

ESG and its implications for the nexus of Business, Society and Regulatory Legislation in South Africa

Series #1

ESG the context of South Africa:

In South Africa the discourse concerning an integrated approach to seemingly disparate issues such as Environmental, Societal and Governance (ESG) concerns, has a rich and deep history. In the context of a Democratic South Africa, our 1996 Constitution, establishes the foundation for the legal and policy architecture that seeks to address the interconnectivity of our physical environment and the inherent and rich resources of the land, the ethics and morals that guide us as a society and the structures and duties of our government to ensure that this is stewarded in a sustainable manner. In this way the Constitution underpins and frames the discussion on ESG in South Africa. Although there are abundant examples in our Constitution, Chapters 2, The Bill of Rights, and Chapter 13, which focuses on Finance, provide an abundant source of pragmatic goals.

As stated in Chapter 2: Section 9.1: *“Everyone is equal before the law and has the right to equal protection and benefit of the law”* and Section 24.b: *“Everyone has the right to have the environment protected, for the benefit of present and future generations”* and as professed in Chapter 13 . 215 (1) *“National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector”*. These examples can be said to contain the attributes of integrated thinking and action, which is of course the key driver in delivering ESG centric outcomes.

Over the course of 27 years, there have many policy positions and laws that emanate from the ideas and ambitions of the Constitution that sought to bridge the silos. Pertinent examples include the Reconstruction and Development Plan, The Growth, Employment and Redistribution Policy, Broad Based Black Economic Empowerment, The National Development Plan, The National Environmental Management Act, The Carbon Tax Act and the Integrated Resource Plan, to name but a few. In conjunction there have been several key documents that emanated from civil society and business that sought to address integration, a key example being the King IV report on Corporate Governance.

However, the practical implementation of the above has been hindered by several obstinate factors, including corruption, weak governance and the historical realities of a post-colonial African State. It also includes the implicit inequalities that stem from the historic systemic disenfranchisement of the indigenous population, as in Apartheid, and the colonial legacy of material resource extraction with very little inclusive and broad-based beneficiation. Concurrently ambitions towards integration and beneficiation are disrupted and weakened by a societal trust deficit. This results in financial and human capital flight, food riots, increased levels of violence and environmental degradation.

Thus when considering and strategizing around the implementation of a Stakeholder Capitalism and ESG focused way of conducting business in South Africa, companies must be willing to address the complex political economy of

South Africa and by inference the continent of Africa and the various forms of its social, political and economic capital in relation to the rest of the world.

KPMG SA and our ESG Ambitions:

At KPMG SA we are cognisant of the above and we seek to indigenise our approach. It is this encompassing knowledge and inclusive understanding that must and does guide the way we approach and implement our ESG ambitions as KPMG South Africa. At a global level the ESG ambitions of KPMG are articulated in our Impact Plan which can be summarised as:

KPMG: Our Impact Plan

 <p>Planet</p> <p>Reducing our impact on the environment to build a more sustainable and resilient future</p> <p>Our commitments:</p> <ul style="list-style-type: none">— Achieve net-zero carbon emissions by 2030— Provide clear, comprehensive, high-quality information on the impacts of climate change— Understand and improve our impact on nature and biodiversity	 <p>People</p> <p>Creating a caring, inclusive and values-led culture for our people</p> <p>Our commitments:</p> <ul style="list-style-type: none">— Build an inclusive culture that values diversity— Eliminate discrimination in respect of employment and occupation— Empower women in the workplace, marketplace and community— Protect the health of our people — both physically and mentally— Develop a continuous learning culture— Respect human rights
 <p>Prosperity</p> <p>Driving purposeful business practices and good corporate citizenship</p> <p>Our commitments:</p> <ul style="list-style-type: none">— Act with clear purpose at all times— Lead the profession in audit quality— Drive a responsible tax practice— Support education, lifelong learning and UNESCO's Global Education Coalition	 <p>Governance</p> <p>Putting our Values at the heart of the way we do things</p> <p>Our commitments:</p> <ul style="list-style-type: none">— Act lawfully, ethically and in the public interest— Work against corruption in all its forms, including extortion and bribery

To learn more about KPMG: Our Impact Plan, visit home.kpmg/ourimpactplan.

To learn more about how KPMG IMPACT helps clients, [click here](#).

The actioning of our Impact Plan is guided by metrics and indices that were developed in conjunction with the International Business Council (IBC) of the World Economic Forum (WEF). The WEF IBC Stakeholder Capitalism Metrics



are also segmented into the 4 pillars of Governance, Planet, People and Prosperity. They include indices to track regressions or progresses in matters such as quality and the composition of governance structures, rates of stakeholder engagement, impacts on biodiversity, Co2 emission rates, sustainable management of natural resources, anti-corruption practices, ethical supply chain management, pay equity, inclusion and diversity, value creation, community inclusion and technological innovation.

However as much as these rigorous international indicators warrant compliance, we also need to be cognisant that:

“The WEF IBC Stakeholder Capitalism Metrics have been collated to provide a concise set of universally applicable metrics that provide insight into the contribution of companies to societal goals (such as the SDGs). The metrics do not pretend to provide an all-encompassing framework that serves all stakeholders. Further standard setting initiatives should fulfil the needs of other stakeholders and wider or more company-specific impacts.” Brown T, Bartels W:¹ WEF IBC FAQs pg. 2

Therefore, the meta metrics and indices that are needed to ascertain our domestic impact needs to be grounded in a materiality taxonomy which is attuned to what the specific country, region, continent has deemed a priority. A practical domestic example of this kind of focus where localised ESG metrics can be used to create value is to align ethical procurement policy and practices with enterprise development and support of Black owned SMEs.

This has multiple and compounded impacts. Not only does it broaden and deepen the domestic economy, but it also serves as a bridge to build societal trust. The trust dividends that are gained for the company through its contribution to a cohesive society and stronger economy are immense. It is through such a thorough interconnected understanding of the economy that we achieve unity in disparate societies such as South Africa. This building of trust is imperative, and companies need to be part of the social compact, with benefits for the entire country and by inference the world.

It with this lens that we are looking towards the future. It is with this kind of focus that we are approaching our ESG practice and its imminent integration into our firms in the Southern Africa Region. We want our ESG practice to be representative and part of the continental prerogatives. We want to contribute to the envisioned outcomes of the African Union’s Agenda 2063 and the United Nations Sustainable Development Goals, as they are both interlocutors and part of the whole number we seek to achieve through creating a better tomorrow by emphasizing the interconnected thinking and actions that underpins our ESG practice at KPMG SA.

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****This is the first in a continuing series on ESG @ KPMG SA.
Other pending topics will include:***

The Circular Economy and Value Creation in the Context of South Africa.

Contributions towards a common set of domestic ESG metrics.

Stakeholder Participation in the Deliberation of Carbon Offset Pricing and Development of Community based Domestic Co2 offset projects.

Measuring, Monitoring and Evaluating the 'Social' in ESG

The Tax Implications of ESG in South Africa

Related Thought Leadership



[KPMG's Impact Plan](#) brings together new and existing ESG commitments under one umbrella, focusing on four important categories: Planet, People, Prosperity and Governance.

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