ESG in the African Financial Services Sector
Rules, Reality and the Road to a Continent-Wide Framework

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There is a scene that plays out repeatedly across the boardrooms of African financial institutions: a sustainability report drafted to satisfy a foreign development lender sits on one side of the table, while on the other side lies a domestic regulatory framework that makes no mention of it whatsoever. The two documents are rarely aligned with each other. This gap between what international capital requires and what local law demands is perhaps the defining characteristic of the current ESG landscape across the African continent.

That tension is not a failing unique to any one jurisdiction. It is, as Dentons' Africa Financial Services Sector Group found when consulting colleagues across nine markets (namely Mauritius, Morocco, Nigeria, South Africa, Tanzania, Uganda, Senegal, the Democratic Republic of Congo and Cameroon) a structural feature of the continent's financial sector at this particular moment in its development. The picture that emerges from those consultations is neither one of uniform backwardness nor of impending transformation. It is more complicated, and in some ways more interesting, than either of those narratives would suggest.

A Continent of Diverging Speeds

The most striking observation to emerge from a cross-jurisdictional review of ESG in African financial services sectors is just how different the pace of regulatory development has been from one country to the next. South Africa and Morocco stand clearly apart from the rest. Both have moved well beyond soft-law encouragement toward binding, enforceable frameworks that are beginning to reshape the behaviour of financial institutions in measurable ways.

In Morocco, the picture is one of deliberate, layered construction. Bank Al-Maghrib (the central bank) has issued a series of binding directives that require credit institutions to identify, measure and manage climate-related financial risks as a matter of prudential governance. The most recent of these instruments, issued in 2025, goes further still: it obliges banks to collect and report qualitative and quantitative climate data from their large borrowers, including greenhouse gas emissions across all three scopes. For listed issuers, the capital markets regulator, the AMMC, has embedded ESG reporting into its annual financial report requirements through a comply-or-explain mechanism that carries real teeth. Non-compliance can attract daily financial penalties and, in serious cases, disciplinary action before an independent sanctions board. This is not a framework built on goodwill; it is one built on enforcement.

South Africa's approach is different in texture but comparable in ambition. The Financial Sector Conduct Authority's Green Finance Taxonomy, finalised in 2023, provides a classification system for what qualifies as a 'green' economic activity, namely a tool that gives investors, lenders and issuers a common reference point that was previously absent. The Johannesburg Stock Exchange has long required listed entities to report against King IV's integrated governance principles, which embed sustainability thinking at board level. And South Africa's Climate Change Act of 2024, while not directly targeting financial institutions, creates downstream exposure for lenders and insurers by imposing carbon budgets and sectoral emissions targets on the economy at large. The legal risk implications for credit portfolios are not hypothetical; they are arriving.

Mauritius occupies a distinctive position in this landscape. As the continent's pre-eminent international financial centre and a favoured domicile for African-focused investment vehicles, Mauritius has both a particular stake in getting ESG right and a particular set of tools with which to do so. The Bank of Mauritius' Guideline on Climate-Related and Environmental Financial Risk Management, effective from April 2022, sets supervisory expectations for banks on governance, risk identification, scenario analysis, stress testing and disclosure, developed in alignment with the Network for Greening the Financial System and the Basel Committee's evolving guidance on climate-related financial risks. The Financial Services Commission has moved in parallel, whereby its Disclosure and Reporting Guidelines for ESG Funds, published in March 2025, now require investment funds to ensure greater transparency, consistency and accountability in how ESG strategies are disclosed, implemented and reported. This is a significant step given that funds domiciled in Mauritius deploy capital across virtually every other market in the African continent. A framework for green and sustainable bond issuance has been operational since 2021, and the first green bond under that framework was issued within months of its publication. What Mauritius has not yet done (and what distinguishes it from Morocco and South Africa) is move from supervisory expectations and disclosure guidelines to binding, broadly applicable mandatory reporting obligations with clear enforcement consequences for the financial sector as a whole.

> **"The gap between what international capital requires and what local law demands may be the defining characteristic of ESG in African financial markets today."**

Nigeria occupies a fascinating middle position. Its ESG regulatory architecture is among the most elaborate on the continent, drawing on guidance from the Central Bank, the Securities and Exchange Commission, the Financial Reporting Council and the Nigerian Exchange Group but it remains, at its core, principled rather than prescriptive. The Nigerian Sustainable Banking Principles, updated in 2023, ask banks to integrate environmental and social considerations into lending decisions, risk management and reporting, framing this as a matter of alignment with core values rather than a legal obligation backed by sanctions. The more significant development is Nigeria's formal commitment to adopt the ISSB's IFRS Sustainability Disclosure Standards, with a phased roadmap that will make sustainability reporting mandatory for public interest entities from January 2028. That transition — from voluntary encouragement to standardised, investor-focused disclosure — represents the most consequential structural shift currently underway in Nigerian financial regulation.

East Africa tells a quieter story, though one that is accelerating. Tanzania's central bank issued guidelines in 2025 on both climate-related financial risk management and sustainability reporting, providing a framework within which banks are expected to embed climate risk into their governance structures and make annual disclosures. For banks, insurers or investment managers operating in Uganda, the country's experience is instructive; Uganda launched its own ESG Framework for the banking sector in 2024, even if it remains non-binding, and announced the adoption of IFRS S1 and S2, to become mandatory from 2028. In both jurisdictions, capital market regulators have issued guidelines on green and sustainability bonds, and early-mover institutions have begun to demonstrate what the market is capable of: Tanzania's CRDB Bank issued the country's first green bond in 2023, and Uganda's National Social Security Fund published an inaugural ESG report the same year.

West Africa, outside Nigeria, and Central Africa present a more embryonic picture. In Senegal and the broader West African Economic and Monetary Unio region, the Autorité des Marchés Financiers de l'Union Monétaire Ouest Africaine has established a taxonomy for green, social and sustainable bonds, and the Banque Centrale des États de l'Afrique de l'Ouest has begun integrating sustainable finance elements into its prudential guidance. But there is no binding ESG framework for financial institutions, and implementation is driven largely by the requirements imposed by international lenders rather than by domestic regulation. In Cameroon, the situation is similar: Commission Bancaire de l'Afrique Centrale is beginning to incorporate climate risk thinking into its supervisory approach, and larger financial institutions are formalising sustainability reporting to retain access to international partnerships, but the institutional infrastructure for a coherent national framework is not yet in place. The Democratic Republic of Congo's position is more acute still. With no unified ESG law applicable to its financial sector, the country's engagement with sustainability principles is almost entirely mediated by the conditionalities attached to foreign capital; most visibly in the mining and infrastructure sectors, where development finance institutions impose environmental and social standards as preconditions for disbursement.

The External Driver and Its Limitations

Across nearly all of the jurisdictions consulted, a consistent theme emerges: ESG is primarily an imported discipline. Financial institutions in most African markets are not adopting sustainability principles because domestic law requires it. They are doing so because the capital they need, ranging from development finance institutions, multilateral lenders, international commercial banks and increasingly from institutional asset managers operating under their own ESG mandates, is conditioned on it.

The limitation of this external-driver model is precisely its contingency. Compliance that depends on the presence of a foreign lender in a particular transaction is compliance that disappears when that lender is not here anymore. For the broader population of domestic banks, insurers, asset managers and smaller corporate borrowers, the practical incentive to build ESG capability is substantially weaker. This creates a bifurcated market: one tier of sophisticated, internationally connected institutions that have genuinely embedded sustainability frameworks, and a much larger second tier for whom ESG remains largely theoretical.

The East African Crude Oil Pipeline — that most contested of African infrastructure projects — illustrates the dynamic with particular clarity. Major international financial institutions have declined to finance EACOP, citing climate, environmental and social concerns. The consequence has not been that the project has been abandoned; it simply resulted in Uganda and its partners seeking financing from sources less constrained by ESG requirements. As such, ESG frameworks can decisively alter the availability and cost of capital for a given project, but they do not, in themselves, determine developmental outcomes where alternative capital sources exist.

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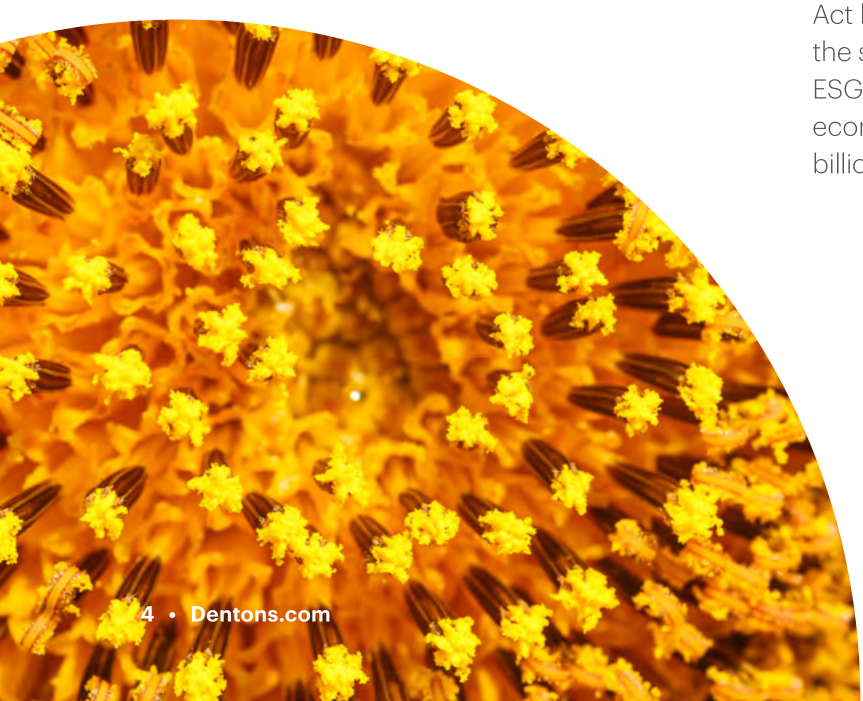
The Architecture Problem

For practitioners advising financial institutions operating across Africa (whether on growth strategies, the protection of assets, operational structuring or the financing of complex transactions), the fragmentation of the regulatory landscape creates genuine difficulties. At present, a bank or asset manager active across five African jurisdictions may be subject to five entirely different disclosure regimes, five different taxonomies (or none at all), and five different enforcement environments. The compliance cost of navigating that complexity falls disproportionately on exactly the kind of institution that ought to be channeling capital toward sustainable development.



Regional bodies have begun to recognise this problem. The WAEMU framework for green bond issuance represents an attempt at harmonisation at the sub-regional level. The African Development Bank's Sustainable Bond Programme provides a continental reference point. The African Continental Free Trade Area's emphasis on sustainability standards in cross-border commerce creates a policy direction, if not yet a binding obligation. But the reality is that, as of date, there is no pan-African ESG framework for financial institutions that carries meaningful regulatory force.

The question of how global standards are being adapted for African conditions is more than a technical one. It goes to the heart of whether ESG frameworks will ultimately be perceived as legitimate by the economies to which they are being applied. Several of our colleagues from across the continent made this point forcefully. The dominant global frameworks (namely the ISSB standards, the TCFD recommendations, the EU Taxonomy) were developed in and for advanced economies with established data infrastructure, mature capital markets and fundamentally different developmental priorities. The emphasis these frameworks place on the 'E' in ESG reflects a set of political and economic concerns that, however valid globally, does not always map cleanly onto African realities, where the 'S' (social impact, financial inclusion, labour rights, community engagement) and the 'G' (governance quality, anti-corruption, institutional accountability) may be more pressing and more tractable near-term objectives.

Uganda's experience is instructive here, and uncomfortable. The country has demonstrated genuine ESG ambition as detailed above. At the same time, the enactment of the Anti-Homosexuality Act has created a direct and unresolved tension with the social pillar of ESG, leading to exclusion from ESG-governed investment portfolios and estimated economic losses of between $470 million and $1.6 billion in the twelve months following its passage.

The Challenges

Across the nine jurisdictions surveyed, a few structural challenges recur with sufficient consistency to be treated as pan-African friction points rather than jurisdiction-specific problems.

The first is the absence of standardised, reliable ESG data. Sustainability reporting frameworks can only be as good as the underlying data they draw on, and across most African markets that data infrastructure simply does not exist at the required level of depth or granularity. This is not primarily a question of regulatory design; it is a question of statistical capacity, market data provision and the economics of third-party verification. Without credible data, the risk of greenwashing is significant and growing.

The second is the shortage of qualified ESG practitioners. The demand for professionals capable of designing, implementing and auditing sustainability frameworks has outpaced supply across virtually every African market. This is partly a function of the frameworks' relative novelty, and partly a function of the investment required to build those capabilities in markets where capital is scarce and competing priorities are pressing.

The third is enforcement. Where ESG-related obligations exist, the mechanisms for enforcing them vary enormously. Morocco has a genuinely robust enforcement architecture for capital market issuers and credit institutions, including financial penalties calibrated to the nature and severity of the breach. At the other end of the spectrum, jurisdictions where compliance is entirely voluntary and where no regulatory body has a clear mandate to monitor and sanction non-compliance cannot, in any meaningful sense, be said to have an enforceable ESG framework at all, however well-drafted their guidelines may be.

The fourth and perhaps most systemic, is the disconnect between ESG frameworks and the broader macroeconomic environment. Foreign exchange volatility, high financing costs, inflation and fiscal constraints are the immediate operating reality for most financial institutions across sub-Saharan Africa. In that environment, allocating resources to ESG capacity-building can feel like a long-term luxury rather than a near-term necessity.

The Direction of Travel

None of the above should obscure the very real progress that has been made, and that is continuing to be made, across the continent.

The sustainable bond market provides perhaps the clearest evidence of the commercial momentum building behind ESG in African financial markets. Green bonds, social bonds, sustainability-linked bonds and blue bonds have been issued across Morocco, Nigeria, South Africa, Mauritius, Tanzania and Senegal.

What the continent now needs is a second generation of reform that addresses the structural gaps rather than simply layering additional soft-law guidance on top of existing voluntary frameworks. Several priorities stand out. Regional harmonisation of ESG reporting requirements would dramatically reduce the compliance cost for institutions operating across multiple jurisdictions and improve the comparability of disclosures for cross-border investors. Anti-greenwashing guidelines with genuine enforcement mechanisms are needed in virtually every market to protect the integrity of the sustainability instruments that are beginning to trade in these markets.

Above all, the conversation about what ESG means for African financial markets needs to become more genuinely African. The continent is not a passive recipient of sustainability standards designed elsewhere. It has its own developmental priorities, its own governance challenges, its own social imperatives, and its own comparative advantages. An ESG framework that serves African financial services sector needs to reflect that reality, not simply translate frameworks designed for other jurisdictions.

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Conclusion

For those operating in African financial services sector, the current period is simultaneously challenging and consequential. The rules are being written in real time, and the decisions made now about framework design, enforcement architecture and regional coordination will shape the landscape for the next decade.

What is clear is that ESG is becoming a condition of participation in the international capital markets that African financial institutions need to grow, the standard of conduct that their major counterparties expect, and, increasingly, the framework within which domestic regulators are beginning to supervise them. The question is whether the frameworks that emerge will be fit for purpose, namely rigorous enough to attract and retain sustainability-focused capital, flexible enough to accommodate African developmental realities, and enforceable enough to mean something.

What is perhaps most clarifying about the current moment is that, across Africa's financial markets, ESG is no longer principally a question of regulatory compliance. It is a question of whether capital flows toward you or past you. Those institutions that embrace this transition early will be better positioned to attract international capital, manage emerging risks and compete in an increasingly sustainability-driven financial system. Those that wait for regulation alone may find that the market has already moved ahead of the law.

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