The Sustainable Development Forum (the “Forum”) is constituted as a forum of the Institute of Directors in Southern Africa ("IoDSA"), and is sponsored by Standard Bank. The activities of the Forum have specific focus on developments relating to sustainability issues.

The objective of the Forum is to serve as a platform for dissemination of guidance to directors on sustainability. Such guidance will typically cover the following:

The dissemination of such guidance will typically take the form of position papers and roundtable discussions.

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• Linsey Dyer
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• Sue Lund
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• Tracey Davies

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Introduction

As the world becomes a more complex place, with pressing social and environmental risks, directors and executives are confronted by increasing uncertainty when they develop strategies designed to create and deliver value over a sustained period.

What is certain is that a single-minded focus on short-term financial returns is not a recipe for long-term success. Organisations need to take a more holistic and rounded view of the context within which they function. This has been a principle of the King Codes of Corporate Governance and is also reflected in the requirement for listed companies to report annually in an integrated fashion. The fourth iteration of the King Codes, namely the King IV Report on Corporate Governance™ ("King IV") , was launched in November 2016, and provides an important governance framework, and is part of the regulatory framework for listed companies.

Sustained value creation has to be founded on good governance and on responsiveness to significant social and environmental challenges. The global goals, or Sustainable Development Goals (SDGs), launched in 2015 by the United Nations, provide a universal view on the development priorities for the next 13 years. They have been accepted by governments and business worldwide and are stretch goals essential to the creation of more sustainable futures. They necessitate business and governments taking both individual and collective action that can be measured and monitored for progress against clearly defined targets.

In 2016 and early 2017 the Institute of Directors in Southern Africa (IoDSA) hosted a series of dialogues in Johannesburg, Durban and Cape Town on the SDGs and how these linked to both King IV and the National Development Plan.

King IV

King IV is designed for application in all organizations, whether they are listed companies, government departments or NGOs. It promotes good governance, transparency in leadership and decision-making as well as a focus on sustainability. For those familiar with King III , this iteration shifts the emphasis from a compliance driven approach to one that identifies 17 principles of good leadership that should be incorporated and communicated to stakeholders on an ‘apply and explain’ basis.

1 Integrated Reporting framework: http://integratedreportingsa.org/
2 The King IV Report on Corporate Governance for South Africa 2016, Institute of Directors in Southern Africa NPC (IoDSA), www.iodsa.co.za/page/3KingIVReport
3 The King III™ Corporate Governance for South Africa 2009, Institute of Directors in Southern Africa NPC (IoDSA), www.iodsa.co.za/page/KingIII
The underpinning philosophies of King IV are:

- Good governance is fundamental to long term value creation
- An expectation of greater strategic direction and oversight by directors
- Integrated thinking and reporting – thinking beyond the immediate financial performance of the organisation and taking full consideration of the six forms of capital identified in the <IR> framework.
- Corporate citizenship – recognizing the organisation as a part of society
- Fairness and stakeholder inclusivity – recognizing that the organization has many stakeholders, not only shareholders and regulators, and they should be treated fairly.
- Compliance with law, such as the Companies Act and the Bill of Rights
- Recognizing sustainable development as an inseparable element of value creation

At the core of King IV is the need to achieve some fundamental shifts in corporate behaviour:

- From financial capitalism to more inclusive capitalism
- From a short term focus to a long term focus
- From a single minded focus on shareholders to stronger stakeholder management

While King IV has sustainable development as one of its underpinning philosophies and integrated thinking as one of the routes to get there, it does not spell out for organizations what sustainable development is or should be. For that leaders can turn to the UN’s 2015 global goals, to the risks enunciated by the World Economic Forum and even our South African National Development Plan.

The 17 SDGs, set out very starkly the major challenges of our time. These are challenges that universally confront organisations, but sometimes in different measure. They are strongly correlated with the key risks identified annually by business leaders are published during the World Economic Forum.

The Global Goals for Sustainable Development

These are the super challenges of our time. Stated as 17 discreet goals, it quickly becomes obvious that these are not easily divisible. They are simply stated but cannot be tackled simplistically. For businesses the scale of these challenges can seem daunting and some may be inclined to disengage because of the complexity. This is not the intent. Businesses, like governments and other organisations, should consider these goals and the risks that led to their inclusion in the 17, and identify those most relevant to their location, their operating context and their strategies for the future over the medium to long-term.

Businesses will find that some of the goals link more obviously to their operations than others. All organisations are, however, citizens of their host countries and operational areas, so goals pertinent to the needs of society but not directly impacting on their operations, cannot be ignored. Mining, industry or agriculture, for example, cannot function without water or energy, so are part of the global challenge to manage fresh water and energy more effectively and in a way that reduces the burden to other stakeholders who share the need for the resource.

All organisations need to look at diversity - understood in terms of race, gender, discipline and perspective – both for the purpose of redressing past inequities but also to enrich their value creation processes and contribute to the success of society. Cities bracing for growing populations need to focus on what smart cities of the future will need to offer their citizens to deliver some kind of quality of life as the global population heads towards 9 billion in 2050.

Unless all governments and organisations collaborate and contribute to solving these problems, any organisational success could be short lived. The current refugee crises around the world – driven by economics, environmental failures and social breakdown – are an illustration of how urgent solving these problems has become. On our own continent and in our own country, the devastating droughts experienced in recent years point to the urgent need for organisations to contribute to solutions, first by interrogating their own impact, and then by participating in collaborative efforts to reduce negative impacts and contribute to greater benefit.

It has long been the mantra of the World Business Council for Sustainable Development, whose members are some of the world’s most iconic companies that “business cannot succeed in a society that fails”.

With this in mind the mining industry, for example, is exploring the sector-specific initiatives to understand what each of these 17 goals means in the various life stages of a typical operation.  

A critical component of this assessment is the identification of how each of those goals can be linked to a part of the value chain of the organisation, how the organization can determine those aspects that should become a routine part of their operational behavior and which require collaboration to achieve the scale necessary for success.

SDGs are also opportunities

In a recently published report, Better Business Better World\(^7\), the Business and Sustainable Development Commission identified the opportunities for business in taking a proactive role in the transformation of the global economy needed to combat both climate change and the major risks addressed by the SDGs. The Commission, led by Paul Polman, CEO of Unilever and Lord Mark Malloch-Brown, a director of Investec and former deputy secretary-general of the UN and previous administrator of the United Nations Development Programme. It has harnessed the combined leadership and collective wisdom of 35 global CEOs all leaders in their industries.

In their report they identified 60 Global Goal ‘hotspots’ that could grow 2-3 times faster than the global economy.

"Achieving the Global Goals opens up US$12 trillion of market opportunities in the four economic systems examined by the Commission. These are food and agriculture, cities, energy and materials, and health and well-being. They represent around 60 percent of the real economy and are critical to delivering the Global Goals. To capture these opportunities in full, businesses need to pursue social and environmental sustainability as avidly as they pursue market share and shareholder value. If a critical mass of companies joins us in doing this now, together we will become an unstoppable force. If they don’t, the costs and uncertainty of unsustainable development could swell until there is no viable world in which to do business.

That global business leaders have identified these opportunities provides a clear reminder that the counter point to risk is opportunity and that rapid transformation of the economy is not a zero sum game. But, failing to address these risks holds clear risk for the global economy. In Africa we cannot stand idly by. Already we are seeing major migration across and from the continent as people seek refuge elsewhere (often in South African cities and towns) from environmental and economic failure. While they frequently add skills they also add to the competition for resources and jobs.

Looking forward

The key challenge is not whether directors and executives should be addressing these issues, that is a given. The question is, rather, how to make sense of these global risks and challenges at a level appropriate to the organization; how to incorporate them into key strategies and how to recognize that the solutions to these problems also present opportunities. This is the type of integrated thinking that the codes of corporate governance call for, and should be an essential part of the strategic planning and review processes within organizations.

In interpreting the relevance for the local environment, the National Business Initiative has mapped the Sustainable Development Goals to the National Business Plan and finds a significant correlation.

Mapping the SDG Targets and NDP Objectives\(^8\)

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\(^7\) [http://report.businesscommission.org/](http://report.businesscommission.org/)

For South African organisations this is reassuring in that by linking to the National Development Plan they can be assured that they are addressing some critical issues experienced very close to home and at the same time are able to recognize themselves as part of the global effort to make material progress towards meeting the SDGs by 2030.

What was clearly agreed during the dialogue sessions is that charity or philanthropic initiatives alone will fall short of the rapid, transformational change that is required. Organisations will need to address these issues as a core part of their strategy for long-term value creation.

What indicators of success?

A key challenge remains for organisations in that the 17 goals, the 169 targets that underpin them and the indicators of progress have essentially been written for governments, which have both political accountability and the responsibility for the big picture. They, however, cannot alone deliver on these. So businesses NGOs and other organizations need to find relevant indicators of success and a way to frame their contributions in meaningful and measureable ways.

To this end, organisations around the world are developing sector relevant approaches, which can easily be adopted by businesses. While it is essential to know where one is starting from it is not sufficient to repackage existing social investments, philanthropy or community initiatives and think that the job has been done. The SDGs are stretch goals and will require significant scale, speed and collaboration if real progress is to be made.

Business functions best when focused on the material and the measureable. The Global Reporting Initiative®, which has developed the most widely-used reporting standards for sustainability reporting has undertaken some of that work and mapped the SDGs against its existing standards and indicators to illustrate how organizations can use their existing reporting processes to account internally and externally for their progress on the SDG’s (or the NDP).

The SDG targets and NDP objectives align:

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How to proceed

There are several key steps in adopting an approach coherent with both King IV and the SDG's. They are:

• Analysis of the key impacts positive and negative (the outcomes that one would consider for the purposes of integrated reporting) that the organisation has on the world around it

• Dialogue at leadership level (Board of Directors and Executive) of how these challenges may impact on the organisation over the medium to long term

• Assignment of executive accountability
  - Assessment of sector / national approaches
  - Determination of an action plan
    - Mapping of where these key issues affect or could affect the business or its current and future markets
    - Identification of what can be tackled by changing operating priorities, products or procedures
    - Identification of those issues requiring a sector approach and promoting that action through resource allocation and active leadership
    - Identification of those issues that require structure partnerships or collaboration with peers, NGOs or government
  - Identification of indicators and metrics and reporting requirements

• Regular internal and external reporting that is monitored by the Governing Body – particularly the risk and social and ethics committees – and incorporated into strategy determination and annual reporting to stakeholders

• Reassessment for continuous improvement against long term goals and short and medium term milestones

Dialogue leaders

During the series of dialogues the IoDSA's Sustainable Development Forum was supported by the participation of a number of thought leaders who provided valuable insights to the discussion. We thank Professor Coleen Vogel, Wits Global Change Institute; Ms Joanne Yawitch, CEO of the NBI and Mr Alex McNamara of the NBI; Ms Lindie Engelbrecht and Mr Mohamed Adam of the King Committee and Professor Dee Bradshaw, Director of the Minerals to Metals initiative at the University of Cape Town.