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2023 Sustainability Outlook

March 2023

Foreword

Uyi Akpata

Country Senior Partner, PwC Nigeria

Globally, the momentum is palpable as sustainability emerges as a key imperative for businesses and the global economy. Sustainability, which at one time was a cliché and a “nice to have”, is now taking centre stage in core business decisions and corporate strategy - a reflection of how far we have come. There is room for improvement to achieve an inclusive and sustainable world for the present and future generations.

Last year, at COP27, the world’s attention turned to the need for business, government and society to work together towards achieving the goals of the Paris Climate Agreement and transitioning to a net zero economy by 2050.

Here in Nigeria, the conversations in the sustainability and climate change space have broadened, especially with recent actions taken by the government in response to the climate change emergency. These actions have implications for businesses and the larger society. Remaining conscious and being decisive can be the difference between companies that continue to be relevant and those that become obsolete.

In line with The New Equation and our Societal Purpose, we are excited to share our 2023 Sustainability Outlook. It outlines the key sustainability trends in Nigeria in 2023. We also share our perspectives on these key trends and provide an outlook and insights to help shape business conversations and sustainability efforts.

As a business, we are determined to play our part and are committed to leading by example. We continue to reaffirm our worldwide, science-based commitment to achieve Net Zero greenhouse gas emissions by 2030. We're investing towards this commitment to ensure the decarbonisation of our operations and decoupling our business growth from our emissions. We are tracking our scope one, two and three emissions across our operations to enhance transparent monitoring of our Net Zero goal.

We recognise that the task at hand is enormous. Everyone, including individuals, the public and private sectors, must play their part towards achieving sustainable and inclusive growth. We hope the insights from our 2023 Sustainability Outlook will spur conversations and action to help in our quest for a sustainable world that works for everyone.

Enjoy reading and be committed to playing your part!

Introduction

Rukaiya El-Rufai

Partner, Sustainability & Climate Change Nigeria and WMA ESG Lead

It's a great delight to welcome you to PwC Nigeria 2023 Sustainability Outlook. This year has opened up with fresh breath and vigour, especially with global, regional and national commitments to climate ambitions and sustainability. The global appeal and momentum have been building, and now more than ever, nations including Nigeria are ready to act.

The last COP27 in Sharm el-Sheikh, Egypt, catalysed critical conversations that have created fresh perspectives and optimism in our decarbonisation journey. This is in light of Nigeria's efforts in the previous year, especially with the launch of the Energy Transition Plan and innovative financing options such as the Debt for Climate initiative.

Nigeria has taken a proactive approach and leadership position, particularly with the early adoption of the International Sustainability Standards Board's (ISSB) IFRS sustainability disclosure standards.

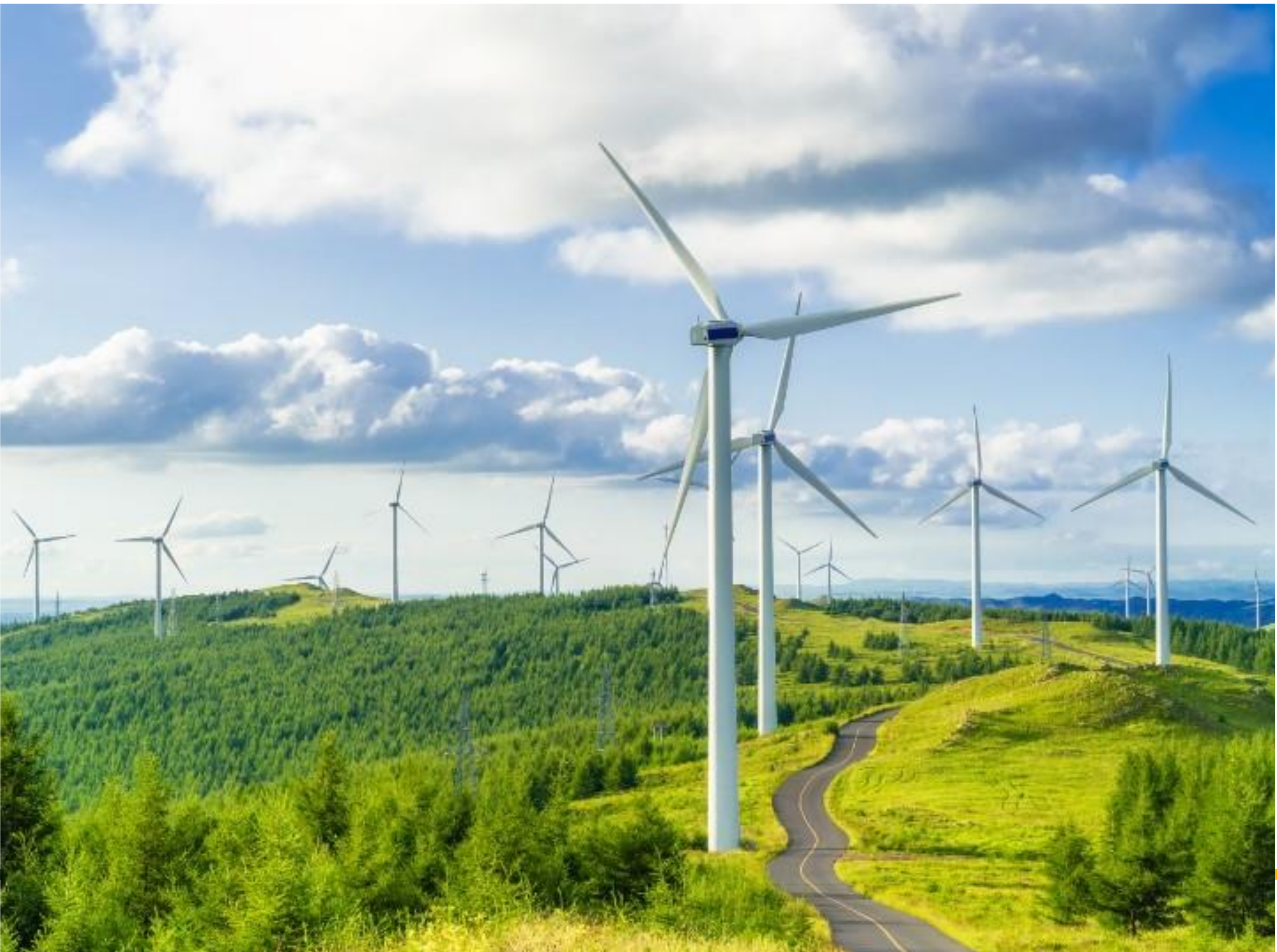
These renewed commitments and vigour come as the nation continues to explore potential financing options to fund its energy transition. Achieving Nigeria's climate goals will require strategic partnerships and collaboration between the public and private sectors to shore up the needed resources - both human and capital.

Sustainability practices and policies are expected to intensify amidst growing pressures from regulators, investors and other stakeholders. How countries and organisations respond will ultimately play a fundamental role in their long-term economic outlook.

Our 2023 Sustainability Outlook aims to provide an important update on sustainability issues and trends expected to guide sustainable policy formulation, strategy development and planning in the coming years. This is particularly vital in navigating the transition risks arising from processes of adjustment into a more sustainable economy.

The outlook will also spotlight key sustainability issues and the varying impacts on government, public and private organisations with respect to people, the planet and prosperity. In the spirit of collective action, we believe the issues covered are important for achieving a green and sustainable revolution in Nigeria. This collective action will ultimately unlock peace, hope and opportunities for our people.

Sustainability Trends



Turning pledges into action – A look at COP27 (The Implementation COP)

In November 2022, the world turned its attention to Sharm el-Sheikh, Egypt, for the 27th Conference of parties – COP27. The summit tagged the Implementation COP, held from 6 – 20 November 2022 and provided another opportunity for world leaders, civil society and a diverse group of stakeholders, including women and children, to advance talks on implementing the climate agreements.

Nigeria currently grapples with the devastating effects of terrible flooding, which has affected 3.2 million persons, with over 600 lives lost, 100,000 persons displaced, and over 300 hectares of farmlands destroyed[1]. The country went to the COP, highlighting the urgency and need for more finance to tackle the climate emergency.

The Minister of Environment, representing the president, stated at the COP that Nigeria lacks the public finance required to fund energy transitions and climate action. This situation is further compounded by the imploding debt distress affecting most global south countries. It is also happening at a time Nigeria has taken bold steps to pioneer innovative climate finance instruments such as debt for climate swaps; and is championing the development of the African carbon market initiative. Nigeria has also enacted the Climate Change Act and launched the Energy Transition plan towards meeting Nigeria's climate goals and lifting 100 million people out of poverty.

COP 27 secured significant agreements, including the historic loss and damage fund, which is unarguably the major win of the summit as countries pledged over €340 million to support the recovery and rebuilding of poorer countries affected by climate-related disasters. Further to this was the establishment of the African Carbon Market Initiative (ACMI). This initiative intends to boost Africa's involvement in voluntary markets and generate 300 million carbon credits annually by 2030, which is estimated to generate $6 billion in revenue and support 30 million employment in Africa.

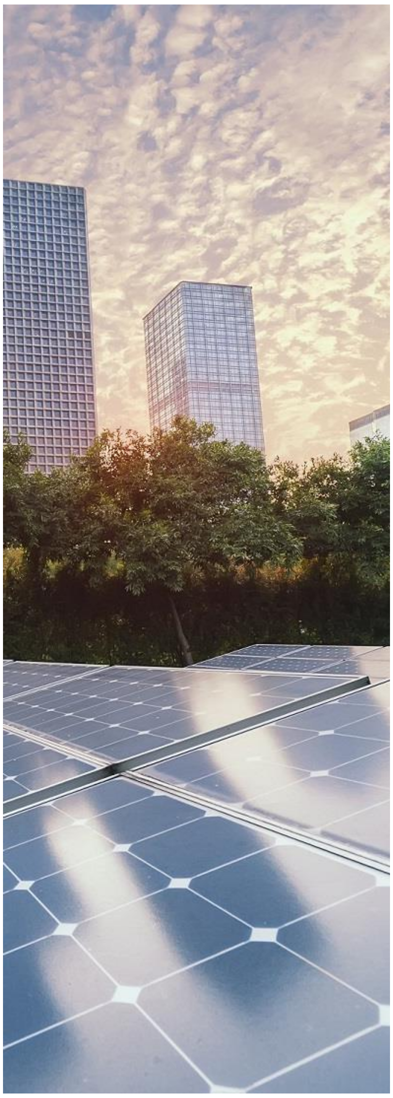
"COP27 has engendered renewed enthusiasm and drive in global climate ambition, especially with the historic loss and damage fund and the launch of the Africa Carbon Market Initiative alongside other remarkable achievements. In light of our commitment to Net zero by 2060 and the bold climate commitments we have made in the last year, financing will be critical to making progress as well as effective collaboration between the government and the private sector as we assume leadership in this onerous global goal."

Rukaiya El-Rufai

Partner, Sustainability & Climate Change
Nigeria and WMA ESG Lead

Asides the agreements and initiatives, COP27 also highlighted and called for a radical shift in approach to enable the attainment of global climate ambitions. Some of these calls, as highlighted in the Draft Text on COP27,[2] include:

- An emphasis on the need for developed countries to provide enhanced support through financial resources, technology transfer and capacity building to enable climate mitigation and adaptation action and inequities in access to finance for developing countries
- A need for rapid, deep and sustained emissions cuts and a significant increase in climate finance to achieve 1.5°C The establishment of a financial support structure to address the loss and damage faced by the most vulnerable countries by COP28
- A call for the transformation of energy systems to be more reliable and resilient, especially with the global energy crisis and climate change threatening efforts to achieve energy security around the globe.
- A greater need to diversify energy mixes and systems by enhancing the share of renewable energy in the energy mix, accelerating measures towards the phase down of unabated coal power and phasing out of inefficient fuel subsidies.
- Parties were urged to integrate adaptation into policy, programs, and budgets to accelerate climate resilient development; hence going beyond incremental action to a more transformational approach to enhance adaptive capacity and strengthen resilience.
- A transformation of the financial system, structures and processes is needed to deliver the financing needs of $4 trillion a year in renewable energy until 2030.
- The need to close the existing gap in the global climate observing system as one-third of the world, including 60% of Africa, do not have access to early warning and climate information services.



In 2023, we envisage that the Nigerian government will push for more partnerships and seek financial and technical support, given the dearth of finance needed to fund our energy transition. Similarly, there will be a resurgence of public interest and enthusiasm for climate action as policy directions on climate change are becoming hot topics in political debates. We also look forward to the structuring and implementation of the loss and damage fund and how this will help catalyse finance for climate-vulnerable countries. Furthermore, with Nigeria signing up to the African Carbon Market Initiative alongside six other countries, we anticipate how this initiative will unlock climate finance to support the Nigerian economy while expanding energy access, creating jobs, safeguarding biodiversity, and driving climate action towards our joint Paris goals.

As remarked by the UN Secretary-General, António Guterres, “humanity is on a highway to climate hell” and our planet is fast approaching tipping points that will make the climate chaos irreversible. Our inevitable choice is to cooperate or perish.” In 2023, we look forward to seeing more effective technical and financial collaboration between the public and private sectors and all relevant stakeholders to shore up our climate response and enable a just energy transition providing affordable and accessible energy for all.

Nigeria’s Energy Transition Plan

It is critical to recognise Nigeria’s distinct socioeconomic and developmental needs compared to developed countries. This plan provides an important opportunity to transform the country's economy, as well as a realistic and ultimately achievable path to completing Nigeria's energy transition.

On 2 February 2022, the Federal Executive Council of Nigeria approved the nation’s Energy Transition Plan (ETP), which defines a pathway to achieving its Net Zero target in 2060. Nigeria is so far the only African country with an ETP.

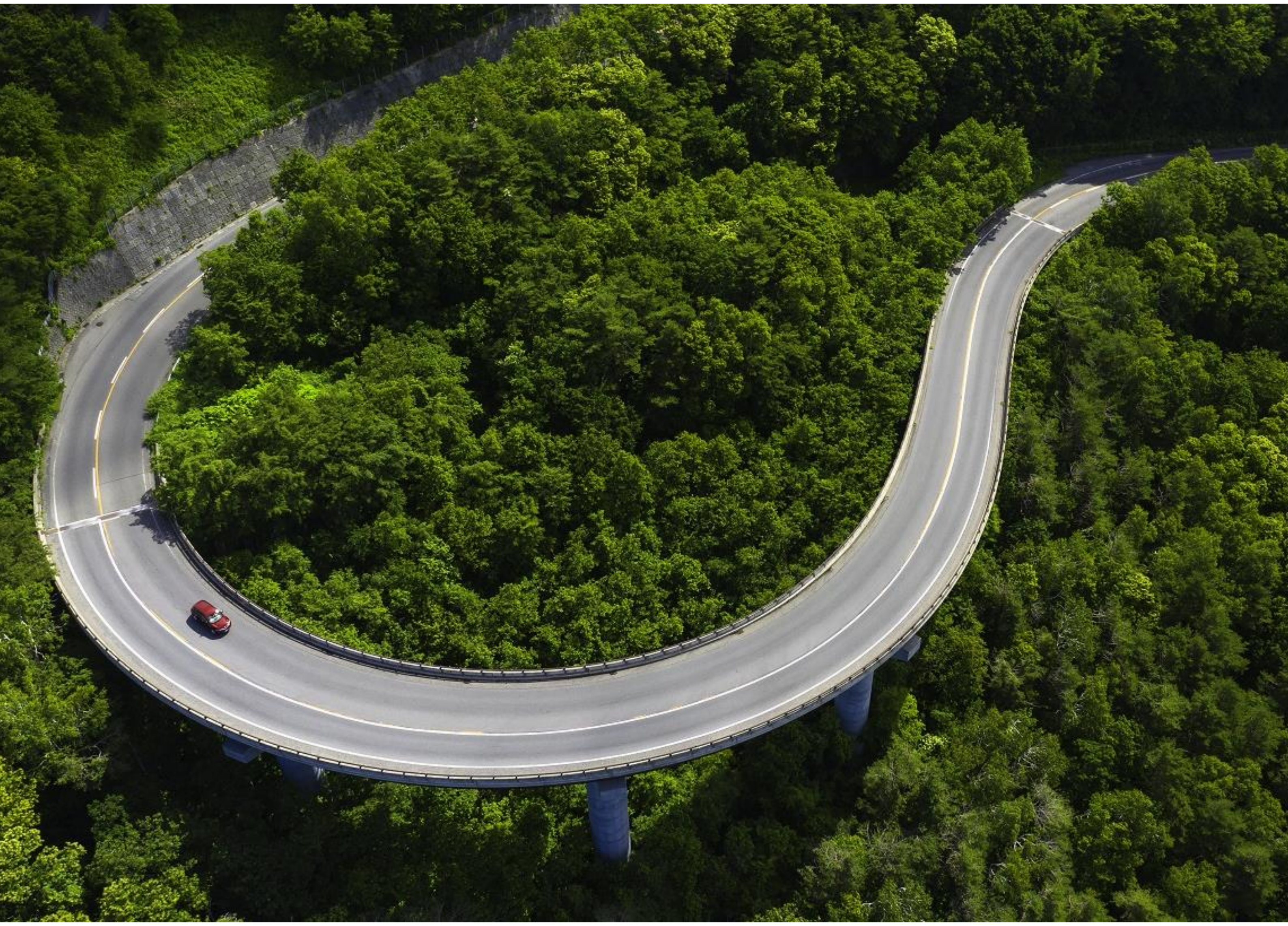
The ETP seeks to lift over 100 million people out of poverty by driving economic growth, connecting the population to modern energy services, and managing the potential job loss in the oil sector because of global decarbonisation. The ETP recognises that the Net Zero target can focus on technologies that maximise emission reduction across the following sectors with higher emissions:

- The buildings sector: Emissions reduction will be driven primarily by a shift to electricity and biogas-based cooking.
- The oil and gas and industrial sectors: Emissions reduction will be enhanced by the global response to climate change mitigation using technologies such as carbon capture and storage (CCS), direct air capture, hydrogen fuel, etc.
- The transport and power sectors: Emissions will be largely decreased by the uptake of electric vehicles (EVs) and renewables from solar energy, respectively.
- The power sector: Emissions will be reduced by increases in the use of solar energy as renewables replace natural gas as a transition fuel.

The ETP further recognises that the 2060 Net Zero target may be affected by slower replacement of firewood stoves by less emitting cooking technologies in buildings, lower adoption of EVs in transport, and delayed implementation of hydrogen furnaces in the industries, etc. As one of Africa’s most populous countries, and an economic leader, Nigeria has a reasonable opportunity to become an African leader in climate policy. This opportunity is similar to how the United Kingdom, being the birthplace of the Industrial Revolution, became the first country in the world to legally mandate GHG emissions reduction through the Climate Change Act in 2008. Nigeria’s Climate Change Act is an ambitious forward step for a major economy in Africa.

At COP26, President Muhammadu Buhari requested for the financing of projects that use gas as a transition fuel, describing Nigeria as more of a gas than oil-producing country. The President added that Nigeria can successfully use gas as fuel until 2040 without jeopardising its Paris Agreement commitments. Being a large emitter of CO2 and methane from gas flaring and venting, Nigeria will benefit from more investments in infrastructure that capture gas from oil and gas operations and utilise a hybrid technology allowing the use of energy mix and those solely reliant on gas and renewables.

In the coming years, we expect that counties such as Nigeria will rely on natural gas due to the technological and financial challenges of financing low carbon energy sources. This will lead to greater investments in gas infrastructural projects such as the Ajaokuta-Kaduna-Kano Natural Gas Pipeline, which we envisage will make significant progress this year. The government will also need to ensure that implementing the flare gas commercialisation initiative is successful to benefit from value-added projects and transactions. This recapture of flared gas for sales will not only stimulate economic growth, drive investments and provide jobs in oil-producing communities but also reduce the environmental and health degradation of host communities through air pollution. Overall, it is expected that major oil and gas companies including nation oil companies (NOCs) will continue to diversify towards natural gas before finally transitioning into energy companies.



Central Bank Digital Currency

The rise of digitisation has helped to gradually reduce the need for cash-based transactions in society and create more opportunities for growth in the global economy. Thousands of emerging cryptocurrencies have generated billions of dollars and increased job opportunities. Still, their decentralised nature has become a governance issue as it prevents governments and their regulatory bodies from controlling it through a central authority.[3]

Decentralisation means that the need for personal details from users is not required, and the use of a ledger system disruption caused by crypto has reduced the need for the middleman position that the banking sector currently holds. In response to this, there has been a rise in the roll-out of Central Bank Digital Currency (CBDC), a digital form of central bank-issued money, which provides risk-free alternatives to private bank deposits.

Central Banks globally are adopting this new form of money and increasing efforts to explore more stable versions of fiat currencies. Following this trend, in 2021, the Central Bank of Nigeria (CBN) became the first African country to launch the CBDC, introducing the e-Naira. Although still in the early stages, the CBDC has the potential to ease challenges related to cash-based payments and increase the national Gross Domestic Product (GDP) significantly over the next decade.[4]

"Nigeria has the potential to become the largest country to adopt Central Bank Digital Currency, making it a model for all African countries. Not only would the implementation result in cheaper transactions, but it would also bring banking services to the poorest and most vulnerable members of society."

Andrew S. Nevin (PhD)

Partner & Chief Economist

The CBN also states that this will help eNaira to strengthen the payments ecosystem and financial inclusion, thus increasing Nigeria's social empowerment and economic development. Additionally, the CBN projects a reduction in the cost of transactions and printing of physical notes, giving customers greater value for their money. Also, printing less paper money could reduce deforestation, which will help the environment.

In the first quarter of 2022, the CBN recorded 7,300 e-Naira downloads daily and projected about 10,000 downloads per day in the second quarter of 2022.

The app has been downloaded in many countries across the globe. The CBN's vision for e-Naira is to be the preferred medium of exchange and a critical enabler for a digital economy by 2024.

The CBN has also included feature phone functionalities, allowing users without a stable internet connection to access their e-wallets and make transactions using USSD and mobile money functions, thereby increasing access for the population. But the CBN has reported that 90% of e-Naira transactions were person-to-bank and bank-to-person transactions, with consumer wallet downloads outnumbering merchant wallet downloads.[5] The low rate of person-to-person transactions could indicate a lack of awareness and the numerous restrictions and requirements imposed by the CBN.

If successfully implemented and adopted, the e-Naira will improve cross-border payments, monetary policies, and financial inclusion among the unbanked population, among other things. It will also significantly assist the government in lowering the cost of printing physical currency, including the environmental benefits of reducing deforestation for paper printing. Allowing more users to conduct international trade and remittance transactions also strengthens Nigeria's foreign exchange position in the long run. According to the Minister of Finance, Zainab Shamsuna Ahmed, using the e-Naira will also allow the government to provide social assistance to citizens because welfare payments can be made directly to citizens at lower costs when necessary.

As a result, we expect the CBN to invest more in understanding the market and forming partnerships with traditional banks and FinTech’s to reach a mutually beneficial agreement. The CBN's upcoming review of the Nigerian Sustainable Banking Principles (NSBP) offers an opportunity for stakeholders to consider incorporating the growing opportunities in the FinTech market into the NSBP based on their ESG significance. The government can attract more users to drive their goal of steering financial inclusion through reaching the unbanked population by raising awareness, particularly among businesses, and developing well-thought-out and harmonised regulations and policies.

Nigeria's Climate Change Act

After COP26, Nigeria enacted the Climate Change Act. The Act provides a framework for achieving low greenhouse gas (GHG) emissions and sustainable economic growth. It does so by providing for the formulation of programmes to achieve long-term goals on climate change mitigation and adaptation in line with national development priorities. Implementing these goals will need funding, including a proposed carbon tax fund and actions to be birthed by policies from critical stakeholders.

One prominent highlight of the Act is the creation of the National Council on Climate Change (the Council), which will have the powers of policymaking and decisions on all climate change matters in Nigeria. The Council will coordinate and implement sectoral targets and strategies for regulating GHG emissions and other human causes of climate change. Other tasks of the Council include:

- The implementation of the National Climate Change Action Plan,
- Mobilising financial resources to support climate change action,
- Collaborating with the Federal Ministries responsible for Environment and Transportation to implement a mechanism for carbon emissions trading and,
- Collaborating with the Nigerian Sovereign Green Bond to meet Nationally Determined Contributions (NDCs).

"The Climate Change Act lays a foundation for Nigeria to meet phased-out goals to mitigate climate change and adaptations. It does this by defining critical stakeholders to make our ambitious goal of net zero by 2060 a reality. To guarantee that the Act's goals become a reality, effective collaboration is required between the public and private sector."

Esiri Agbeyi,

Partner, Africa ESG Tax Leader and Head of Private Wealth Services

The President inaugurated the Nigeria Climate Change Council in September 2022 marking the commencement of the implementation of the Climate Change Act 2021 and a new chapter in the renewed response to climate change in the country. The membership of the Council consists of the President as the Chairman, the Vice President as the Vice-Chairman, and 11 ministers of the Federal Republic of Nigeria as members.

These ministers are responsible for the Environment, Petroleum Resources, Budget and National Planning, justice, Mines and Steel Development, Finance, Agriculture and Rural Development, Power, Women's Affairs, Transportation, and Water Resources.

Other members of the Council are the Governor of the Central Bank of Nigeria, National Security Adviser, Chairman of the Nigerian Governors' Forum, President of the Association of Local Governments of Nigeria, a representative of the private sector on climate change or environment-related matters, representatives of women, youths, and persons with disabilities, and representative of environment-related civil society organisations.

Qualifying businesses will have to put in place measures to achieve the annual emission reduction targets to be specified in the Action Plan. Other requirements in the Act include designating a Climate Change/Environmental Sustainability Officer responsible for annual reports. With reporting frameworks going mainstream, businesses that do not strategise using the ESG dimensions could cost them their enterprise value and trust premium. As a result, businesses will need to incorporate sustainability measures to boost productivity, stimulate innovation, and strengthen resilience.

The Act reflects Nigeria's commitment to dealing with climate change. It is the first stand-alone, comprehensive climate change law in West Africa and one of the few internationally. The Act has the potential to become a critical enabler for climate change advocacy in Nigeria. Ultimately, the Act has the potential to boost the national economy by creating green and sustainable jobs.

Climate change and insecurity

Climate change manifests itself in a variety of ways, exacerbating a wide range of existing issues around the world - in Nigeria, climate change manifests as insecurity continues to affect an already fragile political system.

There are pathways in which physical and human impacts of climate change can interact with local political or socioeconomic factors to increase the risks of conflict. Some environmental effects of climate change could be associated with insecurity in Nigeria. The farmers' and herders' conflict over scarce resources, banditry, and kidnappings are some examples of heightened insecurity in Nigeria.

The physical effects of climate change may not directly cause conflict. But these effects, including rising sea levels, increasing temperatures, and catastrophes, are stirring up conflicts. Suppose these effects happen in areas with inter-communal tensions, resentment towards local authorities, deep inequality, extreme poverty, marginalisation, etc. In that case, climate change can heighten the potential for conflicts and lead to dangerous outcomes.

For example, many farmers in Nigeria and other West African countries have expanded their farmland to prepare against the risks of a poor harvest due to changing rainfall patterns and other extreme climate events. Meanwhile, herders also move into the same farmland because climate-related factors have reduced their grazing land. As both groups try to protect their livelihoods, dangerous chain reactions occur.

A positive approach by the Nigerian government is the inclusion of the National Security Advisor in the National Council on Climate Change. Doing this may help address the issues linking climate change and insecurity in the country. Adopting technology could also play a vital role in stemming the migration of farmers through targeted efforts such as using early maturing and drought-tolerant crops and implementing policies that encourage public-private partnerships to elevate agricultural insurance and irrigation facilities.

The use of cultivation technologies that aid in controlling temperature and humidity, thus increasing the efficiency of fertiliser use and water consumption, has been a success in the Middle East. Improved collaboration between Nigeria and neighbouring countries in the Sahel region will help tackle insecurity while addressing climate change. Africa-led initiatives such as The Great Green Wall Project aims to grow 8,000km of vegetation across the Sahara and the Sahel.

Bilateral and regional collaborative projects can potentially transform lives through food and water security and increase economic growth. Ultimately, prioritising climate change - specifically as a national security threat - will aid the Nigerian government in resolving conflicts with deep environmental and social roots.

Adoption of IFRS Sustainability Disclosure Standards

As a first mover, the Financial Reporting Council (FRC) announced the early adoption of the International Sustainability Standards Board's (ISSB) IFRS Sustainability Disclosure Standards in Nigeria when issued in 2023.[6]

This announcement marked a significant move in the country's progress towards supporting the development of a common language for sustainability-related disclosures. Previously, companies and stakeholders struggled to navigate the myriad of sustainability standards, frameworks, and metrics in the reporting landscape. On the other hand, international investors with global investment portfolios were increasingly calling for high-quality, transparent, reliable, and comparable reporting by companies on climate and other environmental, social and governance (ESG) matters.

The ISSB sustainability disclosure standards require companies to disclose sustainability-related information alongside their financial statements and report on sustainability risks and opportunities affecting their bottom line while demonstrating a purpose to build trust and promote long-term value creation. With the harmonisation of reporting standards, we expect that there will be increased pressure on management and finance teams to incorporate green finance and carbon accounting concepts like stranded assets and GHG Protocol into annual financial reporting practices.

Furthermore, the standards require enterprises to undertake climate scenario analysis that conforms with the Paris Agreement-aligned transition pathway.

"The ISSB's standards are critical in helping to provide globally consistent, trusted, non-financial reporting that is as robust as financial reporting today. Nigeria's early adoption of the ISSB-IFRS Sustainability Disclosure Standards is a significant step especially given their potential to drive consistent and high-quality sustainability-related disclosures as well as unlock the climate finance for sustainable, inclusive and resilient development which Nigeria desperately needs"

Omobolanle Adekoya

West Africa Leader and Partner, Capital Markets & Accounting Advisory Services

By doing this, it is expected that companies will need to use modelling methods and obtain relevant data for key inputs. Significant assumptions would also need to be made, which require expertise and skill.

As we anticipate the release of these standards, which Nigeria has pledged to adopt, we envision companies will need to build the capability and competencies to effectively measure and report on their carbon emissions and incorporate all sustainability-related information into their financial statements.

Doing this will require upgrading systems, processes and controls to select the climate targets and metrics to keep track of climate information based on their sectors, including analysing the alignment of climate risk management with existing business operations and integrating climate risk considerations into existing business processes.

There will also be a need to establish and define a sustainability governance structure, develop a holistic sustainability strategy and roadmap and action plans for alignment with global best practices and regulatory compliance.

We hope that the adoption of the standards will generate the needed momentum for enhanced transparency of investor-focused sustainability disclosures by corporates in Nigeria and also open up avenues for green financing opportunities while unlocking capital for climate mitigation and adaptation.

A global recession?

The world is more connected now than it has ever been in history. The economic ties that bind us are deep and truly reflective of the global society. Sustainable development is tied to economic growth; as the global growth outlook declines, there is an emerging risk to developing countries like Nigeria, with high government debt levels and rising interest rates. These weaknesses in growth will compound the already devastating reversals in socioeconomic indicators such as education, health, poverty and infrastructure and the increasing demands from climate change.

The World Bank stated that the world is edging towards a global recession in 2023. Amidst a decline in global growth following elevated inflation, higher interest rates, reduced investment and disruptions caused by Russia’s invasion of Ukraine. [7]

According to the Global Economic Prospects Report,[8] the per-capita income growth in emerging markets and developing economies is projected to average 2.8% over the next two years, which is a full percentage point lower than in 2010-2019. In Sub-Saharan Africa—which accounts for about 60% of the world’s extremely poor population—growth in per capita income over 2023-24 is expected to average just 1.2%, a rate that could cause a spike in poverty rates to rise.

Although Nigeria is not likely to experience a recession, an economic slowdown is inevitable as the global recession will have a spill over effect on Nigeria’s business environment.[9] The World Bank[10] had forecasted an average growth rate of 3.2% in 2022 – 2024, although this outlook is subject to downside risks, including further declines in oil production and heightened insecurity. Also, continued scarcity of foreign exchange and tighter liquidity could affect the economic activity in the non-oil sector and undermine the overall macroeconomic stability of the nation.

Given these scenarios and the outlook for the year ahead, it will be critical to take practical steps towards revamping and revitalising the economy, especially as Nigeria transitions to a new democratic dispensation. Doing this will entail concerted efforts from policymakers by strengthening macroprudential regulations and building foreign exchange reserves.

Consequently, there is a need for actions aimed at reducing the biting inflation, which is already at double digits; boosting the local supply of food and energy, especially to the rural poor; and strengthening policy measures to help increase labour-force participation and reduce price pressures. Nigeria also needs to invest in its infrastructure to curb bottlenecks and delays in the supply chain and strengthen measures to boost local production and export.

Without strong and sustained economic growth, it is simply impossible to make meaningful progress in achieving broader development, building climate-resilient infrastructure, improving adaptive capacity, and achieving climate-related goals.

Commodity price volatility

According to the World Food Programme, over 13 million Nigerians are food insecure, and the demand for food continues to rise with a rapidly growing population. An estimated 110 million Nigerians (60% of the population) live below the poverty line. Food inflation and high poverty levels have debilitating effects on household budgets and have made it difficult for the average Nigerian to afford essential food commodities.[11]

At least 70% of Northeast Nigerian households rely on agriculture for food and income. Despite this, 2.4 million vulnerable people in the Northeast still require emergency food assistance. Without humanitarian aid, 3.5 million people in the Northeast will face food insecurity during the June-August 2022 lean season. [12] Food insecurity is high in Northern Nigeria and major cities such as Lagos and Enugu, where 85% of essential food commodities are from Northeast Nigeria. The major reasons for Nigeria's food insecurity are climate change, failed government investment schemes, and small-scale farming.

Nigeria continues to rely on rain-fed agriculture, making it vulnerable to the adverse effects of climate change. Farming in Nigeria is manual, a practice that results in poor productivity and discourages youth participation in agriculture and is incompatible with initiatives to eliminate hunger. As a result, there is a need for sustainable agriculture in Nigeria to meet the increasing demand for food from the country's growing population. To ensure food security, we must first understand the climatic changes that are taking place around us and how they affect agricultural productivity and rural livelihood.

"The effects of climate change have crippled the agricultural sector. Nigeria can no longer rely on small-scale irrigation farming. There is a need for investments in and successful adoption of sustainable agricultural systems. Doing this will help address challenges and create new opportunities."

Edafe Erhie

Partner, Consumer & Industrial Products & Services Industry Leader

The Nigerian government launched various financing initiatives to improve agricultural finance and diversify the economy. Between 2018 and 2020, the Nigerian government committed over half a trillion naira in agricultural budgetary allocation and launched various financing initiatives.

Despite these significant investments, Nigeria's food inflation is projected to be approximately 6% in 2022 and 8% in 2023, leaving nearly 17 million people undernourished. These data show that Nigeria is amongst the most malnourished countries in Africa and the world. Governments must direct funds towards mechanised farming initiatives for investment schemes to be effective.

The insurgency in Nigeria has significantly impacted the agriculture sector. Due to the unpredictable rainfall patterns and extreme weather caused by climate change, Nigerian farmers have expanded their farmland, allowing them to prepare for a poor harvest. These climate-related effects have also caused herders to migrate into areas with better grazing land. The migration of both groups has led to violent clashes, leading to the loss of lives and the destruction of farming land. Thousands of farmers have become internally displaced persons (IDPs) due to violent confrontations with herders, leading to a shortage in the farming industry and, subsequently, a spike in food prices.

The two significant steps required to curb commodity volatility are: creating policy that tackles climate change and moving from small-scale farming to mechanised agricultural practices sustainably. There is a growing call for African countries to shift towards using modern agricultural technology, both digital and mechanical, to boost the agricultural sector sustainably.

The Government has already started making efforts toward combating climate change through the Nigerian Climate Change Act, which provides a framework for achieving its long-term climate change mitigation and adaptation goals. For the Government to move toward a sustainable mechanised agriculture system, it needs to be more inclusive in its policy-making processes: stakeholders across the agricultural value chain must be involved in formulating policies.

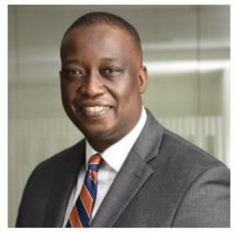
The policy discourse must incorporate smallholder farmers and other key players in the agricultural value chain.

The Great Resignation and the Tech Job losses

The employer-employee relationship is changing dramatically, forcing leaders to reconsider their approach to talent. Many companies have been dealing with a record-breaking number of resignations in the last two years. In the United States, 4.2 million people left their jobs in October 2020 and 4.4 million in September 2021. Economists have dubbed this phenomenon "The Great Resignation".

Nigeria is distinctively experiencing the effect of the Great Resignation and its variant of 'Japa' which has seen hordes of young skilled people relocate to the United Kingdom, Canada and other developed economies. Professionals are not only leaving their jobs but also leaving the country to fulfil the record-high demand for their labour in Euro-America. In 2020, 0.31 people per thousand population (approximately 300,000 people in total) left Nigeria. [13] This trend has been progressively sustained for decades as Nigerians leave the country in search of better social security, employment benefits, and an overall improved living standard. According to a 2010 Migration Policy Institute report, by the late 1970s, approximately 30,000 Nigerian professionals had graduated from universities and colleges in the United Kingdom but never returned to Africa. [14]

About 40% of Africa's top professionals live abroad, with African doctors working and being trained in the United States increasing by 27% between 2008 and 2018.[15] According to a 2018 poll, 88% of Nigerian doctors are looking for work abroad. In addition, between 2015 and 2021, approximately 4,528 Nigerian-trained doctors migrated to the United Kingdom (UK).



"Nigeria loses economically and financially from the shrinking of the high-skilled workforce and its attendant impact on tax revenues. Other social consequences of the human capital flight include the shortage of skills to serve the population's needs and meet the sustainable development goals. Another consequence of human capital flight is the loss of potential entrepreneurs to provide employment opportunities"

Olusola Adewole

Partner, People and Organization Advisory Leader (Nigeria, Ghana and Liberia).

While the Covid-19 pandemic raged, the number of health workers migrating sadly increased, further worsening the existing health burdens. [16] Nigeria loses economically and financially from the shrinking of the high-skilled workforce and tax revenues.

Other social consequences of the human capital flight include the shortage of skills to serve the population's needs and meet the sustainable development goals and the loss of potential entrepreneurs to provide employment opportunities.

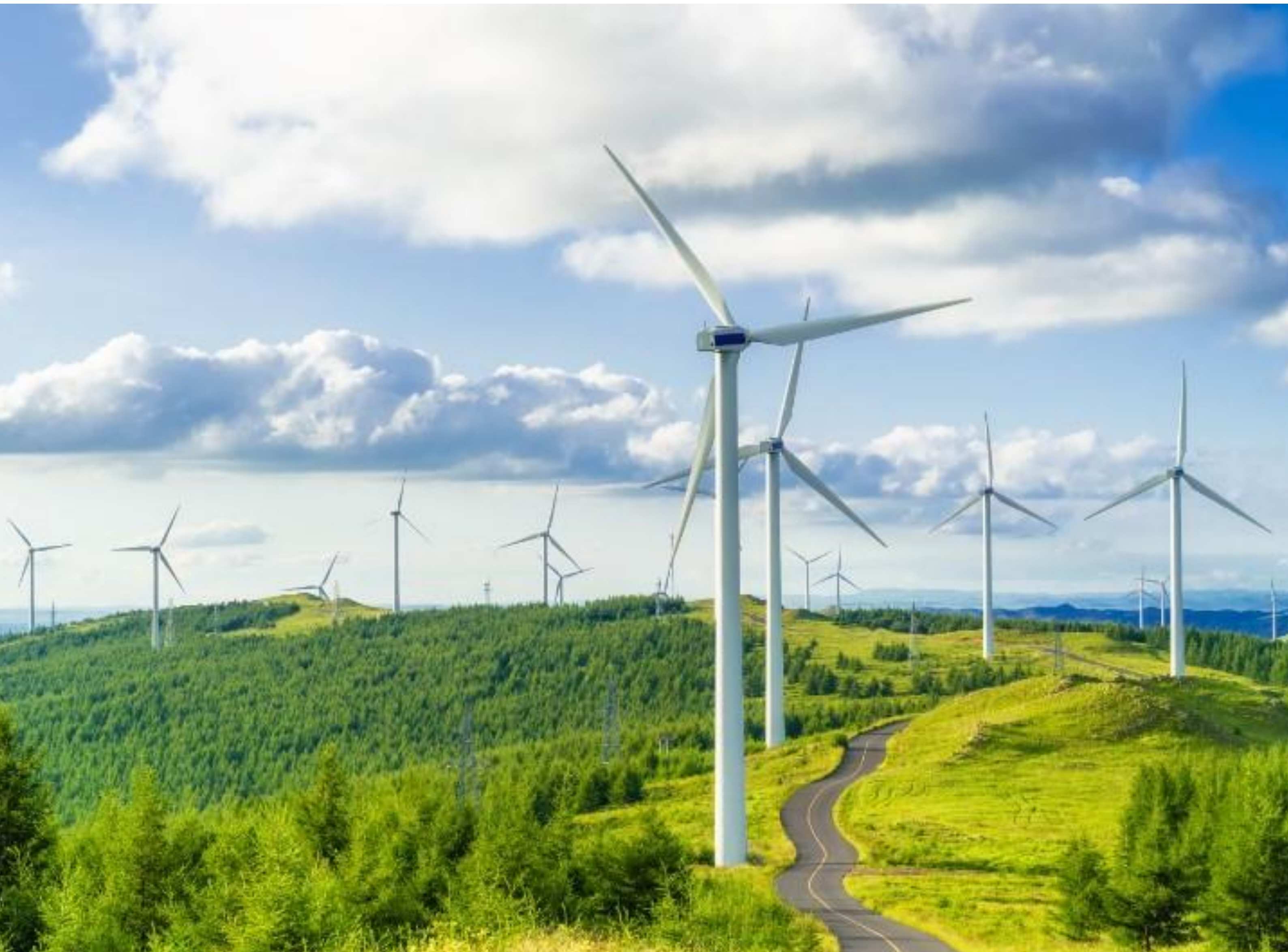
While the world is battling with the post-Covid Great Resignation, there has been a new twist recently as there have been massive layoffs in the tech industry. The industry experienced a rapid boom during the peak of the COVID-19 pandemic, but as growth slowed down following the decline of pandemic-induced demand, tech companies have been forced to shed some of their workforce. In 2022 alone, over 150,000 people were laid-off, and several analysts predict more job cuts as the world's biggest economies start to slow.[17]

With the new labour market power shift, the question is, how can companies retain talent? We anticipate that businesses will begin to reexamine pre-pandemic principles and existing company structures and policies. Ultimately, companies must rethink their Employee Value Proposition (EVP) and avoid viewing and treating employees as mere statistics. The pandemic has forced people to confront their mortality, the existential concept of the value and fickleness of life and the very essence of work and where it gets done.

Companies must take a new approach to their talent in the future, recognising them first as humans with hopes and fears. We have already begun to see a prioritisation of mental health considerations and overall employee well-being in the workplace. The pandemic exposed, aggravated, and triggered mental health issues many people have been dealing with previously. Companies must consider their employees' well-being by promoting work-life balance, providing psychosocial support and appropriate mental health training.

Section 3

Conclusion



The year 2023 promises a new era of sustainability where the business environment values ESG more than ever. The need for ESG integration and investments will intensify with more pressure from stakeholders, and increased discussions around social and health equity, policies, and regulations. Increasingly, business resilience and the processes of mitigating climate risks amidst the pandemic will be at the forefront of board-level strategic planning, ultimately determining organisations' future.

The global shocks triggered by the COVID-19 pandemic and the Russian-Ukraine Conflict have exposed our weaknesses and risks as a society leading to a series of setbacks in achieving global development. However, it also provides an opportunity to reset and reaffirm our climate commitments. This will include embracing innovative financial solutions, investing in alternative energy sources, driving innovation using technology for sustainable agriculture, production and consumption, and revitalising and investing in our healthcare systems.

Our Sustainability Outlook 2023 predicts the growing trends in the sustainability landscape while highlighting the key focus areas. There's scope for public-private partnerships to create an enabling environment for transformative societal change. The 2023 Sustainability Outlook offers pathways toward converting burning ESG issues into opportunities for the sustainable economic growth of our society, thus achieving a prosperous and equitable society for present and future generations.

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Abbreviations

- **CBDC** - Central Bank Digital Currency
- **CBN** - Central Bank of Nigeria
- **CCS** - Carbon Capture and Storage
- **COP** - Conference of the Parties
- **CO2** – Carbon Dioxide
- **ETP** - Energy Transition Plan
- **EV** - Electric Vehicles
- **EVP** - Employee Value Proposition
- **GDP** - Gross Domestic Profit
- **GHG** - Greenhouse Gas
- **IDP** - Internally Displaced Persons
- **IMF** - International Monetary Fund
- **NDC** - Nationally Determined Contribution
- **NLC** - Nigeria Labour Congress
- **NNPC** - Nigerian National Petroleum Corporation
- **NSBP** - Nigerian Sustainable Banking Principles
- **PIA** - Petroleum Industry Act
- **TUC** - Trade Union Congress
- **USSD** - Unstructured Supplementary Service Data

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