

Why integrating the environmental and social components of ESG is key

By  Sindy Peters

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The inaugural ESG Africa Conference took place in Sandton late last month, addressing some of the risks and opportunities in integrating ESG into corporate strategy.

Zingisa Motloba, founder and MD of Alchemy Africa, and Gabi Mkhatswa, senior manager for climate change and sustainable development at Eskom, contributed to the panel discussion on why integrating the environmental and social components of ESG is so important and how leadership needs to be intentional in its approach.



L-R Zingisa Motloba, founder and MD of Alchemy Africa and an advisory committee member of the IUCN, and Gabi Mkhatswa, senior manager for climate change and sustainable development at Eskom

Mainstreaming of ESG a 'gift for Africa'

Motloba noted that the UN Sustainable Development Goals (SDGs) are a common thread across the various reporting frameworks and that at the centre of the SDGs is people.

The mainstreaming of ESG within business discourse is a "gift for Africa" as there is no shortage of social issues on the continent, and there is also no lack of financial resources looking to fund people-centred impact opportunities, she said.

On integrating the environmental and social components of ESG, Motloba said that a holistic approach is needed. "It doesn't make sense to decouple the social impact from the environmental. You can't clean up the Vaal water system without asking yourself what is happening in the community upstream."

She also noted that European standards have not been developed to respond to the triggers and manifestations of Africa's challenges, and the continent, therefore, needs to be courageous when it comes to integrating ESG components.



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Inclusive social justice

The social element needs to be integrated within business strategy, said Mkhathshwa, and it needs to include not only the people in the business, but also the communities in which it operates. Locals need to be actively involved and allowed to take ownership of any social initiatives and these need to go beyond the traditional CSI approach of inwardly giving out, she said.

Speaking to some of Eskom's past mistakes when it comes to corporate social responsibility, Mkhathshwa referred to the example of how the utility had previously mothballed power stations and, while it had secured Eskom jobs, it did not account for the impact on the livelihoods of local communities.

Eskom is now deploying a more inclusive approach, she said, that incorporates socioeconomic impact assessments.

"We are involving the people so that there's ownership and buy-in from society and not just internally from our employees... but also from the man on the ground to say, I own this process, I own this plan."

And beyond the structural change needed to drive sustainability, executives also need to champion the process, she said. In the boardroom, it should be the CEO who becomes the advocate for ESG in the business.



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Leading the charge on standards

Motloba noted that a missed opportunity for South Africa is not having participated actively enough in driving the delivery of standards that speak to the African context. Standards developed in regions outside of the continent may not speak to the African reality, she said.

"Standards are developed by voluntary stakeholders who show up at the table and say this stuff matters to us... If the money's coming here, and the projects are coming here, and we want the impact to be lasting and meaningful, we need to lead the charge on that," Motloba emphasised.



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Need for cohesion in Africa

Inclusion within a just transition needs to extend to the entire continent, said Mkhathshwa.

"If it's inclusive, it must be based on partnerships. It must be based on forums where we are educating each other and knowledge-sharing."

Rather than an individual corporate purpose, an inclusive approach should constitute an Africa-centric purpose, she said.

Motloba noted that collaboration is key across Africa as its challenges do not occur in isolation.

"To not see next door's problems as our problems is problematic," she said. "We cannot build pockets of prosperity in a sea of poverty, because, at some point, the tsunami's going to overrun all of us."

ABOUT SINDY PETERS

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