ADOPTION READINESS WORKING GROUP (ARWG) FOR SUSTAINABILITY REPORTING IN NIGERIA

ROADMAP REPORT FOR ADOPTION OF IFRS SUSTAINABILITY DISCLOSURE STANDARDS IN NIGERIA (DRAFT)

JANUARY 2024

CONTENT

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1.0 Introduction

Regulators and standard setters in various jurisdictions issued definitive proposals to transform ESG reporting in 2022. The year brought proposed ESG disclosures from; the European Union (EU) as part of the Corporate Sustainability Reporting Directive (CSRD), internationally by the International Sustainability Standards Board (ISSB), and in the United States (US) by the Securities and Exchange Commission (SEC). These proposals each detailed expansive sustainability disclosure requirements – although their proposed scopes and other details varied.

Understanding where the frameworks align and diverge will help companies develop the requisite reporting strategy, data gathering processes, and related controls, providing for a streamlined process and effective deployment of resources.

One of the foundational points of alignment among the frameworks is the incorporation of elements based on the Task Force on Climate-related Financial Disclosures (TCFD) framework. Leveraging this popular framework unites the disclosure frameworks through key themes, including required disclosure of the broad impacts of sustainability-related risks as well as governance and oversight of the related risks and opportunities.

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This report compares and contrasts the key provisions among several frameworks and standards, including the TCFD framework, the draft European Sustainability Reporting Standards (ESRS), the SEC proposal, and the standards issued on June 26, 2023 by the ISSB.

By understanding the different requirements, preparers can develop the appropriate reporting strategy, one designed to capture the right data the first time.

2.0 International Sustainability Frameworks

2.1 EU Regulations and Disclosure Requirements

The European Commission (EC), the European Parliament, and the Council of the European Union have made strides to ensure that sustainability regulations under the Corporate Sustainability Reporting Directive (CSRD) will be a reality.

The CSRD was effective on January 5, 2023; EU Member States now have 18 months to incorporate the CSRD's provisions into national law. The CSRD resulted in the development of the European Sustainability Reporting Standards (ESRS), as proposed by the European Financial Reporting Advisory Group (EFRAG).

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2.2 IFRS Sustainability Disclosure Standards

The ISSB published two exposure drafts in March 2022: one on climate-related disclosure requirements (IFRS S2) and one on general disclosure requirements addressing governance and other sustainability matters (IFRS S1). IFRS S1 requires companies to "refer to and consider" the applicability of the disclosure topics and related metrics in the industry based SASB standards. Other sources, such as the Climate Disclosure Standards Board (CDSB) Framework, pronouncements from other standard setters, and the ESRS and Global Reporting Initiative (GRI) standards may also be considered.

IFRS S1 and IFRS S2 are effective for periods beginning on or after January 1, 2024. The ISSB provided transition relief, however, requiring only climate-related disclosures in the first year of reporting.

2.3 SASB Standards

In August 2022, the IFRS Foundation assumed responsibility for SASB Standards when it merged with the Value Reporting Foundation (VRF). SASB Standards enable organizations to provide industry-based sustainability disclosures about risks and opportunities that affect enterprise value. The SASB standards are broken down by industry, making SASB metrics comparable from company

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to company within an identified peer group. There are 77 identified industries in the SASB Standards, in 11 different Sectors, across 5 dimensions of sustainability namely, **environmental, social capital, human capital, business model and innovation, leadership and governance.** SASB Standards play an important role in the IFRS S1 & S2 Exposure Drafts.

2.4 TCFD Recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the FSB in 2015, with the goal of developing consistent disclosure standards for companies, to enable the assessment of companies' climate-related financial risk. The recommendations were published in June 2017, and have until now effectively been serving as the industry standard for climate-related disclosures. The TCFD structured its recommendations around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics & targets. ISSB will take over the responsibility of the Task Force on Climate-related Financial Disclosures (TCFD) as early as July 2024. This responsibility was previously held by the Financial Stability Board (FSB).

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2.5 GHG Protocol

Launched in 1998, the GHG protocol initiative has a mission to develop internationally accepted greenhouse gas (GHG) accounting and reporting standards for businesses and to promote their broad adoption. The GHG protocol supports various reporting frameworks and standards by providing guidelines for measuring and managing GHG emissions, enabling organizations to track their climate impact.

2.6 GRI Standards

The GRI Standards are a modular framework that includes sets of universal, sector-specific and topic-based sustainability reporting standards. The GRI released its formal standards in 2016, then began adding the topic standards in 2019 and the sector ones in 2021. While the GHG Protocol can be used across different frameworks, the GRI has its own set of protocols embedded within its standards for measuring and reporting sustainability performance.

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2.7 PCAF Recommendations

The Partnership for Carbon Accounting Financials (PCAF) is a financial industry led initiative. PCAF developed the Global GHG Accounting and Reporting Standard for the financial industry, focusing on measuring and reporting financed emissions.

Published in November 2020, the standard provides detailed methodological guidance to measure and disclose GHG emissions associated with six asset classes: listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, and motor vehicle loans.

2.8 Carbon Disclosure Project

Now known simply as CDP, the Carbon Disclosure Project was founded in 2000 to encourage environmental transparency and performance improvements through carbon, water, and forest-related disclosures, as well as new plastics disclosures. CDP gives reporting companies letter-grade scores in each area that can be viewed by various stakeholders.

In the following slides, we will be analyzing the key features and differences among five of these frameworks including the EU's CSRD, the IFRS ISSB, the TCFD, the IFRS SASB and the GRI.

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3.0 Comparative Analysis of Frameworks

THEME	CSRD	ISSB	TCFD	SASB	GRI
Topics in scope	Proposed standards span a broad list of ESG topics, including one dedicated to climate disclosures.	Standards address climate and other sustainability risks. Additional thematic standards are expected in the future.	Standards address climate-related financial risks.	Standards address climate and other sustainability risks.	Standard helps organizations report on their economic, environmental, and social impacts.
Industry standards	Ten sector-specific standards in development.	The ISSB cuts across all industries and sectors.	The TCFD cuts across all industries with emphasis on a Dynamic Risk Assessment approach.	11 sector-specific standards across 77 industries.	The Universal, Sector, and Topic Standards are the GRI's three main standards.
Location of disclosures	Disclosure would be included within a dedicated section of the management report. No financial statement footnote disclosure required.	There's an optional provision to either release the IFRS Sustainability Standards with the General Purpose financial statements or separately as a Stand-alone statement.	The Task Force recommends that preparers of climate-related financial disclosures provide such disclosures in their mainstream (i.e., public) annual financial filings.	Disclosures are industry-specific and can be used as additional sources of guidance for ESG reporting purposes.	Can be produced as a stand-alone sustainability report, or can reference information disclosed in a variety of locations and formats.
Materiality	Based on "double materiality," consisting of "financial materiality" (an outside in perspective) and "impact materiality" (an inside out perspective).	Materiality would be assessed based on factors that could reasonably be expected to influence decisions that the primary users make based on that information.	Materiality would be assessed based on factors that could impact the enterprise value of the company from the standpoint of the investor and other participants in the world's capital markets	The responsibility for making materiality judgements and determinations rests with the reporting entity.	Materiality is based on the most significant impacts of activities and business relationships on the economy, environment, and people.
Targets and transition plans	Commitment to and disclosure of GHG emissions reduction targets would be required in five-year rolling periods. Disclosure about the transition plan's compatibility with the Paris Agreement would also be required.	Disclosure would be required of any climate-related targets set by the company, including how such targets were informed by the "latest international agreement on climate change" (currently the Paris Agreement).	Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Commitment to and disclosure of GHG emissions reduction targets and timelines for the reduction activity would be required.	Proposed climate change and energy standard would require disclosures related to transition plans, climate change adaptation, emission reduction targets, GHG removal

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					within organizations' value chains and the use of carbon credits.
Use of scenario analysis	Explanation is required of whether and how scenario analysis is consistent with the Paris Agreement and limiting climate change to 1.5°C.	Disclosure of whether the company used a scenario that aligns with the "latest international agreement on climate change" would be required.	Disclosure of how strategies might change to address potential climate-related risks and opportunities including a 2° Celsius or lower scenario.	Disclosure of how strategies might change to address potential climate-related risks and opportunities including a 2° Celsius or lower scenario.	
GHG Protocol	Consideration of the GHG Protocol is required.	Use of the GHG Protocol would be required, unless a different method is required by a jurisdictional authority or exchange.	GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions.	Use of the GHG Protocol would be required but provide additional guidance, such as industry- or region-specific guidance.	The reporting requirements for GHG emissions are based on the requirements of the GHG Protocol.
GHG emissions - organizational boundaries	Parent and consolidated subsidiaries' emissions: follow the organizational boundaries of the consolidated FS. Associates and JVs emissions: presented based on operational control.	Emissions would be reported using either a control or equity share approach (consistent with optionality described in the GHG Protocol).	Emissions would be reported based on climate risk profiling for each organization	Emissions would be recorded based on peculiar industry- based models e.g Energy and Extractive emissions, Financial services lending portfolios, etc.	The reporting organization shall report the consolidation approach for emissions; whether equity share, financial control, or operational control.
Scope 1 and scope 2 GHG emission	- Disclosure of gross Scope 1 and Scope 2 emissions for Parent, consolidated subsidiaries, and associated entities. - Separate disclosures of the percentage of Scope 1 emissions under regulated emission trading schemes	Disclosure of gross scope 1 and scope 2 GHG emissions for the consolidated group and separately for the investees excluded from consolidation, such as its associates and joint ventures. Scope 2 emissions would be disclosed using the location-based method.	Disclosure of Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. No requirement to disaggregate emissions by type of GHG.	Gross Scope 1 GHG emission data shall be consolidated according to the approach with which the entity consolidates its financial reporting data, Would require emissions to be disaggregated by type of GHG	Disclosure of Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent and Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent are required.

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	- Separate disclosures of Scope 2 emissions - No requirement to disaggregate emissions by type of GHG.	No requirement to disaggregate emissions by type of GHG.			
Scope1 and Scope2 GHG intensity	Disclosure of total GHG emissions per net revenue would be required.	No requirement to disclose GHG emissions intensity.	Disclosure of industry specific GHG efficiency ratios e.g. emissions per unit of economic output.	Disclosure of GHG emissions per unit of total revenue and per unit of production would be required.	Disclosure of scopes 1, 2 and 3 GHG emissions intensity ratio is required.
Scope 3 GHG emissions	Scope 3 emissions would be disclosed in total for the parent and consolidated subsidiaries as well as entities over which it has operational control, including significant scope 3 categories. (i.e., those that are a priority for the undertaking).	Scope 3 emissions would be disclosed in total, including component categories.	Scope 3 emissions would be disclosed in total, including component categories.	Scope 3 emissions would be disclosed in total, including component categories per relevant industry.	Disclosure of Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent required.
Scope 3 GHG intensity	Disclosure of total GHG emissions per net revenue would be required.	No requirement to disclose GHG emissions intensity.	Disclosure of industry specific GHG efficiency ratios e.g. emissions per unit of economic output.	Disclosure of GHG emissions per unit of total revenue and per unit of production would be required.	Disclosure of scopes 1, 2 and 3 GHG emissions intensity ratio is required.
Assurance excluding GHG emissions	Sustainability information would initially be subject to limited assurance, transitioning to reasonable assurance at an unspecified date.	Sustainability information would be subject to assurance based on the rules of the jurisdictions adopting the standards.	Sustainability information would be subject to assurance based on the rules of each jurisdiction	Sustainability information would be subject to assurance based on the rules of each jurisdiction relation to each industry within the jurisdiction.	Encourages organizations to use external assurance to increase the confidence of decision-makers in the accuracy and reliability of the reported information.
Timing of application	Timing is established by the CSRD and would be phased by type of entity.	Timing will depend on how standards are implemented in each jurisdiction. Disclosure requirements of IFRSS2 are effective for annual reporting periods beginning on or	Timing will depend on type of preparer with disclosure requirements being the industry standard for climate-	Timing would depend on if the SASB standards are consulted as additional sources of	

		after January 1, 2024, with early adoption permitted. In the first year of reporting, entities are permitted to apply IFRS S1 only to the extent it relates to the disclosure of Climate-related information.	related disclosures since published in June 2017.	guidance for reporting purposes.	
Comparative information	Comparative information would not be required in the first year of adoption but required thereafter.	Comparative information would not be required in the first year of adoption but required thereafter.	Presenting comparative information is preferred; however, in some situations it may be preferable to include a new disclosure even if comparative information cannot be prepared or restated.	Comparative information would not be required in the first year of adoption (as an additional guidance) but required thereafter.	The information shall be presented in a manner that enables analysis of changes in organization's performance over time, and relative to other organizations.

4.0 Local regulations and guidelines that support ESG

Sustainability disclosure practices in Nigeria are gaining importance in recent years as businesses and stakeholders recognize the need for transparency and accountability in addressing environmental, social, and governance (ESG) issues. While Nigeria is still in the early stages of developing comprehensive sustainability reporting frameworks, there are notable efforts to promote sustainability disclosures.

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The following are local regulations and guidelines in Nigeria that support ESG initiatives.

The Environmental Impact Assessment Act, 2004 LFN	The Act mandates that an environmental impact assessment must be conducted for anyproject or activity that is likely to significantly affect the environment. The EIA report is required to be submitted to the National Environmental Standards and Regulations Enforcement Agency ("NESREA" – the Federal environmental protection agency) for approval and a certificate issued.
The Companies and Allied Matters Act, 2020 ("CAMA")	CAMA imposes an environmental obligation on directors of Nigerian companies. CAMA mandates directors to consider the impact of the company's operations on the environment in the community where the company carries out its business operations.
The Petroleum Industry Act, 2021 ("PIA")	Section 239 of the PIA empowers a body known as the Host Community Development Trust to finance and execute projects for the benefit and sustainable development of host communities. This provision mandates operators to participate in environmental and social sustainability actions in the communities in which they operate such as decommissioning and the abandonment of petroleum wells, installations, structures, etc.
The Nigerian Sustainable Finance Principles ("NSFP")	In April 2021, the SEC, the apex regulatory body for Nigeria's capital market, approved the NSFP Guidelines for the Nigerian capital market. The Guidelines were developed by the Financial Services Regulation Coordinating Committee of the SEC. Principle 1 of the Guidelines – ESG Considerations – provides that public interest/ listed entities will integrate ESG considerations into their operations and decision-making processes to avoid, minimize or offset negative impacts. It further provides that regulated entities should put in place effective governance structures and consider the impact of their operations and activities on the environment and society.

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NSE SustainabilityDisclosure Guidelines, 2019	The NSE plays a vital role in promoting sustainability reporting among listed companies. In 2017, the NSE launched the NSE Sustainability Disclosure Guidelines, which provide a framework for listed companies to disclose their ESG performance. The guidelines cover key areas such as governance, environmental impact, labor practices, human rights, and community involvement.
Nigerian Code of Corporate Governance (NCCG) 2018	The Nigerian Code of Corporate Governance 2018 by the Financial Reporting Council of Nigeria provides guidelines for companies for disclosures of relevant information on their Environmental, Social and Governance (ESG) practices.
FRCN's Nigeria Code of Corporate Governance	The FRCN, the regulatory body responsible for setting accounting and financial reportingstandards in Nigeria, has made efforts to incorporate sustainability reporting into financial reporting requirements. The FRCN's National Code of Corporate Governance now includes provisions related to sustainability reporting, encouraging companies to discloseESG information.
The Nigerian Climate Change Act	The Nigerian Climate Change Act, signed in 2017, aims to address climate change and promote sustainable development in the country. The National Council on Climate Change(NCCC) is responsible for implementing the act, which could significantly impact ESG Reporting in Nigeria.
CBN's Sustainable Banking Principles	In 2019, the Central Bank of Nigeria (CBN) released the Sustainable Banking Principles, which provide guidance to Nigerian banks on integrating sustainability practices into their operations. The principles emphasize sustainability reporting and disclosure as a means to ensure transparency and accountability in the banking sector.
SEC guidelines on sustainable financial principles for the Nigerian capital market	In 2021, SEC approved the Guidelines on Sustainability Financial Principles for the Nigerian Capital Market. The objectives of the guidelines include to stimulate a resilient, competitive and sustainable capital market, and to improve corporate governance practices. The guideline requires public interest/ listed entities to integrate ESG considerations into their operations and decision-making processes to avoid, minimize oroffset negative impacts.

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5.0 Recommended framework for Nigerian entities

The African Finance Ministers announced their support of the IFRS Sustainability Disclosure Standards, with the Financial Reporting Council of Nigeria being the first to formally announce its intentto adopt them.

IFRS S1 requires companies to "refer to and consider" the applicability of the disclosure topics and related metrics in the industry based SASB standards. The standard also recommends the consideration of other sources, such as the CDSB, ESRS and GRI standards.

In determining which other frameworks to consider, reporting organizations may also look at which other standards are generally followed in their industry. For example, a report from Columbia University found that nearly all of the upstream US oil and gas companies relied on the TCFD framework.

Reporting organizations may also consider emerging regulations. For example, the SEC's proposed climate disclosures and the EU's Corporate Sustainability Reporting Directive (CSRD) are aligned with TCFD.

Thus, Nigerian reporting organizations with affiliated entities that these regulations apply to should ensure whatever framework they apply is aligned with the TCFD recommendations.

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In conclusion, since the IFRS sustainability disclosures standard adopted by FRCN refers reporting organizations to the SASB standards for disclosure topics and related metrics across 77 industries, we recommend ISSB reporting adopters in Nigeria to adopt the SASB standards for industry-specific disclosures. However, reporting organizations with affiliated entities in jurisdictions such as the EU that reports under the CSRD framework will also need to consider the applicability of the TCFD-based CSRD framework.

Pros and Cons of the SASB standards relative to other frameworks

SASB is one of the most popular frameworks for reporting on ESG factors. It makes clear distinction between frameworks and standards - focusing on the latter. This means that the SASB provides specific and actionable metrics, rather than more general guidelines for what topics and themes to report on, unlike the GHG protocol, which focuses primarily on Greenhouse Gas, the GRI which may be less useful for private-sector companies, the TCAF which focuses primarily on financial institutions, and the TCFD which only gives guidelines and recommendations that may not provide 'comparability' over different organizations and industries.

Pros

The SASB standards are robust, and when widely used within industry, provides a useful comparison point to evaluate companies against one another. The SASB standards also provide a way to implement frameworks that are relevant to the company. The SASB standards provides disclosure requirements covering 11 sectors **across** 77 industries.

Cons

The focus is on standards (metrics). This means not every metric included will be relevant to every organization. It therefore is more useful when used in conjunction with another framework that guides the areas relevant to the reporting organization and its strategic objectives.

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6.0 The IFRS Sustainability Disclosure Standards Roadmap

It is recommended that the adoption of IFRS Sustainability disclosure standards would be a phased approach with full application of the mandatory reporting for all groups of reporting entities from the 2027 reporting year onwards.

Phase 1: Early Adopters

The IFRS sustainability disclosure standards became effective for annual reporting periods beginning on or after January 1, 2024. Entities in this category are required to report their sustainability related information for accounting period ending on or before December 31, 2023,

Phase 2: Voluntary Adopters:

This Phase is for accounting period beginning on or after 1 January 2024 and through to accounting period ending on or before 31 December 2026.

Phase 3: Mandatory Adoption

From accounting period beginning on or after 1 January, 2027, it will become mandatory for all entities except government and government organisations to adopt the IFRS sustainability disclosure standards. This phase is categorized into three (3) which includes Significant PIEs (2027); Other PIEs (2028) and SMEs (2030).

Phase 4: Governments and government organizations

A review will be conducted when the sustainability reporting standards for public sector entities currently being developed by International Public Sector Accounting Standards Board (IPSASB) becomes available with the view to determine when reporting will be mandated or required.

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6.1 The Adoption Roadmap

Phase 1: Early Adopters (Dec, 31, 2023)	Phase 2: Voluntary Adopters (2024 -2026)	Phase 3: Mandatory Adopters			Phase 4: Government & Government Organisations (From 2029)
		Significant PIEs: 2027	Other PIEs: 2028	SMEs: 2030	

Specific Matter for Comment 1: The Adoption Roadmap (Reporting)

In paragraph 6.1, the Adoption Readiness Working Group ("ARWG") for Sustainability in Nigeria has proposed timelines for reporting of sustainability-related financial information in phases (i.e. Phases 1 to 4).

Do you agree with this proposal? If you do not agree, please explain your reasoning and your proposed alternative(s).

6.2 Readiness Test

Readiness test will be conducted to ascertain the preparedness of entities to adopt the IFRS sustainability disclosure standards. The following documents will be required to be submitted by reporting entities to the Council for the assessment.

1. Implementation plan
2. IFRS S1 & S2 GAP Analysis Report
3. Sustainability Reporting Policies
4. Internal control over sustainability reporting

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5. IFRS S1 & S2 Accounting Policies
6. Enterprise Risk Management and Sustainability Framework
7. Evidence of Board Approved IFRS S1 & S2 Policies
8. Evidence of Board Approved Enterprise Risk Management and Sustainability Framework
9. IFRS S1 & S2 specific training programmes for Board Members, Management, preparers by accredited bodies by the FRC.
10. Description of Models used for scenario analysis
11. Identification and application of transition reliefs
12. Identification of sustainability and climate related risks and opportunities
13. Evidence of establishment of a governance structure for sustainability.
14. Setting of targets and metrics to manage and measure identified risks and opportunities
15. Identification of aspects of financial reports requiring updates'
16. Identification of current and anticipated effects of sustainability-related risks and opportunities on the entity's business model and value chain.
17. Evidence of Registration of the relevant Sustainability Officer and other professionals in the sustainability reporting process with FRC.

The FRC would review these documentations and provide appropriate feedback and guidance to support the adoption.

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7.0 Key considerations for effective Adoption

7.1 Materiality

IFRS S1 requires that an entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Sustainability information is deemed material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.

This approach to materiality aligns with the materiality definition contained in the IFRS Accounting standards. This is essential in ensuring harmonization and consistency for reporting entities.

7.2 Governance

The objective of sustainability-related financial disclosures on governance is to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.

It is required that disclosures would include information about the governance body responsible for oversight of sustainability related risks and opportunities and how the company's governance bodies are involved in overseeing and monitoring sustainability-related risks and opportunities, including an explanation of how this role is incorporated in company policy and procedures including management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related risks and opportunities.

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7.3 Strategy

The objective of sustainability-related financial disclosures on strategy is to enable users of general purpose financial reports to understand an entity's strategy for managing sustainability-related risks and opportunities. Disclosures relating to an entity's strategy would include information about the:

- The sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.
- Current and anticipated effects of risks and opportunities faced by the reporting entity (for the reporting period and over the short, medium, and long term) on the entity's:
  - business model and value chain
  - business strategy, decision-making (including any transition plan)
  - financial position, financial performance and cash flows
- Climate resilience of its strategy and business model to both transition and physical risks.

Assessing Climate Resilience

An entity shall disclose information that enables users of general purpose financial reports to understand its capacity to adjust to the uncertainties arising from sustainability-related risks. An entity shall use scenario analysis for this assessment. While methods of scenario analysis can vary in their sophistication, entities are required to provide a disclosure of the approach used.

The recommended approach is one that is commensurate with an entity's circumstance, and it shall be informed by the assessments of the entity's exposure to climate-related risks and opportunities

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and its available skills, capabilities and resources. Entities may be required to use qualitative scenario analysis at the initial period and progress to quantitative scenario analysis for subsequent periods.

7.4 Risk management

The objective of sustainability-related financial disclosures on risk management is to enable users of general purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities, including whether and how those Processes are integrated into and inform the entity's overall risk management process; and to assess the entity's overall risk profile and its overall risk management process.

Entities will be required to disclose information about the processes and related policies the entity uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities and the extent to which, and how, these processes are integrated into and inform the entity's overall risk management process.

7.5 Metrics and targets

The objective of sustainability-related financial disclosures on metrics and targets is to enable users of general purpose financial reports to understand an entity's performance in relation to its sustainability-related risks and opportunities, including progress towards any targets the entity has set, and any targets it is required to meet by law or regulation.

An entity will be required to disclose, for each sustainability-related risk and opportunity that could reasonably be expected to affect its prospects: *the metrics required by an applicable IFRS*

Sustainability Disclosure Standard; and *the metrics the entity uses to measure and monitor that sustainability-related risk or opportunity*; and its performance in relation to that sustainability-related risk or opportunity.

As provided in IFRS S1, in the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, an entity is expected to apply judgement to identify information.

In making such judgements, the entity shall refer to and consider the

- *applicability of the metrics associated with the disclosure topics included in the SASB Standards;* or refer to and *consider the applicability of the CDSB Framework Application Guidance*; *the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports; and the information, including metrics, disclosed by entities that operate in the same industry(s) or geographical region*. An entity may also refer to and consider the applicability of the Global Reporting Initiative Standards and the European Sustainability Reporting Standards. (Appendix C, IFRS s1).

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Climate-related metrics

An entity shall be required to disclose information relevant to the cross-industry metric categories of:

- Greenhouse gases - absolute gross greenhouse gas emissions generated classified as scope 1, scope 2 and scope 3 emissions and the approach it uses to measure its greenhouse gas emissions
- Climate-related transition risks;
- Climate-related physical risks;
- Climate-related opportunities;
- Capital deployment;
- Internal carbon prices
- Remuneration — executive remuneration and the percentage of executive management remuneration recognised in the current period that is linked to climate related considerations.

Climate-related targets

An entity will be required to disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. The approach used to set and review the targets and how progress is monitored against each target is also required to be disclosed.

It is also required that entities should disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance.

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8.0 Support and Reliefs for Preparers

The ISSB has provided some reliefs that will assist and support both preparers and regulators with implementation of the standards. The following reliefs are available for reporting entities to apply.

a. Introducing proportionality and scalability mechanisms in IFRS S1 and IFRS S2.

   Concepts such as ***'reasonable and supportable information that is available at the reporting date without undue cost or effort'***, ***'undue cost or effort'*** and ***'the skills, capabilities and resources available to the entity'*** were introduced in the determination of anticipated financial effects, Climate-related scenario analysis, Measurement of Scope 3 GHG emissions, identification of risks and opportunities, determination of the scope of the value chain and calculation of metrics in some cross-industry categories.

b. Introducing in IFRS S1 and IFRS S2, transitional reliefs from some disclosure requirements when those Standards are first applied. The ARWG requires reporting entities in Nigeria to apply the following transition reliefs;

   - Climate-first reporting— entities are allowed to disclose information on only climate-related risks and opportunities in the first annual reporting period in which that entity applies IFRS S1.
   - Scope 3 GHG emissions—provides a transition relief in the first annual reporting period from disclosing Scope 3 GHG emissions. Further guidance will be issued by the ARWG/FRC on scope 3 GHG emissions.
   - Timing of reporting— in the first annual reporting period, IFRS S1 permits entities to report their annual sustainability-related financial disclosures after they publish their related financial statements, along with their half-year financial reports. Reporting

entities in Nigeria are allowed to issue the sustainability report as a standalone report.

- comparative reporting—if an entity decides to apply the relief to disclose information on only climate-related risks and opportunities in the first annual reporting period, then it does not need to provide comparative information about its sustainability-related risks and opportunities apart from climate in its second year.
- GHG Protocol—IFRS S2 allows an entity already using a different measurement method to continue to use that method in the first year it applies IFRS S2. Reporting entities in Nigeria are also allowed to continue to use the different measurement method beyond the first year if there is evidence that it aligns significantly with the GHG Protocol.
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Specific Matter for Comment 2: Transitional Reliefs

In paragraph 8 (b), IFRS S1 and IFRS S2, which Adoption Readiness Working Group ("ARWG") for Sustainability reporting in Nigeria recommended transitional reliefs for some disclosures requirements for the first time Adopters of the standards.

Do you consider these reliefs sufficient? If not, please explain, including any suggested alternatives.

a. Establishment of capacity-building programmes and Knowledge hub to provide technical support to regulators and to increase the capacity among preparers and other stakeholders to apply IFRS S1 and IFRS S2.

b. Developing an Adoption Guide aimed to support regulators in their implementation considerations and to enable the introduction of scalability and phasing-in of the application of the requirements in IFRS S1 and IFRS S2 at a jurisdictional level.

9.0 Disclosing Sustainability Information

- **9.1 Location of disclosures -** In order to align with existing reporting practices, reporting entities in Nigeria will be required to provide disclosures required by IFRS Sustainability Disclosure Standards as part of its general purpose financial reports and this should be presented after the directors report pending further directives from the ARWG/FRC.

- **9.2 Timing of reporting –** The timing of sustainability related disclosures should be consistentwith the timing for financial statements. Nigerian entities are required to report their sustainability- related financial disclosures at the same time as their related financial statements and it shall cover the same reporting period as the related financial statements subject to the exemption provided for the first year of reporting.

- **9.3 Comparative information** – An entity is required to disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period. An entity shallnot comply with this requirement where another IFRS Sustainability Disclosure Standard permits or requires otherwise or the entity decides to apply the relief available for comparativereporting for the first year.

- **9.4 Statement of compliance** – In line with existing requirements in financial statements, an entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards shall make an explicit and unreserved statement of compliance. An entity shall not describe sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the requirements of IFRS Sustainability Disclosure Standards.

  In addition to the above, the content of the statement of directors' responsibilities and statement of corporate responsibility (as required by CAMA 2020) may have to be expanded to include responsibilities for sustainability related financial information and the Chief Sustainability officer (CSO) or other persons performing such functions will be required to certify the statement(s) including his or her FRC details.
  (Separate statement of directors responsibility for sustainability information and statement of corporate responsibility for sustainability may also be required).

- **9.5 Indexing or Referencing –** Entities will be required to include an index or reference table within their annual report that displays sustainability related financial information and the corresponding disclosure section and page number so as to enhance users ability to

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navigate information.

- **9.6 Publishing Requirement -** All applicable entities would be subject to the requirement of making their sustainability related financial disclosures public.

The FRC will publish further guidance as may be required in the reporting of sustainability related financial information.

Specific Matter for Comment 3: (Location of Disclosures)

In paragraph 9.1, the Adoption Readiness for Working Group *(“ARWG”) for* ***Sustainability reporting in Nigeria has proposed that sustainability disclosures should be located after the Directors’ Report in the General Purpose Financial Statements.***

Do you agree with this proposal? If you do not agree, please explain your reasoning, including any proposed alternatives.

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10.0 Assurance

The importance of assuring sustainability related financial disclosures cannot be overemphasised. The assurance roadmap is designed in such a way that we progress from limited to reasonable assurance and from requiring assurance on some parts of the standard to requiring full assurance on all the standards. Entities that already obtain some form of assurance on their sustainability disclosures should be encouraged to continue and ensure they do not deviate fromthe provisions of the assurance roadmap.

- **10.1 Assurance Standard**

  Assurance will be based on ISAA 5000 currently being developed by the International Auditing and Assurance Standards Board (IAASB) to address both limited and reasonable assurance. The standard is expected to become available before the end of 2024.

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- **10.2 Licensing of Sustainability Assurance providers**

Assurance is expected to be carried out by a qualified and experienced independent provider. Providers of assurance for sustainability-related disclosures would be required to be independentfrom the entity being audited. The assurance providers will be expected to possess requisite professional qualifications and knowledge of assurance processes as may be required by the FRC.

Due to the technical and sophisticated nature of the assurance required, it will not be unusual to find professionals who may not possess the skills or technical expertise to assure certain elements of sustainability related information. In this case, arrangements for delegation to third-party assurance providers will be permitted. All professionals involved in assuring sustainability related financial disclosures will be required to be registered with the FRC.

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- **10.3 The Assurance Roadmap**

S/N	Category	2026	2027	2028	2029	2030	2031	2032	2030	2031	2032
1.	Phase 1: Early Adopters	Limited assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans).		Reasonable assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans). Limited assurance of scope 3 emissions, scenario analysis and transition plans.		Reasonable assurance of all disclosures (full quantitative assurance).					
2.	Phase 2: Voluntary Adopters		Limited assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans)		Reasonable assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans). Limited assurance of scope 3 emissions, scenario analysis and transition plans		. Reasonable assurance all disclosures (full quantitative assurance).				
3.	Phase 3: Mandatory Adopters						Limited assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans)		Reasonable assurance of S1 and S2 disclosures (excluding Scope 3 emissions, scenario analysis and transition plans). Limited assurance of scope 3 emissions,		Reasonable assurance all disclosures (full quantitative assurance).

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				scenario analysis and transition plans.	

The Assurance roadmap for government and government organisations (Phase 4) will be considered together with the reporting roadmap.

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Specific Matter for Comment 4: The Adoption Roadmap (Assurance)

In paragraph 10.3, the Adoption Readiness Working Group ("ARWG") for Sustainability in Nigeria has proposed timelines for assurance of sustainability-related financial information in phases (i.e. Phases 1 to 4, spanning over a period between 2026 and 2032).

Do you agree with the proposed timelines? If you do not agree, please explain your reasoning and state your proposed alternative(s).

11.0 Advocacy and Communication

Advocacy and communication are a very important ingredient of effective adoption. Professional bodies, Regulators, Policy Makers, Specialised Institutions, Academia and the Media (including the social media) have been identified as necessary stakeholders in the adoption process. There is need to create awareness, to enable the stakeholders embrace the implication of sustainability in depths. The various mediums of engagement identified are virtual, in-person meetings, hybrid meetings, webinars, workshops, visitations, social media handles, jingles etc.

12.0 Monitoring and Enforcement

The same Regulator for monitoring and enforcement of financial reporting will be required for monitoring of sustainability related financial disclosures. By the FRC amendment Act of 2023, the FRC is empowered to promote compliance with the adopted standards issued by the IFRS Foundation (which includes the International Sustainability Standards Board that issues the IFRS

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sustainability standards). The enforcement action of the FRC will be initially centred on supporting and guiding entities as they navigate their way in implementing the standards. It is not expected that the FRC will apply sanctions especially at the early state of adoption. The ARWG will also develop a guideline that will specify the roles and responsibilities of other relevant regulators in the adoption process and beyond to ensure harmonization.

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13.0 Members of ARWG

The ARWG comprises 40 members from diverse backgrounds, including directors, chief sustainability officers, Auditors, sustainability reporting professionals, representatives of financial institutions, regulators, investors, and the academia:

S/N	NAME	ORGANISATION
1	Iheanyi Anyahara, PhD (Chairman)	Financial Reporting Council of Nigeria
2	Ms Tinu Awe	NGX Regulations Ltd
3	Dr. Innocent Okwuosa	Nigeria Integrated Reporting Committee
4	Mrs. Adekemi Adisa	MTN Nigeria
5	Dr. Igaezuema Okorobo	Dangote Cement Plc
6	Mrs. Grace Fatogbe	NISRAL
7	Prof. Jane Ande	ANAN
8	Prof. Fatima Alfa	University of Maiduguri
9	Dr. A. O. Okunola	ICAN
10	Dr. Onyinye Eneh	Nnamdi Azikiwe University, Awka
11	Mr. Ibironke Babajide	Abuja Electricity Distribution Company
12	Ms. Rukaiya El-Rufai	SA to President on Climate Change
13	Dr. Oduware Uwadie	Deloitte
14	Mr. Sam Agbavem	EY
15	Mrs. Tomi Adepoju	KPMG
16	Ms. Essien E. E	CBN

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17	Elizabeth Oyinlola Akinboye	Seven Pillars
18	Jane Ohadike	ACCA Global
19	Mr. Emmanuel Etaderhi	FMDQ
20	Tarfa M. C. Makyur	Securities & Exchange Commission
21	John Maguire	Interswitch
22	Mrs. Kikelomo Fischer	Leadway Assurance
23	Dr. Jacob Ame	Nasarawa State University, Keffi
24	Mrs. Ijeoma Ozulumba	Development Bank of Nigeria
25	Mr. Michael Ivenso	Nigerian Council on Climate Change
26	Marilyn Osula	PwC
27	Bolanle Adekoya	PwC
28	Sa’ad Abubakar	SEC
29	Chioma Orjiako	PENCOM
30	Oluwatoyin A. Charles	NAICOM
31	Eunice Sampson	EY
32	Yomi Adebanjo	ICSAN
33	Nkeiru Chime	The Infrastructural Bank Plc
34	Ibe O. Ibe	FRC, Secretariat
35	Stanley Aniagbaoso	FRC, Secretariat
36	Abdurazzaq Abubakar	FRC, Secretariat
37	Anthonia Odo	FRC, Secretariat

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Definition of Terms:

- **Early adopters:** Early adoption implies adopting the standards before its effective date. For an entity to qualify as an early adopter, it must have indicated its willingness and readiness to adopt the IFRS S1 and S2 for accounting period ending on or before December 31, 2023, which is before the effective date of the standards.

- **Voluntary Adopters:** These are categories of reporters who have elected on their own to report their sustainability financial information before the mandatory date as specified in this roadmap to enable them build capacity and get ready for the mandatory adoption.

- **Mandatory Adopters:** These entities are entities that are required to adopt the IFRS sustainability disclosure standards at the expiration of the voluntary period. This cuts across all entities except government and government organisations.

- **Small and Medium-sized Entities (SMEs):** refer to entities that may not have public accountability and:
  - their debt or equity instruments are not traded in a public market;
  - they are not in the process of issuing such instruments for trading in a public market;
  - they do not hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses.
  - the amount of its annual turnover is not more than N500 million or such amount as may be fixed by the Corporate Affairs Commission,

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- its total asset value is not more than N200 million or such amount as may be fixed by the Corporate Affairs Commission,
- no Board members are an alien,
- no members are a government or a government corporation or agency or its nominee, and
- the directors among them hold not less than 51 percent of its equity share capital.

- **Sustainability reporting Standards:** This refers to IFRS SS1 and SS2 and other standards issued and or adopted by the International Sustainability Standards Board (ISSB).

- **Government and government organisations:** These are public sector entities that are required to apply the International Public Sector Accounting Standards (IPSAS) in line with the IPSAS applicability Statement issued by the FRC. Such entities -
  - Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
  - Mainly finance their activities, directly or indirectly, by means of taxes and/or transfersfrom other levels of government, social contributions, debt, or fees; and
  - Do not have a primary objective to make profits.

- **Significant Public Interest Entities (SPIEs):** These includes listed entities on any recognized exchange in Nigeria; non- listed entities that are regulated; public limited companies; and private companies that are holding companies of public or regulated entities.
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- **Other public interest entities (OPIEs):** This refers to those entities, other than listed entities (unquoted, private companies), which are of significant public interest because of their nature of business, size, or number of employees or their corporate status which require wide range of stakeholders.

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