KRESTON PEDABO

Newsletter

August 2025

Welcome to the August Edition of the Kreston Pedabo Newsletter!

Our featured article: **Sustainability as a Strategy: The New Business Mandate**

ESG is no longer optional – it is the new baseline for business survival.

Today, sustainability drives strategy, investment decisions, and competitive advantage globally. This decade-long shift, fueled by climate risks, social movements, and investor demands, has made ESG integration critical for:

- Accessing capital
- Winning talent
- Securing markets

Discover actionable ESG insights for your business success. Happy reading!

Click here to view Our Kreston Africa biannual Newsletter (for Half Year 1), exploring key developments shaping the continent's business environment.

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Sustainability as a Strategy: The New Business Mandate

Sustainability is no longer a public relations gesture or a philanthropic afterthought. It has become a core part of strategic planning, investment decisions, regulatory frameworks, and customer expectations. Environmental, Social, and Governance (ESG) performance is now treated by business leaders as a key indicator of long-term viability and relevance - what was once considered a competitive advantage is now the price of admission.

This transformation did not happen overnight. It has been unfolding over the past decade, driven by the growing visibility of climate-related risks, heightened awareness of social justice and equity issues, the rise of stakeholder capitalism, and increasing regulatory and investor scrutiny. In 2025, the question is no longer whether ESG matters - the question is how quickly businesses can meaningfully integrate it into their operations and decision-making processes.

For many companies, ESG is no longer a moral choice – "It is a commercial one". Those that can demonstrate clear ESG performance are accessing cheaper capital, attracting top talent, securing market share, and winning long-term customer loyalty. Those that cannot are being passed over, quietly but consistently. This is not a Western phenomenon, it is a global paradigm shift, and it is gaining ground in markets like Nigeria, Ghana, Kenya, and South Africa, where policy shifts, investor preferences, and supply chain requirements are already creating new expectations for sustainability.

A significant driver of this shift is the financial sector, investors are now treating ESG risks as material business risks. According to a 2022 PwC Global Investor Survey, more than 80% of institutional investors consider ESG factors in their decision-making and believe that companies should embed ESG into their corporate strategy[1]. Development finance institutions and donor-backed investors are embedding ESG clauses into term sheets and project conditions. Even commercial banks are adjusting lending models to reward businesses that can show sound ESG practices and avoid those that present sustainability-related risks. The message is clear – ***"ESG is no longer about reputation, it is about risk".***

Where ESG Moves the Needle:
Lessons from the Market

Real-world examples continue to show that ESG commitments, when properly aligned with business strategy, can unlock value in ways that traditional performance metrics cannot.

When **MTN Nigeria** released its first stand-alone ESG report in 2021, the move was strategic. The company was preparing for its long-awaited public listing, and it understood that non-financial disclosures would be scrutinised just as carefully as profit margins. According to MTN Nigeria's 2021 Sustainability Report, the company outlined commitments to digital inclusion, carbon emissions management, responsible governance, and community investment. Its listing went on to set a record for retail participation in Nigeria, and several market analysts noted that the report helped attract both local and international investors who were seeking transparency and long-term sustainability indicators.

On the global stage, the experience of **Volkswagen** remains one of the most cited ESG-related reputational and financial collapses. In 2015, the company was found to have manipulated emissions data for millions of vehicles. According to the United States Environmental Protection Agency (USEPA) and subsequent legal

[1] https://www.pwc.com/gx/en/issues/c-suite-insights/global-investor-survey

investigations, this scandal led to over US$30 billion in fines, recall costs, and class-action settlements[2]. Beyond the direct financial hit, Volkswagen suffered serious reputational damage, with long-term consequences for investor trust and market perception. It became a clear warning that poor environmental governance, even in a large and well-established company, can destabilise value almost overnight.

On the other end of the spectrum, **Unilever** continues to demonstrate how ESG can drive innovation, stakeholder alignment, and brand value. According to Unilever's own reports and confirmed in a 2022 Financial Times feature, the company has linked executive pay to performance on sustainability targets such as reducing emissions, increasing recycled plastics use, and improving equity and inclusion[3]. This alignment has helped maintain investor confidence and has positioned Unilever as a leader in sustainable consumer goods, especially within ethically conscious markets.

Similarly, **BlackRock**, the world's largest asset manager with over US$10 trillion in assets under management, has embedded ESG considerations into its investment criteria. In a widely cited 2021 letter to CEOs, BlackRock CEO, Larry Fink, stated that companies that do not plan for a carbon-neutral future risk being left behind and would likely lose access to capital over time[4]. BlackRock has voted against hundreds of directors in recent years due to poor ESG performance, signaling a new level of accountability from shareholders and shifting corporate governance norms globally.

In Nigeria, the Securities and Exchange Commission (SEC) has led a regulatory push toward ESG transparency. According to Reuters, Nigeria announced in March 2024 that it would require companies to disclose environmental and climate-related practices in financial reporting by 2027, under a newly adopted International Financial Reporting Standard framework, with potential penalties for non-compliance[5]. The Central Bank of Nigeria (CBN) has also issued sustainable banking guidelines that require commercial banks to assess the environmental and social impact of the projects they finance, particularly in high-risk sectors such as infrastructure, extractives, and agriculture.

In Ghana, sustainability is already affecting trade outcomes. According to a 2024 report by the Rainforest Alliance, cocoa cooperatives are being required to comply with European Union regulations on deforestation-free products and ethical sourcing to continue accessing international markets[6]. This has led to a rapid shift in how farmers document land use, labour practices, and supply chain data. In partnership with certification bodies and exporters, many cooperatives are now receiving digital tools and ESG training. These efforts are not driven by charity; they are business decisions aimed at protecting long-term market access and competitiveness.

[2] https://www.justice.gov/archives/opa/pr/volkswagen-ag-agrees-plead-guilty-and-pay-43-billion-criminal-and-civil-penalties
https://www.politico.com/story/2017/01/volkswagen-guilty-emissions-cheating-scandal

[3] https://www.unilever.com/news/news-search/2021/unilever-links-executive-pay-to-climate-action

[4] https://www.blackrock.com/corporate/investor-relations/2021-larry-fink-ceo-letter

[5] https://frcnigeria.gov.ng/wp-content/uploads/2024/07/FINAL-COPY-OF-SUSTAINABILITY-ROADMAP1.pdf

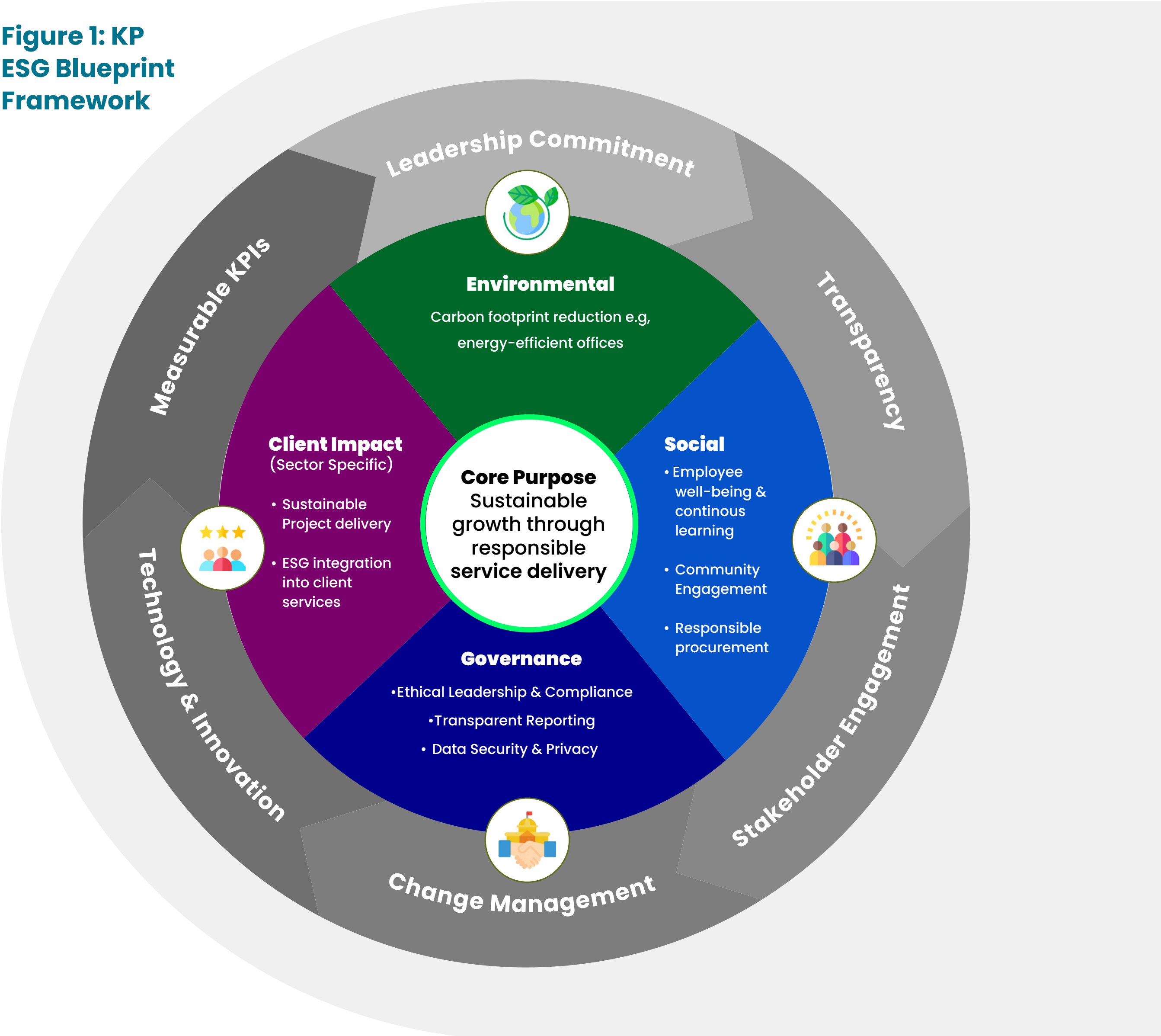
[6] https://www.reuters.com/markets/commodities/cocoa-traceability-rates-fail-improve-eu-deforestation-law-looms-2024-10-01

What Businesses Need to Do Now

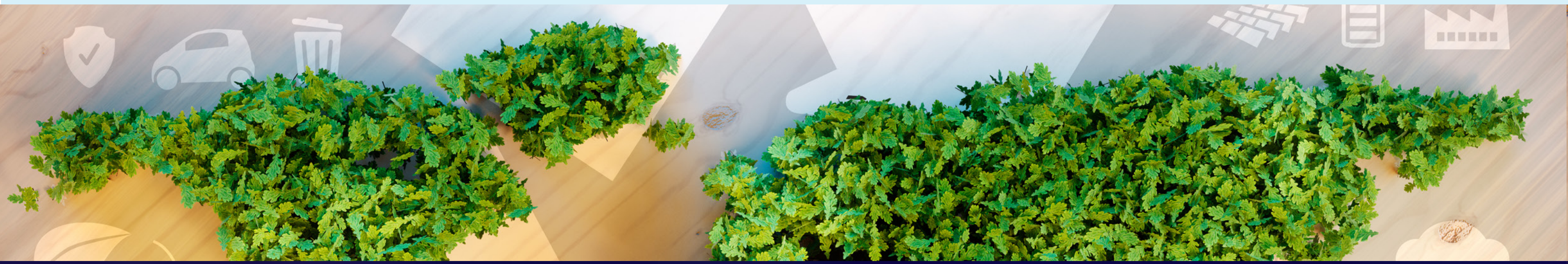
The path forward is not simply about hiring a Sustainability Officer, engaging a consultant, or producing a glossy report, it is about embedding ESG into the entire business model and mindset.

Kreston Pedabo's ESG Blueprint development is a great starting point to guide your internal implementation and can be seen in figure 1 below.

Figure 1: KP ESG Blueprint Framework



It should be noted that the framework above is adaptable to various sectors, and the examples of considerations under each pillar are not exhaustive. For a successful ESG integration, however, the importance of leadership sponsorship cannot be overemphasised.



Implementation Roadmap

Our recommended implementation roadmap is a 5-step framework - **EPROR**

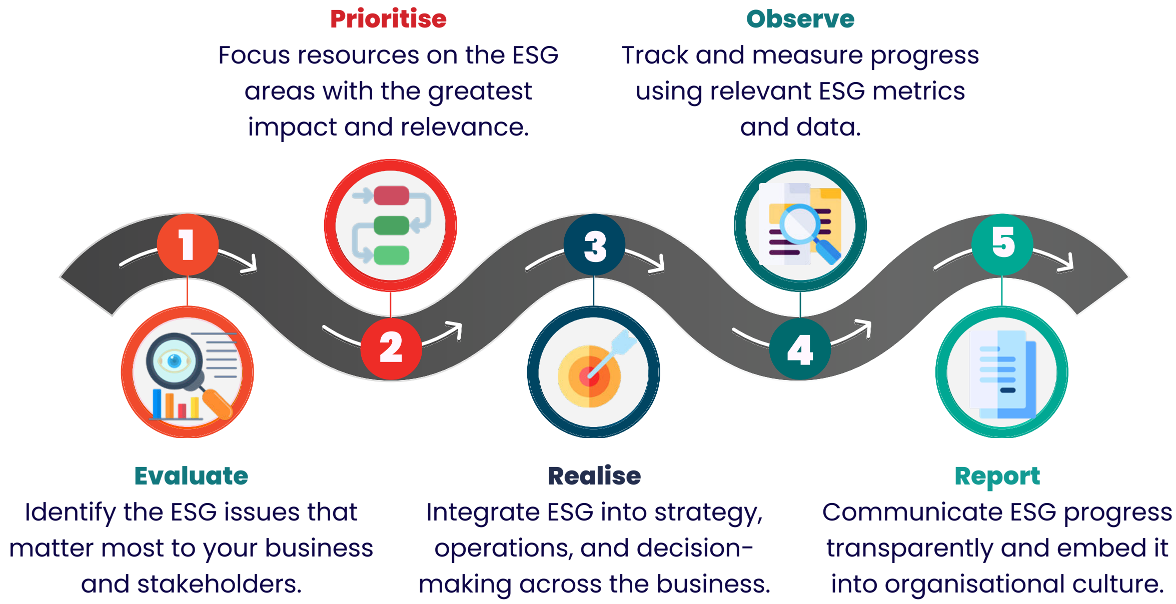
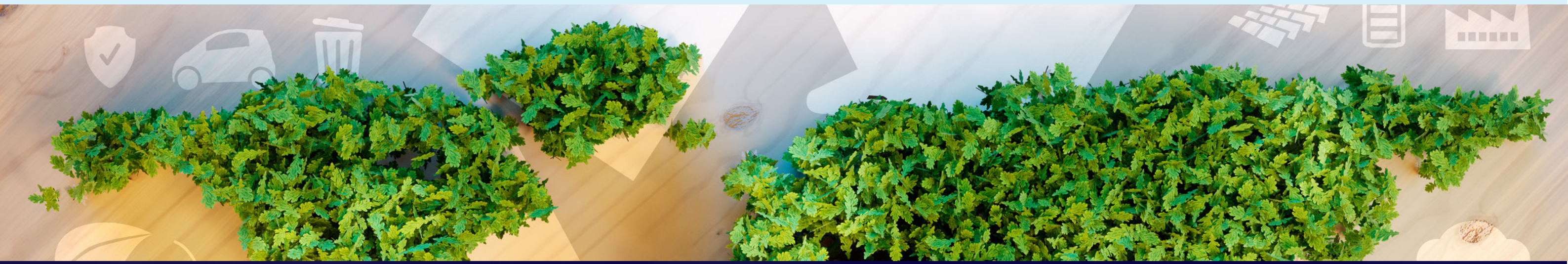


Figure 2: **EPROR** 5-step framework

Evaluate

The first step in any ESG journey is a thorough materiality assessment. This process helps an organisation identify the environmental, social, and governance issues that are most significant to its operations, stakeholders, and long-term strategy. According to the World Economic Forum, materiality assessments allow companies to filter ESG topics through the lenses of sector relevance, geographic context, and stakeholder expectations. By understanding what matters most — whether that be climate risk, community relations, diversity, or supply chain ethics — organisations can avoid misaligned efforts and ensure focus on what truly drives value and resilience.



Prioritise

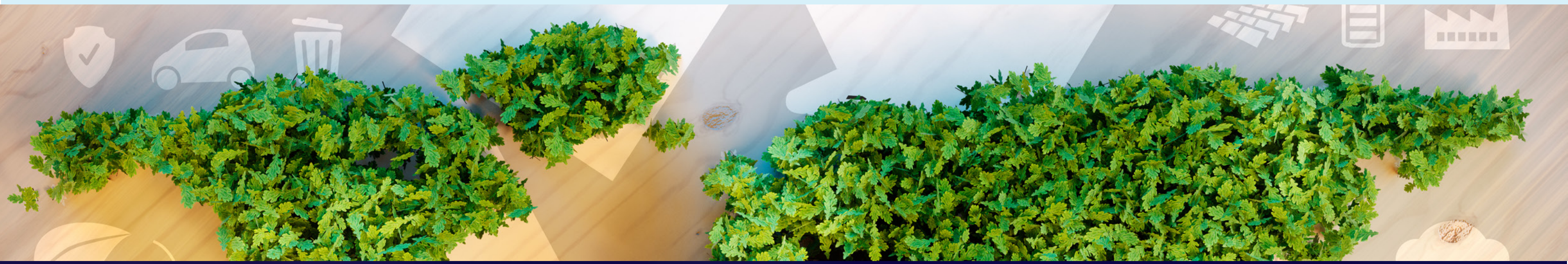
Once material issues are identified, the next step is to prioritise them. This involves evaluating the potential impact of each ESG issue on the business and its stakeholders, and ranking them in terms of urgency, influence, and feasibility. By doing so, companies can allocate resources more effectively, rather than diluting their impact by attempting to address every ESG topic at once. Prioritisation ensures that the ESG strategy is both manageable and meaningful, enabling the business to take swift and focused action where it matters most.

Realise

With priorities set, organisations must realise their ESG ambitions by embedding them into core business operations and strategic planning. This means integrating sustainability into how the company manages its supply chain, develops products or services, engages stakeholders, and assesses risks. For example, a manufacturing company aiming to reduce its carbon footprint may need to redesign its products for energy efficiency and transition to renewable energy sources. A professional services firm seeking to enhance social impact may introduce new community engagement initiatives or adjust its hiring and promotion practices to foster inclusivity. ESG becomes a driver of innovation, competitiveness, and long-term value.

Observe

Implementation must be followed by observation, through continuous measurement and transparent reporting. Establishing performance baselines and tracking key ESG indicators, such as carbon emissions, employee satisfaction, board diversity, or community investment is crucial. According to the Global Reporting Initiative, nearly 80 percent of companies that disclose ESG data report improved investor confidence and better access to capital. Even in jurisdictions where ESG disclosure is not legally mandated, the demand for data from investors, lenders, and global partners is increasing. Effective observation not only supports regulatory and reputational goals but also enables companies to make data-driven decisions and refine their ESG strategy over time.



Report

The final phase is to report, both internally and externally, while fostering a culture where ESG is viewed not as a compliance exercise but as a core business imperative. Transparent communication of progress, challenges, and goals builds credibility with stakeholders. Internally, this means training employees, revising performance evaluation systems, enhancing governance frameworks, and embedding ESG principles into daily decision-making. When staff understand how sustainability connects to their roles, they are more likely to take ownership, act on ESG goals, and drive innovation from within.

The most forward-thinking companies use ESG as a strategic lens for all business decisions, not just reacting to global shifts but actively shaping them. Across sectors such as energy, agriculture, finance, logistics, and retail, ESG is becoming a key differentiator, enabling access to new markets, investment opportunities, and long-term operational resilience.

Sustainability is no longer just about doing the right thing. It is about doing the smart, strategic, and future-ready thing. Companies that act early will lead the way. Those that hesitate risk being left behind as access to funding, markets, and influence narrows.

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