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NAVIGATING THE INTERPLAY: ESG, SUSTAINABILITY, AND SUSTAINABILITY REPORTING- AN EXAMINATION OF REGULATORY RISKS AND OPPORTUNITIES

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Abstract: *With the growing advocacy on Environmental, social and governance (ESG) concerns and sustainability of companies globally, there is a shift on how business is done. The paradigm shift is running businesses purposefully as against profitability alone. Consequently, it has become paramount for companies to prioritize both quantitative (financial) and qualitative (non-financial) factors with disclosures in their business reporting. These concepts raise opportunities and bring to fore risk management issues for companies, and the place of policy making in driving home the applicability of these concepts. This paper seeks to examine the concepts and dynamics of ESG, sustainability, sustainability reporting, and their relevance to the governance of companies in Nigeria as compared with international best practices. Most importantly, the role of the law and policy making in building sustainable and ESG compliant companies and businesses.*

Keywords: ESG, Sustainability, Sustainability Reporting, Law and Policy, Compliance, Nigeria

1. Introduction

Recently in the business and corporate environment worldwide, there is a clamour for organizations to operate their businesses in a sustainable manner that transcends generations. The focus is on running these entities not solely driven by profits but to consider the impact of their business on connected stakeholders namely: the host community, governments, employers, environment, suppliers, shareholders, investors and more. The relevant factors and metrics used to drive and determine sustainability in businesses are: ESG and sustainable reporting. Most importantly is the place of regulation, law and corporate policy to propel the enforcement and compliance of companies towards achieving sustainability. Although various initiatives have been created to guide companies on sustainability reporting, are companies complying with these standards? Are these sustainability initiatives addressing the core issues of negative influence of business activities on the environment and stakeholders, and driving change? Are there implications and consequences for non-compliance of sustainability regulations? These are the research questions to be resolved in this article.

In line with the United Nation Sustainability Development Goals (SDG), companies embracing ESG and sustainability will contribute to the progress of the global SDG objectives for a better world. For instance, SDG goal 5 is on achieving gender equality and empower all women and girls (social and governance issues), goal 8 is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (social issues). Goal 13 is to take urgent action to combat climate change and its impact while goal 14 is to conserve and sustainably use the oceans, seas and marine resources for sustainable development (both on environmental concerns). In all, ESG and sustainability principles are connected to the advancement of UNSDGs (United Nations Sustainable Development 2015).

2. Conceptual Framework

It is important to define the key terms which are: Sustainability, Sustainability Reporting, Law/Policy and ESG.

i. Sustainability:

The United Nations Brundtland Commission 1987 (UN Report of the World Commission on Environment and Development: Our Common Future 1987. P. 41) defined Sustainability as *meeting the needs of the present without compromising the ability of future generations to meet their own needs*. It has three dimensions namely: Environmental sustainability (where human's rate of consumption and emission of greenhouse gases/pollution does not exceed nature's rate of replenishment and restoration respectively); social sustainability (ability of the society to uphold universal human rights and meet people's basic needs) and economic sustainability (ability of human communities to maintain independence and have access to the resources required to meet their needs) (McGill University). Sustainability has also been described as "adopting business strategies and activities that meet the needs of the enterprise and stakeholders, while protecting, sustaining and enhancing the human and natural resources that will be needed in the future (Fadi 2011, P.3)".

Sustainability impacts every facet of business and demands to be recognised, at a global level, as a strategic pillar to be tackled by the wider organisation. This shift, from an operational to a strategic approach, will put ambitious companies on the front foot and leave those who fail to embrace it lagging behind (Coburn 2024, P.3).

ii. Sustainability Reporting is the process of evaluating and summarising a business's performance with regard to its social, environmental, and governance responsibilities, often in compliance with a particular framework or standard. Sustainability reporting concentrates on specific metrics pertaining to social responsibility, environmental impact, and governance procedures (Setyaningsih, Widjojo & Kelle 2024). Sustainable reporting is a crucial facet or element of stakeholder engagement because it gives stakeholders the ability to evaluate the corporate plans and objectives, which serve as the foundation for stakeholder engagement (Aina 2017, P. 60).

iii. Environmental, Social and Governance (ESG) factors

Environmental, social, and governance factors denotes a wider range of non-financial performance indicators or basic metrics used to assess a company's overall sustainability and ethical business practices. These variables may include issues like labour practices, board diversity, carbon emissions, and ethical conduct. Businesses have the option to disclose their ESG performance in a number of ways, such as sustainability reporting, or to report on ESG issues independently (Setyaningsih, Widjojo & Kelle 2024). It refers to a set of standards that businesses, investors, and other stakeholders use to assess the sustainability and ethical impact of a company. The performance of a company on critical environmental, social, and governance issues is evaluated using these criteria, which are becoming more and more recognised as significant determinants of long-term financial performance and risk management. Investors aim to promote sustainable business practices, lower the risk of investing in social and environmental issues, and match their investments with their values by taking into account ESG factors (Grant Thornton 2024).

The “E” - Environmental: this refers to an organization's effects on the environment, such as pollution, water use, greenhouse gas emissions, etc. “S” - Social: this refers to how issues affect people, such as employees, clients, and the community; examples include human rights, inequality, health and safety, etc.”G” - Governance: how an organization is governed. The openness, independence of the board, rights of shareholders, leadership of an organisation (Grant Thornton 2024, P. 2). Businesses, it has been argued, support the E (Environmental) in ESG by setting clear goals and objectives and recognise the significance of the G (Governance). However, there has been a few improvements in providing thorough strategies and reporting for the S (Social). This is because a wide range of issues, such as diversity, equity and inclusion, employee engagement, human rights, health and safety, customer relations, and community impact, are included in the social aspect, which has been said to sometimes seem overwhelming. Also leaving them vulnerable to legal action and damage to their reputation regarding social issues (Grant Thornton 2024)

While many companies already monitor metrics on a number of these, the "S" in ESG refers to taking them all into account to give a comprehensive and transparent picture of the impact an organisation is having. Furthermore, understanding the distinction between social impact and social value in ESG is critical. Social impact quantifies the direct cause and effect of initiatives, outlining what transpired and to whom as a result of decisions made, while social value is less focused on a particular project and more holistic in nature, it refers to broader, long-term positive impacts. There is a social impact for every social value, but not every social impact has a social value (White- Christmas 2024).

The social pillar of ESG encompasses a wide range of issues, some of which are geopolitical risk, data protection and privacy, responsible supply chains, health and safety, and more. It is widely agreed upon that social risks require immediate attention. These factors include shareholder influence, board directives, employee retention goals, laws and regulations, and customer and client demand. In actuality, this will include a surge in more significant social initiatives carried out by businesses looking to achieve efficient compliance. Enhancing retention rates, attracting fresh talent, and building human capital all depend on effective social governance.

To effectively tackle these challenges at a reasonable cost, companies and investors will need to be creative. Using technology is one possible route forward. Even though supply chains are frequently complex and long, technology allows for instantaneous desktop reviews along the whole chain. The companies and operations that pose the greatest risk of non-compliance can be identified, and then targeted analysis can be conducted to understand exposure and address issues. In addition, ethical supply chains are being covered in order to stop human rights abuses, modern slavery, and human exploitation (Stafford 2024).

An Example of notorious social issues in Nigerian corporate /business space is the casualization of workers (precisely in the manufacturing industry especially those owned by foreign investors who compromise on health and safety standards and labour rights of workers. These persons are given the status of casual workers to be paid peanuts. The state of casual workers as a labour practice encourages poor working conditions. It has been an issue of concern to stakeholders. Companies substitute casual workers with permanent workers to save costs. Consequently, the ills of casualization are tripartite as it has effect on the employees who are the direct victims, the employers and on the economy as a whole. In general, it is a form of modern slavery and exploitation. According to Eyongndi (2016, Pp. 111-112) this can raise issues with investors.

3. Literature Review

*Agama and Zubair (*Agama & Zubairu 2022, P. 41) explicate that sustainability reporting has gained popularity because it forces organisations to increase their competitiveness by meeting the needs of shifting stakeholder interests. Making stakeholders aware of an organization's responsibility to care for the environment, society, and community while generating operating profit is typically an outside-in approach to ensuring stakeholder value. Small businesses find it difficult to compete in the market and satisfy the needs of society. Nevertheless, they argue that in order to manage organisational sustainability issues that call for strategic resource management, sustainability reporting is essential. In examining how firms' competitive advantage influences the impact of environmental, social, and governance (ESG) disclosures on firm performance.

Aina explains that involving stakeholders is crucial to businesses' corporate social responsibility and sustainable governance. Reporting to stakeholders on the company's activities on a voluntary basis is known as corporate sustainable reporting. Through sustainable reporting, stakeholders can evaluate how the company is acting in relation to its social, governance, and economic responsibilities. It is a crucial instrument for influencing stakeholder decisions during the engagement process, which in turn shapes stakeholder engagement (Aina 2017/2018, Pp. 35-38).

Masliza, *Muhammed and Wasiuzzaman* suggest that, a company's sustainability initiatives can help it manage resources more effectively, conduct business as usual, and address societal issues. In Malaysia, it has been discovered that ESG disclosure adds value for shareholders and serves more purposes than just winning over the market. ESG boosts a company's ability to compete (Masliza, Muhammed and Wasiuzzaman 2021, P.9).

Setyaningsih, Widjojo & Kelle in their study bridge a gap in the literature by attempting to understand the broad difficulties that SMEs have faced when generating sustainability reports. The difficulties faced by SMEs on their journey towards sustainability were summed up as follows: financial limitations, a general lack of awareness, knowledge gaps, technological barriers, organisational complexity, socio-environmental concerns, and potentially intimidating regulatory frameworks. Furthermore, SMEs may find it challenging to measure sustainability metrics. However, the capacity of sustainability reporting to involve stakeholders in making strategic choices is where the actual power resides. SMEs must engage in this process in order to create significant sustainability reports, even in the face of budgetary, scheduling, and resource constraints (Setyaningsih, Widjojo & Kelle 2024).

This paper will assess the dynamics of ESG, sustainability, sustainability reporting and regulatory policy in Nigeria in equation with the United Kingdom; considering the issues, risks and opportunities in the pursuit of sustainable development in companies.

4. Methodology

The Methodology adopted is doctrinal research with the use of primary and secondary sources of data. Primary data used are: Nigerian Code of Corporate governance 2018, Companies and Allied Matters 2020, The Nigerian Stock Exchange Sustainability Disclosure Guidelines 2018. Secondary sources are: Journals, Newspaper publications, Internet sources and reports.

5. Theoretical framework

The Stakeholder theory of corporate governance and the sociological law theory of law are to be used in this article. Stakeholder theory focuses on how the activities of the company affect the stakeholders and the interests of these people (Fadun 2013, P. 291). It is aware that a company's action has an effect on the environment, necessitating the company's obligation to parties other than its shareholders (Mbu-Ogar., Effiong, & Abang 2017, Pp. 46-51). Managers of companies need to understand, appreciate and conscientiously apply the propositions of stakeholder' theory for effective practice of good governance stakeholders must make efforts to preserve and protect their interests for the survival of the company (Oso & Bello 2012, 1-16).

Law and society are intertwined, according to the sociological school of jurisprudence, and the law has an impact on society as a whole. The law or the legal system will be affected by a change in society, either directly or indirectly. It aspires to maintain harmony by weighing the needs of the state and of each individual in society (Ipleaders, 2019). In other words, as the society faces more issues or pressing challenges, the law adjusts to fix or to meet the society at its point of need. Law drives social change; the right laws will bring an improvement in social interaction. The theory of sociological school as propounded by *Roscoe pound* (1870-1964) is relevant to this article, He recognized that the legal system is not static as it may change as society changes due to new needs and new tensions.

6. Sustainability, Environmental, Social and Corporate Governance (ESG) Concerns

Principle 26 of the Nigerian Code of Corporate governance 2018 states that "paying adequate attention to sustainability issues including environmental, social, occupational and community health and safety ensures successful long term business performance, and projects the company as a responsible corporate citizen contributing to economic development". Furthermore, the recommended practices as specified by this provision will require the board establishing policies and practices regarding its social, ethical, safety, working conditions, health and environmental responsibilities as well as policies addressing corruption. The policy must include:

1. the Company's business principles, practices and efforts towards achieving sustainability;

2. the management of safety issues including workplace accidents, fatalities, occupational and safety incidents;
3. plans and strategy for addressing and managing the impact of serious diseases on the Company's employees and their families;
4. the most environmentally beneficial options particularly for companies operating in disadvantaged regions or in regions with delicate ecology, in order to minimise environmental impact of the Company's operations;
5. the nature and extent of employment equity and diversity (gender and other issues);
6. training initiatives, employee development and the associated financial investment;
7. opportunities created for physically challenged persons or disadvantaged individuals;
8. the environmental, social and governance principles and practices of the Company; and
9. corruption and related issues.

The Board ought to supervise the implementation of sustainability policies and report on the extent of compliance with the policies. Stewardship and sustainability are connected to ESG (Environmental, social and governance factors). Stewardship is the management of assets with the purpose of creating wealth sustainably for all stakeholders and leaving those assets to the next generation of managers in better shape than they are found. ESG is a necessity. This is because if companies prioritise making profits to ESG, the result is threat to human life (Godfrey 2018, Pp.24-26).

The success of a company has gone beyond making profits and giving out dividends, it has extended to how companies are able to positively impact their environment, and manage social and governance issues (ESG). Stakeholders are becoming interested in how the company handles these issues. This refers to building a purposeful business. Sustainable investment has emerged as a potential solution to social and ecological issues by rendering the financial markets more accountable for such impacts (Richardson 2013, Pp.311–338). Modern day Investors desire their investments to reflect these broader values and provide solutions to the larger issues. This desire enables for value-based investment or sustainable investment (Landier, A. and Nair, V.B. 2009). Sustainable investment refers to the integration of environmental, social, and governance (ESG) factors in investment decision-making (Talan & Sharma. 2019).

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on voluntary basis" (European Commission 2011) Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance (Khan , Khan , Ahmed & Ali 2012, Pp. 41-52).CSR surpasses relationship between companies and the environment, it involves how companies regulate their business activities considering social issues. *Section 305(3) of the CAMA 2020* provides that a director of a company has the duty to ensure that the company's operations have regard for the environment and community where it carries on business operations. Where a company mismanages its corporate social responsibility, it may cause a huge damage on the company. Stakeholders may like to have discussions with the company on CSR and sustainability issues; the company secretary is the mouthpiece of the company on sustainability issues. Community engagement can be arranged and supervised by the company secretary. The company secretary has the role to report compliance with government regulations on CSR and sustainability issues to stakeholders. The company secretary role extends to drafting the agenda and guidelines on sustainability for the board to follow. The company secretary should share responsibility with relevant specialist functions for ensuring that the board is aware of current guidelines in this area and that it identifies and takes account of the significance of corporate responsibility issues in its stewardship and oversight of the company. He should therefore try to ensure that interests of all important stakeholders are borne in mind when important business decisions are made, particularly those affecting employees. As regards the role of the company secretary as the conscience of the company, the company secretary should speak out against bad governance and unethical practice, and remind the board and senior executives of the appropriate course of conduct and the principles of good governance that they should apply (Aina & Adejugbe 2020, P. 1; Coyle 2012, P. 54). It is important to note that sustainability is not CSR (which can be for self-interests of companies) (Adesola 2024), sustainability pushes for long term value creation as societal and investors demands for accountability has increased.

In Nigerian corporate world, several businesses across diverse sectors have taken to the publication of annual sustainability reports. This is as a result of pressure from investors and other stakeholders, condition for international affiliations, regulatory and industry requirements, requirements as a multinational. This has in turn played vital roles in creating a shallow yet noteworthy pool of non-financial reporters. The benefit of sustainability reporting is that it helps investors and stakeholders make informed decisions, which will positively influence long term management strategy. It also helps companies to benchmark with other companies and industry players. Aspects of sustainability reporting will include Materiality, which involves material information that is likely to influence the assessments and decisions of one or more stakeholder groups. Companies often identify, assess and address material issues of concerns as they relate to the risks, opportunities and value creation of stakeholder interests. Other aspects will include data collection and information gathering and validating the reported information (Society for Corporate Governance Nigeria 2020, Pp. 4-5). Some of the regulatory bodies and laws directing sustainability reporting in Nigeria are: the Securities exchange commission, the Nigerian corporate governance code 2018, The Nigerian Stock exchange guidelines sustainability disclosure guidelines, 2018, among many others. It is important to note that the NCCG 2018 includes reporting Corruption or related issues as part of sustainability issues.

ESG and sustainability encourages institutional investors to factor ESG considerations into their stewardship activities. The Stewardship Code of South Africa includes the following principle: "An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries" (Shirashi, Ikeda et al. 2015, P.5). ESG factors can influence investment returns through their impact on the performance of portfolio holdings and through the risks they pose to economic growth and financial stability. For portfolio holdings, they provide signals about the management strength and business strategy of investee companies that are not picked up by typical financial models based on profit and loss or balance sheet analysis. At the macro level, they highlight risks that are outside the analytical framework and possibly the time horizon of typical financial models (OECD 2017).

One of the major shifts in business scene internationally is an increased focus on sustainability. In the updated UK Stewardship Code, which became effective in January 2020, ESG integration was elevated to a separate principle. In March 2020, the Financial Services Agency (FSA) in Japan updated its definition of stewardship, which specifically incorporates the consideration of sustainability and ESG factors. The majority of its survey respondents supported incorporating sustainability into stewardship responsibilities. Also, asset owners and asset managers have a fiduciary duty to clients, and incorporating a focus on sustainability should be seen to complement these duties (CFA Institute 2020, P.3). The Corporate Sustainability Due Diligence Directive (CSDDD), which imposes legal responsibility on businesses for environmental and human rights abuses in their supply chains, was most recently approved by the European Parliament. To put it briefly, business is expected to contribute to environmental stewardship; the health of the natural world is not a "nice to have" for business, but rather a crucial component of stable economic growth. Furthermore, the interactions between emissions, the environment, and society present difficulties for many big businesses with intricate supply chains. Due to the complexity of these choices, a new business strategy that incorporates sustainability intelligence is needed. This strategy applies science and technology to obtain a centralised view of the business opportunities and risks that exist where nature and climate intersect, across business activities and decision points (Coburn 2024).

7. Responsible Investing

Responsible investing is the integration of environmental, social and governance factors into investment processes and decision making at equity and debt funds. It is an initiative from the United Nations Global Compact Initiative which has metamorphosed to a major investment trend. Information on ESG has become a significant part of investment analysis in the stock market in London. It is been used to draw conclusions about management quality, exposure to business and ethical risk and the ability to gain a better understanding of the company future prospects. For companies sourcing for investments, ESG performance is a determinant factor on how investors are attracted to invest in a company. This points that companies must be proactive in ESG concerns and ultimately imbibe responsible investment. Investors are not just attentive to good ESG scores, they also want to invest in hardworking companies who want to do what is right (Thomas 2019, Pp. 25-27)

Responsible investing consists of the following forms: ethical investment (the negative or exclusionary screening of companies engaged in activities deemed unethical by the investor or that are contrary to certain international declarations and voluntary agreements. Such unethical vices include Tobacco, pornography, gross violations of human rights etc.); socially responsible investment (approaches that apply social criteria and environmental criteria in evaluating companies. Examples are issues relating occupational health and safety performance, energy and resource efficiency, labour disputes, community welfare etc) ; sustainable investment (refers to portfolio composition based on the selection of assets that can be defined in some way as being possible to continue into the long-term future); Best in class (ESG) investment (a composition of portfolios by the active selection of only those companies that meet a defined ranking hurdle established by environmental, social and governance criteria); ESG integration (here environmental, social and governance qualities of a company are analysed at a more fundamental level); Thematic investment (investment strategy of selecting companies that can be classified as falling under a particular investment theme e.g. Healthcare, pollution control etc.); Green investment (approaches that seek to invest capital "green" assets whether these are funds, companies, infrastructure, project, e.g. recycling, pollution control etc.) and impact investing (investments seeking a particular social or environmental objective e.g. provide employment, community projects etc.) (University of Cambridge I*nstitute for Sustainability leadersh*ip).

Although Investors prioritize ESG and sustainable investments in making their investment decisions, there certain arguments and issues raised as to the demerits of these concepts. Some of these issues will include: it lacks consistency across different geographical areas, both in practice and in principle (Bengtsson 2008, Pp. 969-983; Sreekumar Nair and Ladha, 2014.Pp.714–727), the development of sustainable investment although rapid in developed countries is slow in developing countries, ESG strategies have also led to inconsistency in sustainable investment decisions by companies and investors (Talan & Sharma 2019, P. 353) among other limitations.

The financial value of engagement is: increased returns as a result of improved sustainability performance of companies, improved returns to the market as a whole as a result of internalizing externalities. Non-final value created by responsible investing will include: improved ESG performance by individual companies such as fewer human rights breaches, increased job creation etc, better corporate disclosure, more stable markets, improved ESG performance across the market as a whole (University of Cambridge I*nstitute for Sustainability leadersh*ip).

According to Katelouzou (Katelozou 2019, P. 591) in *Shareholder Stewardship: A Case of (Re)Embedding the Institutional Investors and the Corporation,* Institutional shareholders can play a pivotal role in promoting corporate sustainability within planetary limits. In this respect, the adoption of the United Nations' Sustainable Development Goals (SDGs) may already provide a first, though preliminary, roadmap to promote strong corporate sustainability through institutional engagement. The SDGs encourage companies 'to adopt sustainable practices and to integrate sustainability information into their reporting cycle', and acknowledge that the financial industry has a key role to play in championing social responsibility. The SDGs, therefore, align well with the public-interest objectives of shareholder stewardship. Indeed, there is already some evidence that institutional investors are increasingly embracing shareholder stewardship. many institutional investors, despite seemingly supporting stewardship policies, are still exclusively focused on the business case for creating value for their end-investors and do not play an active role in championing strong sustainability as such. Law has strong potential here, as it shapes both the financial and corporate frameworks in which institutional investors operate, as well as their internal governance, such as relationships between trustees and beneficiaries.

8. Intricacies of Sustainability Reporting

Transparency and accountability are central principles in the governance of companies. For effective corporate governance, stakeholder engagement and disclosures are requisite. These can be achieved through reporting which ought to be a blend of quantitative (financial) and qualitative (non –financial) information. Sustainability reporting requires disclosing the non-financial information to the stakeholders and there are standards guiding this. It is noteworthy that there is a required international best practice standard on how sustainable reporting should be written and done.

The essence of sustainability reporting is to disclose to the stakeholders the company's efforts and performance in terms of; environmental, social and governance risks and opportunities the company encounters in the course of its operations, the forward-looking perspectives of the company and the actions the board are taking to mitigate the risk .The report should entail the ESG risk assessment of the board, the policies and procedures of the company on ESG risk and remuneration and ESG issues. The report should indicate whether the company in setting the remuneration of directors, considers the ESG issues at hand. The required style of reporting is narrative and should be included in the annual business review of the company (Coyle 2012, 270). A well-written sustainability report should be seen as a means of providing a target audience with an accurate picture of plans and progress so that they can make wise decisions. Disclosures about sustainability ought to be as strong and reliable as financial reporting. An efficient sustainability report will outline the organization's improvement plans, draw attention to significant problems, and offer insights into the ESG performance of the organisation. Organisations can use a variety of frameworks and standards to direct their sustainability reporting (KPMG 2022, P.4).

From the survey of the Society For corporate governance Nigeria (Society for Corporate Governance 2020) on a review of sustainability reporting in top thirty capitalized companies on the stock exchange in Nigeria in 2020, some of the companies had scanty information in their sustainability reports reflecting their company's activities on sustainability reporting as opposed to a very detailed reporting that is required internationally. Sustainability reporting should not be a mere compliance and box-ticking process for companies, otherwise it will not fulfill the purpose for which it was created. Companies ought to understand the required and ideal content to constitute a sustainability report. According to the KPMG 2022 survey on sustainability reporting (KPMG 2022, P.8) based on 100 publicly owned companies in Nigeria, the sustainability reporting rate in Nigeria in comparism to the global rate is 78 percent to 79 percent respectively. The pressing issues needing improvement in Nigeria according to the findings of KPMG (KPMG 2022, P.9) are: ESG governance is inadequate, Assurance of Sustainability/ESG report is undertaken by very few companies, Biodiversity risk acknowledgement is low. This implies that more needs to be done by companies in reporting their sustainability activities.

The Nigerian Stock exchange in its guidelines on sustainability disclosure 2018 issued these guidelines to encourage companies to disclose their impact on the economy, environment, and society (Grant Thornton 2024, P. 5). It highlights an approach to integrating sustainability in companies. The guidelines put the board at the fore of integrating sustainable business practices in the administration, growth and development of companies, and to set and clarify corporate strategy, objectives and required outcomes from an ESG perspective.it further provides a step-to-step guide on how sustainability can be integrated:

a. Identify key issues and drivers
b. Develop strategy
c. Establish governance and accountability
d. Set targets and action plan
e. Monitor, report and evaluate

The guidelines encourage companies to go beyond compliance and embrace sustainability as part of their business ethics. The board of directors have the responsibility to incorporate the principle of the guidelines into their companies.it covers economic, social, environmental and governance issues. *Section 4 of the Nigerian Stock Exchange Guidelines* states the reporting requirements and format for listed companies. Although *Section 4 of NSE Sustainability Disclosure Guidelines 2018* provides for integrated sustainability reporting for companies, compliance is at its lowest ebb in Nigeria.

Furthermore, Nigerian companies employ various reporting standards and templates such as the Global Reporting Initiative (GRI), Sustainability Disclosure Guidelines by the Nigerian stock exchange, Principles for Responsible Investment (PRI) among others. The GRI guidelines are widely used by Nigerian businesses for their ESG reporting. GRI offers a global framework for thorough sustainability reporting that addresses important ESG factors like social well-being, governance, human rights, and climate impact. Some financial institutions in Nigeria have aligned themselves with the Principles for Responsible Investment (PRI), which encourages investors to use responsible investment to enhance returns and better manage risks—despite the fact that it is not a regulatory requirement (Grant Thorton 2024, P.5).

Most recently on the global scene, two voluntary standards (IFRS S1 and S2) were published in 2023 by the International Sustainability Standards Board (ISSB). They permit companies to report on issues that are financially significant to their operations and were created with investors' needs in mind. Right now, several nations including the UK are debating whether and how to implement these standards (Donnelly 2024). The ISSB Standards draw heavily on the reporting frameworks and standards that are already in place. The fundamental goal of the ISSB standards is to give information about the opportunities and risks associated with companies' sustainability so that investors and other capital market participants can make well-informed investment decisions. The new standards include "IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information," and "IFRS S2 Climate-related Disclosures." The core content of each standard includes disclosures relating to general sustainability and climate-specific risks and opportunities, respectively, including Governance, or the processes, controls, and procedures used to monitor and manage those risks and opportunities; Strategy or the approach used to manage the risks and opportunities Integrating ESG considerations into corporate strategy involves embedding sustainability principles into business operations, risk management, and performance measurement. This holistic approach fosters long-term value creation and resilience in a rapidly changing global landscape (Grant Thorton 2024, P. 7).

Nigeria is the first African country to adopt the ISSB standards (This day live 2023). The Financial Reporting Council of Nigeria (FRCN), the International Sustainability Standards Board (ISSB) and NGX Regulation Limited (NGX RegCo) on Monday, June 26, launched the first two IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2 Standards). The recent issuance of two International Financial Reporting Standards (IFRS) sustainability disclosure standards marks a significant development, poised to usher in mandatory sustainability reporting for Nigerian companies. To implement the IFRS Sustainability Standards, companies are advised to adopt the Federal Reporting Council of Nigeria (FRCN) standards, which offer industry-specific metrics. Disclosure requirements, covering governance, strategy, risk management, and metrics/targets, align with the Nigerian Climate Change Act 2021 (Society for Coprorate Governance 2023). The FRCN created a working group the Adoption Readiness Working Group (ARWG) for the integration of the ISSB standards in Nigeria. The ARWG for sustainability reporting in Nigeria, had given regulatory discretionary reliefs with phased implementation plans of sustainability standard from 2023 through 2030 for reporting and assurance instead of ISSB's effective date of 2024 (Emejo, This day live 2024); (Agbakoba- Onyejianya, Agherario 2023).

The banking and financial sector are also working on implementing ISSB standards. The Central Bank of Nigeria (CBN) has said that it was at the forefront of promoting sustainable banking practices through the adoption of International Financial Reporting Standards (IFRS) as part of a broader strategy to attract foreign investment and achieve economic growth (Okpale 2024). It is important to state that prior to this development, the Nigerian Sustainability Banking Principles was approved by the Nigerian Banking Committee and by the CBN in 2012 (Nairametrics- Nigerian Sustainable Banking Principles 2013) to guide banks and financial institutions on issues of: Environmental and Social Risk Management, Human Rights, Women's Economic Empowerement, Financial Inclusion, Environmental and Social Governance, Reporting among others. The principles mandated 30 percent women on the board of Nigerian banks (Nigerian Sustainable banking principles 2012; Adejugbe 2024, P. 155). The principles enhanced disclosures in banks and also advanced gender diversity in the institutions.

The Pensions Commission (regulators of the Pension sector) and Nigerian Communications Commission (regulators of the Telecommunications sector) are working on reviewing the sustainability disclosures and reporting regulations for their sectors (SCGN Annual Corporate Governance Conference 2024).

9. Regulatory Risks and opportunities

It cannot be overemphasized that for sustainability and ESG factors to thrive in the business environment, regulation, law and policy needs to be strongly rooted. Where there are proper regulations in place, it will encourage companies to embrace and incorporate ESG and sustainability into their business models. It is remarkable that the regulators in Nigeria are working to align their sectorial regulations with best standards in sustainability and ESG, however implementation and compliance is crucial. Legal and regulatory compliance structures stem from effective governance frameworks (Akpata 2024). Non-compliance with regulations attracts penalties and regulatory sanctions which is a form of risk which companies must avoid. Companies can navigate regulatory complexities while ensuring business continuity by creating effective governance and compliance frameworks, highlight checklists of regulatory compliance which overtime become part of their culture. Also, efficient risk management systems and internal controls in line with ESG and sustainability standards within the company, and a viable audit committee are other important factors for mitigating risk.

Reputational risk is another form of risk that companies can suffer where they neglect Sustainability and ESG concerns. This form of risk is costly on the corporate brand involved, as it becomes bad public relations and damage control may not be enough to redeem such a negative impact on the brand.

Sustainability comes with the following opportunities and more:

a. Enhanced long term success and value creation
b. Company becomes attractive for investors and can access financial facilities
c. Increased stakeholder value
d. Drives innovation
e. Adaptability and corporate resilience. corporate survival and resilience are benefits to companies who diligently imbibe sustainability principles, values and practices. It enables them to pull through tough challenges. As sustainability is no longer optional but an imperative for survival in a rapidly changing world
f. Balanced needs of stakeholders and the company. It is a win –win situation for all

Still, integrating ESG and Sustainability principles into Risk manangement processes is pertinent.

10. Best practices

a. *Companies intentionally making sustainability decisions to make changes to their business activities* such as reduction of Carbon emissions, opting for paperless options, inclusion, diversity, prioritizing health and safety of workers, compliance with legal and regulatory obligations, balancing triple bottom line standards (people, planet and profit), matching value propositions with sustainability and more.
b. *A Pro- Active Board:*
The significance of establishing sound governance from the outset of a business's implementation journey is a common theme among sustainability reporting frameworks. Managing the disclosure requirements will require forming multidisciplinary teams, frequently with the board as a member. A board, committee, or other comparable body charged with governance is one example of the governance body(s) that an entity is required to disclose information about, according to IFRS S1. Therefore, in order to ensure that good reporting is promoted from the top, it is imperative that board members are knowledgeable about the most recent advancements in sustainability and the climate. Ultimately, in order for boards to fulfill their fiduciary duties to "Exercise reasonable care, skill, and diligence," they need to be suitably informed and involved. Professionals in accounting and corporate governance should also anticipate becoming increasingly involved in sustainability (Donnelly 2024).

Likewise, companies sometimes are faced with the dilemma of how to balance business decisions that will not negate environmental, nature, society (for instance in supply chains using mechanized equipment that will not destroy the environment at same time trying to use technology for speed in business operations at the same time balancing it with managing human talent and resources and not putting people out of their jobs indiscriminately etc.) such decisions can be complex to make, and will require 'sustainability intelligence " by the board (Coburn 2024).

Boards are to provide oversight, drive accountability and monitoring, employ best personnel or engage consultants and experts where necessary to direct the company on ESG and sustainability best practices. Sustainability comes from top to bottom, begins with leadership having a mindset which is translated into the people within the company. Building a culture that promotes sustainable values. Also, the board should access sustainability advisory, set performance metrics and targets.

c. *Importance of integrating ESG and sustainability principles into corporate policy, strategy and culture.* The tone of the board must be in line with policy and culture. Creating a positive culture takes time and effort, and it calls for strong non-executives who aren't afraid to speak up and a strong chair who can hold management accountable.

   A healthy behaviour code must be implemented and upheld by the CEO, senior management, and employees at all levels in order to move the organisation towards a wholesome culture.

   A company's culture needs to be reset if it hopes to win back the trust of the general public, employees, customers, and investors (Sullivan 2024).

d. *The Role of Institutional investors and shareholders in demanding ESG and sustainability standards in the companies they invest in.* Boards are facing demands from investors to take greater account of environmental, social and governance issues which will include Board diversity and climate change. Investors prefer to invest in not only financially balanced companies but also environmentally sustainable companies. Institutional investors can push companies to opt for cleaner and safer ways of production, they can also continuously monitor and engage and vote against these companies. Shareholder resolutions during annual general meetings is one of the ways for shareholders to make their voices heard on ESG issues (Nicholas 2018, P. 12). Institutional investors can engage with investee companies by integrating stewardship responsibilities in corporate strategy and effectively monitoring, holding investee companies accountable.

e. *Making ESG and Sustainability standards as prerequisites for obtaining financial facilities for companies in business in Nigeria.*

f. *The role of regulators* to push for regulations or tighten existing regulations and laws in line with global best practices and standards precisely on sustainability reporting is key. Enforcing these regulations with penalties attached for defiant companies (in a mandatory regulatory/ code system). Where the regulation or code structure is voluntary in nature, the "apply or explain" system should be implemented.

g. *Risk management*: Exposure to emerging trends and technological advancement brings risks. A robust risk management system and internal controls with an efficient audit committee is fundamental. Companies cannot afford to be involved with the risks such as: Regulatory penalties and fines for non- compliance, risks on social, environment, governance and health issues, damaged assets, legal liabilities and suits, negative implications on financials of the business, loss of significant brand value for the business. -risks from the angle of non-compliance and businesses not adapting to the global move.

h. *Stakeholder engagement* is vital. The board actively fuel engagement strategies and disclosures.

11. **Conclusions**

A company is not purposeful when it runs its business and regulates its activities solely on profit making and financial returns. It is built on purpose when it is highly considerate and intentional about its impact on the environment, on the people affected by its operations, and building good governance imperatives. Such a purposeful company is very attractive to investors, forward minded and sustainable, thus the need for forward thinking companies to adhere to regulatory directions and guidelines on ESG and sustainability.

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