Stock exchanges in sub-Saharan Africa: capturing intent towards ESG requirements

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A number of leading stock exchanges are helping to drive sustainability reporting via the inclusion of environmental, social and governance (ESG) reporting requirements in their listing regulations.

Following a review of listing regulations, corporate disclosure practices of listed companies and consultations with experts from stock exchanges and listed companies, this report explores the level and extent of sustainability activities of 10 stock exchanges across sub-Saharan Africa.

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Acronyms

ACCA	Association of Chartered Certified Accountants
ASEA	African Securities Exchanges Association
BEE	Black Economic Empowerment
BIST	Borsa Istanbul
BM&F BOVESPA	Bolsa de Valores, Mercadorias & Futuros de São Paulo
BSE	Bombay Stock Exchange
BSE	Botswana Stock Exchange
CEO	Chief executive officer
CFO	Chief financial officer
CMA	Capital Markets Authority
CoSSE	Committee of SADC Stock Exchanges
CSR	Corporate social responsibility
DAX	Deutscher Aktien Index
EASEA	East African Securities Exchanges Association
EGX	Egyptian Exchange
ESG	Environmental, social and governance
FSB	Financial Services Board
FSC	Financial Services Commission
FTSE	Financial Times and the London Stock Exchange
GDP	Gross domestic product
GRI	Global Reporting Initiative
GSE	Ghana Stock Exchange
HDI	Human Development Index
IFC	International Financial Corporation
IIRC	International Integrated Reporting Council
IIX	Impact Investment Exchange
IOSCO	International Organization of Securities Commissions
IR	Integrated reporting
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
LSE	Lusaka Stock Exchange
LSE	London Stock Exchange
MSE	Malawi Stock Exchange
NASDAQ	National Association of Securities Dealers Automated Quotation system
NBFIRA	The Non-Bank Financial Institutions Regulatory Authority
NSE	Nigerian Stock Exchange
NSE	Nairobi Securities Exchange
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
RBM	Reserve Bank of Malawi
SA	South Africa
SADC	Southern African Development Community
S&P	Standard & Poor's
SEC	Securities and Exchange Commission
SeC	Securities Commission of Zimbabwe
SEM	Stock Exchange of Mauritius
SRI	Socially responsible investment
SSE	Sustainable Stock Exchanges Initiative
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNGC	United Nations Global Compact
UNPRI	United Nations-supported Principles for Responsible Investment Initiative
USE	Uganda Stock Exchange
WACMIC	West African Capital Markets Integration Council
WBCSD	World Business Council for Sustainable Development
WEF	World Economic Forum
WFE	World Federation of Exchanges
WSE	Warsaw Stock Exchange
ZSE	Zimbabwe Stock Exchange

Foreword

Through its research programme, engagement with key non-financial reporting standards setters and policy and advocacy activities, ACCA has for over two decades encouraged and supported the introduction of sustainability reporting regulations around the world.

Stock exchanges have a high degree of influence over the companies listed in their jurisdiction and are therefore well placed to implement regulations requiring listed companies to report on their environmental, social and governance policies and impacts. Such an approach is adopted by a number of stock exchanges around the world, including the Johannesburg Stock Exchange, which introduced sustainability reporting in 2002 on a comply-or-explain basis and has pioneered integrated reporting since 2010. As many countries in sub-Saharan Africa lack sophisticated legal and regulatory systems, stock exchanges have an even greater degree of influence over listed companies than is the case in more developed countries.

Beyond the JSE, little is heard about how exchanges in sub-Saharan Africa are considering sustainability and how this flows down to the reporting practices of listed companies in the region. To redress the balance, ACCA has undertaken research into the listing requirements of 10 exchanges across sub-Saharan Africa and the reporting practices of the largest companies listed on each exchange. By doing so, ACCA aims to highlight examples of good practice among both exchanges and listed companies across sub-Saharan Africa, as well as to influence exchanges in the region and further afield to give proper consideration to sustainability.

We aimed to discover any intentions of 10 sub-Saharan Africa exchanges to introduce sustainability reporting initiatives or listing requirements. By doing so, we hope that, however modest the intentions of these exchanges, they will drive better and greater corporate transparency of companies listed on them. Their actions will also serve as examples for others to follow, to begin pushing for greater levels of accountability.

We hope you enjoy reading the resulting report.

Jamil Ampomah
Director, ACCA Sub-Saharan Africa

Executive summary

Stock exchanges, via their listing regulations, have the ability to influence the types of disclosure made by listed companies. By incorporating environmental, social and governance (ESG) disclosure requirements into such listing rules, stock exchanges can create a powerful incentive for companies to measure and publicly disclose sustainability data. A number of leading stock exchanges have realised this potential and have been highly active in driving sustainability reporting by listed companies in their jurisdictions.

Beyond the Johannesburg Stock Exchange (JSE), exchanges in sub-Saharan Africa are rarely associated with sustainability. To address this, ACCA has undertaken research into what exchanges are doing to further sustainability reporting in the region. By reviewing listing requirements (including any voluntary guidelines) and consulting with senior stock exchange representatives, it has been possible to analyse both current and prospective ESG initiatives from exchanges.

The JSE is the most advanced exchange in the region (and arguably a world leader) in promoting sustainability. The exchange introduced ESG reporting on a comply-or-explain basis in 2002 and since 2010 has similarly required companies to produce integrated reports.

Beyond the JSE, no other exchanges have implemented any form of sustainability reporting requirement or voluntary reporting guidelines, but the research did identify four other exchanges that were taking steps in this direction:

- the Ghana Stock Exchange (GSE) has initiated plans to develop a sustainability reporting framework for listed companies
- the Stock Exchange of Mauritius is intending to launch a sustainability index
- the Nigerian Stock Exchange has signed up to the Sustainable Stock Exchanges Initiative (SSE)
- the Zimbabwean Stock Exchange (ZSE) has drafted changes to its listing regulations that would require companies to report on their environment and social impacts.

The public disclosures of the top listed companies on the exchanges included in the study were reviewed to determine the level of compliance with any sustainability reporting requirements, and in the absence of such requirements to determine whether sustainability reporting was being driven by companies rather than by exchanges.

The company disclosure review confirmed that levels of sustainability reporting by listed companies were high in South Africa but very low elsewhere in the region. This reflects the fact that the JSE is the only exchange with any form of ESG reporting requirement and demonstrates the level of influence that exchanges can have on listed companies. There were examples of good practice from countries outside South Africa, but these were very much the exception rather than the norm.

RECOMMENDATIONS

Through this analysis, ACCA was able to develop a series of recommendations for the key actors in this area, to help develop more extensive and meaningful disclosure requirements within the listing rules, and to increase the quality and quantity of sustainability disclosures from listed companies.

Stock exchanges should:

- consider introducing mandatory ESG reporting requirements within listing regulations
- produce voluntary ESG reporting guidelines for listed companies, if a mandatory approach is not seen as appropriate
- consult with others that already have ESG reporting requirements, to gain an understanding of how to implement such initiatives and build capacity
- engage with international sustainability initiatives such as the Sustainable Stock Exchanges Initiative (SSE), the UN Environmental Programme Finance Initiative (UNEP FI) or the Global Reporting Initiative (GRI) when developing any mandatory ESG reporting requirements or voluntary reporting guidelines
- consult with participants in the broader investment supply chain, such as asset managers and asset owners who are actively seeking greater levels of ESG disclosure from companies.

International and regional associations of exchanges and regulators should:

- look to influence their members in sub-Saharan Africa to incorporate sustainability into their activities. WFE's recently launched sustainability working group has a significant opportunity to influence exchanges in sub-Saharan Africa.

Listed companies should:

- coordinate with stock exchanges on developing mandatory ESG reporting requirements or voluntary reporting guidelines that achieve the objective of increasing levels of transparency on sustainability while being 'user friendly'
- move beyond charitable and philanthropic activities to integrate sustainability into corporate strategies so that environmental and social impacts are assessed and managed
- create links with international sustainability initiatives such as the GRI, UN Global Compact (UNGC) or World Business Council for Sustainable Development (WBCSD), when looking to develop sustainability reporting
- take the lead and start reporting on sustainability, in the absence of stock exchange-led sustainability initiatives
- consider the various benefits to themselves and their stakeholders that could follow from adopting a closer focus on sustainability issues.

Other influential actors should:

- push stock exchanges in sub-Saharan Africa to consider sustainability more carefully, with a specific focus on exchanges that have already taken initial steps in this area
- highlight examples of good reporting practices by companies in sub-Saharan Africa so that companies looking to report have a benchmark to aim for.

1. Introduction

Over the past 20 years, companies have come under increasing pressure to measure and manage their impacts on the environment and society, and communicate this publicly. Where companies report on such matters, this usually takes the form of a sustainability report, distinct from a company's annual report and accounts.

In recognition of the importance of sustainable business behaviour, a number of leading stock exchanges encourage or require sustainability reporting, either through voluntary reporting guidelines or through mandatory reporting requirements. These include the Sao Paolo stock exchange (BM&F BOVESPA) in Brazil and the Johannesburg Stock Exchange (JSE) in South Africa. Research ranking 45 of the world's stock exchanges on the basis of the extent to which large listed companies are disclosing sustainability indicators has shown a clear link between stock exchange-led action on sustainability reporting and high levels of disclosure (CK Capital 2013).

Although there is clear intent to promote sustainability among some of the world's stock exchanges, African exchanges beyond the JSE are rarely associated with sustainability and are rarely mentioned in any research papers on the topic. To fill this gap, ACCA has explored what stock exchanges are currently doing in sub-Saharan Africa to stimulate sustainability reporting and has examined their plans on this issue. The research also assesses the level of sustainability reporting by listed companies in the countries under review, presenting some examples of good practice.

The research focuses on 10 exchanges in sub-Saharan Africa:

- Botswana Stock Exchange
- Ghana Stock Exchange
- Johannesburg Stock Exchange
- Lusaka Stock Exchange
- Malawi Stock Exchange
- Nairobi Securities Exchange
- Nigerian Stock Exchange
- Stock Exchange of Mauritius
- Uganda Securities Exchange
- Zimbabwe Stock Exchange.

METHODOLOGY

This report is based on a review of the listing requirements issued by each exchange considered, an analysis of the disclosure of more than 90 listed companies across sub-Saharan Africa, and consultation with selected stakeholders. The research was conducted in late 2013 and early 2014.

Listing requirements review

The listing requirements of the 10 stock exchanges were reviewed to determine the extent to which companies were required to report on any ESG matters. Any voluntary guidelines relating to any broader non-mandatory sustainability initiatives were also included in the research.

Company disclosure analysis

The public disclosures of the largest listed companies in each country were reviewed to determine the level and extent of corporate disclosure on sustainability. Documents reviewed included annual reports, sustainability reports and integrated reports. A review of other types of corporate communication, such as online resources, was also conducted where possible.

Consultation with selected stakeholders

Senior representatives from stock exchanges, regulators and listed companies were consulted to gather their observations and opinions on sustainability reporting and stock exchange activity in sub-Saharan Africa.

REPORT STRUCTURE

The rest of the report is divided into the following sections.

Chapter 2 provides background on sub-Saharan Africa, the 10 countries included within the study and the corporate sustainability initiatives that are currently operating in the region.

Chapter 3 explores the role of stock exchanges in driving ESG disclosures.

Chapter 4 presents the current and future sustainability reporting activities of the 10 exchanges reviewed.

Chapter 5 reviews the sustainability reporting activities of the international and regional stock exchange and regulator associations that are active in sub-Saharan Africa, which could affect the 10 exchanges included within the study.

Chapter 6 presents the findings of a survey of 96 companies listed on the stock exchanges included within the study.

Chapter 7 sets out the report's conclusions and a series of recommendations for stock exchanges, listed companies and other influential actors such as stock exchange associations and international sustainability initiatives operating in sub-Saharan Africa.

2. Sub-Saharan Africa context

Covering an area of just over 30 million km^2, around 20% of the Earth's total land mass, and with a current population of just over one billion people, Africa is the second largest continent on the planet in both size and population.

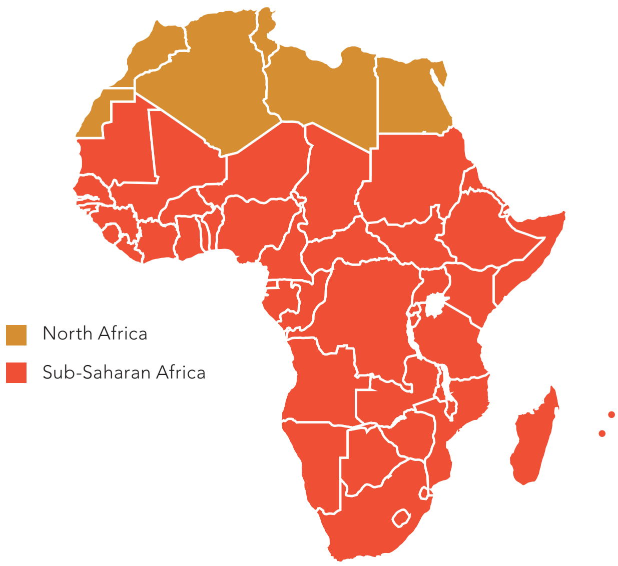
It has a total of 54 UN-recognised states. The continent is politically and culturally split into two regions: North Africa, which is more often affiliated with the Arab world, and sub-Saharan Africa. The Sahara desert marks this geographic and cultural boundary.

Sub-Saharan Africa is made up of 49 countries, covering the majority of the land area of the continent. The region is home to around 85% of Africa's population.

Although fallout from the 2008 credit crunch has slowed economic progress in many countries around the world, economists tip Africa as a significant source of growth in the future. The World Bank believes that economies in the continent could be on the brink of an economic acceleration, similar to that of China 30 years ago and India 20 years ago (World Bank 2011). In 2013, sub-Saharan Africa's economy grew by 4.7%, and seven African countries are expected to be among the top 10 fastest-growing economies in the world for the period 2011–15 (World Bank 2014, Tafirenyika 2012). Much of this growth is dependent on natural resources – including fossil fuels and metallic and non-metallic minerals. These are non-renewable, and require careful management to ensure future growth and sustainability (UNCTAD 2012).

This economic progress will take place during a period of significant demographic change. By 2025 sub-Saharan Africa's population is expected to have grown to around 1.2bn, and to be over 2bn by 2050 (PRB 2011). These rising numbers, coupled with higher income levels, will generate a large African middle class. This will create an internal market for a wide range of products and services, including mobile phones, cars, food, clothes and financial services (Fletcher 2010).

Figure 2.1: Sub-Saharan Africa



Politically, most countries in sub-Saharan Africa have democratically elected governments and the region has seen major advances in freedom and democracy, although this is not a consistent story across the region (Freedom House 2013). Social unrest has generally related to economic concerns about the cost of living, and population growth will probably put pressure on governments to find equitable solutions to economic and social challenges. Corruption remains a major issue: a recent survey from Transparency International (2013) shows that many countries in sub-Saharan Africa have very weak institutions.

KEY ECONOMIC AND SOCIAL INDICATORS

In order to provide an idea of the range of countries covered by this study, Table 2.1 collates the key economic and social indicators. Included are population figures, gross domestic product[1] (GDP) and GDP growth rates (UNSD 2014), the human development index[2] (HDI) ranking (UNDP, 2013) and key economic sectors. All figures are for 2012.

Table 2.1: Economic and social statistics for 10 African countries in 2012

	Botswana	Ghana	Kenya	Malawi	Mauritius	Nigeria	South Africa	Uganda	Zambia	Zimbabwe
Population (million)	2.1	25.2	44.0	16.8	1.3	174.5	48.6	34.8	14.2	13.2
GDP ($ billion)	14.4	40.7	75.0	5.7	11.5	262.6	384.3	21.7	21.5	9.8
GDP growth rate (%)	4.2	7.9	4.6	1.9	3.2	6.5	2.5	3.4	7.3	4.4
HDI ranking	119	135	145	170	80	153	121	161	163	172
Key economic sectors	Mining, agriculture	Agriculture, fossil fuels, mining, m'facturing, services	Agriculture, tourism	Agriculture	Mixed economy	Fossil fuels, telecomms	Mixed economy	Mining, agriculture	Mining, agriculture	Mining, agriculture

1. GDP: the market value of all officially recognised final goods and services within a country in a year.

2. HDI: a comparative measurement of life expectancy, literacy, education, standards of living and quality of life for countries worldwide. The figures included above show each country's HDI ranking – its position out of 187 countries.

CORPORATE SUSTAINABILITY IN SUB-SAHARAN AFRICA

A number of international initiatives have been instigated to promote corporate sustainability and to act as a platform on which companies can share best practice. A number of these, including those listed below, are active in sub-Saharan Africa.

United Nations Global Compact (UNGC)
The UNGC is a global strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption (UNGC 2014).

The UNGC has local networks in sub-Saharan Africa, including: Cameroon, Cote d'Ivoire, Equatorial Guinea, Ghana, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Senegal, South Africa, Sudan, Uganda, Zambia and Zimbabwe.

The Global Reporting Initiative (GRI)
The GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development (GRI 2014).

The GRI has regional Focal Points: offices based around the world to create reporting communities in their respective regions. The Focal Point South Africa aims to promote GRI's work in southern Africa and the continent more widely.

The World Business Council for Sustainable Development (WBCSD)
The WBCSD is led by the CEOs of forward-thinking companies that stimulates the business community to create a sustainable future for business, society and the environment (WBCSD 2014).

The WBCSD has a number of regional networks and informal alliances of businesses in specific regions with a shared commitment to providing sustainability leadership in their respective countries. Three associations exist in sub-Saharan Africa: in Zimbabwe, Mozambique and South Africa.

United Nations Environment Programme Finance Initiative (UNEP FI)
The UNEP FI is a global partnership between UNEP and the financial sector. Over 200 financial institutions work with UNEP to understand the impacts of environmental and social phenomena on financial performance (UNEP FI 2014).

The UNEP FI Africa Task Force leads UNEP's involvement in relevant activity in the region. The Initiative has been involved in discussions about sustainable development and finance across the continent for over a decade, organising training, roundtables and knowledge-sharing platforms for representatives from the corporate and finance communities.

3. The influence of stock exchanges in driving ESG disclosure

To date, the majority of stock exchanges have been little more than observers in the development of sustainability reporting. Their role is potentially significant. By incorporating environmental, social and governance (ESG) disclosure requirements into their listing rules, stock exchanges can create a powerful incentive for companies to measure and disclose sustainability performance data to the market.

In light of this, there have been a growing number of initiatives around the world to incorporate sustainability reporting into stock exchange operations in recent years. Generally, this has been achieved by two specific methods:

- sustainability disclosure requirements
- sustainability indices.

SUSTAINABILITY DISCLOSURE REQUIREMENTS

Certain stock exchanges urge or require (though voluntary or mandatory means) companies to report on a range of different sustainability issues. Some examples of this practice are given below.

- In the UK, from October 2013, it is mandatory for listed companies to disclose their greenhouse gas emissions (Defra 2013).
- In the US, the NASDAQ recommends that listed companies report, on a voluntary basis, on various sustainability issues such as water use, gender equality and greenhouse gas emissions (EY 2012).
- In South Africa, since 2010, the JSE has required listed companies to produce, on a comply-or-explain basis, integrated reports that include sustainability and governance information (Visser 2013).

The United Nations Conference on Trade and Development (UNCTAD) points out that both mandatory and voluntary approaches have their merits – while the former normally results in more disclosure overall, the latter can be more appropriate where the level and experience of reporters is low. Voluntary approaches allow companies time to develop their reporting functions to collate the necessary data to produce a sustainability report (UNCTAD 2013). Such stock exchange-led action is not limited to larger, more developed exchanges: sustainability reporting has also been included within the listing requirements of several stock exchanges in non-OECD countries (KPMG 2013a).

This is demonstrated well by the Sustainable Stock Exchanges Initiative (SSE). This initiative is co-convened by four corporate-focused UN programmes[3] and aims to explore how exchanges can work together with investors, regulators and companies to enhance corporate transparency, and ultimately performance, on ESG issues and to encourage responsible long-term approaches to investment (SSE 2014). The SSE currently has 10 partner exchanges, including the two largest in sub-Saharan Africa. These are as follows:

- The Brazilian Exchange (BM&F BOVESPA)
- Borsa Istanbul (BIST)
- The Bombay Stock Exchange (BSE)
- The Egyptian Exchange (EGX)
- The Johannesburg Stock Exchange (JSE)
- The London Stock Exchange (LSE)
- NASDAQ OMX
- NYSE Euronext
- The Nigerian Stock Exchange (NSE)
- The Warsaw Stock Exchange (WSE).

3. The Sustainable Stock Exchanges initiative (SSE) is co-convened by the UN-supported Principles for Responsible Investment, the United Nations Conference on Trade and Development, the United Nations Environment Programme Finance Initiative, and the UN Global Compact.

SUSTAINABILITY INDICES

Stock exchanges have developed distinct sustainability indices, which include companies on the basis of their ESG performance. These indices tend to fall into two main categories – broad-based indices and sector-specific indices. More recently, a third variation has been developed – thematic indices. The three types of index are therefore:

- broad-based stock indices from all industry sectors that use extensive ESG criteria and scoring systems to select companies that are leaders in social and environmental responsibility
- sector-specific indices that focus specifically on companies that provide solutions to sustainability challenges, particularly in relation to clean technology, sustainable energy and environmental services
- thematic indices that focus on a single ESG issue, such as carbon emissions/climate change (WFE 2010).

Table 3.1 provides some examples of the different types of sustainability index.

Table 3.1: Indices grouped by category

Category	Index	Location	Parameters
Broad-based indices	FTSE4Good series	UK	Policy, performance and reporting of listed companies measured against various indicators across ESG issues.
	BM&FBOVESPA Corporate Sustainability Index	Brazil	
	JSE Socially Responsible Investment Index	South Africa	
	S&P/EGX ESG Index	Egypt	
	Wiener Börse VÖNIX Sustainability Index	Austria	
Sector-specific indices	FTSE Environmental Technology Index series	UK	The wider performance of companies whose core business is in the area of the exchange (eg clean energy)
	Deutsche Börse DAXglobal Alternative Energy Index	Germany	
	NASDAQ OMX Clean Edge Global Wind Energy Index	US	
Thematic indices	NYSE Euronext Low Carbon 100 Europe Index	US	The wider performance of companies within a region that perform best according to a specific ESG area (eg carbon emissions)
	FTSE Developed ex-Fossil Fuels Index Series	UK	

BENEFITS OF STOCK EXCHANGE-LED SUSTAINABILITY INITIATIVES

The benefits of sustainability reporting for companies are well recognised. Stock exchanges can also benefit from greater levels of such disclosures, and can initiate this through the means noted above. They can also benefit in the following ways.

Meeting the information needs of investors

Investors are increasingly incorporating non-financial information into their investment decisions. By implementing sustainability disclosure requirements, an exchange can ensure that companies produce the necessary information to meet investor needs.

Demonstrating leadership

Few exchanges have taken action on ESG disclosures. By doing so, exchanges can demonstrate leadership in this evolving field.

Creating more transparent and efficient markets

Greater transparency provides investors with better information on which to base their decisions. This will help to increase market efficiency and ultimately result in more stable capital markets.

Improving exchange performance

There is some evidence that companies that produce sustainability reports can outperform those that do not (Harvard Business School 2013). By requiring companies to report on sustainability, an exchange can increase its competitive advantage through improved performance.

A ROLE FOR STOCK EXCHANGES

As pivotal players in capital markets, exchanges need to be cognisant of the potential long-term impact of unsustainable business practices on the operating environment and the health of the economy. Whether through performing a regulatory function or otherwise, exchanges certainly have a vested interest in ensuring the quality of the stocks they are taking on.

The level of involvement of an exchange will depend on a range of factors, such as the existing legal framework, what is currently practised and the extent to which sustainability reporting is being taken up by corporates.

Ultimately, the approach should be up to each individual exchange. The reality is, however, that exchanges have significant influencing potential and are well positioned to exert that influence in a variety of ways, including collaborating with other players across the investment value chain in strengthening the call for greater transparency and advancing engagement on sustainability between companies and their shareholders.

Corli Le Roux, head of SRI Index and sustainability at Johannesburg Stock Exchange

4. Sub-Saharan African stock exchanges: current and future initiatives

Many stock exchanges across Africa are relatively new by international standards. For example, the majority of exchanges included in this study were founded in in the 1980s and '90s. A notable exception to this is the Johannesburg Stock Exchange, which was founded in 1887. Figure 4.1 shows the African countries with stock exchanges, and Table 4.1 provides details of the 10 exchanges and their regulators that have been reviewed in this report.

Figure 4.1: Map showing the locations of African stock exchanges

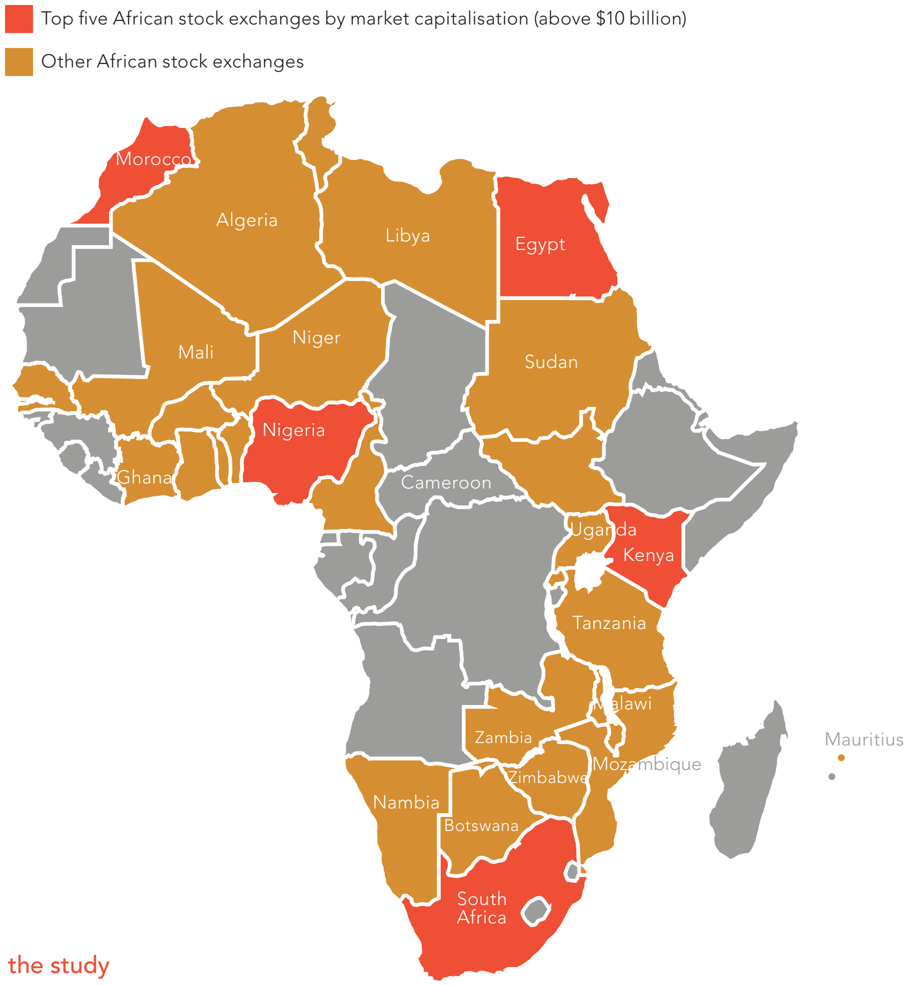


Table 4.1: Stock exchanges included within the study

Country	Exchange	Year established	Regulator
Botswana	Botswana Stock Exchange (BSE)	1989	Non-Bank Financial Regulatory Authority
Ghana	Ghana Stock Exchange (GSE)	1989	Securities and Exchange Commission (SEC) Ghana
Kenya	Nairobi Securities Exchange (NSE)	1954	Capital Markets Authority (CMA) Kenya
Malawi	Malawi Securities Exchange (MSE)	1994	Reserve Bank of Malawi (RBM)
Mauritius	Securities Exchange of Mauritius (SEM)	1989	Financial Services Commission (FSC) Mauritius
Nigeria	Nigerian Stock Exchange (NSE)	1960	Securities and Exchange Commission (SEC) Nigeria
South Africa	Johannesburg Stock Exchange (JSE)	1887	Financial Services Board (FSB)
Uganda	Uganda Securities Exchange (USE)	1997	Capital Markets Authority (CMA) Uganda
Zambia	Lusaka Stock Exchange (LSE)	1994	Securities and Exchange Commission (SEC) Zambia
Zimbabwe	Zimbabwe Stock Exchange (ZSE)	1993	Securities Commission (SeC) of Zimbabwe

Source: IFC 2011

CURRENT SUSTAINABILITY REPORTING ACTIVITIES

Of the 10 exchanges reviewed, five have implemented or taken steps towards incorporating ESG disclosures into their listing requirements. These are:

- the Johannesburg Stock Exchange
- the Ghana Stock Exchange
- the Stock Exchange of Mauritius
- the Nigerian Stock Exchange
- the Zimbabwe Stock Exchange.

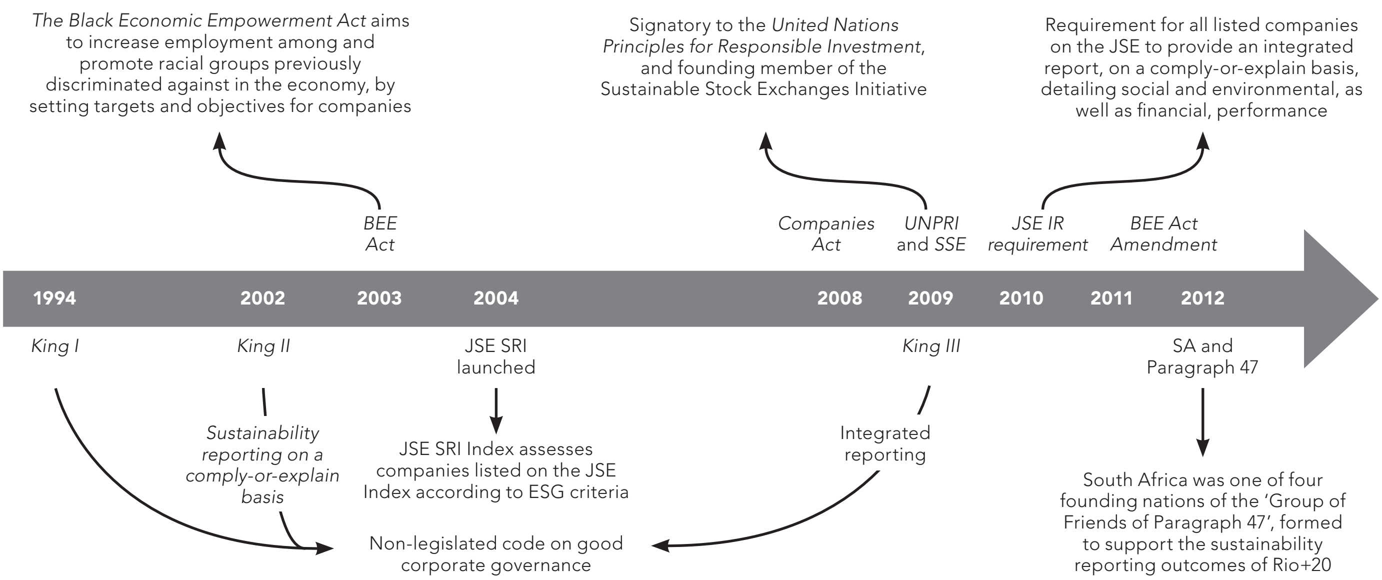
The Johannesburg Stock Exchange

JSE is a global leader in sustainability reporting. In 2013, the World Economic Forum (WEF) ranked South Africa first out of 148 countries for regulation of securities exchanges for the fourth consecutive year (All Africa 2013).

The JSE has been at the forefront of developing sustainability reporting for listed companies – from reporting on specific ESG indicators to integrated reporting – and launched a specific sustainability index, the JSE SRI, in 2004. The JSE's sustainability reporting developments are shown in the timeline in Figure 4.2.

Because the JSE listing requirements now oblige companies to report on the extent to which they apply the principles of the King Code, or to explain any deviations, JSE-listed companies have had to pursue sustainability reporting since 2002 and integrated reporting since 2010, or to explain why they are not doing so. Research by ACCA has shown that following the requirement to produce an integrated report on a comply-or-explain basis, the quantity of ESG information within company reports has increased significantly (Solomon and Maroun 2012).

Figure 4.2: Sustainability reporting developments at the Johannesburg Stock Exchange



The Ghana Stock Exchange

In June 2013, The Ghana Stock Exchange (GSE) initiated plans to develop a sustainability reporting framework for listed companies. Further to this, the GSE and ACCA will together be running a series of training programmes for CFOs of listed companies on how to adopt sustainability reporting.

Ghana is one of the top-performing economies in West Africa, with large listed companies from a diverse range of sectors, including energy, mining, telecommunications, pharmaceuticals and professional services. The GSE sees sustainability reporting as a means of ensuring that Ghana remains a leading economy and competitive on the global stage.

The Stock Exchange of Mauritius

The Stock Exchange of Mauritius (SEM) is a hub for investment in Africa and has been one of the exchanges leading the development of capital markets on the continent. As a means of promoting sustainable business practices, the SEM is working with listed companies to create a sustainability index for the stock exchange, drawing on the Global Reporting Initiative's reporting framework.

Further to this, the SEM has joined with Impact Investment Exchange Asia (IIX) to launch the Impact Exchange trading platform. This is the world's first publicly traded platform dedicated to connecting social enterprises[4] with investors. It operates under SEM's regulatory framework, with IIX providing oversight of the environmental and social requirements and obligations of companies listing on the platform.

The Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE) is Africa's second largest stock exchange after the JSE. In October 2013, the NSE joined the Sustainable Stock Exchanges Initiative (SSE). Although joining this initiative is a significant step forward, the exchange has yet to introduce any voluntary guidelines or mandatory requirements for the production of sustainability reports by listed companies, although the exchange does provide assistance and training to listed companies on corporate governance issues.

The Zimbabwe Stock Exchange

In November 2013, the Zimbabwe Stock Exchange (ZSE) consulted with stakeholders to consider the implementation of sustainability reporting by listed companies in Zimbabwe. It was proposed that the exchange's listing requirements should be amended to include a requirement to report on ESG practices and performance, with an encouragement to apply the GRI reporting framework. The Zimbabwean government has recognised the benefits of greater corporate transparency as a means of attracting foreign investment, citing the JSE as a good example to follow.

The ZSE has not announced when such requirements could come into force, but the fact that the exchange is seriously considering implementing sustainability reporting requirements is a positive step.

4. Social enterprise: an organisation that applies commercial strategies to maximise improvements in human and environmental well-being.

FUTURE SUSTAINABILITY REPORTING ACTIVITIES

Beyond the five exchanges noted above, little current action on ESG disclosures was noted among the remaining exchanges reviewed. In order to assess the future potential for stock exchange-led action on sustainability reporting, representatives from stock exchanges, regulators and listed companies were consulted. Key points from these consultations are shown below.

Competitive advantage

Owing to the growth of sustainability reporting around the world, exchanges in sub-Saharan Africa should promote sustainability as a means of remaining competitive on the global stage. The fact that many exchanges in the region are relatively new by international standards should not act as a barrier.

'A Stock Exchange need not be well established to have sustainability reporting within its listing requirements. This is a global trend and therefore, should enable investors globally to make prudent judgments through such comparisons. In this regard, any opportunity to have sustainability reporting in the listing requirements is highly encouraged'.
Tom Kimaru, manager, Compliance, Nairobi Securities Exchange.

Exchanges at different stages

Some exchanges have progressed further than others. For example, the Kenyan Capital Markets Authority has expressed plans to move to sustainability reporting in the medium term.

'As part of an ongoing process to review the corporate governance regime for Kenya, the Authority is working with a stakeholder committee that will be making cross-cutting recommendations on necessary reforms. One of the likely recommendations will be proposals on the timetable and transition process towards the adoption of sustainability reporting in the country'.
Paul Muthaura, acting CEO, Capital Markets Authority Kenya.

Capacity building

Exchanges have a role to play in training listed companies about sustainability reporting. Owing to the low uptake of the practice in sub-Saharan Africa, companies will need advice and support for reporting on environmental and social issues.

'The exchange can act as catalyst in the development of guidelines on sustainability reporting. This could be done if the exchange can be availed with the knowledge on sustainability reporting. The exchange can also act as trainer and promoter of the ideals of sustainability reporting'.
John Robson Kamanga, COO, Malawi Stock Exchange.

A phased approach

A phased approach would help with the transition to sustainability reporting. Stock exchanges could start by producing guidelines for listed companies to report on a voluntary basis. Such guidelines could in time become mandatory. Representatives from the listed companies surveyed expressed a preference for a voluntary approach to sustainability reporting.

'Governments and Regulators do have a role in encouraging the development of the reporting process. However, this role should not become that of dictating the nature and scope of such reporting. By avoiding the reporting process becoming a regulatory/government-defined requirement, the reporting format can be better customised to the needs of stakeholders and avoid it becoming a check box exercise'.
Victor Yeboah Manu, CFO, Stanbic Bank Ltd Uganda.

'I am not convinced that regulation-driven reports are any better than others and have personally always believed that sustainability reporting is early in its evolution and that therefore the innovation of the voluntary approach has much going for it. Ultimately the company, to my mind, benefits more from thinking things through and then reflecting on them in a report than they would by being told what to do'.
Karin Ireton, head of sustainability, Standard Bank South Africa.

Collaboration is key

A collaborative approach would help foster sustainability reporting. Stock exchanges should work with regulators and other stakeholders to develop reporting guidelines and requirements. By working with international initiatives such as the Sustainable Stock Exchanges Initiative, exchanges in sub-Saharan Africa can benefit from the experience of leading exchanges from around the world.

'The exchanges/regulators should further foster collaboration with other relevant regulators in order to effectively promote sustainability reporting by listed companies'.
Tom Kimaru, manager, Compliance, Nairobi Securities Exchange.

5. The potential role of stock exchange and regulator associations

The 10 exchanges included in the present study are members of stock exchange associations, as are their regulators. These associations serve a number of purposes, including the promotion of market standards, advocacy work calling for fair, transparent and efficient markets and the provision of a forum for exchanges to share best practice and raise market standards. Some of these associations actively promote the better integration of ESG matters into stock exchange activity. This presents an opportunity for African stock exchanges to be influenced by a 'trickle down' from such bodies.

This chapter summarises the sustainability activities of these associations, to gauge the level of opportunity for such 'trickle down' impacts.

STOCK EXCHANGE ASSOCIATIONS

All of the exchanges reviewed participate in regional associations, with some participating in global associations.

Figures 5.1 and 5.2 shows the types of membership the 10 exchanges included in the review have with the global and Africa-wide associations. Figure 5.2 shows the regional exchange associations that are active in sub-Saharan Africa. These include:

- the World Federation of Exchanges (WFE): WFE is a trade association of publicly regulated stock, futures and options exchanges

- the African Securities Exchange Association (ASEA): ASEA is the primary association of African national exchanges, currently having 23 members across the continent

- the Committee of SADC Stock Exchanges (CoSSE): CoSSE is a regional collective and cooperative body of the various stock exchanges in the Southern African Development Community (SADC)

- the West African Capital Markets Council (WACMIC): WACMIC is a governance body established to integrate capital markets in the region by developing the West African Common Investment Market

- the East African Securities Exchanges Association (EASEA): EASEA is a collective of exchanges in the East African region.

STOCK EXCHANGE REGULATORS

Stock exchanges are generally regulated to ensure market confidence, financial stability, consumer protection and to reduce the risk of financial crime.

Stock exchange regulators have the ability to enforce reporting requirements that apply to companies listed on an exchange. Like the exchanges, many regulators belong to a global association. Figure 5.3 identifies the membership status of the regulatory bodies of the sub-Saharan exchanges (as well as two of the exchanges themselves). Included is the following:

- The International Organisation of Securities Commissions (IOSCO): IOSCO is the primary association of stock exchange regulators around the world, with over 120 securities regulators and 80 other securities market participants.

ASEA – African Securities Exchanges Association

ASEA aims to provide a platform for exchange of information, mutual cooperation and technical assistance to enhance the global competiveness of its members. ASEA currently has 23 members. All exchanges covered by this report are members of ASEA.

Sustainability activity

Although ASEA does not provide any direct guidance or evidence of sustainability activity, its vision of 'enabling African securities exchanges to be key significant drivers of the economic and societal transformation of Africa by the year 2025' may offer scope for the inclusion of ESG-related issues in the future.

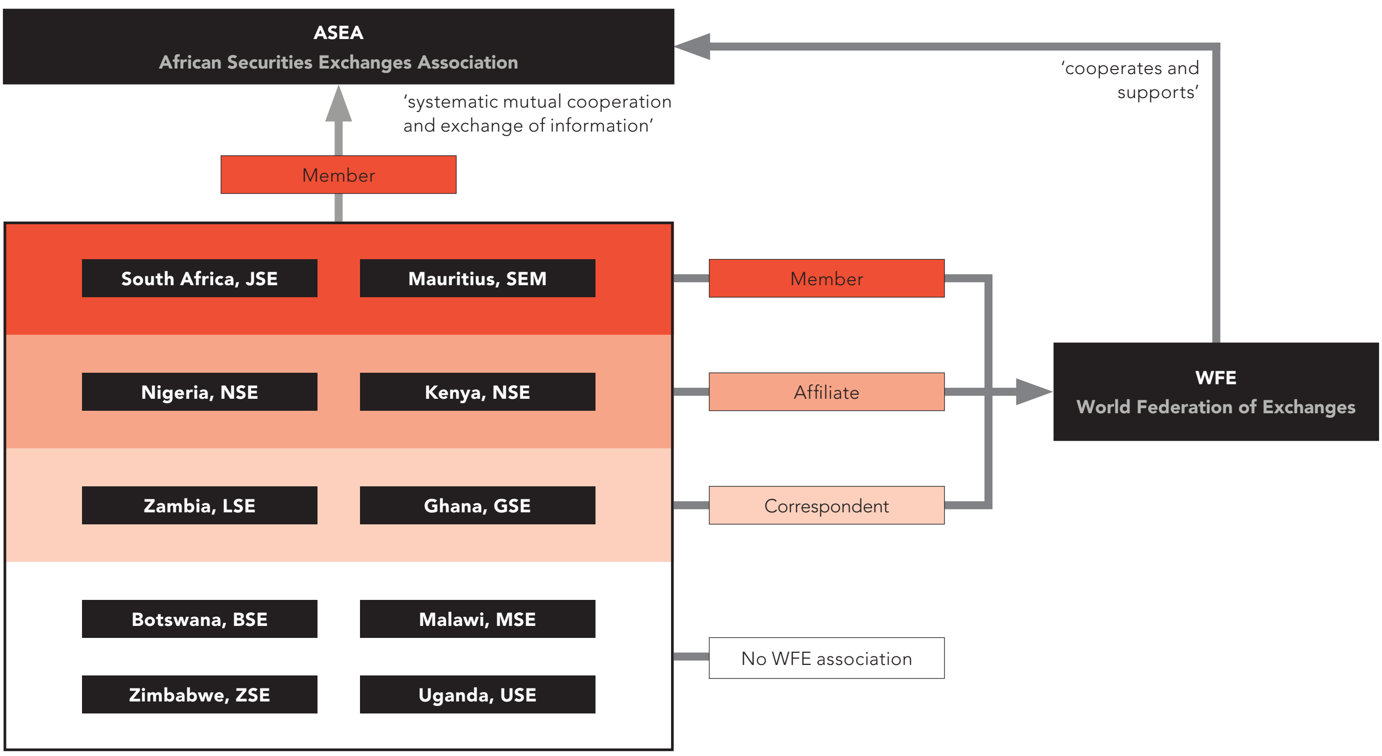
WFE – World Federation of Exchanges

WFE is an association of 60 exchanges from around the world, and offers its members guidance and assistance to develop their management practices (WFE 2014a).

Sustainability activity

Among its areas of work, WFE promotes standards for generally accepted principles of securities business conduct and has been active in the field of sustainable investment – including work on corporate governance, responsible investment, non-financial disclosure, CSR and ESG issues. The association has also commissioned research on the interrelationship of exchanges and sustainability reporting. Nonetheless, there is no evidence that WFE enforces specific sustainability criteria or requirements among its members. WFE's 53rd General Assembly, which took place in October 2013 in Mexico, included a panel discussion on sustainability. In March 2014, WFE launched a sustainability working group with the mandate to build consensus on the purpose, practicality and materiality of ESG data.

Figure 5.1: The 10 exchanges surveyed, in relation to the ASEA and WFE



CoSSE – Committee of SADC Stock Exchanges

CoSSE aims to encourage cooperation and improve the operational and regulatory underpinnings of its members. There are 11 members of CoSSE, including Botswana, Malawi, South Africa, Zambia and Zimbabwe (SADC 2014).

Sustainability activity

Although it does not claim any specific sustainability activity, CoSSE lists as a primary objective, promotion of 'the development of efficient, fair and transparent securities markets within the SADC region'. Such an objective aligns with those of enhancing sustainability reporting or disclosure.

WACMIC – West African Capital Markets Integration Council

WACMIC brings together representatives of stock exchanges and securities exchange commissions from the West Africa region to harmonise regulation between exchanges and develop a common platform for securities trading (All Africa 2013b).

Sustainability activity

Although no specific evidence of sustainability activity has been identified, the nature of WACMIC's role in integrating regulation and facilitating an exchange of information between members offers potential scope for sustainability-related activity.

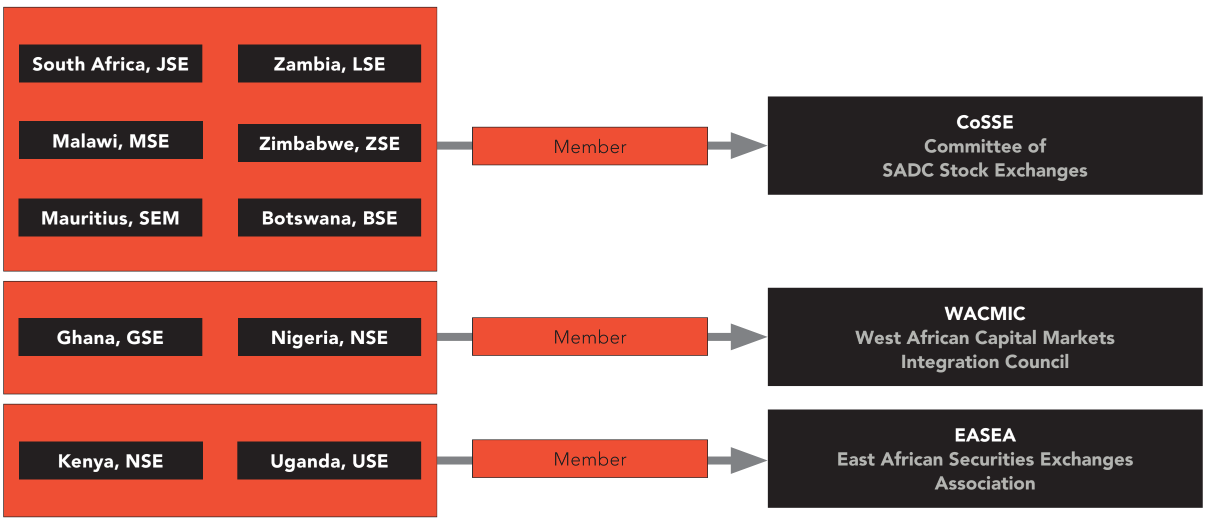
EASEA – East African Securities Exchanges Association

EASEA is a collective of four exchanges in the East Africa region and includes, from this study, Kenya and Uganda (East African 2013).

Sustainability activity

No specific evidence of sustainability activity identified.

Figure 5.2: The 10 exchanges surveyed and their membership of regional exchange associations



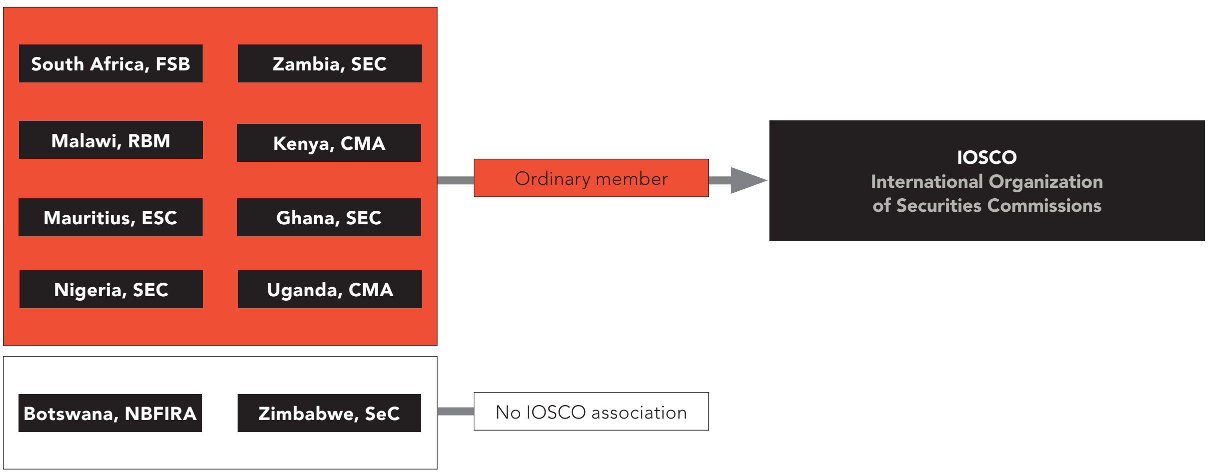
IOSCO – International Organization of Securities Commissions

IOSCO's primary objectives are to promote cooperation in developing and implementing regulation, to enhance investor protection and confidence, and help the exchange of information about markets (IOSCO 2014).

Sustainability activity

IOSCO's aims offer some scope for implementation of sustainability related initiatives – particularly considering its objective requiring members 'to cooperate in developing, implementing and promoting adherence to internationally recognised and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks'. Although specific sustainability reporting requirements or criteria are not evident, enforcement of this objective should filter down to national regulators, and could have direct implications for the enforcement and proliferation of sustainability related regulation.

Figure 5.3: The 10 African exchange regulators and their membership of the global exchange regulator association IOSCO



6. Sustainability reporting in sub-Saharan Africa

The research so far has shown that, outside South Africa, none of the stock exchanges reviewed have implemented sustainability reporting initiatives. Although some exchanges have shown intent to integrate sustainability into their regulations, they are very much at the beginning of the process.

In order to determine the level of sustainability reporting by corporates, the reports and public disclosures of 96 companies were reviewed. A full list of these companies has been included in Appendix I. Since most of them are listed on exchanges that impose no ESG disclosure requirements, high numbers of companies reporting on the subject would indicate that disclosure is being driven by corporates while low levels would indicate a low level of interest from companies as well as stock exchanges.

This section of the report presents the results of this survey, as well as highlighting examples of good practice in sustainability reporting that were identified during the review.

COMPANIES REPORTING ON SUSTAINABILITY

Outside South Africa, only 13 companies (15%) reported on sustainability, either through a sustainability report, combined report or integrated report. This is relatively low by international standards: 71% of the top listed companies in 41 key markets report on sustainability (KPMG 2013b). Included among the African sample were four companies listed on the Nairobi Stock Exchange, four listed on the Nigerian Stock Exchange, two on the Zimbabwe Stock Exchange, one company listed on the Uganda Stock Exchange, one on the Botswana Stock Exchange and one on the Lusaka Stock Exchange.

Unsurprisingly, companies listed on the JSE had the highest level of reporting, with all those reviewed producing an integrated report covering environmental, social and governance topics. This high level of reporting is a direct result of the JSE's listing requirements.

BENEFITS OF SUSTAINABILITY REPORTING

Sustainability reporting can benefit companies in a number of ways, including the following:

Increased efficiency and cost reduction
Sustainability reporting requires a company to assess its impacts and dependencies on the environment and society. This can identify areas of the business that are not functioning efficiently, and lead to business improvements and cost reductions.

Risk identification
When assessing sustainability impacts, a company should consider its complete value chain. This broad view will improve risk identification and allow for better risk management.

Improved reputation
Increased transparency sends a positive signal to a company's stakeholders, which has reputational and brand benefits. This can build brand loyalty among existing customers, as well as attracting new ones.

Improved stakeholder engagement
Sustainability reporting should be a two-way process, where companies consult with their stakeholders to identify material issues and manage their operations in a way that meets stakeholder needs.

Attraction and retention of high-calibre staff
A company's current and future employees are a key audience for sustainability reporting. Reporting can help increase employee loyalty and attract top talent when looking to recruit new staff.

MANAGEMENT COMMITMENT

Although the level of reporting across the exchanges reviewed was fairly low outside South Africa, it was encouraging to see that 42 of the CEOs or chairmen of the listed companies (49%) had made public statements – predominantly through the CEO or chairman's statement within company annual reports – about the importance of sustainability or corporate social responsibility (CSR) to their company.

These statements revealed different interpretations of what constitutes sustainability or CSR, with some referencing their company's environmental and social impacts and others describing the company's philanthropic activities. This diversity highlights the different levels of experience of sustainability reporting across the region, but the fact that such a high proportion of company leaders are making these statements suggests that reporting rates should increase in the future.

Nine out of ten of the South African companies reviewed had statements from their CEOs or chairmen highlighting sustainability as a key focus of the company.

Examples

- Mathews Chikaonda, group chief executive of the Malawi-based conglomerate, Press Corporation Limited, states that the company will 'Conduct business in an environmentally responsible manner and work with various stakeholders such as Government and donors, in promoting sustainable development' within his statement in the 2012 annual report.
- A.S. Mandiwanza, group chief executive of Zimbabwe-based dairy company, Dairibord, states that the 'group is committed to operate in a manner that is socially, economically and environmentally responsible' within his statement in the 2012 annual report.

THE USE OF STANDARDS

Of the 23 companies reporting on sustainability, 20 referenced the use of sustainability reporting standards: 19 companies referenced the GRI reporting standards, with one referencing the IFC Standards on Sustainability. Four South African companies referenced the IIRC's integrated reporting framework along with the GRI reporting standards.

The level and extent of the application of these sustainability reporting standards by listed companies differed significantly across the various exchanges reviewed. For example, companies listed on the Johannesburg Stock Exchange tended to produce sustainability reports that were fully compliant with the GRI standards, but those elsewhere in Africa would only reference the standards as a source of guidance.

Examples

- The Botswanan financial services company, Letshego, draws on the GRI guidelines to report on its sustainability impacts.
- Zambia Sugar Plc, Africa's largest sugar producer, also applies the GRI guidelines. Its sustainability disclosures are audited by a third-party assurance provider, earning the company a B+ rating from GRI.
- The Ugandan energy distribution network company, Umeme, has adopted the sustainability reporting guidelines published by the International Finance Corporation (IFC), which address topics such as the assessment and management of environmental and social risks and impacts, labour and working conditions and resource efficiency and working conditions.

MATERIALITY ASSESSMENT

There is an increasing drive for companies to report only on material topics, and to make the materiality-assessment process stakeholder inclusive. This is to ensure that company reports are not cluttered by excessive information, instead focusing on the topics that matter most. By consulting with stakeholders and disclosing that they have done so (including providing information on the assessment methodology) companies are able to demonstrate that they have conducted a robust process in identifying matters to be included within their report.

Example

- Very few companies included within the survey reported on their materiality assessments. One good example, however, comes from the Nigerian financial services company, Access Bank. The company conducted a stakeholder-inclusive materiality assessment, and presented the results on a materiality matrix, which is shown in Figure 6.1.

ASSURANCE

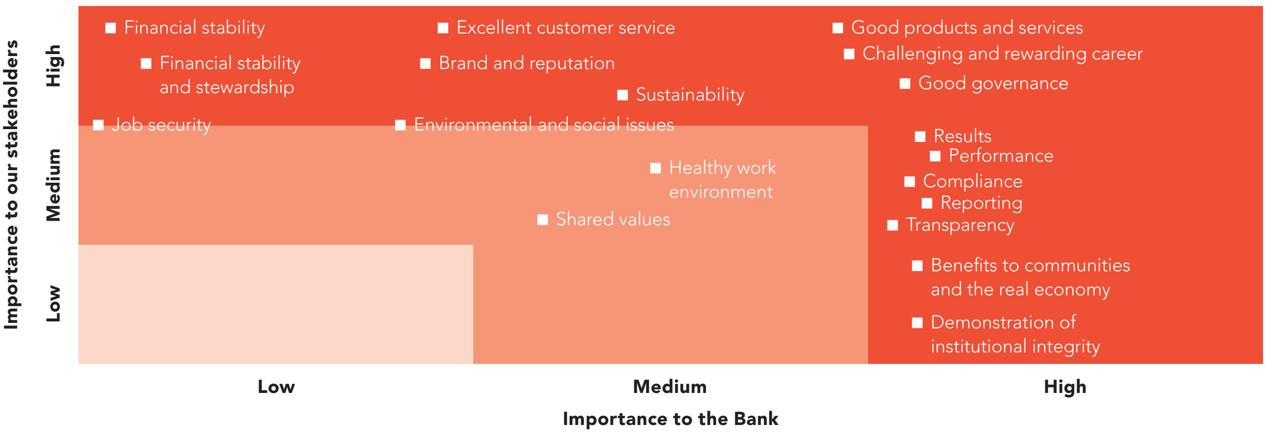
Nine companies reporting on sustainability had their disclosures assured. These included seven companies listed on the Johannesburg Stock Exchange, one listed on the Nairobi Stock Exchange and one listed on the Nigerian Stock Exchange.

Companies tend to seek assurance over their sustainability disclosures when they are reporting to a high level, so it is unsurprising that the majority of companies with assurance in this survey come from South Africa.

Examples

- The survey highlighted incidences where company's had sought assurance from both accounting firms and consultancy firms.
- The South African financial services firm, Standard Bank, commissioned accounting firm KPMG to conduct an assurance engagement on selected sustainability information within the company's 2012 sustainability report.
- The Nigerian financial services company, Access Bank, commissioned the consultancy firm Corporate Citizenship to provide external assurance and a commentary on its 2012 sustainability report.

Figure 6.1: Materiality matrix prepared by Access Bank, Nigeria



Source: Access Bank 2013.

IDENTIFICATION OF KEY RISKS

Companies that are clear about the key risks facing their operations and the plans that they have in place to mitigate those risks can demonstrate to their stakeholders that they are prepared for uncertainty. This is of particular importance to investors (be they current or prospective investors), who will be able to assess how well a company is managed by seeing the comprehensiveness of its risk assessment.

Examples

- Very few companies included within the survey reported on their key risks. One good example comes from the Kenyan telecommunications company, Safaricom. Included within the company's 2012 sustainability report is a table that discloses the key risks to the company. This table clearly links these risks to the company's strategy and stakeholders. It also cross-references to GRI performance measures, allowing the report users to see where within the report each risk is addressed. An extract from this table is shown in Figure 6.2.

KPIS AND PERFORMANCE TARGETS

The disclosure of key performance indicators (KPIs) is arguably the most effective means for companies to communicate their sustainability performance. Through the disclosure of KPIs, companies are able to set targets and track their progress in meeting those targets over time.

Examples

- Very few companies included within the survey reported on KPIs and performance targets. One good example, however, comes from Botswana beverage company, Sechaba Breweries. The company identifies 10 key sustainable development priorities, including discouraging irresponsible drinking, benefiting communities, reducing water use, waste and carbon emissions. The reason why each priority is important to the company is clearly defined, some targets related to each one are presented, and details on progress that has been made is provided. For example, the company recognises that more efficient water use will cut costs, reduce risks and benefit local communities. Commitments are set to make progress towards group water targets, develop stakeholder partnerships, and invest in water-saving manufacturing processes. It is reported that average water consumption for beer production was reduced by 25% in 2011 compared with the previous year.

Figure 6.2: Safaricom's presentation of its key risks

Risk category	Sub risks identified	Strategic pillars affected	Relevant stakeholder groups	GRI performance measures
R8 **Environmental performance**	■ Carbon emissions ■ Waste (electronic, paper) ■ Electromagnetic radiation ■ Infrastructure impacts	■ Market leadership ■ Cost reduction	■ Regulators ■ Future generations ■ Society	■ EN8: Total water withdrawal by source ■ EN16: Total direct and indirect greenhouse gas emissions by weight

Source: Safaricom 2013.

SUSTAINABILITY REPORTING: A PERSPECTIVE FROM AFRICA

Sustainability reporting continues to gather momentum in sub-Saharan Africa, with a number of countries taking steps towards making sustainability reporting a key requirement in their capital markets. The region contributes more than 95% of the sustainability reports from Africa registered with the Global Reporting Initiative (GRI). With the region being projected for 4% economic growth in 2014 by World Bank, responsible investors coming into the region are likely to influence future growth in reporting. Sustainability reporting is increasingly becoming an instrument for investment appraisal and risk assessment by investors seeking safe investment options in Africa.

The rising influence of stakeholders demanding sustainability information, particularly communities, civil society and governments, is driving sustainability reporting. Many stock exchanges are making progress towards instituting voluntary guidelines and regulations on sustainability reporting. In some countries, sustainability reporting provides competitive advantage in attracting foreign direct investment. In this case, GRI guidelines are more widely used.

The guidelines are seen as a model providing differentiation and competitiveness while serving as a strategy for sustainable development. In fact, emerging business leaders in the region see sustainability reporting as part of business strategy and benchmark for sustainable business practices. The growth in sustainability reporting in recent years has been supported by wide adoption of the King III code of corporate governance and the establishment of the GRI Focal Point Office South Africa in the region.

In Zimbabwe, sustainability reporting is being developed through the stock exchange. The Zimbabwe Stock Exchange has been revising its listing rules to incorporate sustainability reporting. This development is expected to drive reporting, sustainable business practices and corporate behaviour. So far, the number of companies considering sustainability reporting on a voluntary basis is rising. Some companies have already registered sustainability reports with the Global Reporting Initiatives (GRI) database.

Rodney Ndamba, CEO, Institute for Sustainability Africa (Insaf)

7. Conclusions and recommendations

Through a review of the current listing requirements and activities of sub-Saharan African stock exchanges and the reporting practices of listed companies, ACCA's research has sought to identify the extent of sustainability disclosure requirements, measure the amount of sustainability reporting by the largest companies and assess the key sustainability reporting trends in the region.

This chapter presents the conclusion of this research, looking at stock exchanges and listed companies, as well as a set of recommendations for stock exchanges, listed companies and other influential actors such as stock exchange associations and international sustainability initiatives.

CONCLUSIONS

A fledgling sign of intent from some stock exchanges

With the exception of the JSE, none of the stock exchanges reviewed have introduced regulations around ESG disclosure requirements for listed companies or developed voluntary guidelines on the topic. Four exchanges have, however, recently taken, or stated that they intend to take, measures to incorporate ESG issues into the scope of their activities. The Zimbabwe and Ghana Stock Exchanges are considering amending their regulations to include requirements for companies to report on ESG, the Stock Exchange of Mauritius is planning to launch a sustainability index for listed companies, and the Nigerian Stock Exchange has signed up to the Sustainable Stock Exchanges Initiative.

Key representatives of the stock exchanges that are currently not taking steps to incorporate ESG into their activities have indicated that they would be open to exploring such options in future.

JSE leading the way

It is clear that the JSE is a leading stock exchange – both across Africa and on a global basis – in driving corporate sustainability disclosure. Its listing requirements require companies to produce integrated reports, where environmental, social and governance information is presented along with financial information in one report, on a comply-or-explain basis.

Associations can have an influential 'filtering down' role

A number of international and regional stock exchange and exchange regulator associations exist across Africa. These associations promote best practice among their membership and ensure that stock exchanges operate to the highest standards. A greater level of transparency is a key element of this, so these associations present a significant opportunity for enhancing levels of ESG disclosure in the region.

Minimal reporting by the largest sub-Saharan African companies

Overall, with the exception of companies listed on the JSE, the level of sustainability reporting from the largest listed companies across sub-Saharan Africa is very low. There are pockets of good practice but such companies are the exception rather than the norm.

Despite this, many company CEOs and chairmen highlighted the importance of sustainability within their statements in company annual reports. Such statements show that companies in the region are mindful of sustainability issues and suggest that levels of reporting could rise in the future. This was not limited to companies listed on the JSE, as shown outside South Africa by references to sustainability in the chairman's or CEO's statement in the annual reports of 49% of companies reviewed.

The majority of organisations are not incorporating sustainability into their strategies and taking steps to assess and manage their sustainability impacts. Even so, some are engaged on a more charitable and philanthropic level, using company profits to fund environmental and social projects in the countries where they operate.

South African companies disclosing extensive information

South African companies listed on the JSE demonstrated high levels of sustainability reporting in every aspect analysed. The JSE's sophisticated and leading listing requirements have significantly influenced this.

RECOMMENDATIONS

Through this analysis, ACCA was able to develop a series of recommendations for the key actors in this area, to help develop more extensive and meaningful disclosure requirements within the listing rules, and to increase the quality and quantity of sustainability disclosures from listed companies.

Stock exchanges should:

- consider introducing mandatory ESG reporting requirements within listing regulations
- produce voluntary ESG reporting guidelines for listed companies, if a mandatory approach is not seen as appropriate
- consult with others that already have ESG reporting requirements, to gain an understanding of how to implement such initiatives and build capacity
- engage with international sustainability initiatives such as the Sustainable Stock Exchanges Initiative (SSE), the UN Environmental Programme Finance Initiative (UNEP FI) or the Global Reporting Initiative (GRI) when developing any mandatory ESG reporting requirements or voluntary reporting guidelines
- consult with participants in the broader investment supply chain, such as asset managers and asset owners who are actively seeking greater levels of ESG disclosure from companies.

International and regional associations of exchanges and regulators should:

- look to influence their members in sub-Saharan Africa to incorporate sustainability into their activities. WFE's recently launched sustainability working group has a significant opportunity to influence exchanges in sub-Saharan Africa.

Listed companies should:

- coordinate with stock exchanges on developing mandatory ESG reporting requirements or voluntary reporting guidelines that achieve the objective of increasing levels of transparency on sustainability while being 'user friendly'
- move beyond charitable and philanthropic activities to integrate sustainability into corporate strategies so that environmental and social impacts are assessed and managed
- create links with international sustainability initiatives such as the GRI, UN Global Compact (UNGC) or World Business Council for Sustainable Development (WBCSD) when looking to develop sustainability reporting
- take the lead and start reporting on sustainability, in the absence of stock exchange-led sustainability initiatives
- consider the various benefits to themselves and their stakeholders that could follow from adopting a closer focus on sustainability issues.

Other influential actors should:

- push stock exchanges in sub-Saharan Africa to consider sustainability more carefully, with a specific focus on exchanges that have already taken initial steps in this area
- highlight examples of good reporting practices by companies in sub-Saharan Africa so that companies looking to report have a benchmark to aim for.

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Appendix: Companies included in disclosure survey

Country	Company	Sector
Botswana	First National Bank	Financial services
	Barclays Botswana	Financial services
	Letshego	Financial services
	Choppies Enterprises Ltd	Food producers
	Standard Chartered Botswana	Financial services
	Botswana Insurance Holdings Ltd	Financial services
	Sechaba Breweries Ltd	Beverages
	New African Properties Ltd	Financial services
	African Banking Corporation Ltd	Financial services
	Engen	Oil and gas producers
Ghana	Standard Chartered Ghana	Financial services
	Ecobank Ghana	Financial services
	Ghana Commercial Bank	Financial services
	Unilever Ghana	Fast-moving consumer goods
	Guinness Ghana Breweries	Beverages
	Fan Milk Ltd	Food producers
	TOTAL Ghana	Oil and gas producers
	CAL Bank	Financial services
	Social Security Bank (SSB) Limited	Financial services
	Ghana Oil Ltd	Oil and gas producers
Kenya	Safaricom	Mobile telecommunications
	East African Breweries Ltd	Beverages
	Kenya Commercial Bank	Financial services
	Equity Bank Kenya	Financial services
	Barclays Kenya	Financial services
	Standard Chartered Bank Kenya	Financial services
	Bamburi Cement	Construction and materials
	Co-operative Bank of Kenya	Financial services
	British American Tobacco Kenya	Tobacco
	Nation Media Group	Media
Malawi	Illovo Sugar Malawi	Food producers
	National Bank of Malawi	Financial services
	Press Corporation Ltd	Various
	First Merchant Bank	Financial services
	NICO Holdings Limited	Financial services
	Telekom Networks Malawi	Mobile telecommunications
	NBS Bank	Financial services
	National Investment Trust Limited	Financial services
Mauritius	CIM Financial Services Ltd	Financial services
	The Mauritius Commercial Bank Ltd	Financial services
	Vivo Energy Mauritius Ltd	Energy
	ENL Land Ltd	Conglomerate
	Mauritius Oil Refineries Ltd	Edible oils
	The Mauritius Development Investment Trust Co. Ltd	Financial services
	Mauritius Union Assurance Co. Ltd	Financial services
	Gamma Civic Ltd	Materials
	State Bank of Mauritius Ltd	Financial services
	Rogers & Co. Ltd	Conglomerate

Country	Company	Sector
Nigeria	Dangote Cement Plc	Construction and materials
	Nigerian Breweries Plc	Beverages
	Guaranty Trust Bank	Financial services
	Nestlé Nigeria Plc	Fast-moving consumer goods
	Zenith Bank Plc	Financial services
	FBN Holdings Plc	Financial services
	Guinness Nigeria Plc	Beverages
	Lafarge Cement WAPCO Nigeria Plc	Construction and materials
	United Bank For Africa Plc	Financial services
	Access Bank Plc	Financial services
South Africa	Naspers	Media
	MTN Group	Mobile telecommunications
	SASOL	Oil and gas producers
	Standard Bank	Financial services
	Vodacom	Mobile telecommunications
	Firstrand Bank	Financial services
	Kumba Iron Ore	Mining
	Remgro	Financial services
	ABSA Group	Financial services
	Aspen Pharmacare Holdings	Pharmaceuticals & biotechnology
Uganda	Stanbic Bank Uganda	Financial services
	Umeme	Electricity
	Development Finance Company of Uganda	Financial services
	British American Tobacco Uganda	Tobacco
	Bank of Baroda Uganda	Financial services
	New Vision Printing & Publishing	Media
	National Insurance Corporation	Financial services
	Uganda Clays	Construction and materials
Zambia	Airtel Networks Zambia Plc	Mobile telecommunications
	Zambia National Commercial Bank	Financial services
	Standard Chartered Bank Zambia	Financial services
	Zambia Sugar Plc	Food producers
	Zambian Breweries	Beverages
	Lafarge Cement Zambia Plc	Construction and materials
	ZCCM Investments Holdings	Mining
	Zambeef Products	Food producers
	Copperbelt Energy Corporation Plc	Electricity
	National Breweries Plc	Beverages
Zimbabwe	Delta Corporation	Beverages
	Econet Wireless Zimbabwe Ltd	Mobile telecommunications
	Innscor Africa Ltd	Fast-moving consumer goods
	OK Zimbabwe Ltd	Fast-moving consumer goods
	Hippo Valley Estates Ltd	Food producers
	National Foods Holdings Ltd	Food producers
	British American Tobacco Zimbabwe	Tobacco
	Seed Co Ltd	Food producers
	Dairibord Zimbabwe	Food producers
	CBZ Holdings Ltd	Financial services

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