**Fourth Africa Conference on Business and Human Rights Theme: Advancing Sustainability Principles for National Development**

**Topic: The Imperative of Sustainable Stock Exchanges for Economic Growth in Africa**

**Speaker: Mrs. Toyin F. Sanni**

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**PROTOCOL 1.**

I feel greatly honoured to have been invited as a keynote speaker on this occasion to speak on the topic, “The Imperative of Sustainable Stock Exchanges (SSE) for Economic Growth in Africa”. In my opinion, this topic is vital to understanding how the financial system can contribute to the sustainable economic growth and development of the African continent.

**BODY 2.**

A word we hear regularly in both business and government circles is Sustainability. It has been defined by the United Nations as “the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs”. The African continent suffers from serious environmental problems such as deforestation, wetland degradation, soil erosion etc. along with social problems such as rapid increase in population amidst tepid economic growth, and the low rate of participation of women and youths in the political, economic and social spheres of various African countries. This poses a significant challenge to the long-term economic growth and development of the African continent and our future generations.

3. In response to these issues, the United Nations General Assembly set a collection of seventeen (17) global goals and 164 targets to be achieved by 2030. These Sustainable Development Goals (SDGs) cover poverty, hunger, health, education amongst others, majority of which affect Africa. The financial system is a vital aspect of any economy and thus integral to achieving the SDGs set by the UN. The Sustainable Stock Exchange initiative was launched in 2009 by the former UN Secretary General, Ban Ki-Moon, with the mission to build the capacity of stock exchanges and securities market regulators to enable them promote responsible investment in sustainable development activities and advance corporate performance on environmental, social and governance (ESG) issues.

4. As the intersection between companies and investors, stock exchanges are uniquely positioned to contribute to the achievement of four respective SDG targets: Gender Equality, Decent work and Economic Growth, Responsible Consumption and Production and Climate Action.

5. An Africa Human Development Report published in 2016 by the United Nations Development Programme (UNDP) stated that gender inequality is costing Sub-Saharan Africa on average of $95billion a year or six percent of the region’s GDP, sabotaging the continent’s efforts for inclusive human development and economic growth. Globally, women take home 1/10th of global income while accounting for 2/3rd of global working hours.

According to a 2016 review of 1,000 listed companies by Bloomberg LP, the average representation of women in leadership was 23% in senior management, 21% on boards; 4% have a female chairperson and 3% have a female Chief Executive Officer (CEO).

6. Various studies in management reported that female representation in leadership has been shown to improve performance metrics in organisations such as Return on Assets (ROA), Return on Equity (ROE) and Earnings Per Share (EPS) whilst concurrently reducing volatility in performance. If better supported, women-owned small/medium sized enterprises could add around $285billion to the global economy.

7. Consequently, it is imperative that the financial system via stock exchanges contribute their quota to the increase in gender equality and the growth of sustainability practices in their listed companies. Across the world, some stock exchanges have pioneered financial products aimed at supporting the empowerment of women and gender equality in corporate leadership. The Singapore Stock Exchange, for example, launched the 11X Women’s Livelihood Bond which aims to provide more than 385,000 South East Asian women with access to credit, enhanced linkages to supply chains and affordable goods and services to improve their livelihoods. In Nigeria, I had the privilege and honour of leading the memorandum listing on the Nigerian Stock Exchange in 2017, of the listing of the pioneer United Capital Wealth for Women Fund which aimed to increase female participation in investment and also invests in stocks of companies with significant participation of women in board and management. Coincidentally, global surveys have found that stocks of such companies actually outperform others.

8. I believe that African stock exchanges can contribute more to the promotion of gender equality on the continent. The creation of financial products that support the economic advancement of women can lead to an increase in national output of Africa’s countries and benefit both men and women. These products can be geared towards female empowerment activities that can provide an adequate return for sustainability-minded investors. As investors around the world are becoming more aware of the importance of sustainability and gender equality, such products will, over time, be welcomed by the markets.

9. Additionally, the SSE Initiative has made efforts through its partner stock exchanges in the achievement of the decent work and economic growth target. With effect from 2017, the SSE has an ongoing collaboration with the World Federation of Exchanges (WFE) evaluating the role of stock exchanges in promoting economic development, particularly the development of Small and Medium Scale Enterprises (SMEs).

10. The growth of green bond listings across stock exchanges including its listings on the NSE and FMDQ OTC Securities Exchange Platforms have raised awareness of the environmental and carbon issues that must be addressed by society to ensure sustainable economic growth. Green bonds are debt instruments used to finance or refinance activities related to environmentally beneficial projects including climate change mitigation and adaptation efforts. Since the first issuance of green bonds in 2007, the labelled green bond market has grown to over $180 billion outstanding as at the end of 2016. Green bonds finance an array of sectors from clean and efficient energy to lowcarbon transported water. Thus, the subscription to African green bonds will supply much needed investment to tackle sustainability challenges such as clean water, renewable energy and clean air.

11. Sustainable consumption and production are fundamental to a sustainable and equitable future as it means that societies are doing more with less resources, increasing economic gains and quality of life of its present and future generations. SSEs can dialogue with its listing companies on possible sustainability practices that will reduce waste of valuable resources. Also, SSEs can provide guidance and training for companies on environmental, social and governance (ESG) reporting to ensure that its listed companies are aware of the need to report sustainability information, incentivising them to undergo sustainability related activities that will reduce waste of valuable resources.

12. An important target for SSEs to tackle is the issue of climate change as adverse climate change can negatively impact economic growth because it affects key climate related sectors such as Agriculture and Manufacturing. Future climate risks are related to today’s decisions, including how capital is invested and regulated. As a result, stock exchanges are in a good position to strengthen economic and climate resilience.

13. Another key role of a Sustainable Stock Exchange is to channel funding through the capital markets for large scale investments in the Agribusiness value chain to support the preservation, processing, transportation and exportation of agricultural produce with a view to reducing the destruction of agricultural produce due to lack of preservation or processing alternatives.

14. African Stock Exchanges must also set, monitor and ensure the implementation of proper governance in both listed companies and operators because proper governance is indeed an imperative for business sustainability. Organisations must build trust, preserve their reputations and long-term business prospects through appropriate governance and risk management policies and practices.

15. A growing number of stock exchanges such as the Toronto, BM&FBOVESPA, Malaysia and Johannesburg exchanges require or encourage their registrants to disclose sustainability and environmental information. Stock exchanges have also developed indices to identify companies that meet certain sustainability standards. For example, the BM&FBOVESPA Corporate Sustainability Index measures the total return of stocks issued on the Sao Paulo Stock Exchange committed to corporate sustainability and social responsibility. The FTSE4 Good IBEX Index comprises companies in the BME’s IBEX 35 Index and the FTSE Spain All cap Index that meet good standards of practice in corporate social responsibility and environmental sustainability.

16. African stock exchanges can learn from their international counterparts by creating relevant indices based on sustainability practices of its listed companies to promote SDGs and boost the confidence of sustainability-minded investors. The increase in investment from these investors will boost economic growth.

17. African exchanges should also consider requiring companies to adopt and implement reporting requirements for non-financial information that includes the assessment of climate risk, policy and strategies. The companies should identify relevant climate risks, what measures they will undertake in mitigating the risk and to what extent the risk will materialise. As such, investors and the general public will have a better assessment of the company’s prospects and allocate their capital accordingly.

18. Finally, SSEs are important to attract foreign investment into the African economy that can be used to meet the infrastructure gap that is required to spur long-term economic growth. Both foreign and local investors are increasingly considering the environmental, sustainability and governance (ESG) information of public companies in making their investment decisions and SSEs can play the role of ensuring that both companies and governments participate in ESG activities that will promote the achievement of SDGs. CONCLUSION

19. All in all, the SSE initiative has the potential to create long-term environmental and social change in Africa that will spur an increase in economic growth and significant improvements in the welfare of its people. Although African partner exchanges have taken some actions towards the achievement of the earlier specified SDGs, a lot remains to be done. African partner exchanges must mobilise resources, both domestic and foreign portfolio flows, through promoting good governance in listed companies to ensure sustainable economic growth. Distinguished guests, ladies and gentlemen, I believe the next panel session will uncover more insights as to how we can, through our local stock exchanges, contribute positively to the sustainable growth of Africa.

20. Thank you for your audience. God bless you all. Mrs. Toyin F. Sanni, Group Chief Executive Officer, Emerging Africa Capital Group