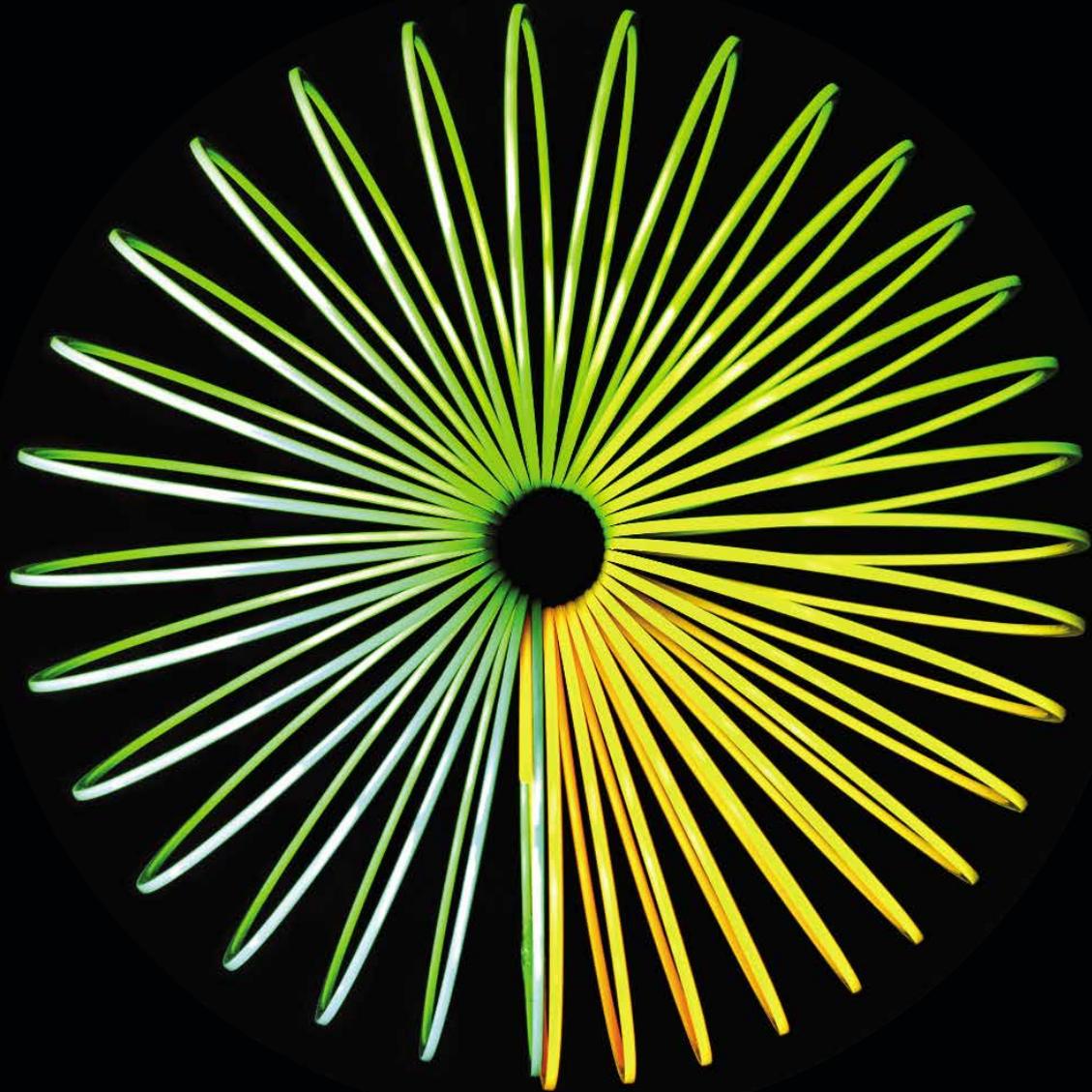


Deloitte.



**Sustainable Banking as
a Driver for Growth**

A survey of Nigerian Banks

May 2017



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Progress on sustainable banking

A global perspective

Sustainable banking integrates environmental, social and governance (ESG) criteria into traditional banking, and sets ESG benefits as a key objective.

Capital market decisions used to be based on a two dimensional risk and return analysis. Within the new era of sustainable banking, they are now based on three dimensions: risk, return and impacts.

As a member of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board, I have contributed to the development of the recommendations of the TCFD for climate related financial disclosures by non-financial sectors to enable the financial sector (banks, insurance companies, asset owners and asset managers) to take informed investment decisions.

These recommendations in the environmental sphere will be in their final format by June 2017 and are meant to be adopted by the heads of state of the twenty countries of the G20 in July 2017.

This adoption will clearly pave the way for better diffusion of sustainable banking practices. For the moment, investors often face a lack of understanding of the true risks and returns of the green projects they want to invest in.

Similarly, in emerging markets, voluntary coalitions and guidelines are being established to guide financial institutions towards sustainable banking.

For example, there exists the voluntary Principles on E&S Risk Management

(2014) in South Africa, the Sustainable Finance Protocol (2016) in Ecuador, Green Credit Guidelines (2012) and KPIs (2014) in China, the Nigerian Sustainable Banking Principles (2012) in Nigeria, and many others.

I anticipate that this trend of increased guidelines will lead to more regulations. This is already being experienced in South Africa and the European Union in terms of mandated non-financial disclosures of their listed companies.

Given the unique position financial institutions are in to fund sustainable development in emerging economies in particular, increased focus on sustainability by multilateral organizations such as International Finance Corporation, World Bank, and the United Nations is expected.

In fact, sustainable banking brings several business benefits. Research by Global Alliance for Banking on Values (a network of sustainable banks) has shown that sustainable banks have higher and more stable profits, as well as stronger growth than other banks.

It is my hope that, by the end of the year 2017, the movement initiated in 2015, with the launch of the Sustainable Development Goals (SDGs) and the Paris agreement will accelerate. By that time, the world of financial institutions and in particular the banking world will have gone through a new and promising era in which its contribution to the sustainability of the planet will be widely acknowledged.



Eric Dugelay

Eric is the Deloitte Global Sustainability Services Leader.

He is a board member of the Global Reporting Initiative. He was seconded for 20% of his time as a Director at the World Business Council for Sustainable Development.

He is also a Member of the Task Force on Climate Related Financial Disclosures which is founded and chaired by Michael Bloomberg.

Sustainable banking

Why it is important

A formal definition of sustainable banking is still being developed. At this stage, it is widely understood that sustainable banking implies carrying out banking operational and business activities, with conscious consideration for the environmental and social impacts of those activities.

Banking institutions implement sustainable banking both in their internal daily operations (in terms of how they manage their physical branches/locations, human capital, costs, opportunities, risks exposures) and their activities relating to external interactions with their clients and the types of projects they fund.

Studies by the International Finance Corporation (IFC) have revealed that there are several benefits banks have obtained from incorporating sustainability into their strategy and business practices, ranging from improved reputation to improved investor confidence.

Because of the number of benefits banks have been realizing from their sustainable banking activities, there is now an increasing shift by banks from simply trying to manage their environmental and social risks to proactively seeking new opportunities presented by sustainability principles and using these to differentiate themselves in the market. This has gone a long way towards advancing sustainable development around the world, and in Nigeria in particular.

Also, the banking sector's wider impact as it relates to sustainable development

is strongly linked to the quality of their customer interactions (via services and products).

By incorporating sustainability principles into corporate strategy funding decisions and product/service definition processes, banks can be influential in supporting and promoting environmentally and/or socially responsible projects and enterprises. Innovative products and services that target certain populations (e.g. women) or that encourage purchase of green products (e.g. green credit cards) go a long way to promoting sustainable practices.

Given the strategic importance of banks in the value chains of critical sectors such as agriculture, energy and trade, the role of banks in the sustainable development of Nigeria cannot be underestimated.

Given the sector's significant role in sustainable development, and the sector regulator's recognition of this role, Deloitte found it pertinent to examine the current state of sustainable banking in Nigeria with a focus on achievements, challenges and opportunities for further growth.

The responses from our survey show that although significant progress has been made by the sector as a whole and impressive strides have been made by some banks, there are still opportunities to further improve sustainable banking practices in Nigeria.



Bola Asiru

Bola is the Deloitte West Africa Strategy and Operations Leader. He has significant experience in the UK and Nigerian banking sector and has led the successful delivery of many strategic and operating model engagements.

About the Report

Objectives of the report

The banking sector, as represented by the members of the Bankers Committee, adopted the Nigerian Sustainable Banking Principles (NSBP) in 2012 in recognition of the banking sector’s responsibility to the positive and sustainable development of Nigeria.

The Central Bank of Nigeria (CBN) and the bankers who have committed to the NSBP believe that the NSBP is ‘good for business’ and as such, expect several benefits.

This report therefore aims to understand the progress of the banking sector as a whole in carrying out sustainable banking and also highlights challenges that the banks face during implementation as well as opportunities for growth.

In particular, the report examines the current state of sustainable banking activities (in terms of triggers for implementation, prioritized issues, etc.) as well as whether these implementing banks have received expected benefits as a direct result of their sustainable banking activities.

Our hypothesis

Sustainable banking is widely believed to bring about several benefits for implementing banks. In particular, regulators increasingly see it as an avenue to promote the sustainable development of Nigeria. As such, these regulators are establishing frameworks, guidelines and regulations mandating banks to implement sustainability in their business operations and activities.

Beyond regulations however, we believe that banks can achieve other benefits which ultimately lead to the overall growth of their business.

We also believe that in implementing sustainable banking principles, banks experience several challenges, regardless of the banks’ level of engagement with sustainable banking principles.

Furthermore, we expect that there are growth opportunities for stakeholders, such as regulators, consumers, investors, etc., to leverage on, based on the experiences of banks that are actively implementing sustainable banking.

Our methodology

The report was developed based on the findings from a survey which was administered via an online platform. This was supplemented by face-to-face interviews as well as telephone conference calls with the sustainability leaders of the respondent banks.

Survey design

The survey questions were designed with reference to global standards such as the International Finance Corporation (IFC) performance standards, as well as detailed consideration of the NSBP given that it is the pillar of local guidance for sustainability in the Nigerian banking sector. The survey is however in no way a monitoring exercise to determine compliance with the NSBP.

Deloitte invited 20 commercial banks to participate in the survey and responses were received from 17 of them as well as one private sector led development bank.

All together in 2016, the 18 respondent banks had N5.12 trillion in gross revenue across Nigeria and West Africa.

Survey Participants



Key survey findings



100% of respondent banks currently engage with the NSBP on some level



100% of respondent banks expect to increase their engagement with sustainable banking



100% of respondent banks have an Environmental & Social (E&S) framework



88.9% of respondent banks will sustain efforts on sustainable banking even if it is not a regulatory requirement



83.3% of respondent banks have a sustainability strategy



88.9% and 83.3% of triggers for sustainable banking activities are attributed to reputation and regulations respectively



Top 3 priorities for banks are energy, financial inclusion, and human & labour rights



88.9% of respondent banks have introduced products to improve financial inclusion



Only 33% of banks said their sustainability strategy was very well integrated into their overall business strategies



Only 50% of respondent banks have a women's economic empowerment policy



50% of respondent banks have invested more than N50m in sustainable banking initiatives in the last 3 years



61.1% of respondent banks are either happy or very happy with their return on investments



About 95% of respondent banks have implemented environmental & social initiatives in the last three years



Most common initiatives are in the areas of women empowerment, energy, waste management, and human/labour rights



83.3% of respondent banks are realized both financial and non-financial benefits from sustainable banking efforts



81.3% of respondent banks have realized improved brand value



81.3% of respondent banks have realized reduction of overhead costs



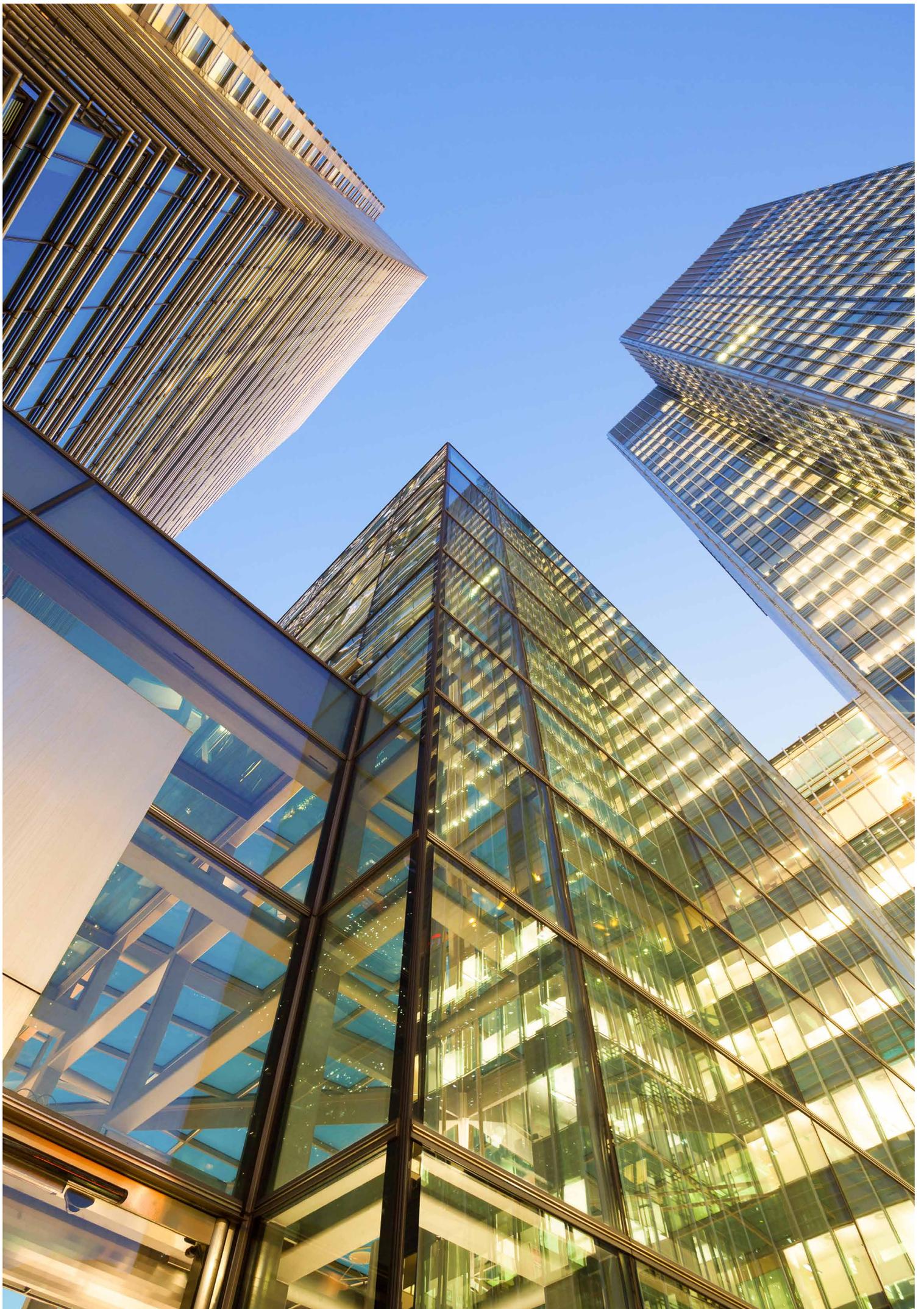
83.3% of respondent banks have realized revenue growth from sustainable banking efforts



82.4% of respondent banks have realized growth in their Small and Medium Enterprise (SME) and Retail segments



38.9% of respondent banks are either unhappy, not sure or feel indifferent with regards to their return on investments



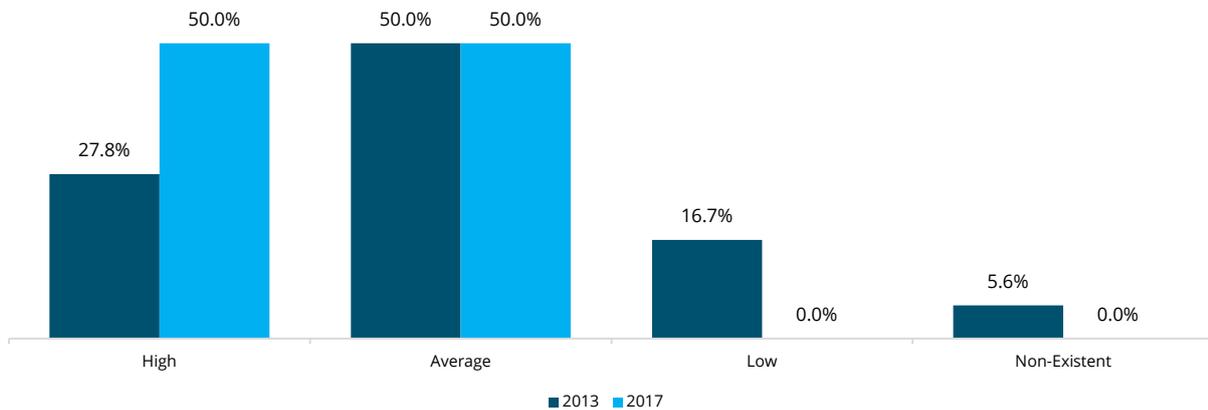
Part 1

Sustainable banking
in practice



Banks are now increasingly adopting sustainability principles in their operations and activities with clients

Level of engagement with the Nigerian Sustainable Banking Principles (NSBP)



In 2013, (one year after the Central Bank of Nigeria issued the NSBP), almost a quarter of the respondent banks had either low or no engagement with sustainable banking principles.

Currently, all the respondent banks report an average or high level of engagement with these sustainable banking principles.

Almost all of the respondents currently state their commitment to sustainable banking principles on their public platforms (company websites, financial reports, etc.).

In addition, 100% of the respondents reported that their level of engagement with sustainable banking is expected to increase in the next three years.

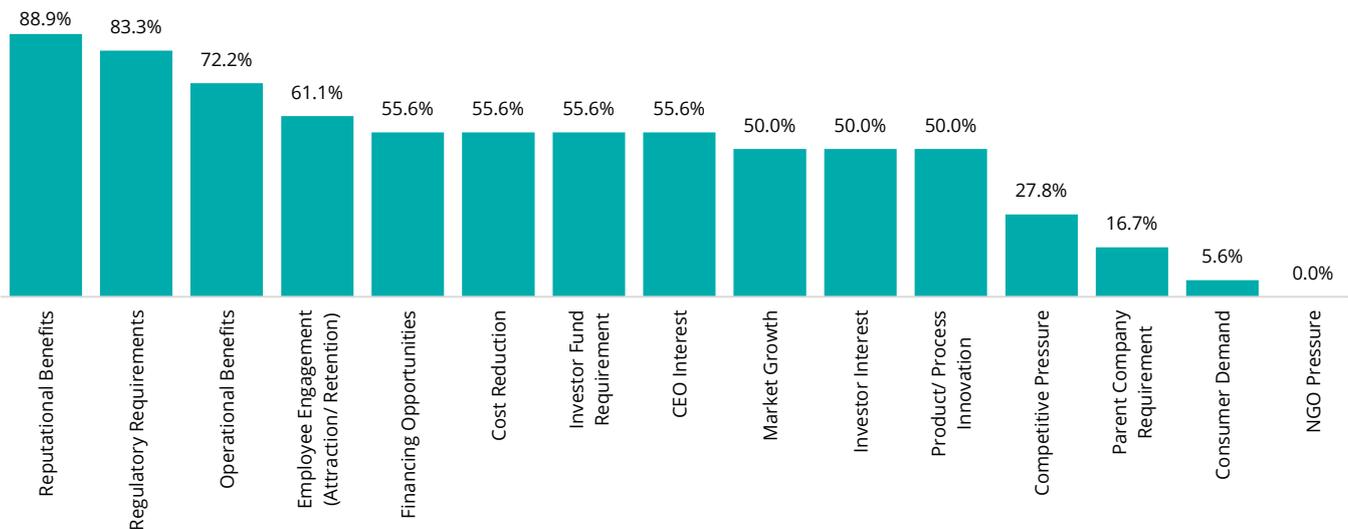
Key Insights



There has been a positive growth in the level of engagement by Banks with the NSBP since its inception. 50% of respondents consider their engagement level to be high.

The most common triggers for sustainable banking efforts have been reputational benefits and regulatory requirements

Common triggers for banks to engage in sustainable banking efforts



Survey findings showed **reputational benefits** and commitment towards **fulfilling regulatory requirements** as the most common triggers for the adoption of sustainable banking practices.

Operational benefits (for example, increasing efficiencies and improving transparency) was the third most common trigger for banks adopting sustainable banking.

The next most common trigger is the need for more **employee engagement** in terms of attracting and retaining talent.

These top four triggers are in line with global trends which have long shown

that these are some of the top reasons why corporations consider incorporating sustainability.

Interestingly, financial benefits were not the most common triggers for the respondents – all financial related options such as financing opportunities, cost reduction, and investor requirements scored only 55.6%.

Furthermore, CEO interest as a trigger for sustainable banking scored only 55.6%. Similarly, consumer demand for sustainability as a trigger is extremely low. This suggests that there are opportunities for improved engagement with customers when developing sustainability strategies.

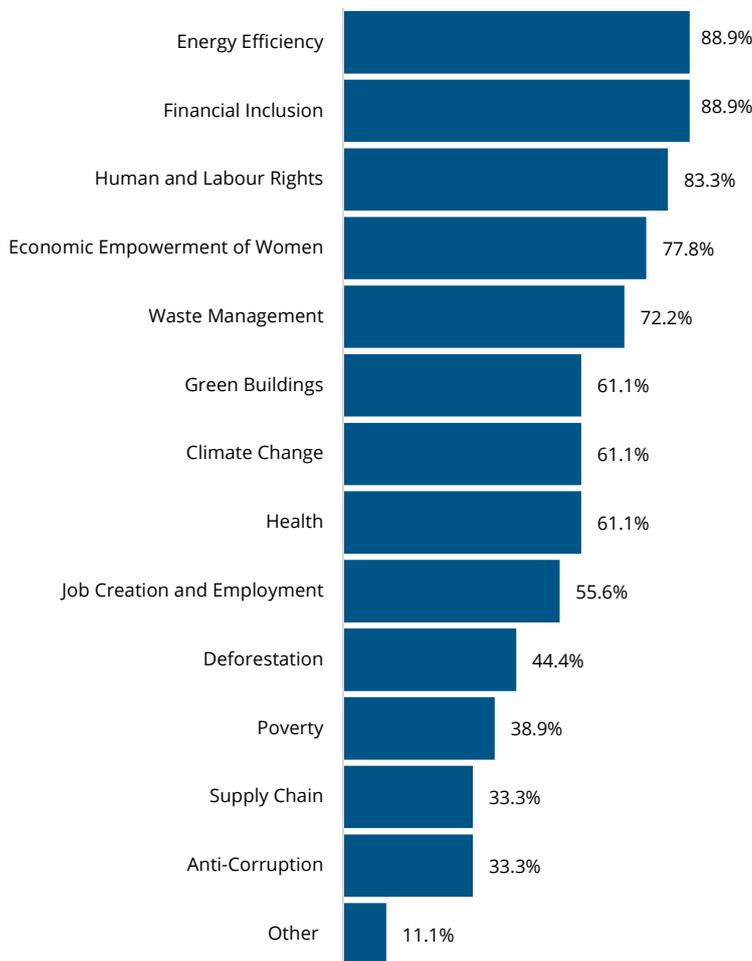
Key Insights

 The top four triggers (reputational benefits, regulatory requirements, operational benefits and employee engagement) of the Nigerian banks are in line with commonly reported global triggers for corporate sustainability.

 However, two major global triggers, investor interest and consumer demand are not as common in Nigeria when compared with the global benchmarks.

Banks are currently most concerned with the sustainability issues of energy efficiency and financial inclusion

Priorities for sustainable banking efforts



The two most common sustainability priorities for the banks are energy efficiency and financial inclusion (with 88.9% each).

These priorities are closely aligned with the realities of banks in Nigeria given the likely significant energy consumption of bank branches and ATMs as well as their inherent strategy of increasing their number of banking customers.

In general, the banks have made targeted efforts at increasing financial inclusion by leveraging on impressive mobile penetration numbers in Nigeria. Several banks have also incorporated early shutdown of power supply in branches as well as deployment of solar energy for some branches and ATMs.

Human and labour rights is also a key priority for the respondents (with 83.3%). Back office operations of banks are labour intensive and like most service industries, the banks depend on their employees for business success.

Other key priorities for banks are economic empowerment of women, waste management and green buildings (which are aligned with energy efficiency and waste management).

Key Insights

 The sustainability concerns which are of the highest priorities for the banks are directly related to their business operations (e.g. energy) and their services (e.g. financial inclusion)

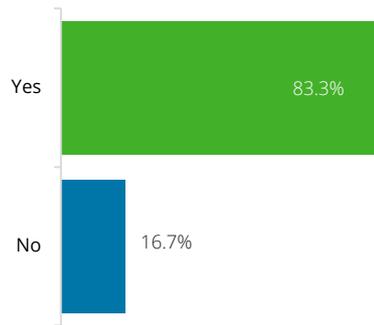
All respondent banks have implemented policies and frameworks which guide their sustainability activities

Availability of Environmental and Social Risk Management Framework



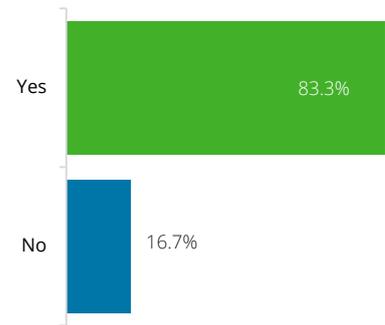
All surveyed banks have established an Environmental and Social Risk Management framework.

Availability of a sustainability strategy



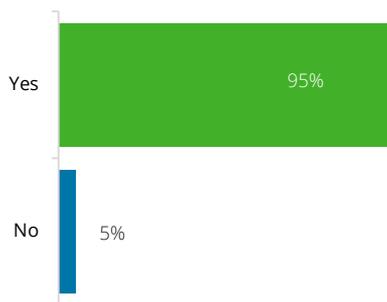
83.3% of the banks have a firm-wide sustainability strategy, either embedded in their strategy or as a standalone document.

Availability of a sustainability capacity building framework



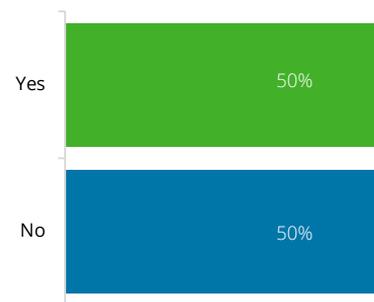
83.3% of the respondents have a framework which guides sustainability capacity building.

Availability of a Human Rights policy



95% of the respondents have a human rights policy in place.

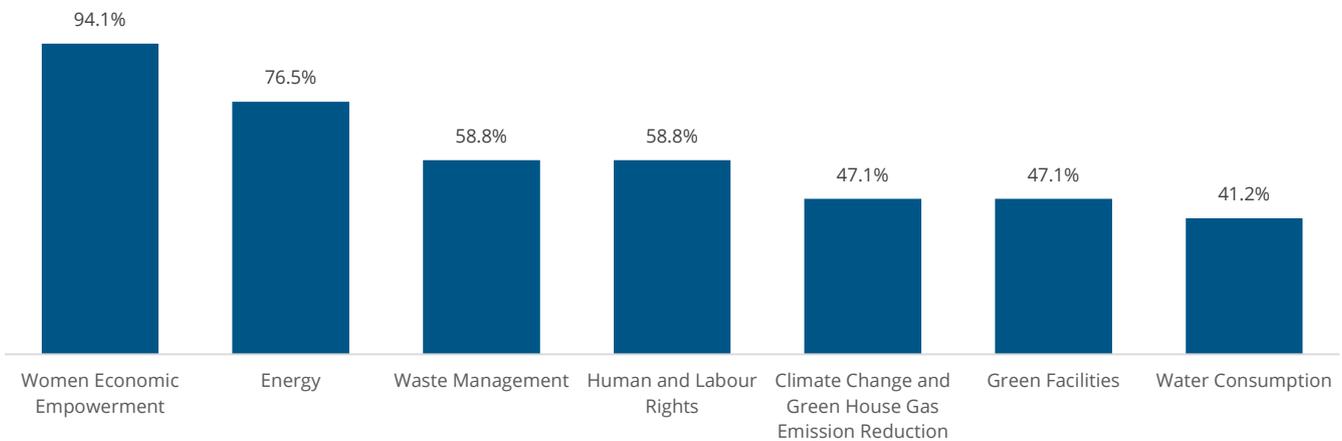
Availability of a Women's Economic Empowerment policy



50% of the respondent banks had a specific policy about women's economic empowerment.

Most banks have carried out sustainability initiatives addressing a diverse number of issues, from women economic empowerment to green facilities

Environmental and social initiatives being implemented



The most common sustainability initiative carried out by the respondent banks is women empowerment (a significant 94.1%).

Reports by UN Women (a United Nations entity) has shown that investing in women's economic empowerment promotes gender equality, poverty reduction and ultimately, inclusive economic growth. Although these were not specified as high priority for the respondent banks, their focus on women economic empowerment contributes to improvements in this area.

The respondent banks also focus on energy initiatives, in particular energy conservation and use of solar energy.

This is in line with their energy priorities given the potentials for cost reduction as a result of resource conservation.

The third most common initiative is around waste management. Many banks have put in place mechanisms to restrict paper usage. A few have commenced recycling initiatives, and fewer more have included recyclable wrapping papers in their banking halls. Similarly, human and labour rights initiatives are being carried out, mainly by establishing human and labour rights policies with regards to personnel wellness, sexual harassment, discrimination, etc.

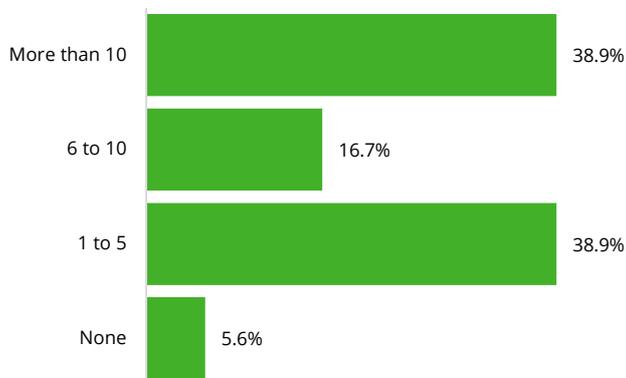
Key Insights



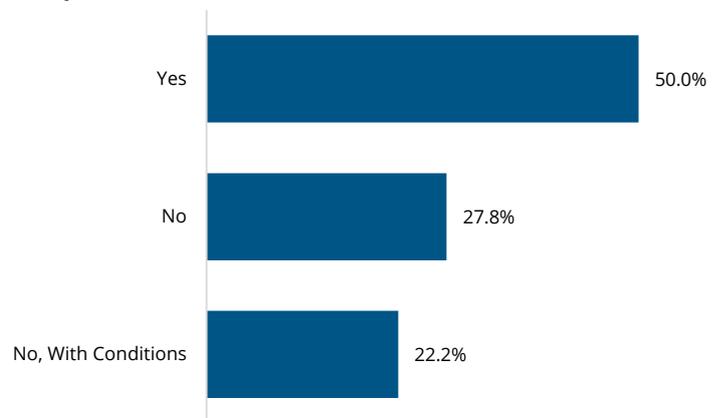
Most initiatives by the respondent banks are focused on promoting women economic empowerment and energy. Results from these have cascading effects on sustainable development of Nigeria and the reduction of greenhouse gas emissions from the banks' facilities.

Almost all the respondents have carried out E&S initiatives over the last three years; and about half of them have refused to fund ventures/projects due to E&S concerns

Number of environmental and social initiatives carried out in the last three years.



Percentage of banks that have rejected ventures due to their potential negative environmental and social impacts



About 95% of respondents have carried out at least one sustainability initiative in the previously mentioned areas over the last three years. Many of the banks (about 38.9%) have carried out more than 10 initiatives.

It is however not clear how many of these initiatives have long-term impact on the banks' businesses, and how many constitute one-off corporate social responsibility activities. Furthermore, sustainable banking initiatives may be so well integrated into some companies (e.g. in terms of establishing policies) that these are not accounted for under their initiatives/projects.

About 50% of the respondent banks reported that they have rejected funding projects because of the likelihood of the projects' significant negative impacts on the environment or community.

About 22.2% reported that they have not rejected projects because of their potential negative impacts, but instead, imposed conditions for the mitigation of these impacts before disbursement of funds.

Given these findings, it is commendable that a significant number of banks are turning down business opportunities due to environmental and social concerns.

Key Insights

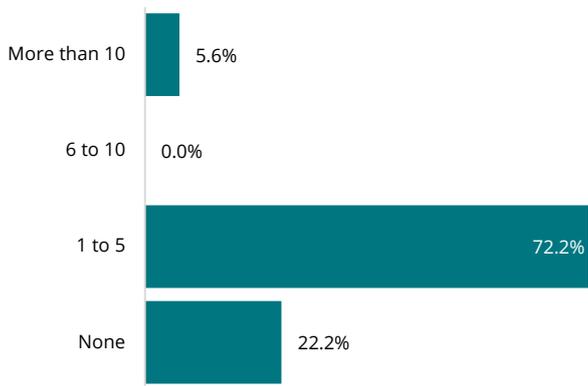


Almost all the respondent banks have carried out one or more environmental or social initiatives over the last three years, although there is not enough information to categorize how many of these initiatives have lasting impacts on their business.



Most banks have developed products specifically for women economic empowerment and financial inclusion

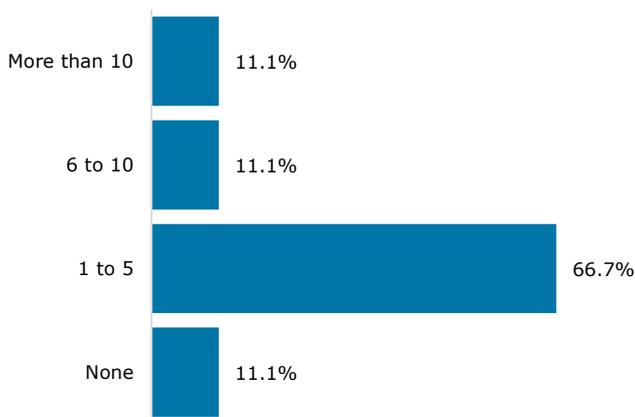
Number of products/services aimed at women economic empowerment



Most respondents (72.2%) have one to five products developed specifically for women with the aim of improving their economic empowerment, and 5.6% of them have more than 10 products.

There is room for improvement given that 22.2% of respondent banks do not have products developed for women economic empowerment.

Number of products/services aimed at improving financial inclusion



Most respondents (66.7%) have one to five products developed specifically to promote financial inclusion, while 22.2% have six or more products.

11.1% of respondent banks do not have any products specifically aimed at financial inclusion.

Key Insights

 Development of products and services that specifically target both women economic empowerment and financial inclusion are most common. Given the number these products, they have the potential to be most successful at balancing the social and economic metrics of the banks.

 Although several of these products are being run by dedicated project teams, not all the banks have been able to establish or report the link between these products and their sustainability efforts. The banks need to develop a reporting mechanism that ensures eligible product development efforts are captured under their sustainability drive.

Examples of sustainability initiatives banks are carrying out today are as follows:



Number of products/services aimed at women economic empowerment

- Female entrepreneurship programs
- Collaborations/participation in United Nations' women economic programs
- Women health initiatives
- Support of women owned businesses
- Women wealth and wellbeing programs
- Female children financial literacy programs
- Female focused recruitment (gender equity advocacy)
- Staff volunteering in female health awareness programs
- Women skill acquisition workshops



Energy and Waste Management

- Paper saving initiatives
- Waste recycling
- Power saving initiatives
- Energy saving lighting



Community Investments

- Young adults development programs
- Indigenous art and culture support
- Clinic support programs
- Deworming projects
- Free health examination for communities
- Community empowerment programs
- Skill acquisition programs
- School adoption programs
- Staff volunteering programs



Financial Inclusion

- Mobile money services
- Financial education programs
- Geographic expansion (e.g. to low income locations despite unattractive business cases)
- Financial inclusion partnerships with global bodies
- Business seminars
- Participation in CBN's MSME development fund
- Banking the unbanked projects



Human and Labour Rights

- Code of ethics establishment
- Staff fitness programs
- Health policy establishment
- HIV/AIDS policy establishment
- Insider trading policy establishment
- Grievance policy establishment
- Free health examinations for staff
- Health, Safety, and Environment (HSE) policies



Project Funding

- Support of environmentally friendly projects (as per E&S Management Framework)

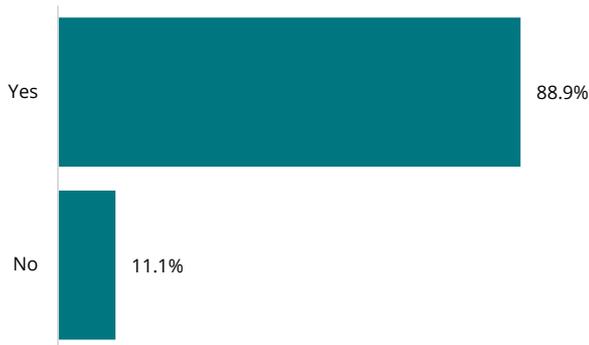


Green Facilities

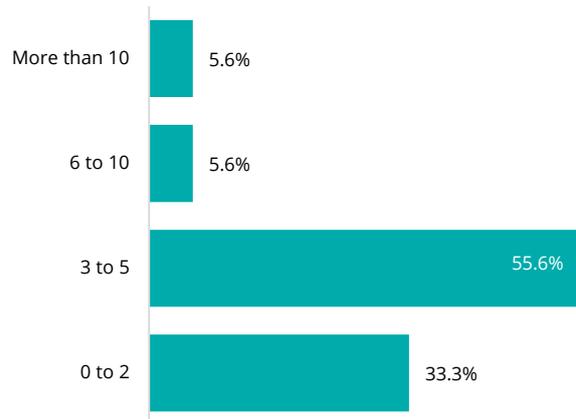
- Solar powered bank branches
- Solar powered ATMs

Sustainability units in the banks are structured in diverse ways, and most units operate with lean teams

Establishment of an internal sustainable banking committee



Size of sustainability units



About 88.9% of respondent banks have an internal sustainable banking governance committee charged with overseeing the banks’ sustainability practices. The committee also facilitates integration of sustainability activities across the banks’ departments and units. This is a leading practice given the level of internal coordination required to incorporate sustainable banking principles into business operations.

The requirement to report on NSBP activities has largely driven the establishment of such a committee.

Most banks (88.9%) currently run their sustainability units with lean teams of

less than five personnel. Only about 11.2% of the respondents have units with more than six people in their sustainability units.

Leading practice for sustainability teams is to keep these teams small (not more than 10-15 people) and diverse (from different parts of the organization). A large part of the team members’ duties includes engaging with others in different parts of the organization. As such, many more employees are expected to be engaged in sustainability efforts than the units’ team members alone.

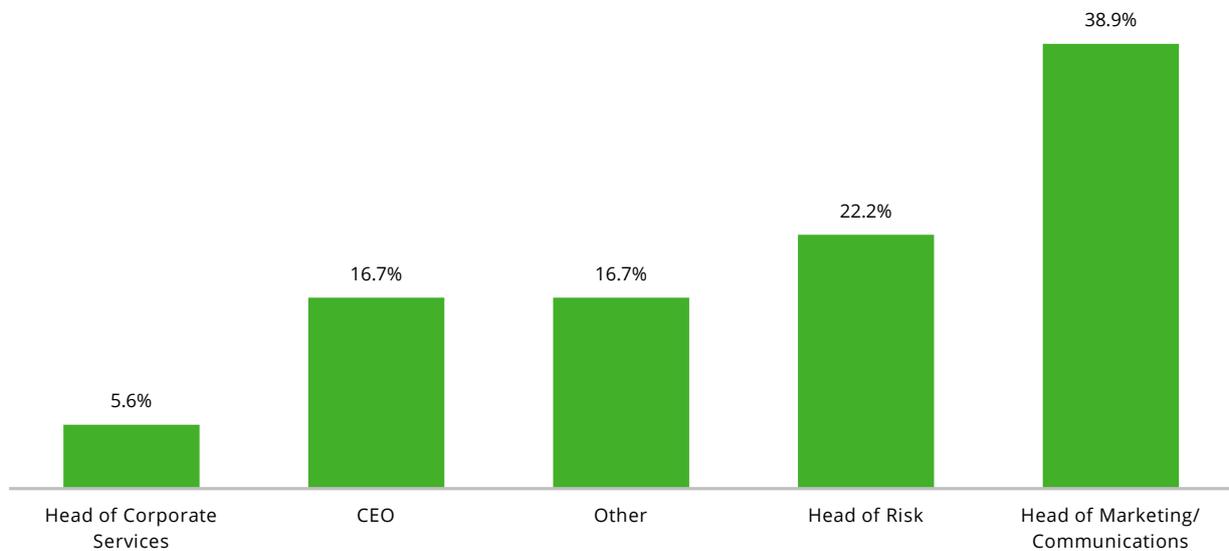
Key Insights

 Most sustainability units are small in size (less than five people). This is in line with common practice for sustainability teams. These team members need to leverage their relationships across the organization in order to coordinate sustainability initiatives.

However, in order to maximize the impact of sustainability efforts, ownership of the sustainability agenda must cut across the entire organization.

Sustainability units in the banks are structured differently, and most units operate with lean teams

Sustainability unit reporting line



A global standardized industry-wide structure is yet to be developed for sustainability units. As such, reporting lines by the heads of sustainability functions remain diverse. However, the annual global Business for Social Responsibility (BSR) study on the State of Sustainable Business 2016 shows that most function heads now report directly to the CEO.

In contrast to this trend, about 39% of the respondent banks' unit heads report directly to their Head of Marketing/

Communications (or equivalent) while only 16.7% report directly to the CEO.

Another key global trend has been the introduction of a Chief Sustainability Officer (a C-suite role) in order to increase the profile of sustainability issues (up to 33% according to a 2013 Manufacturers Alliance for Productivity and Innovation (MAPI) survey on Corporate Sustainability Functions). However, none of the respondent banks in Nigeria have appointed a Chief Sustainability Officer.

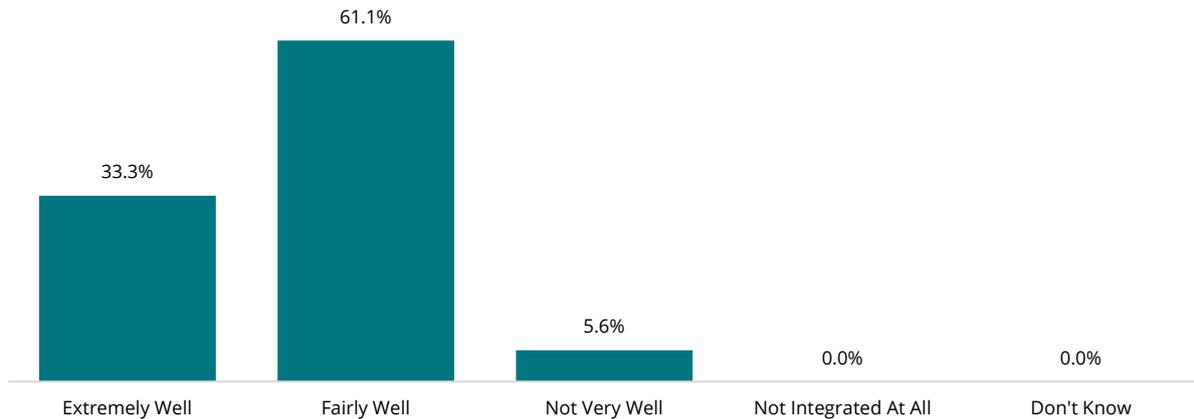
Key Insights



A global trend shows increased executive visibility and empowerment for the head of sustainability role (including direct reporting to the CEO). However, only 16.7% of respondents' sustainability function heads report directly to the CEO. None of the banks have appointed a Chief Sustainability Officer.

Most banks have integrated their sustainability strategies to their overall business strategies

Level of sustainable banking integration into overall business strategy



About 94% of the respondents have incorporated sustainability into their overall business strategy.

Only about 33% of the respondents reported that their sustainability strategy is extremely well integrated into their overall business strategy.

About 66.7% reported that their sustainability strategy is either fairly well, or not very well integrated into their overall strategy.

Ultimately, all the banks reported some level of integration between sustainability and their business strategies.

This implies strong commitment by the majority of the respondents (at least 94.4%) to have sustainability embedded across their business as opposed to running it as a stand-alone effort. There is however, still room for improvement in increasing the level of alignment with overall business strategy.

Key Insights



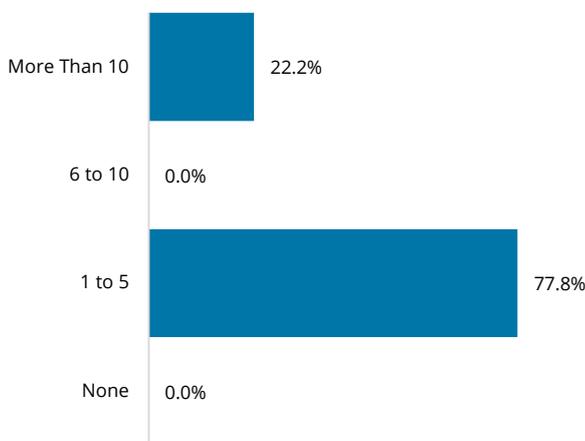
33.3% of the banks have integrated sustainability extremely well into their business strategy.



However, ensuring that 66.7% of these respondent banks fully embed sustainability within their overall strategy is a key step towards making sustainability a core value in all their operations and activities.

All the banks have carried out training sessions on sustainability within their organizations, and most have produced a report on their progress with sustainability

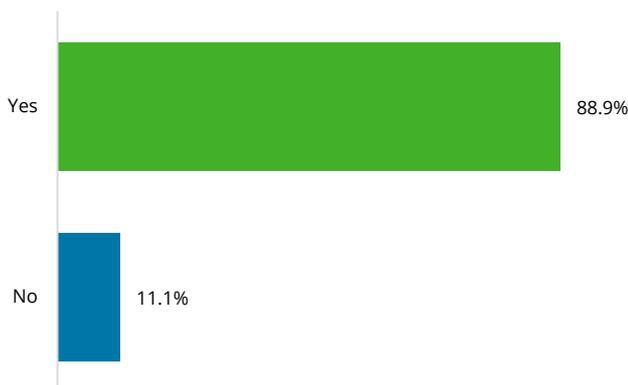
Number of training sessions geared towards environmental and social capacity building over the last year



All respondent banks reported that they have had training sessions on environmental and/or social issues over the past one year.

About 77.8% have had one to five training sessions and about 22.2% have had more than 10 carried out within their organizations for various internal stakeholders. Many of these training sessions have been focused on health and safety and labour issues.

Availability of a report on environmental and social activities in the last financial year



About 88.9% of the banks generated an E&S report in their last financial year detailing their environmental and social footprint (within their operations and activities with clients).

The Central Bank of Nigeria mandates the banks to submit a report on their progress with the NSBP. This may have been a catalyst for the high number of reports produced.

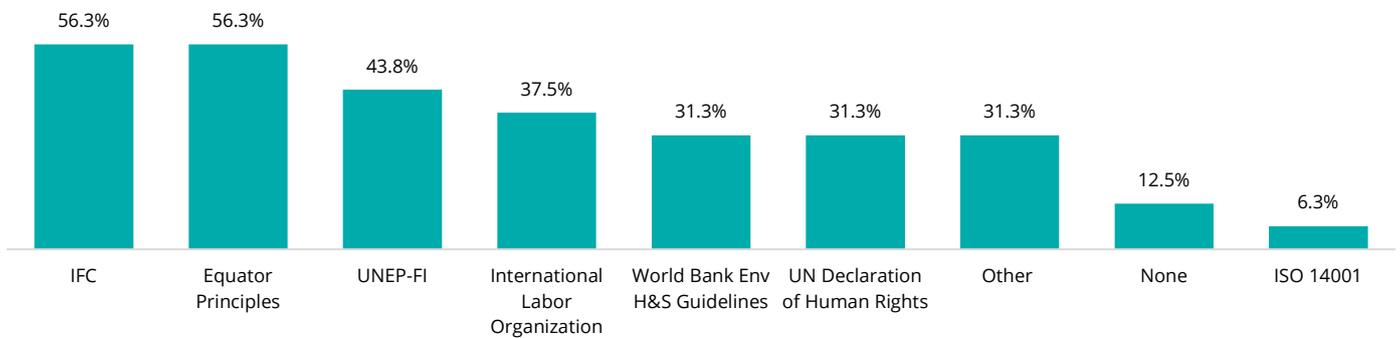
Key Insights



It is commendable that most banks now report on their sustainability activities, with many banks presenting this in their annual reports. However, developing a dedicated sustainability report will ensure that communication about their activities has the greatest impact on both national and global stakeholders.

Most banks have adopted several international standards, particularly IFC and Equator Principles. They are also engaged in collaborations to advance their sustainability practices

International sustainability standards adopted



In addition to the local NSBP, a wide range of international Environmental and Social (E&S) standards are presently being adopted by the banks. These standards guide the banks' policies and activities with regards different aspects of sustainable banking.

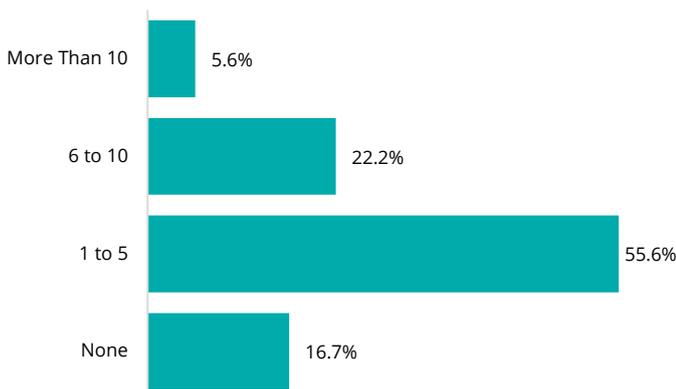
The International Finance Corporation (IFC) and Equator Principles are the most adopted international standards for banks (both with 56.3%). It is worth

noting that both standards are aimed specifically at financial institutions.

The United Nations Environment Programmes' Finance Initiative (UNEP-FI) is the next common standard. Within the other category was the United Nations Global Compact (UNGC) principles. About 12.5% of the respondent banks indicated that they did not adopt any international standard.

It is reported that the relatively large number of standards have challenged the banks in terms of reporting, given that these standards have different formats, are required at different times of the year, etc. Identifying how to integrate their data collection and reporting to uniformly satisfy the requirements of these standards is an issue for respondent banks.

Banks with sustainable banking-related partnerships

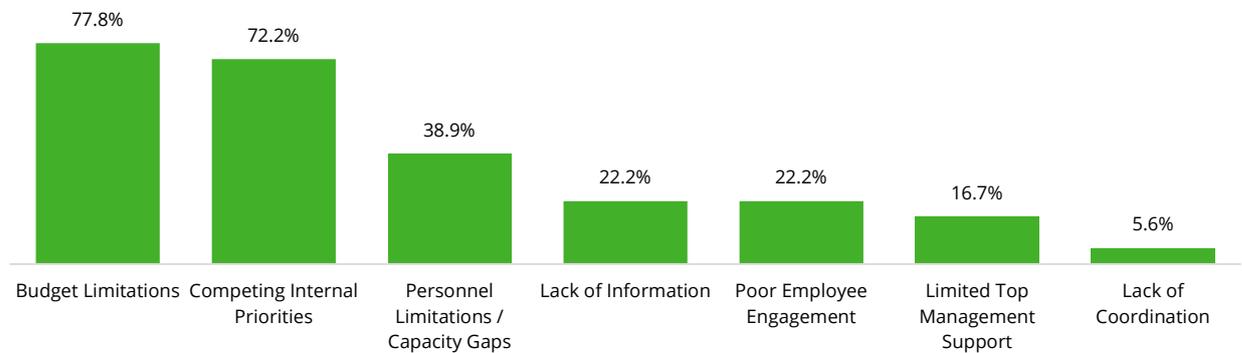


Collaborations are popular within the sustainable banking space and are a global best practice for the achievement of corporate sustainability goals.

About 83.3% of respondents are involved in one or more strategic partnerships to advance their sustainability activities. However, there is room for improvement for the 16.7% who have not initiated any partnerships or collaborations to advance their efforts.

The main challenges limiting the execution of sustainable banking is inadequate budget and competing internal priorities

Key challenges to planning and implementation of sustainable banking



The respondents listed budget limitations as the biggest challenge to implementing sustainable banking. This suggests that organizations' budgetary allocations for sustainable banking activities are still largely inadequate even though adoption is increasing.

Competing internal priorities (between sustainability and business-as-usual initiatives) was reported as the second biggest challenge. This is linked to limited budgets given that resources have to be allocated amongst competing priorities. It was also noted that prioritizing between different sustainability initiatives also presents challenges.

Behind financial limitations was personnel and capacity gaps (38.9%).

Although increased capacity for sustainability is being acknowledged,

knowledge gaps and inability to retain trained sustainability staff within organizations is widely acknowledged as a key challenge.

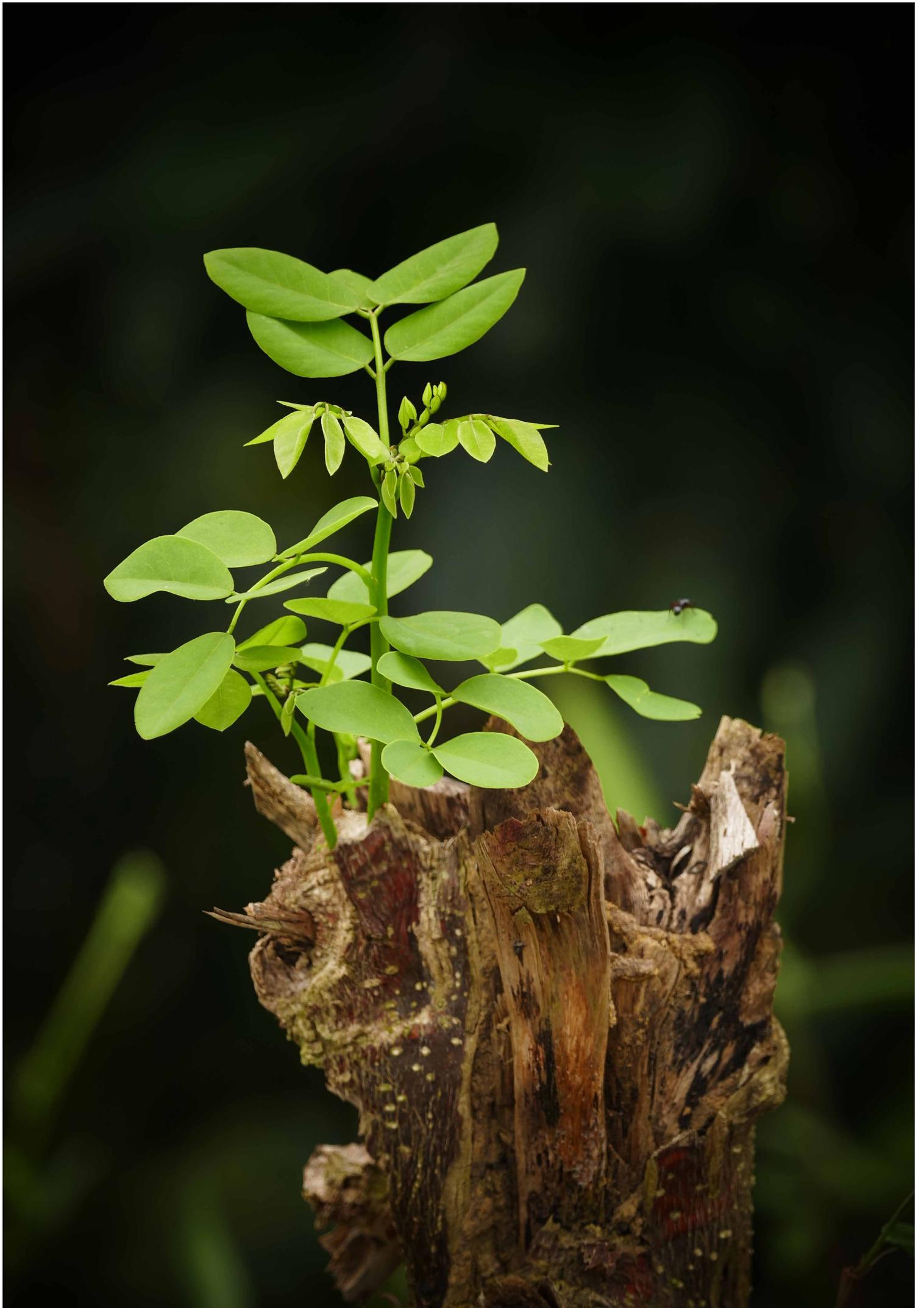
Lack of information and poor employee engagement were other challenges reported.

There appears to be significant buy-in of top management for sustainable banking as limited top management support was one of the least common challenges reported. However, the 16.7% of respondent banks that highlighted limited top management support as one of their challenges still represents a significant concern, given that management support is a critical success factor for sustainable banking efforts.

Key Insights



There needs to be better structure towards the execution of sustainable banking initiatives. This cuts across funding, capacity building and retention, employee engagement and management support. These are critical and must be addressed to facilitate the advancement of sustainable banking efforts.



Part 2

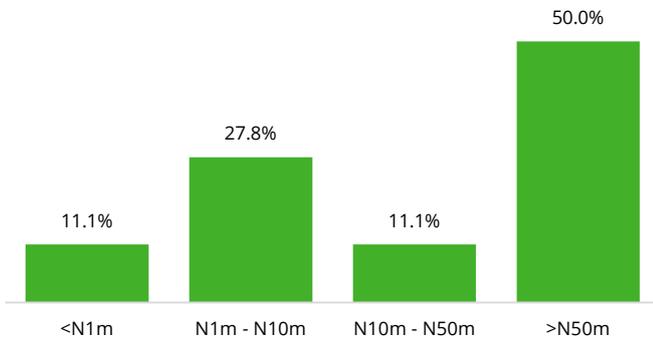
Sustainable banking as a
driver for business growth



Most banks have realized both financial and non-financial benefits from their sustainable banking activities

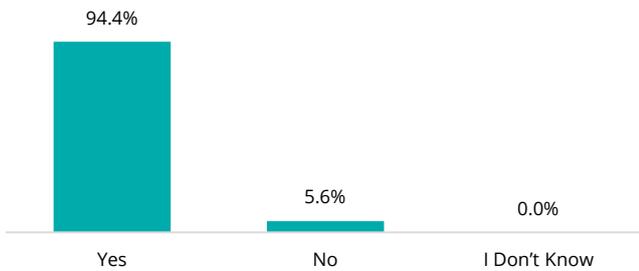
Level of capital investment made on sustainable banking initiatives in the last three years

50% of the banks indicated financial investments of over N50 million specifically used to fund sustainability initiatives over the last three years.



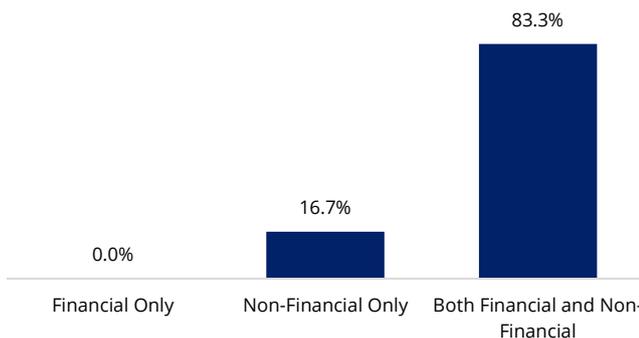
Realized benefits from implementing sustainable banking

About 94% of the respondents reported that they have realized some form of benefits from their investments in sustainable banking activities. This supports the expectations of regulators, corporations and international experts.



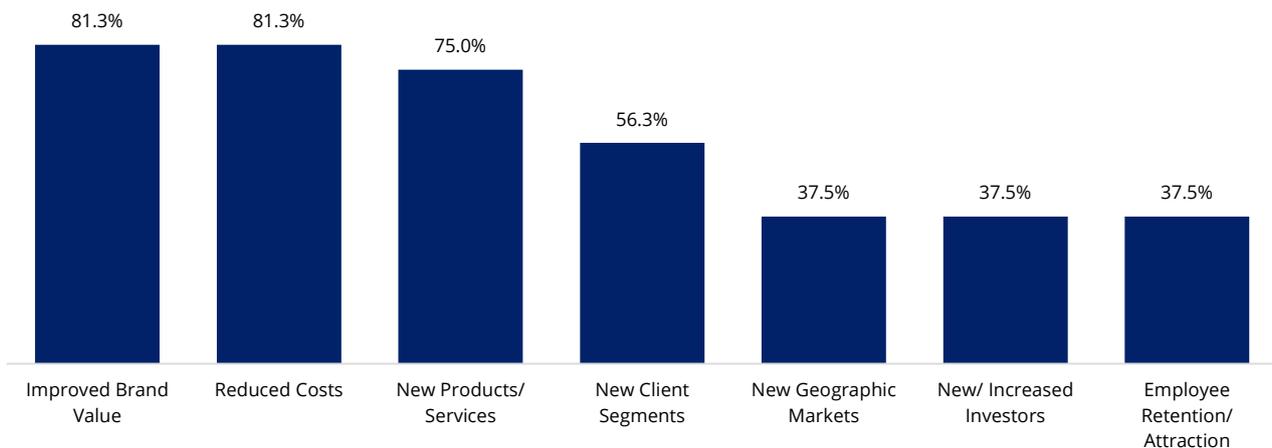
Kinds of realized benefits from implementing sustainable banking

About 83% of respondents reported that they have realized both financial and non-financial benefits from practicing sustainable banking. About 17% reported to have realized only non-financial benefits and none shared that they had realized only financial benefits. This is in line with widespread expectations that some of the most common benefits realized are non-financial.



Improved brand value and reduced costs are the areas of greatest improvement as a result of sustainable banking efforts

Business growth as a result of sustainable banking efforts



With the growing knowledge around sustainability concerns, banks are gaining improved brand value as a result of their participation in sustainable banking efforts.

Similarly, reduced costs is also a common improvement from sustainability; this is mainly in line with the banks' initiatives in energy, climate change and green facilities.

Growth in new products/services, and to a lesser extent, acquisition of new client segments, are also key business areas where growth has been attributed to sustainable banking efforts.

Furthermore, about 38% of respondent banks have accessed new geographic markets because of their efforts. For example, to improve financial inclusion, some banks have extended their customer reach through investments in internet and mobile platforms and the establishment of physical banking branches in remote areas.

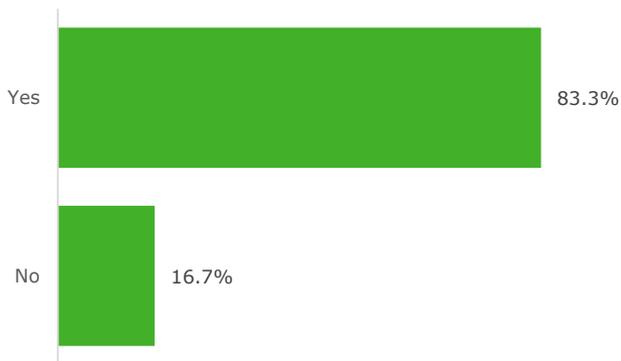
Only about 38% of the banks reported new investors as one of the improvements gained from their sustainable banking efforts.

Key Insights

-  Financial benefits (reduced costs) and non-financial (improved brand value), were recognized by 81.3% of banks.
-  Findings suggest that financial investments as a result of sustainable banking efforts are still nascent and may depict that investors in the Nigerian banking sector are not as interested in sustainability as a criteria for investment.

Retail banking services had the highest revenue growth as a result of sustainable banking efforts

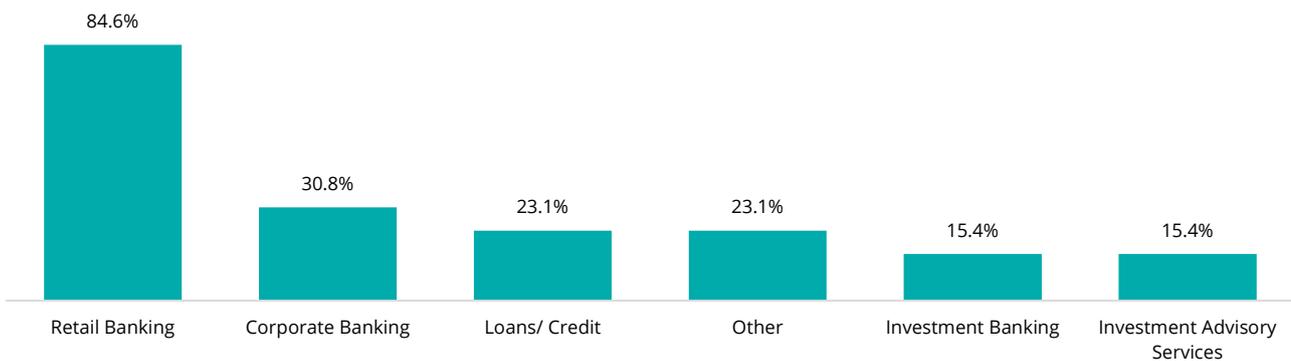
Number of banks that have experienced revenue growth as a result of sustainable banking efforts



About 83% of the respondents reported revenue growth from their sustainable banking efforts. These banks attributed the growth to new products/services and cost savings from sustainability initiatives. However, about 17% did not experience any revenue growth which they could directly link to their sustainable banking efforts.

Assessing this cause and effect of sustainability proves challenging to several respondents.

Areas of banks' businesses which have experienced revenue growth



Respondents reported that their retail banking services have had the most growth due to the banks' sustainable banking efforts.

This is likely due to the products/services introduced by the banks (e.g. on women economic empowerment and financial

inclusion) which have been targeted at individual consumers rather than companies and corporations.

Banks have also seen some revenue growth from other parts of their businesses such as corporate banking and loans/credit and investment banking.

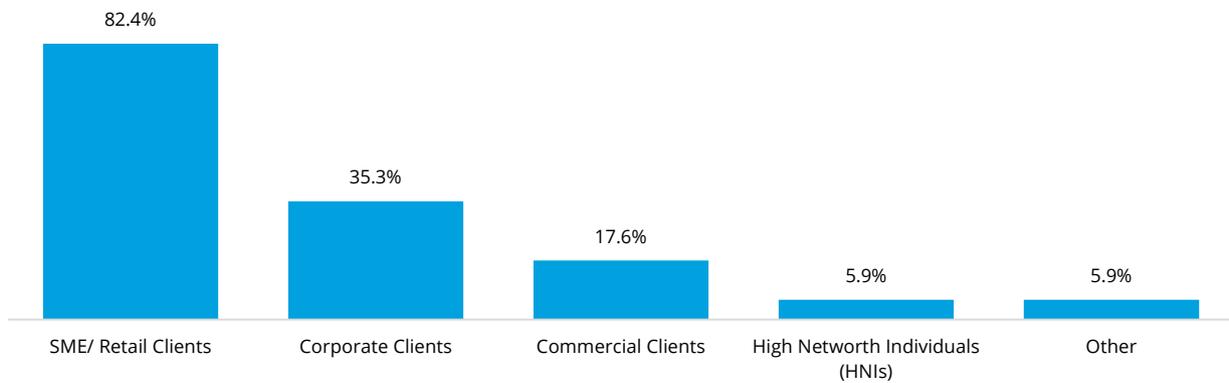
Key Insights



Although sustainable banking initiatives have the potential to increase revenue in all parts of the banks' business, the greatest potential lies in retail banking.

The banks' SME/retail client segment has benefited the most from sustainable banking efforts; however, about a third of the banks do not have data to prove the link between their sustainability efforts and these benefits

Banking segments benefiting from sustainable banking efforts

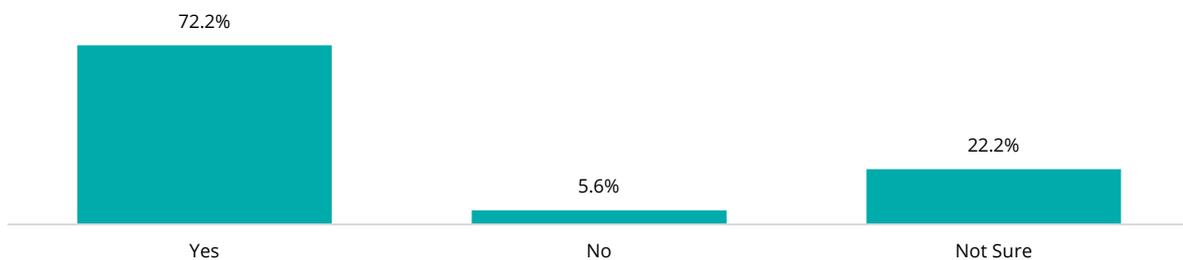


Respondents have realized the most benefits for their SME/Retail client segment as a result of their sustainable banking activities. This is in line with the

relatively high revenue gains previously reported in their retail business from sustainability efforts.

This is followed far behind by their Corporate client segment (with 35.3%) and then their commercial clients (with 17.6%).

Availability of data proving the link between sustainable banking efforts and business growth



About 72% of respondents reported that they have data which shows the link between their sustainable banking efforts and growth experienced in different parts of their businesses.

Some of these banks have real-time software with which they capture data

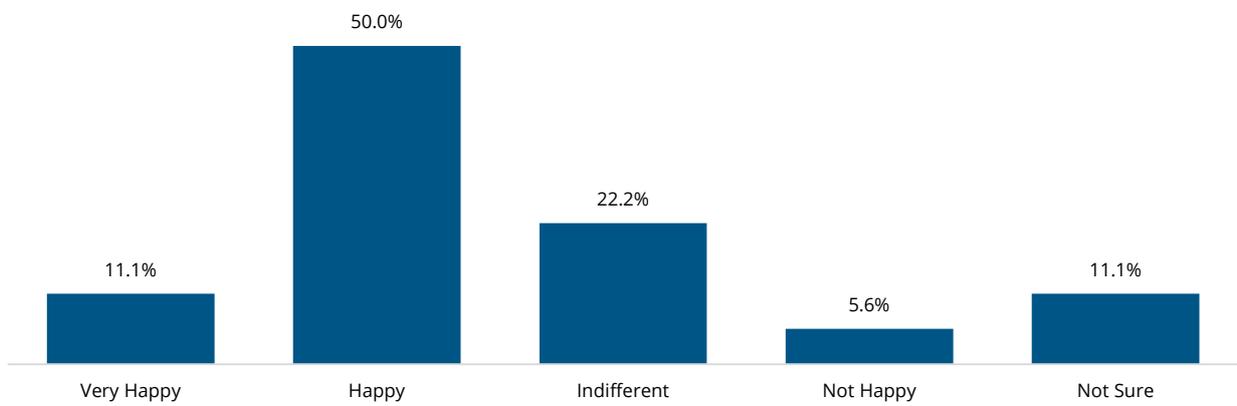
and prepare reports.

About 22% of respondents are not sure whether they could present data as evidence of the link between their sustainability activities and benefits/ growth realized. And about 6% have no data to show such a link.

This indicates that more needs to be done to establish a structured data collection, analysis and reporting mechanism to assist in presenting a compelling business case for sustainability.

Most of the banks were happy about their rates of return on investment in sustainable banking

Perception on return on investment on sustainable banking efforts



Given the amount of capital the respondents have invested in sustainability activities over the past three years, about 61% of them reported that they are happy with their rates of return on investment.

Most of the banks that are very happy with their rates of return are veterans in the sustainable banking space and have a fairly well established structure in place for the sustainability practice.

About 39% of the respondents however indicated negative (indifference, unhappiness and uncertainty) satisfaction as to their returns on investments. This may be as a result of the typical long-term payback period of sustainability initiatives, given that some of the banks only commenced their sustainable banking efforts five years ago upon the issuance of the NSBP.

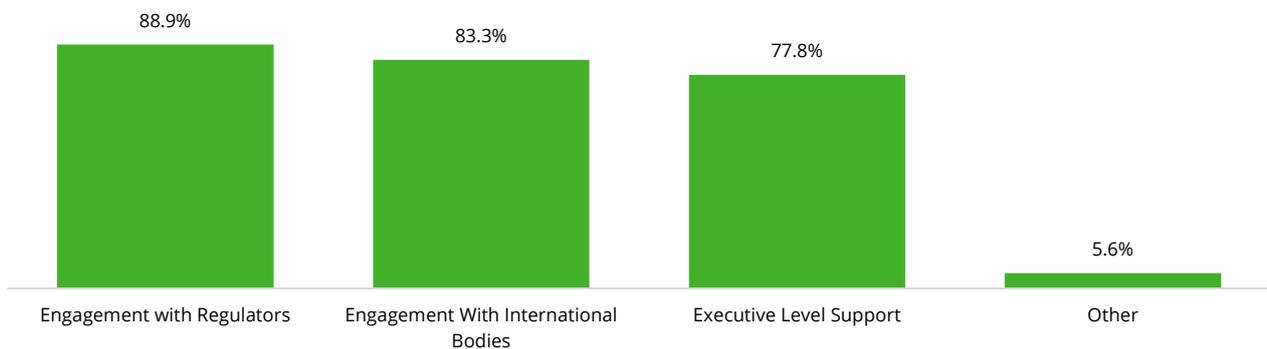
Key Insights

 An encouraging 61.1% of respondent banks are either happy or very happy with their return on investments in sustainable banking initiatives.

 In order to better assess their return on investments, banks need to understand the unique mechanisms for measuring return on investment of sustainability projects, given that these returns are not always measured in terms of financial gains alone.

Improved engagement by regulatory and international bodies would increase the success of sustainable banking efforts

Further support needed to increase the success of sustainable banking efforts



Respondents reported that increased engagement by the Central Bank of Nigeria and other relevant regulatory bodies can help drive further improvement in the banks' sustainability performance.

This engagement could be in the form of workshops, seminars, and continuous communication for the purpose of capacity development and knowledge sharing.

Similarly, improved engagement by international bodies such as the UN Global Compact, UNEP-FI, etc. would help deepen local expertise in sustainability.

Furthermore, improved internal executive support would be instrumental to increasing the success of sustainable banking in the organizations.

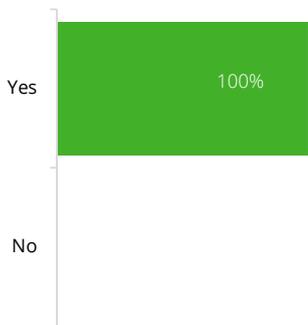
Key Insights



Most of the banks believe that in order to increase the success of their sustainable banking efforts, regulators and international standard bodies need to increase opportunities for engagement in order to share knowledge and boost local capacity.

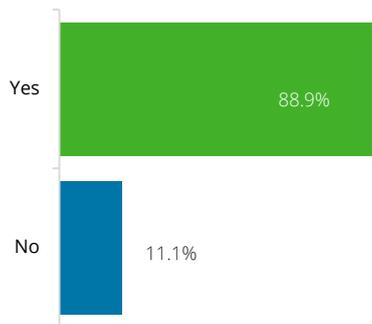
The banks show a high level of commitment to sustainable banking, and would continue their efforts even without regulatory requirements

Expected level of engagement in sustainable banking in the next three years



All the respondent banks shared that they expect their level of participation in sustainable banking to increase over the next three years. This is despite the fact that not all banks have experienced their expected returns on investment.

Expected level of engagement in sustainable banking if it was not a regulatory requirement



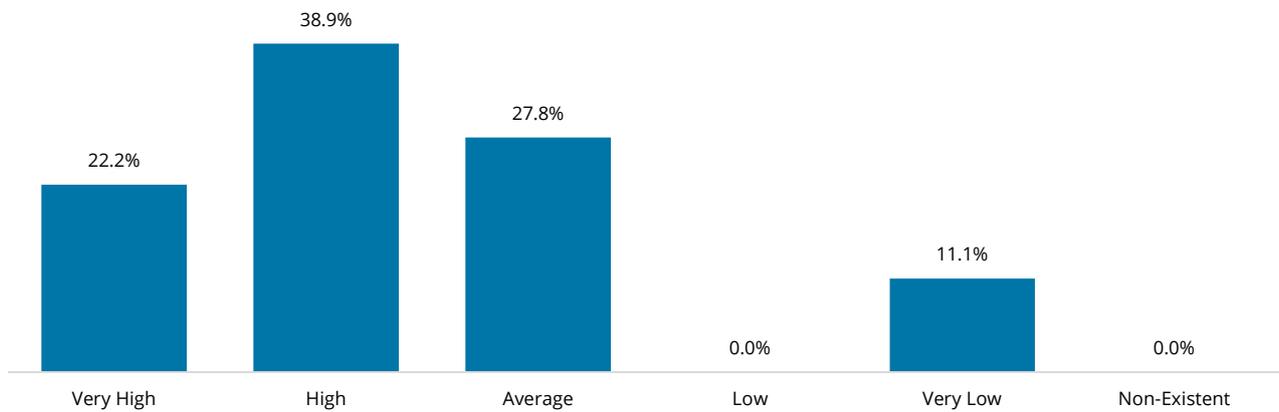
About 89% of respondents stated that if sustainable banking was not a regulatory requirement, they would still engage in it. For example, some of the banks that began their engagement with sustainability before the issuance of the NSBP expect to continue with their efforts even if the NSBP was not continued in the future.

Key Insights

 An encouraging number of banks (about 89%) are willing to continue their sustainable banking efforts even if the NSBP was not in place. This shows that most banks recognize the inherent benefits of sustainability and are willing to commit to incorporating it fully into their business.

Most of the banks considered the Sustainable Development Goals (SDG) when planning their sustainable banking activities

Level of influence of the Sustainable Development Goals (SDGs) on the banks' sustainability strategy



All the respondent banks stated that they have considered the United Nations Sustainable Development Goals (SDGs) in some way (from very high to very low consideration).

About 89% stated average to very high influence of the SDGs on their sustainability strategies.

Only about 11.1% of the respondents did not consider the SDGs to a significant level.

Key Insights



None of the banks developed their sustainability strategies completely independently from the Sustainable Development Goals (SDGs); each bank gave some level of consideration to the SDGs while developing its sustainability strategies.



Conclusion

What this means for
sustainability in the
banking sector



Banks are highly committed to sustainability but need key success factors in place to realize the full benefits of their sustainable banking efforts

Overall, the sustainable banking survey revealed positive responses from the participating banks. All the respondents have engaged with sustainable banking in one form or the other. Majority of the banks have reported that they can directly link business growth (in terms of financial and non-financial benefits) to their sustainable banking activities.

Despite this progress, all the banks acknowledge that more needs to be done to improve on their current progress with sustainable banking.

Deloitte believes that establishing the following will help the banks continue to consolidate on this success and ensure continuous realization of the benefits that sustainable banking brings.

An integrated and sustainable business strategy

Most banks reported that sustainability was fairly well integrated into their business strategies. However, for banks to have maximum positive impact on the sustainable development of Nigeria, they have to incorporate sustainable banking

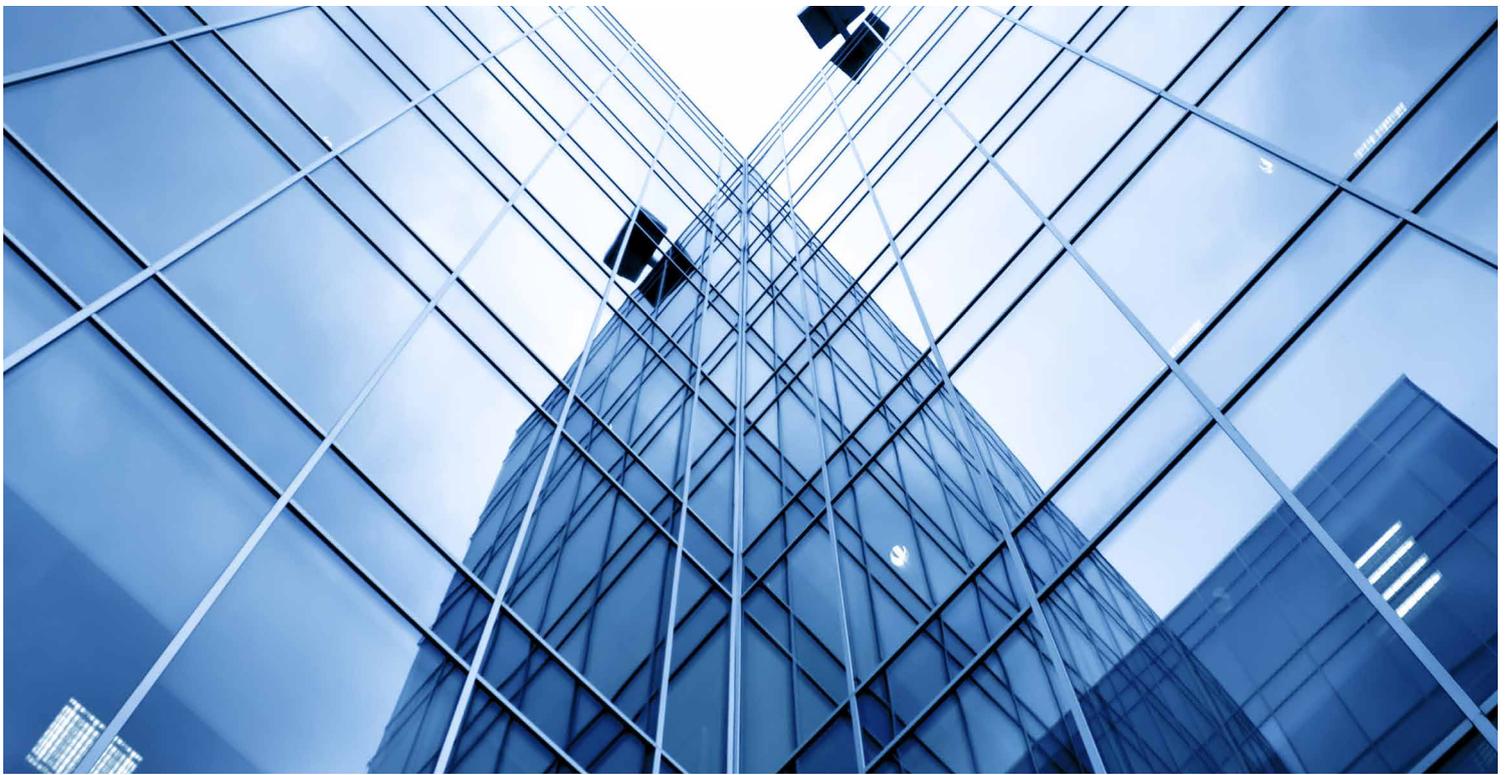
principles in their core values, keeping them at the heart of their business. This will be evident when their sustainable banking strategy is not peripheral, but highly integrated into their overall business strategy.

In doing so, banks will be better able to develop products and services which satisfy their economic, environmental and social requirements and meet the needs of all their stakeholders.

Professionalism in sustainability

Most sustainability units operate with lean teams, and have differing reporting lines across the different banks surveyed. However, instituting structures in terms of reporting lines into an empowered Chief Sustainability Officer with clear career progression plans can incentivize sustainability professionals to invest in knowledge building, partnership development, etc. It will encourage them to ultimately work towards making real and long-term positive impact as they drive sustainable banking in their organizations.

Majority of the banks have reported that they can directly link business growth (in terms of financial and non-financial benefits) to their sustainable banking activities



Clear priority for sustainability in organizations' budgets

The biggest challenge for sustainable banking, as reported by the respondents, is budget limitations. Closing this budget gap is essential to ensuring that banks have the resources needed for long-term and meaningful investment in sustainable banking activities. Convincing decision makers using an evidence-based business case can facilitate the prioritization of sustainability in the organization's budgets.

Data collection and analysis

Some of the banks struggle with linking their realized benefits with their sustainable banking activities. Establishing a strong data collection and analysis culture, as well as being equipped with the tools to implement this, is pertinent to establishing such linkages.

Ensuring that data is available can ultimately help the banks increase the quality of their business cases for sustainability. Decision makers will therefore have evidence of the clear link between sustainable banking and business growth and will be better able to justify increased engagement with sustainability.

Increased engagement with regulators and international organizations

Most banks shared that increased engagement with regulators and international bodies such as the UNGC, UNEP-FI, IFC, etc., is likely to increase the success of their sustainability efforts. Such engagements are likely to result in increased capacity for implementing sustainable banking (e.g. in the areas of data collection, reporting, monitoring, etc.), increased knowledge sharing amongst industry players, and increased opportunities for partnerships, funding, etc.

Such engagement can also support the banks to consolidate their reporting, given the diverse reporting requirements by these bodies.

Incorporate the context of the UN Sustainable Development Goals (SDGs)

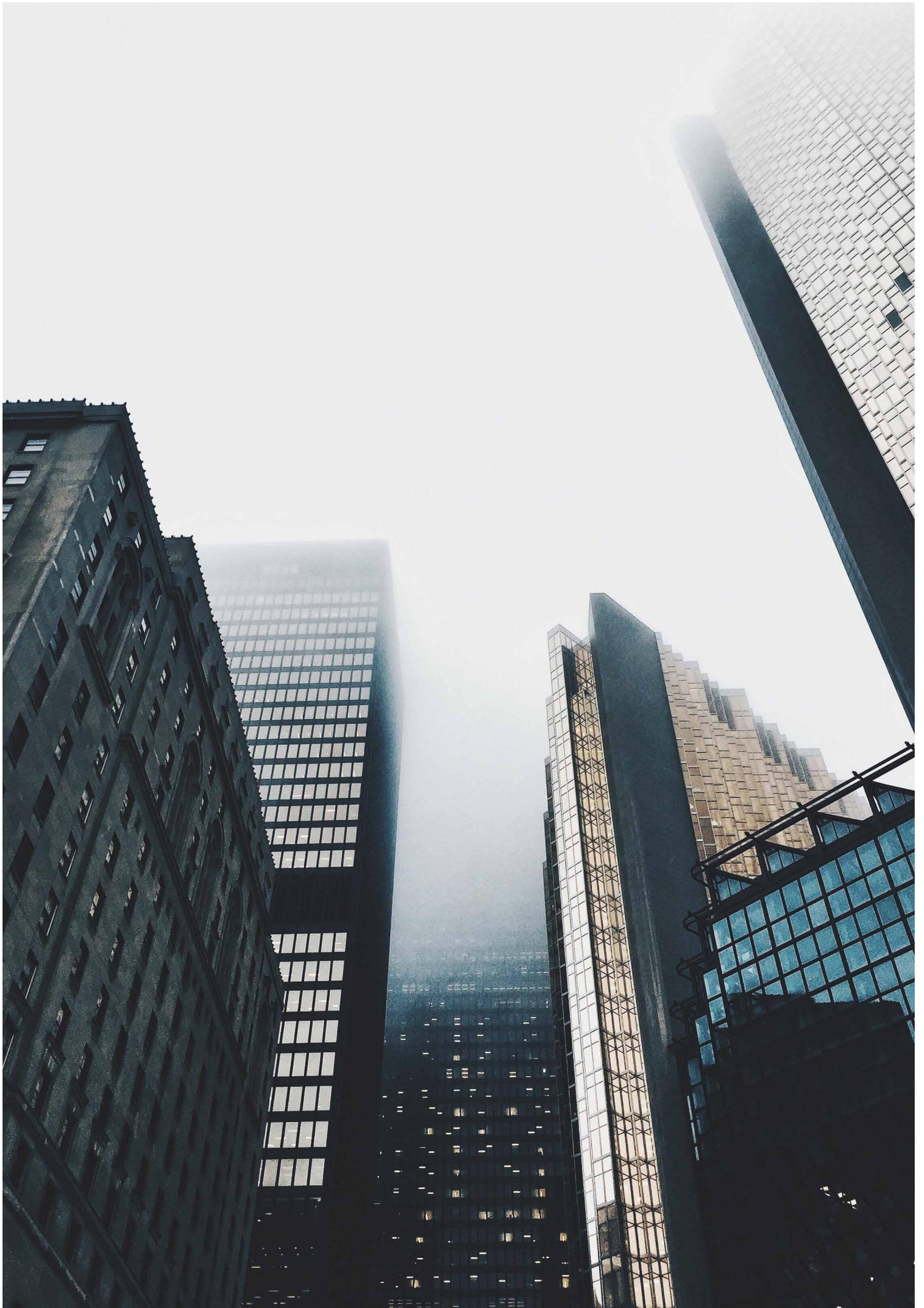
The SDGs, as adopted in 2015, have set the sustainable development agenda for the 193 member states of the United Nations, Nigeria being one of them. Nigeria has been actively involved in planning and implementing the SDGs, and has since incorporated them into national plans and priorities.

Establishing a strong data collection and analysis culture, as well as being equipped with the tools to implement this, is pertinent to establishing such linkages

Given this context, it is important that banks factor in the targets and indicators of the 17 SDGs in their sustainable banking plans and activities. This will ensure that their activities are well aligned with Nigeria's priorities for sustainable development.

Our commitment

Deloitte West Africa remains committed to supporting sustainable banking principles in order to make an impact that matters with regards to economic, environmental and social indices, and in turn promote the sustainable development of Nigeria.



About Deloitte's West Africa sustainability services

Our sustainability services are not just about 'going green', they are also about ensuring your organization's long term viability and success.

Deloitte works with clients to make an impact that matters. For more than 25 years, part of our purpose has been helping clients address the sustainability mandate.

Over 900 Deloitte partners and professionals deliver sustainability-related services to clients in more than 50 countries, including in the countries of the African continent.

We help our clients from the financial sector, in particular banks, incorporate ESG criteria into their investment decisions to enable more effective management of natural capital. This ultimately drives tangible economic value and more positive environmental and societal impact in the financial sector.

Our Offerings:

- Sustainability strategy development
- Materiality assessment
- Stakeholder analysis and engagement
- Environmental and social assessments
- Sustainability reporting
- Sustainable supply chain assessment
- Operating model assessment and re-design, taking into consideration sustainability concerns
- Business process assessment and re-design, taking into consideration sustainability concerns
- Trend analysis to identify global and national sustainability trends and their implications for businesses
- Green/social business plan development
- Implementation support - project management of green and social initiatives
- Project impact assessment – monitoring and evaluation (M&E)

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