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# Greater focus on ESG provides our compass to the future

President Ramaphosa's call to action on the green economy in his newsletter this week signalled recognition of the need for South Africa to build its recovery based on a climate-resilient economy fit for these unprecedented times.

This is a welcome call to action from the President and the timing couldn't be more pertinent. As South Africa plots its desperately needed economic recovery programme post-Covid, the President's impetus to look at strategies to build an inclusive economy that creates sustainable growth is vital.

Across the broader spectrum of Environmental, Social and Governance (ESG), we have seen increased awareness, understanding and expectation for a step-change in the way it is incorporated and embedded into business.

This has accelerated how stakeholders are including ESG factors into their thinking and integrating the E, S and G rather than treating them as three separate issues. Compare to a decade ago, when these were relegated to elements of the 'nice to have' as a compliance obligation; now it is a necessity.

Indeed, it is broad stakeholder demand that is driving ESG in terms of strategy, implementation and how it is measured. Ultimately, this is leading to increased scrutiny which is impacting the way organisations are now held accountable. Combined with the fact that COVID-19 has increased the need for companies to deliver on their commitments, ESG has become fundamental to corporate agendas.

The President is spot on in his assessment that efforts towards a green economy should not be relegated to the back-burner on our road to recovery. We cannot afford the evolution of progress in ESG to be stalled in exchange for a rapid response that gets us back to business-as-usual by the speediest means at any cost.

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This is where we have a chance to rebuild and chart a different future.

If South Africa is to grow itself out of the economic devastation left in the aftermath of the Covid pandemic, it will need to attract investment from the domestic and international investor community to help fuel a turnaround. But there needs to be trust and transparency in South Africa's ESG from investors, particularly in its Governance given its recent challenging past, to secure this vital investment.

That means adhering to the relevant international best practice and policies that are aligned to the standards in the jurisdictions where these foreign investors reside. Good ESG is recognised by financial markets and investors and rewarded with improved access to capital at a lower cost to those with weak governance structures.

According to FTI Consulting's 2020 Resilience Barometer™ C-suite survey of global institutional investors undertaken as the COVID-19 crisis started to emerge, 28% believe listed companies are under 'extreme pressure' to improve their ESG credentials, and 81% agree that 'there should be more reporting on the actual impact of their activities'.

In such extraordinary, uncertain and unsettling times, effective management of ESG will contribute to sustainable business resilience. But this is the beginning of a long road towards a more sustainable future and there is still much work to do.

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This means greater adjacencies to socio-economic drivers and community needs around local initiatives set out by society and governments. From jobs creation, to addressing the shift of economies towards low-carbon and resource-efficiency, to social and economic inclusiveness, ESG must be used as a mechanism to secure a meaningful contribution and crucially, more significant, measurable impact.

The COVID-19 pandemic has highlighted the social aspect of business and investors alike; those who can make a positive contribution through their investment choices in terms of the geographies, companies or particular projects where they place their money. Appetite for impact investing has increased globally as investors have grown more eager to align with a higher purpose and show that value can go beyond the financial.

Now is the time to future proof South Africa and the broader African continent by using the Covid-19 pandemic as a driver for change. More than ever, ESG has a crucial role to play in addressing overlooked social factors and galvanising the economic recovery to rebuild better - in ways that are aligned to a more sustainable, inclusive and equitable future.

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