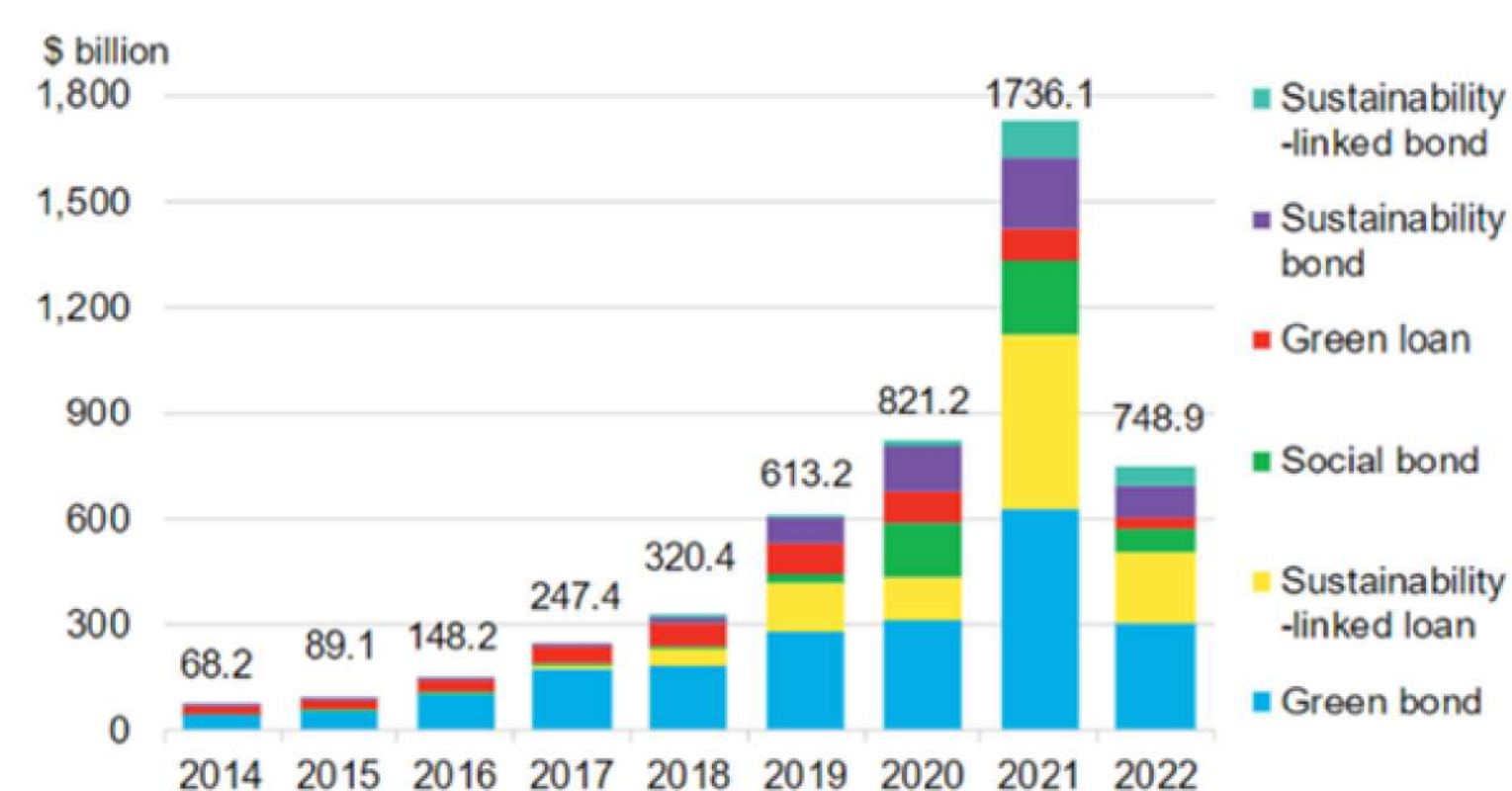
2. Other Sustainable Debt Instruments

Many creative sustainability linked Debt instruments have been introduced within the global financial sustainable finance. These instruments include green loans, sustainability linked bonds, and sustainability linked loans. Green loans are private debt instruments that encourage businesses to implement eco-friendly practices in their product and service offerings. Sustainability linked bonds are publicly traded behavior-based debt instruments that where the repayment fees and interest are tied to the borrower's sustainability performance metrics, where the borrower fails to meet set targets, it pays higher interest rates to lenders.

Sustainability-linked loans are credit facilities where the terms, including interest rates or fees, are linked to the borrower's performance against predefined sustainability targets or KPIs. These loans incentivize borrowers to improve their sustainability performance over time and align their business practices with ESG considerations. These financing instruments aim to support projects that deliver positive social, environmental, and economic outcomes. Issuers may tie the terms of the financing to achieving predefined ESG targets, aligning financial incentives with sustainability performance.

Sustainable financing is closely linked to sustainable debt financing, as it provides the capital and funding mechanisms necessary to support sustainable projects and initiatives. Green bonds, social bonds, and sustainability-linked loans are key instruments within the sustainable debt financing landscape, allowing issuers to raise funds for environmentally and socially beneficial projects while aligning their financing strategies with sustainability objectives.

Annual sustainable debt issuance



Source: BloombergNEF, Bloomberg Terminal.



5. SUSTAINABILITY AND SUPPLY CHAIN MANAGEMENT

In today's interconnected global economy, supply chain management plays a pivotal role in shaping the sustainability agenda of businesses worldwide. From sourcing raw materials to delivering finished products to consumers, supply chains represent a complex network of interconnected activities that have significant environmental, social, and economic implications. As organizations increasingly recognize the importance of integrating sustainability principles into their operations, the concept of sustainability in supply chain management has emerged as a strategic imperative.

Key components such as ethical sourcing, environmental impact reduction, transparency, collaborative partnerships, and risk management are essential pillars of sustainable supply chain management. By aligning these components with broader sustainability goals, organizations can create resilient and responsible supply chains that drive positive environmental and social outcomes while delivering value to stakeholders across the supply chain.

A. Key Components of Sustainability in Supply Chain Management

- **Ethical Sourcing:** Ethical sourcing involves ensuring that raw materials and components are sourced from suppliers who adhere to ethical labor practices, human rights standards, and environmental regulations. This includes conducting supplier audits, implementing supplier codes of conduct, and promoting fair labor practices throughout the supply chain.
- **Environmental Impact Reduction:** Sustainability in supply chain management aims to minimize the environmental footprint of supply chain activities by reducing resource consumption, waste generation, and greenhouse gas emissions. This can be achieved through initiatives such as energy-efficient transportation, waste reduction and recycling programs, and the adoption of renewable energy sources. Certifications like ISO 14001 or Fair Trade are proof that a supplier takes their environmental impact, energy consumption, waste management, and carbon emissions seriously.
- **Transparency and Traceability:** Transparency and traceability are essential for promoting accountability and trust within the supply chain. Companies are increasingly adopting technologies such as blockchain and RFID (Radio Frequency Identification) to track and trace the movement of goods throughout the supply chain, ensuring visibility and accountability at every stage.

- **Collaborative Partnerships:** Collaboration among supply chain partners is crucial for driving sustainability initiatives forward. Companies are forming strategic partnerships with suppliers, manufacturers, distributors, and other stakeholders to align sustainability goals, share best practices, and co-create innovative solutions to sustainability challenges.
- **Risk Management:** Sustainability in supply chain management involves identifying and mitigating risks associated with environmental, social, and ethical issues. This includes assessing vulnerabilities related to climate change, labor rights violations, supply chain disruptions, and reputational risks, and implementing strategies to build resilience and adaptability.

Sustainability is dynamic, and assessing a supplier practices remains an ongoing process. Businesses must not overlook social responsibility, steps must be taken to probe into how the supplier treats their workers, where they source their materials, and whether they engage with and uplift their local community. Additionally, they should opt for materials that are eco-friendly, recyclable, or sourced from renewable resources. Adopting sustainable sourcing strategies is crucial for businesses aiming to reduce their environmental impact, support local economies, and promote corporate responsibility. The journey towards sustainability is not merely a pledge to the planet; it's also a strategic decision that can elevate brand reputation and contribute to sustained business prosperity.

Global businesses such as Nike, Walmart and Unilever have unveiled supply chain sustainability strategies to ensure eco-friendly production processes. Nike's "Move to Net Zero Initiative" is designed to ensure sustainable business practices through circular solutions, reduction of carbon emissions and the promotion of fair labor practices, whilst Walmart's "Project Gigaton" aims to reduce one billion metric tons of greenhouse gas emissions from its global supply chain by 2030 through collaboration with suppliers on energy efficiency, waste reduction, and sustainable sourcing initiatives. Integrating sustainability into supply chain management is essential for building resilient, responsible, and future-proof supply chains that deliver value to businesses, society, and the environment. By embracing sustainability principles and practices, companies can create competitive advantages, enhance brand reputation, and contribute to a more sustainable and equitable future.



Nike's Move to Net Zero. Source: Nike.

B. Minimizing Emissions and Carbon Footprint

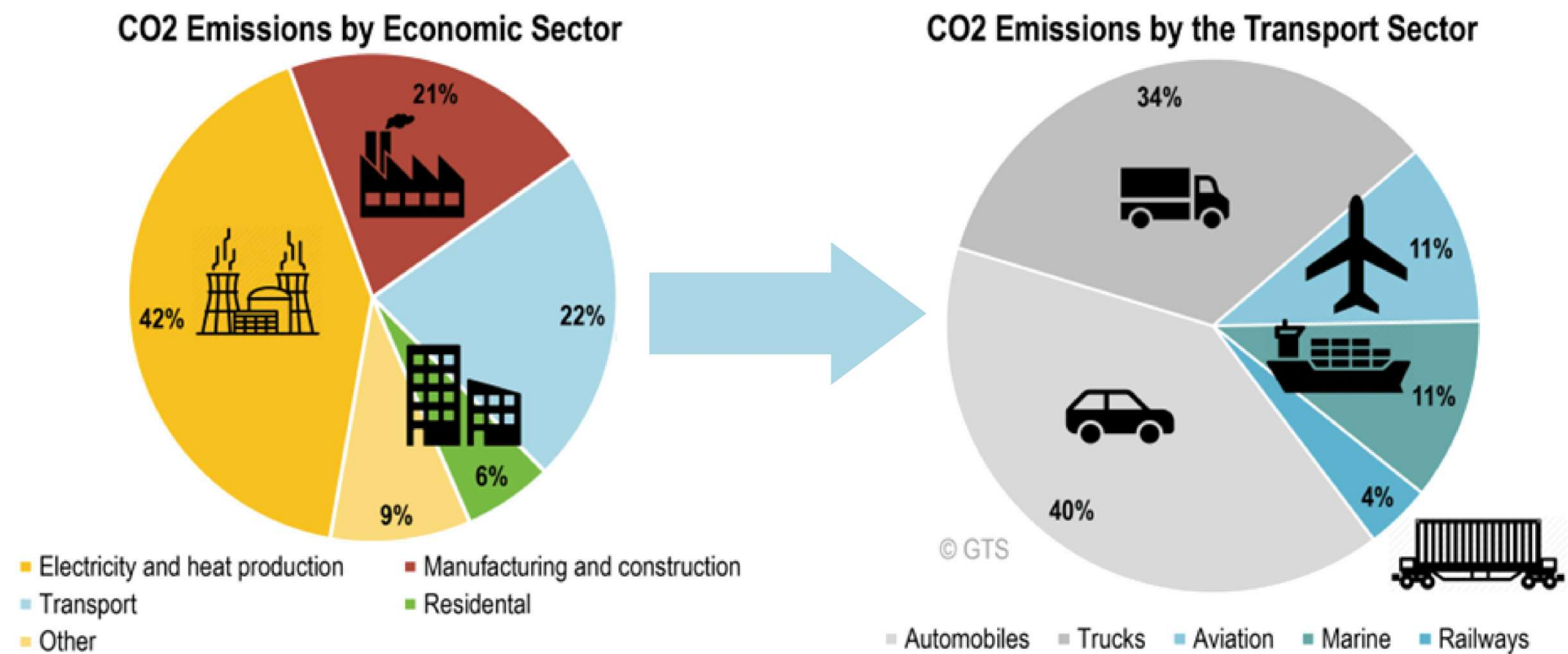
Minimizing transportation emissions is another critical step in ensuring sustainability in supply chain management. This can be achieved by encouraging remote work and flexible schedules and when the need arises, optimizing routes and using sustainable modes of transportation such as eco-friendly vehicles that produce fewer emissions and help reduce carbon footprint. Transportation modes should also practice green fleet management by ensuring regular maintenance and promoting efficient driving practices to help reduce emissions. When possible, alternatives to fuel like compressed natural gas, biodiesel, or hydrogen should be used to help reduce reliance on fossil fuels.

According to the EU's Transport and environment report 2021 (Decarbonising Road Transport — the role of vehicles, fuels and transport demand)[1], "road transport greenhouse gas emissions increased between 1990 and 2019 and current policies are projected to reverse this trend, but not sufficiently to reach the European Union's (EU) 2050 climate neutrality target. Transport is responsible for a quarter of the EU's greenhouse gas emissions, with road transport representing the greatest share (72% in 2019). Climate and energy policies in the EU have contributed to significant reductions in greenhouse gas emissions in all sectors, except transport. Total transport greenhouse gas emissions increased by more than 33% between 1990 and 2019 and road transport emissions by almost 28%."

According to the European Commission, taking into account all existing policy measures, transport carbon dioxide (CO2) emissions are projected to be 3.5% higher in 2030 than in 1990 and to fall by only 22% by 2050 compared to 1990 levels. This is a long way from the 90 % reduction by 2050 that is needed from transport to achieve the overall 2050 climate neutrality target. Road transport specifically is projected to perform slightly better, with emissions decreasing by 4% by 2030 and 35% by 2050, compared with 1990.

Although sustainable transportation has gained prominence globally, a significant gap remains. According to the 2020 UN Sustainable Development Goals Report, which analyzed data from 610 cities across 95 countries in 2019, only 50% of the world's urban population has easy access to public transportation, highlighting the need for continued efforts to improve transportation infrastructure and accessibility.

The United Nations Environment Programme (UNEP) led initiative launched in 2008, advocates for investments in walking and cycling infrastructure, including links to public transport systems. This initiative has successfully implemented non-motorized transport programs in 11 countries: Mexico, Brazil, Ghana, Nigeria, Zambia, Ethiopia, Kenya, Rwanda, Burundi, Uganda, and Indonesia. Additionally, it partnered with the Institute for Transportation and Development Policy (ITDP) to develop a comprehensive toolkit for designing and implementing effective non-motorized transport policies and strategies, providing a valuable resource for cities and communities worldwide. The International Institute for Sustainable Development reports that Transport accounts for over 60% of the world's global oil consumption and up to 23% of its energy related carbon emissions. This makes the implementation of energy efficient and eco-friendly transport particularly in the supply chain industry an imperative one. The EU is leading the line in the adoption of e-mobility systems, with Parliament banning the sale of new CO2 emitting cars from 2035



C. Benefits of Supply Chain Management

Supply chain management (SCM) encompasses the planning, procurement, production, logistics, and distribution processes involved in bringing goods and services from suppliers to consumers. A well-managed supply chain can provide numerous benefits to organizations across various industries, including:

1. **Cost Efficiency:** Effective supply chain management can lead to cost savings by optimizing processes, reducing waste, minimizing inventory carrying costs, and streamlining logistics operations. By identifying and eliminating inefficiencies in the supply chain, organizations can achieve significant cost reductions while maintaining or improving product quality and customer service levels.
2. **Improved Customer Service:** SCM enables organizations to respond quickly to customer demands by ensuring the availability of products at the right place and time. By optimizing inventory levels, reducing lead times, and improving order fulfillment processes, companies can enhance customer satisfaction and loyalty, leading to increased sales and market share.
3. **Enhanced Visibility and Control:** Modern supply chain management technologies provide real-time visibility into inventory levels, order status, and production processes, allowing organizations to monitor and control their supply chain activities more effectively. Enhanced visibility enables proactive decision-making, risk management, and performance tracking, leading to greater operational efficiency and agility.
4. **Risk Mitigation:** Supply chain disruptions, such as natural disasters, geopolitical events, and supplier failures, can have significant impacts on business operations and profitability. Effective supply chain management helps organizations identify and mitigate risks by diversifying suppliers, implementing contingency plans, and building resilience into their supply chain networks. By proactively managing risks, organizations can minimize the impact of disruptions and maintain business continuity.
5. **Increased Flexibility and Adaptability:** A well-designed supply chain can adapt quickly to changing market conditions, customer preferences, and competitive pressures. By implementing agile supply chain strategies, such as demand forecasting, inventory optimization, and flexible manufacturing processes, organizations can respond rapidly to market fluctuations and capitalize on emerging opportunities, gaining a competitive edge in dynamic business environments.

6. **Collaborative Relationships:** Supply chain management fosters collaboration and partnerships among suppliers, manufacturers, distributors, and other stakeholders in the supply chain ecosystem. By building strong relationships based on trust, transparency, and mutual benefit, organizations can leverage the collective expertise and resources of their supply chain partners to drive innovation, improve efficiency, and achieve shared goals.

7. **Sustainable Practices:** Sustainable supply chain management focuses on reducing environmental impacts, promoting social responsibility, and ensuring ethical business practices throughout the supply chain. By integrating sustainability principles into supply chain processes, organizations can minimize their carbon footprint, conserve natural resources, and enhance their reputation as responsible corporate citizens. Sustainable supply chains also help organizations comply with increasingly stringent regulations and meet the growing demand for eco-friendly products and services.

In summary, supply chain management offers numerous benefits to organizations, including cost efficiency, improved customer service, enhanced visibility and control, risk mitigation, flexibility and adaptability, collaborative relationships, and sustainable practices. By investing in effective supply chain management strategies and technologies, organizations can optimize their operations, reduce costs, and gain a competitive advantage in today's global marketplace.





6. TECHNOLOGY, INNOVATION AND SUSTAINABILITY

Research and development (R&D) stands as the cornerstone to the journey towards sustainability, offering a pathway brimming with innovation and solutions to address pressing environmental, social, and economic challenges. Through R&D endeavors, organizations delve into uncharted territories, seeking novel technologies, methods, and strategies that mitigate environmental impact whilst fostering social equity and economic resilience. R&D serves as the bedrock upon which sustainable practices are built, propelling us towards a future where resource efficiency, renewable energy, and environmental stewardship become tangible realities shaping our world for generations to come.

Through the implementation of innovative technology solutions, we can develop and deploy cleaner energy generation, manufacturing, mobility and resource management practices. We embark on this journey by cultivating a culture of green tech challenges and competitions, inviting minds to envision solutions that harmonize with nature's cadence.

R&D drives technological advancements that enable the transition to a more sustainable and low-carbon economy. R&D initiatives focus on developing innovative solutions to sustainability challenges across various sectors, including renewable energy, clean transportation, waste management, water conservation, and sustainable agriculture. By investing in R&D, organizations can identify and develop novel technologies, products, and services that promote resource efficiency, environmental protection, and social responsibility. Through research projects, academic studies, and collaborative partnerships, R&D institutions and organizations generate valuable insights, data, and information that inform policy decisions, guide industry practices, and inspire further innovation in sustainable development.

A. Protecting Sustainable Innovations Through Intellectual Property Right Protection

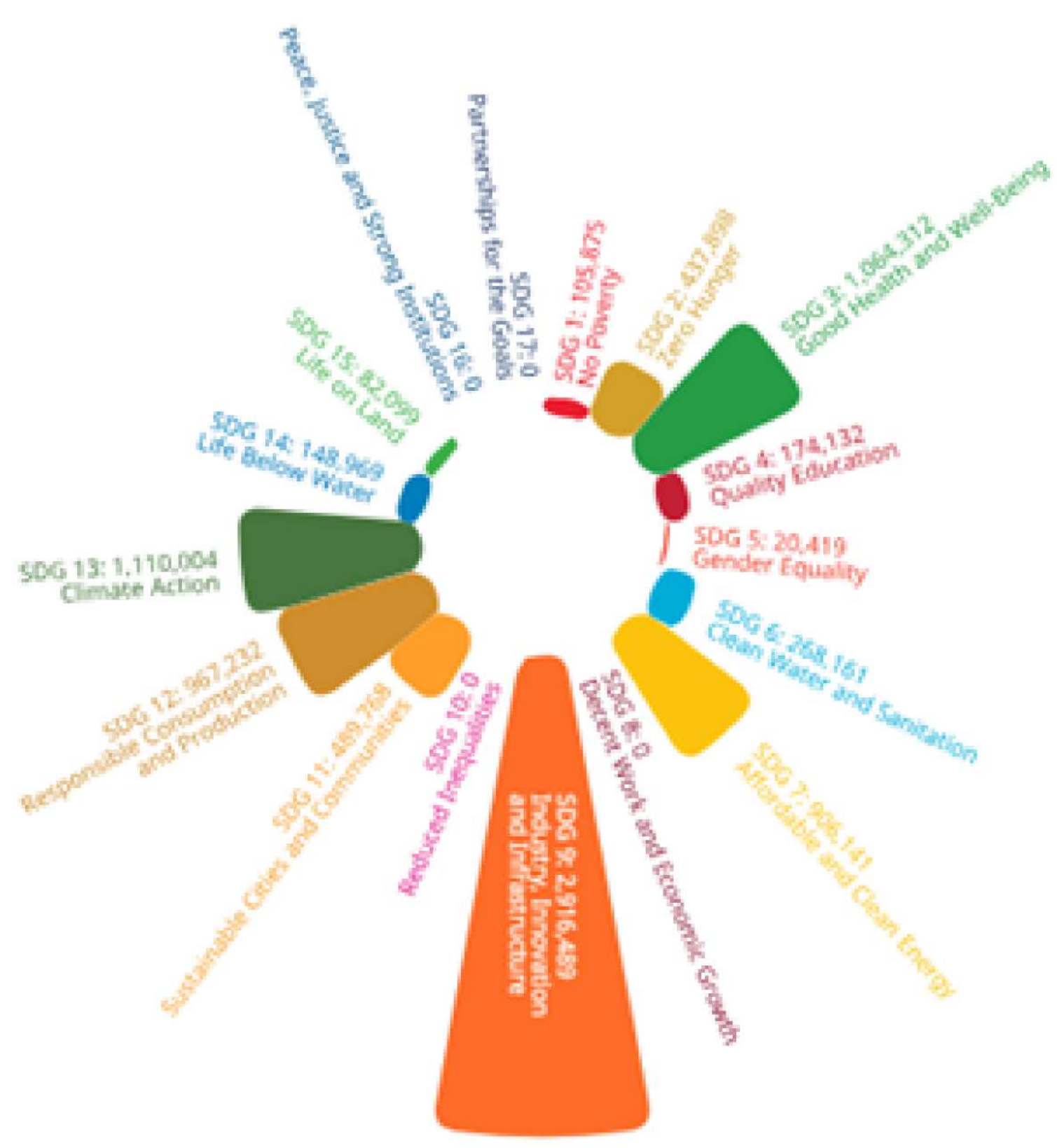
Intellectual property (IP) rights, including patents, trademarks, copyrights, and trade secrets, play a crucial role in safeguarding the innovations and inventions arising from R&D efforts. IP protection incentivizes investment in R&D by granting creators and innovators exclusive rights to their intellectual creations, thereby enabling them to commercialize their innovations, attract investment, and gain a competitive advantage in the marketplace. Effective IP management strategies help organizations protect their R&D investments, monetize their intellectual assets, and mitigate the risks of intellectual property infringement and misappropriation.

In the context of sustainability, IP rights play a vital role in protecting breakthrough technologies and novel solutions that contribute to environmental conservation, renewable energy generation, waste reduction, and other sustainability objectives. By securing patents for sustainable innovations, organizations can incentivize R&D investments, attract funding, and maintain a competitive edge in the market.

Recognizing the importance of IP rights in the journey towards sustainability, the World Intellectual Property Organisation's (WIPO) theme for the 2024 World IP Day was IP and the SDGs: Building Our Common Future with Innovation and Creativity. According to WIPO, "World Intellectual Property Day 2024 is highlighting the critical importance of intellectual property (IP) in catalyzing the human innovation and creativity needed for achievement of the United Nations Sustainable Development Goals (SDGs). According to WIPO Director General, Daren Tag, "Throughout history, when faced with challenges, it has been human ingenuity, ideas and innovation that has allowed us to overcome and succeed. To put the SDGs back on track, we need to harness the power of intellectual property as a catalyst to unleash innovation and creativity in the service of the SDGs."

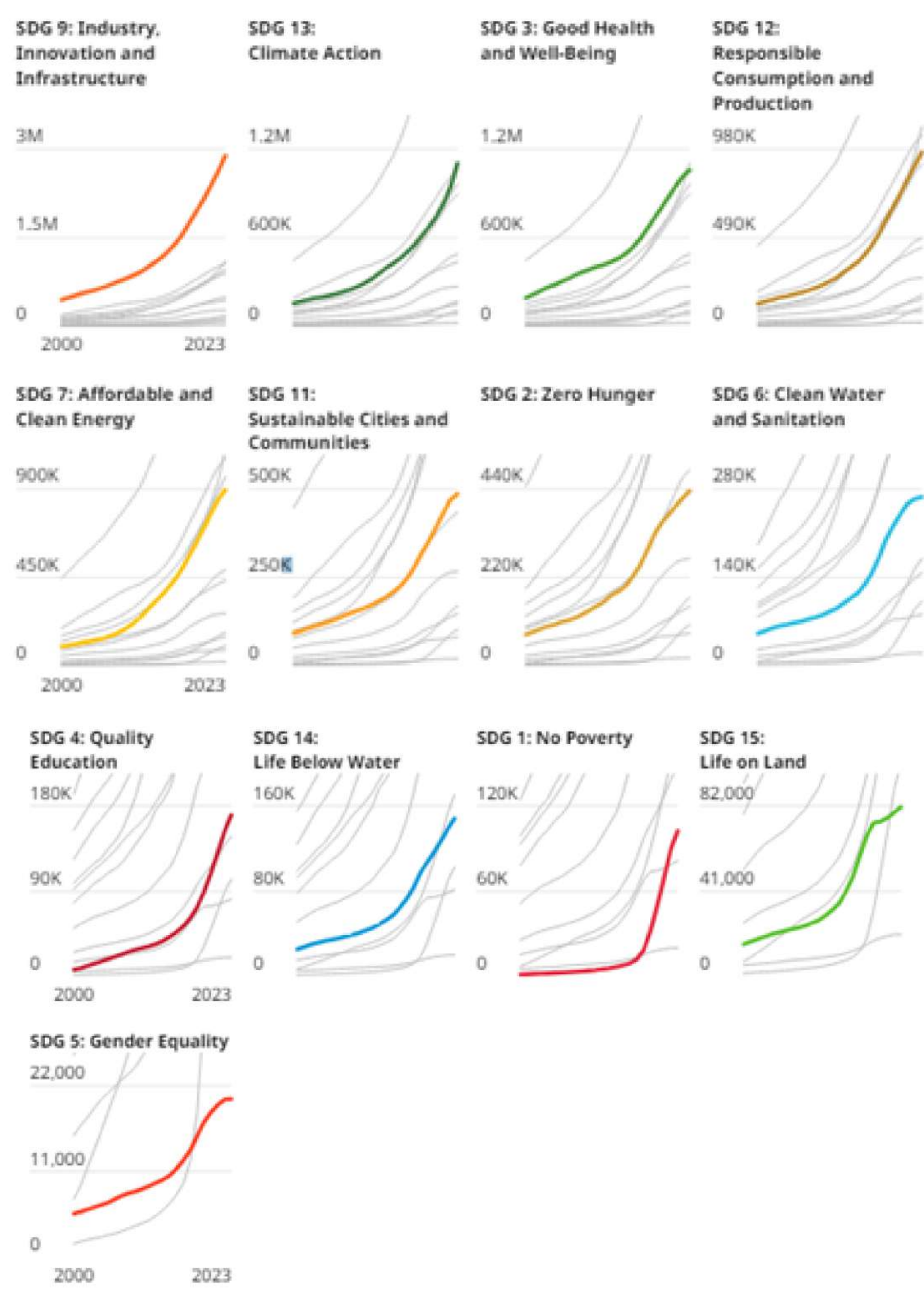


The 2024 WIPO Report titled "Mapping Innovations: Patents and the United National Sustainable Development Goals[1]" states that of the 17 SDGs, 13 are currently represented by patents with the only exceptions being SGD 8, 10, 16 and 17 due to being primarily socioeconomic goals. of the qualifying SDGs, SDG 9 (Industry, Innovation and Infrastructure) ranks highest in terms of patent filings, responsible for 19% of the total patents issued in respect of SGD enabling technological innovations.



Source: WIPO, based on patent data from PatentSight, January 2024.

The report also notes that there has been an increase in patent filings for SDG related goals over the past two decades as shown in the images below.



Note: SDGs 8, 10, 16 and 17 are not mapped to patents because they primarily address socioeconomic rather than technological goals.
Source: WIPO, based on patent data from PatentSight, January 2024.

The report shows that more patent applications are being filed as SMEs and large corporates continue to invest heavily in R&D across the various areas of the production value chain, including electrical engineering, clean energy, emission reduction, manufacturing, pharmaceuticals, semiconductors and chemistry.

Tesla, an electric vehicle and clean energy company, has obtained patents for various renewable energy technologies, including solar panels, solar roof tiles, and energy storage systems. Tesla's patents cover innovations in solar cell manufacturing, energy storage chemistry, and grid-scale battery technology aimed at accelerating the transition to sustainable energy.

In Nigeria, Lumos Laboratories Nigeria Limited holds multiple inventions in renewable energy including a urine to energy processing invention. Zaria Academy also holds a patent for inventing a solar powered electric vehicle awarded in 2021.

B. Intellectual Protection Framework for SMEs

As highlighted by the number of patent filings above, intellectual property rights provide innovators with exclusive rights to their inventions, creations, and discoveries, enabling them to recoup investments in research and development (R&D) and generate returns on innovation. By granting patents, copyrights, trademarks, and trade secrets, IPRs create incentives for businesses, entrepreneurs, and researchers to invest in sustainable innovation, drive technological advancements, and address pressing sustainability challenges, such as climate change, resource depletion, and environmental pollution.

There are several global, regional and national treaties and legislations that govern the protection and monetization of Intellectual Property Rights for SMEs and individuals. Some of these shall now be considered below:

1. WIPO Patent Cooperation Treaty: The WIPO Patent Cooperation Treaty (PCT) stands as a cornerstone in the global intellectual property (IP) landscape, offering a streamlined mechanism for seeking patent protection across multiple countries through a single international application. Enacted in 1970 by the World Intellectual Property Organization (WIPO), the PCT simplifies the process of filing patent applications in multiple jurisdictions, thereby facilitating the international protection of innovations emerging from sustainability-related research and development (R&D) efforts. At its core, the PCT provides a centralized system for filing patent applications, allowing applicants to designate multiple countries in which they seek patent protection. By submitting a single international application under the PCT, inventors can initiate the patent examination process in each designated country or region, streamlining administrative procedures and reducing the complexities associated with filing separate national applications.

One of the key benefits of the PCT is its role in enhancing the efficiency and cost-effectiveness of the patenting process for sustainable innovations. By enabling applicants to defer the expenses associated with filing individual national patent applications, the PCT provides inventors with more time to assess the commercial viability of their inventions and secure necessary funding for R&D activities. Moreover, the standardized procedures and centralized administration offered by the PCT enhance the quality and consistency of patent examination outcomes, reducing the likelihood of duplicative or conflicting decisions across different jurisdictions.

Furthermore, the PCT fosters collaboration and knowledge sharing among inventors, researchers, and innovators worldwide, promoting the dissemination of sustainable technologies and practices across borders. Through the international publication of PCT applications and the availability of patent search and examination reports, the PCT facilitates access to valuable technical information and prior art, empowering stakeholders to build upon existing innovations and advance the collective effort towards sustainability.

2. Madrid System for International Registration of Marks: The Madrid System for the International Registration of Marks, administered by the World Intellectual Property Organization (WIPO), offers a streamlined and cost-effective mechanism for registering and managing trademarks across multiple jurisdictions. Established in 1891 and subsequently revised in the Madrid Agreement (1891) and the Madrid Protocol (1989), the Madrid System simplifies the process of protecting trademarks in multiple countries through a single international application.

The Madrid System provides trademark owners with the opportunity to secure protection for their marks in the territories of multiple member countries by filing a single international application with the International Bureau of WIPO. This centralized application, known as an "international registration," can designate one or more member countries where the trademark owner seeks protection. By submitting an international application, trademark owners can avoid the need to file separate national applications in each desired jurisdiction, thereby reducing administrative burdens, paperwork, and costs associated with trademark registration.

One of the primary benefits of the Madrid System is its efficiency and convenience in managing international trademark portfolios. Through the centralized management of international registrations, SMEs can easily update, renew, or expand their trademark rights across multiple countries using a single application and set of administrative procedures. This simplification of trademark management streamlines the process for businesses operating in multiple markets and facilitates the enforcement and protection of their brands on a global scale.

By providing a centralized and efficient mechanism for international trademark registration, the Madrid System empowers businesses to protect their brands, promote innovation, and facilitate international trade and investment in an increasingly interconnected and competitive marketplace.

3. The Berne Convention and the WIPO Copyright Treaty: The Berne Convention for the Protection of Literary and Artistic Works, established in 1886 and administered by the World Intellectual Property Organization (WIPO), stands as one of the foundational treaties in the field of international copyright law. With its primary objective of fostering the protection and recognition of creators' rights across borders, the Berne Convention has significantly shaped the global framework for copyright protection and dissemination of creative works.

The Berne Convention establishes minimum standards for the protection of literary and artistic works, including books, music, paintings, and other creative expressions, by granting automatic protection to authors and creators upon the creation of their works. This principle of automatic protection ensures that creators enjoy copyright protection without the need for formalities such as registration or compliance with national formalities, simplifying the process of securing and enforcing copyright rights internationally. One of the key features of the Berne Convention is its principle of national treatment, which requires member countries to treat authors from other member countries no less favorably than their own nationals in terms of copyright protection. This principle ensures a level playing field for creators and promotes cross-border recognition and enforcement of copyright rights, facilitating the international dissemination and exploitation of creative works.



In addition to the Berne Convention, the WIPO Copyright Treaty (WCT), adopted in 1996 as a special agreement under the auspices of WIPO, further strengthens the international framework for copyright protection in the digital age. The WCT extends copyright protection to digital works and addresses emerging challenges such as online piracy, digital rights management, and the protection of copyright in the digital environment. Together, the Berne Convention and the WIPO Copyright Treaty serve as cornerstones of the international copyright system, providing a robust framework for the protection, dissemination, and enforcement of copyright rights worldwide. By promoting creativity, innovation, and cultural diversity, these treaties contribute to the advancement of knowledge, culture, and economic development in the global community.

4. Africa Regional Intellectual Property Organization (ARIPO):

ARIPO was established in 1976 by the Lusaka Agreement, which was later amended by the Harare Protocol in 1982. The organisation's membership includes 22 African countries, which are predominantly English speaking. ARIPO Harare Protocol on Patents and Industrial Designs which administers and provides a regional system for the registration and protection of patents and industrial designs across ARIPO member states. It offers a streamlined process for obtaining patent and design rights in multiple countries through a single application. The organization also administers regional registration of trademarks in member states through the Banjul Protocol on Marks.

5. African Intellectual Property Organisation (OAPI):

The OAPI was established in 1977 as a regional entity for francophone countries in Central and West Africa. The organization has an active membership of 17 countries and provides a unified system for the protection of industrial property rights, including patents, trademarks, and industrial designs, across OAPI member states under the Bangui Agreement. It offers a centralized registration system administered by OAPI headquarters in Cameroon.

6. African Union Model Law on Copyright in Africa & ECOWAS Directive on Harmonization of Laws on Copyright:

The aim of these regional directives and the model law is to harmonize copyright laws in member states. These instruments address various aspects of copyright including author rights, performance rights, collective management among others.

It is worth noting that Nigeria is not a member of the ARIPO nor OAPI. Instead, Nigeria is a signatory to the Berne Convention, the WCT, and the PCT international treaties. In terms of national legislation, the country has dedicated IP laws including the Copyright Act of 2022 which covers digital rights, rights of authors, and licensing among others; the Trademarks Act of 1967 and the Patents & Designs Act of 1970. These legislations offer protection to innovative technologies and business marks to ensure SMEs can recoup the investment in R&D activities.

C. Pursuing Sustainability Certifications and Eco-Labels

Embarking on the journey to obtain sustainability certifications and eco-labels is a strategic commitment that goes beyond compliance. It is a declaration of genuine dedication to environmental responsibility and ethical practices. Organizations across industries are increasingly recognizing the importance of sustainability certifications and eco-labels as valuable tools for demonstrating their commitment to environmental stewardship, social responsibility, and ethical business practices. These certifications and labels provide third-party verification of a company's sustainability performance, product attributes, and compliance with recognized standards and criteria. More than that, these certifications and eco-labels also have the following advantages:

i. Credibility and Trust: Sustainability certifications and eco-labels enhance an organization's credibility and build trust among stakeholders, including customers, investors, regulators, and civil society. Third-party verification by reputable certification bodies validates the SME's claims of sustainability, transparency, and accountability, thereby increasing confidence in its products, services, and brand integrity.

ii. Market Access and Differentiation: Sustainability certifications and eco-labels can provide SMEs with a competitive advantage in the marketplace by differentiating their products and services based on environmental and social performance. Certified products often gain preferential access to markets, procurement contracts, and consumer preferences, as eco-conscious consumers increasingly seek out sustainable and ethical options that align with their values and preferences.

iii. Regulatory Compliance and Risk Mitigation:

Pursuing sustainability certifications and eco-labels helps organizations comply with regulatory requirements, industry standards, and best practices related to environmental protection, social welfare, and corporate governance. By proactively addressing sustainability issues and demonstrating adherence to recognized standards, companies can mitigate regulatory risks, avoid fines and penalties, and maintain a positive reputation with regulators and authorities.

iv. Supply Chain Transparency and Responsibility:

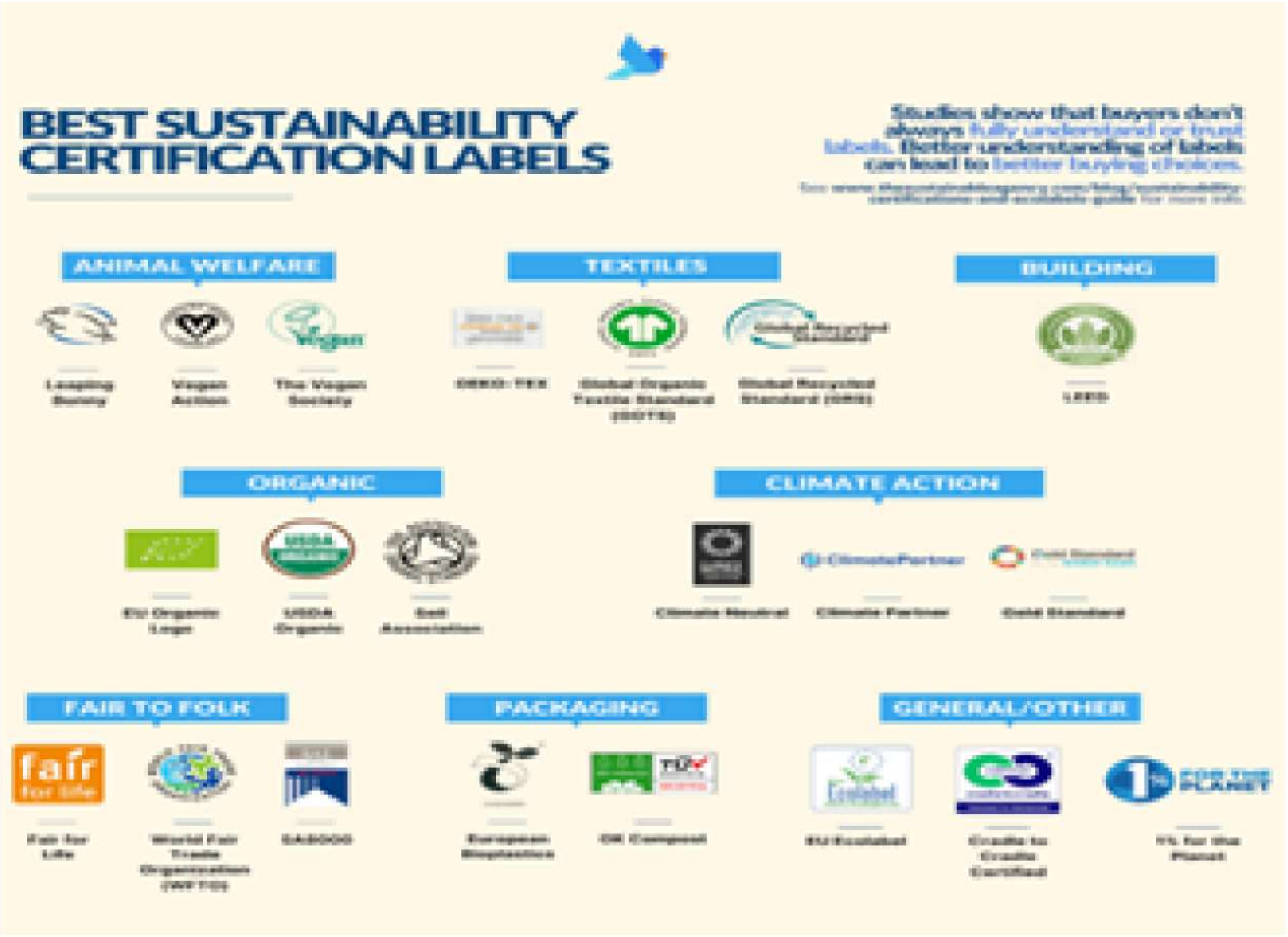
Sustainability certifications and eco-labels promote supply chain transparency and responsibility by encouraging suppliers and business partners to adhere to sustainability principles, ethical labor practices, and environmental standards. SMEs can use certification requirements as criteria for selecting suppliers, conducting due diligence, and promoting responsible sourcing practices throughout their supply chains, thereby reducing risks related to environmental degradation, human rights abuses, and reputational damage.

There are numerous sustainability certifications available, each focusing on different aspects of sustainability. Some common certifications include:

- 1. **LEED (Leadership in Energy and Environmental Design):** LEED certification is widely recognized for buildings and construction projects, assessing factors such as energy efficiency, water conservation, materials selection, and indoor environmental quality.
- 2. **Fair Trade Certified:** Fair Trade certification ensures that products meet social, economic, and environmental standards, particularly concerning fair wages, safe working conditions, and sustainable production practices.
- 3. **Organic Certification:** Organic certification verifies that agricultural products are grown and processed according to organic farming standards, which prohibit the use of synthetic pesticides, fertilizers, and genetically modified organisms (GMOs).
- 4. **B Corp Certification:** B Corp certification is a comprehensive assessment of a company's social and environmental impact, transparency, and accountability. To achieve B Corp status, a company must meet stringent standards across three key areas: social and environmental performance, legal accountability, and public transparency. This certification recognizes companies that excel in creating positive impacts, operating with transparency, and holding themselves legally accountable for their actions.

On the other hand, Ecolabels are symbols or logos placed on products to indicate that they meet specific environmental performance criteria or standards. These labels help consumers make informed purchasing decisions by identifying products with reduced environmental impacts. Ecolabels cover a wide range of product categories and environmental criteria. Some examples include:

- 1. **Energy Star:** Energy Star is a widely recognized ecolabel for energy-efficient products, including appliances, electronics, and lighting. Products bearing the Energy Star label meet strict energy efficiency criteria set by the Environmental Protection Agency (EPA).
- 2. **EU Ecolabel:** The EU Ecolabel, also known as the Flower label, certifies products and services with reduced environmental impacts throughout their lifecycle, from raw material extraction to production, use, and disposal.
- 3. **Forest Stewardship Council (FSC) Certification:** FSC certification ensures that wood and paper products come from responsibly managed forests that adhere to environmental, social, and economic standards.



Source: The Sustainable Agency

Sustainability certifications and ecolabels serve as powerful instruments for advancing environmental and social responsibility within businesses of all sizes, including SMEs. By obtaining these certifications and displaying ecolabels on their products, companies demonstrate their commitment to sustainable practices, transparency, and accountability. The benefits of pursuing these credentials are manifold: they enhance brand reputation, build consumer trust, facilitate market access, drive operational efficiency, and promote responsible resource management.

Sustainability certifications and Ecolabels also play a crucial role in driving industry-wide innovation and fostering a culture of continuous improvement towards more sustainable business practices. As global awareness of environmental and social issues continues to grow, the importance of these certifications and labels will only increase, making them indispensable tools for businesses striving to thrive in a rapidly evolving marketplace while contributing positively to the planet and society.

D. Collaborative Partnerships for Research and Development

In the pursuit of sustainable development goals and addressing complex global challenges, collaborative partnerships for research and development (R&D) play a vital role in driving innovation, accelerating progress, and maximizing impact. These partnerships bring together diverse stakeholders, including government agencies, academic institutions, research organizations, non-profit organizations, industry players, and civil society, to pool resources, expertise, and knowledge towards common sustainability objectives.

Collaborative partnerships enable organizations to leverage complementary expertise, resources, and capabilities from diverse stakeholders, fostering interdisciplinary approaches to solving complex sustainability challenges. By bringing together scientists, engineers, policymakers, practitioners, and community representatives, partnerships can generate holistic insights, innovative solutions, and actionable strategies for addressing environmental, social, and economic issues.

Forging collaborative partnerships for sustainable research and development is a strategic approach that amplifies innovation, accelerates progress, and enhances the impact of efforts to address environmental and social challenges. This can include research institutions, non-profits, industry experts, governmental bodies, and other organizations committed to sustainability.

Some of the research institutions to be explored include:

- i. World Resources Institute (WRI) a global research organization that focuses on environmental sustainability and sustainable development. WRI conducts research, develops tools and solutions, and collaborates with partners to address pressing issues such as climate change, sustainable cities, water scarcity, and forest conservation.
 - ii. International Institute for Sustainable Development (IISD) a Canadian-based research institute dedicated to promoting sustainable development through research, analysis, and policy advocacy. IISD's work spans a range of thematic areas, including climate change, energy, natural resource management, and trade and investment.
 - iii. The Global Alliance for Sustainable Supply Chain: This alliance brings together leading companies, NGOs, and academic institutions to advance sustainable practices in global supply chains, focusing on areas such as responsible sourcing, ethical labor practices, and environmental stewardship.
 - iv. The Climate Technology Centre and Network (CTCN): Hosted by the United Nations Environment Programme (UNEP), the CTCN facilitates collaboration between developing countries and technology providers to accelerate the deployment of climate technologies, supporting climate mitigation and adaptation efforts worldwide.
 - v. The Circular Economy Network: Led by the Ellen MacArthur Foundation, the Network brings together businesses, governments, and innovators to accelerate the transition to a circular economy, fostering innovation in product design, resource efficiency, and waste reduction. The Circular Economy Network has over 1000 members at different stages of business growth dedicated to knowledge sharing and collaboration in the journey towards sustainability.
- Collaborative partnerships for sustainable research and development are essential for mobilizing collective action, driving innovation, and achieving meaningful progress towards sustainability goals. By pooling expertise, resources, and efforts, partnerships can catalyze innovation, accelerate impact, and create lasting change that benefits people, planet, and economic growth.

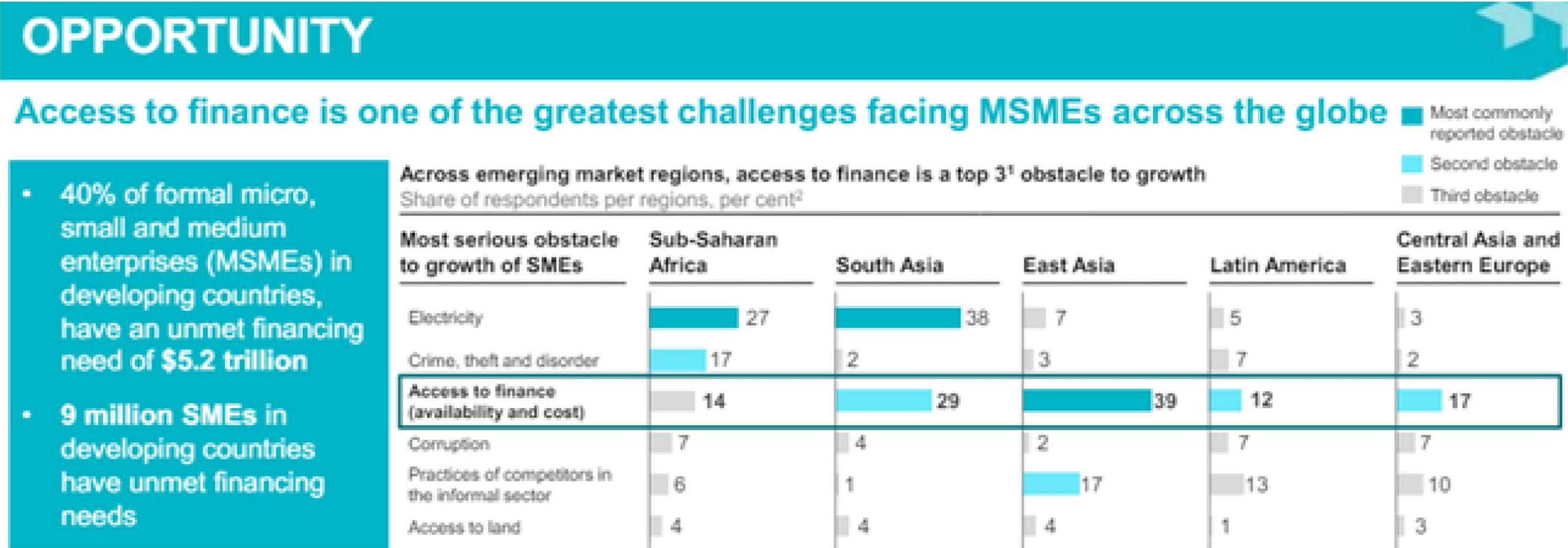


7. SMES: FUTURE TRENDS IN SUSTAINABILITY

In the dynamic landscape of modern business, small and medium-sized enterprises (SMEs) are increasingly recognized as key drivers of economic growth and innovation. As the global community confronts pressing environmental and social challenges, the imperative for SMEs to embrace sustainability has never been greater. From harnessing the power of digital technologies to fostering collaboration and stakeholder engagement, SMEs are at the forefront of driving positive change and shaping the sustainable business ecosystem of tomorrow.

- 1 Technology Integration in Sustainability: Technology is revolutionizing the way SMEs approach sustainability, offering innovative solutions for energy efficiency, waste management, and resource optimization. Advancements in IoT (Internet of Things), AI (Artificial Intelligence), and data analytics enable SMEs to monitor and optimize their operations in real-time, reducing resource consumption and environmental impact. Smart sensors, energy management systems, and predictive analytics empower SMEs to make data-driven decisions, identify inefficiencies, and implement targeted sustainability measures.
- 2 Adoption of Circular Economy Practices in Production: The transition to a circular economy, where resources are kept in use for as long as possible through recycling, reusing, and remanufacturing, presents significant opportunities for SMEs. SMEs are exploring circular business models, such as product-as-a-service and sharing platforms, to minimize waste, extend product lifecycles, and create new revenue streams. Collaborative partnerships and digital platforms facilitate the exchange of resources and materials between SMEs, promoting circularity and resource efficiency across value chains.

- 3 Supply Chain Transparency: Consumers are increasingly demanding transparency and ethical sourcing practices from businesses, driving SMEs to prioritize supply chain sustainability and social responsibility. As a result, we can expect to see more SMEs partnering with suppliers and stakeholders to implement responsible sourcing policies, address labor rights issues, and promote social inclusion and diversity in their supply chains.
- 4 Policy Support and Regulatory Compliance: Governments and regulatory bodies are enacting policies and regulations to incentivize SMEs to adopt sustainable practices and comply with environmental and social standards. Support programs, tax incentives, and capacity-building initiatives help SMEs navigate regulatory requirements, access funding, and build internal capabilities for sustainability management.
- 5 Sustainability Banking: The biggest future trend is likely to come in the aspect of sustainability banking. As noted by the International Finance Corporation, over 71% of SMEs currently lack access to funding needed to ensure sustainable transitions in their business practices. Due to the financial costs involved in making the switch to sustainable alternatives such as energy generation and consumption, we can expect to see more policies tailored towards ensuring greater access to finance for SMEs. Green bonds, impact investment funds, and sustainability-linked loans providing SMEs with funding to invest in renewable energy, energy efficiency, and sustainable infrastructure are likely to increase in future, with financial incentives, such as tax credits and grants, encouraging SMEs to adopt sustainable practices, driving innovation and competitiveness in the green economy being sponsored by national governments.





8. CONCLUSION

In summary, sustainability is a vital necessity for businesses, organizations, and individuals to ensure a thriving future. As the world confronts the pressing issues of climate change, social injustice, and economic uncertainty, adopting sustainable practices offers a transformative solution. By embedding sustainability into their core operations, strategies, and values, businesses can minimize their ecological impact, foster social progress, and drive sustained economic prosperity. As we look into the future, it is evident that sustainability will play a pivotal role in crafting a world that is environmentally aware, socially equitable, and economically vibrant for generations to come.

For small and medium-sized enterprises (SMEs), integrating sustainability to their governance model offers numerous benefits and opportunities that can enhance their competitiveness, resilience, and long-term viability in today's dynamic business environment. While the path to sustainability may seem daunting for SMEs with limited resources and capabilities, the potential rewards far outweigh the challenges.

Sustainability initiatives can help SMEs optimize resource use, reduce waste, and lower operating costs, leading to improved profitability and financial performance. Energy efficiency measures, waste reduction strategies, and supply chain optimization can result in significant cost savings over time, enhancing the bottom line and freeing up resources for investment in growth and innovation. Moreover, adopting sustainable practices can future-proof SMEs against rising resource costs, regulatory compliance costs, and reputational risks associated with unsustainable business practices hence becomes a unique selling point for SMEs.

Sustainability can open doors to new markets, partnerships, and business opportunities for SMEs looking to expand their reach and impact. Increasingly, governments, corporations, and international organizations are seeking suppliers and partners who can demonstrate sustainability credentials and contribute to sustainable value chains. By aligning with sustainability standards, certifications, and procurement requirements, SMEs can access new market segments, secure contracts, and forge strategic alliances that drive business growth and market penetration.

Businesses that have a compelling sustainability story are well positioned to access sustainable financing opportunities. In Nigeria, the Central Bank of Nigeria (CBN), the Nigerian Exchange (NGX), and the Securities and Exchange Commission (SEC) are driving the adoption of sustainable finance and sustainable business across the finance and capital market. The growing interest in sustainable finance is a pointer towards untapped potential.

By aligning their business strategies with environmental, social, and economic priorities, SMEs can help drive inclusive growth, poverty alleviation, and environmental conservation, while also fostering innovation, entrepreneurship, and economic empowerment.

In summary, the journey toward sustainability is not just a responsible choice but a strategic move that can positively transform your SME. It's an investment in reputation, a source of cost savings, a gateway to new opportunities, and a magnet for top talent—all of which contribute to the long-term success and viability of your business.

About DEALHQ Partners

DealHQ is an Africa Focused deal advisory/boutique commercial law firm focused on supporting businesses and positioning them to operate efficiently within their market sphere. We are known for our quality service delivery which is focused on attention to detail, creativity, timely execution and client satisfaction.

DealHQ is unconventional providing an uncommon cross between management consultancy and legal services. Every lawyer in DEALHQ carries an entrepreneur's mind first and foremost, then a deep understanding of law and knowledge of its practical application to mitigate risks on transactions.

Our service offering includes corporate commercial, energy and finance, capital markets & derivatives, mergers & acquisitions, private equity, aviation, ESG, real estate & construction, infrastructure, technovation, agriculture & commodities, business formations & start up support amongst others.

We pride ourselves as being commercial-minded and unconventional in our practical yet risk mitigation-based approach to legal matters. We always give priority to realizing client's objectives.

DEALHQ Sustainability Practice Capability Statement

At DEALHQ Partners, we pride ourselves as having top of room competence in guiding businesses towards the seamless integration of sustainable practices into their production or service value chain. With our wealth of experience and a dedicated focus on sustainability-themed projects and business support solutions, we offer comprehensive legal support tailored to meet the evolving needs of environmentally conscious businesses. We provide strategic legal counsel to businesses seeking to adopt sustainable practices across their operations. From renewable energy initiatives to clean energy generation projects, we offer tailored legal advice to drive positive environmental impact and foster long-term sustainability. Our approach is simple, practical and relatable with focus on aligning organizational goals to the broader sustainability imperative without compromising business ethos or survival.

Our firm has a proven track record of supporting clients to navigate the legal complexities of sustainability themed projects or establishing tailored and realistic ESG policies for their organizations. We have also advised several companies on adoption of internal compliance frameworks and utilization of mainstream reporting standards such as GRI and ISSB. Whether it is navigating regulatory frameworks, structuring sustainable financing agreements, or mitigating legal risks, we provide proactive legal support every step of the way.

Embracing sustainability extends beyond our legal services—it's ingrained in our firm culture. We champion environmental conservation by adopting a paperless workflow, minimizing our ecological footprint, and promoting eco-friendly practices within our organization and among our clients.

CONTRIBUTORS



Precious Ossi



Benjamin Oyewale



Stephanie Okwe

EDITORIAL TEAM



Tosin Ajose



Michael Popoola



DEAL HQ
— P A R T N E R S —

Contact Us:

3b, Dr. Omon Ebhomenye Street, Lekki Phase 1
Lagos.

1st floor, Merit House, 22 Aguiyi Ironsi way, Maitama, Abuja
FCT

info@dealhqpartners.com

+234 (0) 145 36427

     @dealhqpartners

 www.dealhqpartners.com