Sustainability practices of the Private Sector a precondition for Sustainable Development

Tapuwa O’Brien Nhachi

A World Federation of Exchanges (WFE) survey shows investors are increasingly studying the sustainability practices and policies of companies as a factor in their investment decisions. This has become the norm world over and in this global village that Zimbabwe is part of, private sector development in our country should not take sustainability issues with contempt. Sustainability practices should be taken with the seriousness they deserve if as a country we intend to raise our flag higher on the African and Global market again.

ESG (Environment, Social and Corporate Governance) concerns are becoming widespread among global capital market participants and they definitely affect investor decision to a very large extent. For instance a warning that climate change might make the world’s stock markets and banks unstable and lead to a financial crash by Mark Carney, chairman of the G20 countries’ Financial Stability Board is clear testimony how environment can affect investment and investor decisions, therefore ESG issues should be taken seriously.

The WFE’s Sustainability Working Group, which was set up in March 2014 noted that some 39 per cent of respondents (22 out of 56) to the global exchange survey that they carried out this year stated they had received ESG-related queries from investors, out of which 10 said that such enquiries are on the increase. Meanwhile, 37 per cent of exchanges (21 out of 56) require listed companies to disclose at least some ESG material, whether on a mandatory or voluntary basis, which goes beyond corporate governance criteria. The survey received responses from 56 exchanges - or 93 per cent - out of WFE’s 60-member exchanges worldwide in 2014. What was interesting from the survey is that some of the companies which participated in the survey are operating in Africa and South of the Sahara to be particular among them are some of the world’s largest companies such as Danish shipping firm Maersk, Chinese oil producer Sinopec, Swiss food company Nestle and British-Dutch consumer goods giant Unilever.

Since the establishment of the United Nations Global Compact (UNGC) 15 years ago, the corporate sustainability movement has made huge strides and companies around the world are increasingly adopting sustainability principles such as the safeguarding of human and labour rights and environmental conservation. The question is why the ESG concept is important when making investor decisions. Corporations that sign on to the Compact agree to operate within United Nations’ principles on human rights, labour, environment and anti-corruption, among others. They also have to support their local communities and report transparently on their efforts to comply with the principles each year.

The private sector must push for sustainability practices for different reasons, pushing sustainability deep into the corporate DNA, the private sector must commit at the highest level, report annually on their efforts, and
engage locally where they have a presence. The reason is simple because with business activity, investments and supply chains reaching all corners of the earth, companies increasingly realize that they cannot thrive when the world around them is deteriorating. Therefore complying with world sustainability practices guarantee business success in the long run.

A principled business is one that operates with integrity and respects fundamental principles in the areas of human rights, labour, environment and anti-corruption, and this is done through sustainable practices which create, sustainable companies that aim to look beyond their own walls and take actions to support the societies around them.

Sustainability practices involve business leadership sending a strong signal throughout the organization that sustainability counts. Leadership also means taking achievement in key areas such as board ownership of the sustainability agenda, adjusting policies and practices to align with this agenda, training and motivating employees to engage in sustainability, and pushing sustainability into the supply chain.

Another aspect is that sustainable businesses value long-term relationships that are based on trust and transparency and they provide their stakeholders with a robust account on what they are doing to operate responsibly and support society. They also understand the importance of engaging constructively with critics. This is where sustainable business understand that they exist and act within nations and communities that have different ideas about responsible business. They understand that the issues a company faces and how it can actively support local and national priorities range greatly.

The exciting thing about sustainability is, there’s a lot of talk about risk management, but there is also a lot about seizing opportunities, and some of the challenges that we face can be turned around to become opportunities for business. For instance, globally, Zimbabwe is forecasted to be “hundred Saudi Arabia short” in terms of our energy needs. This deficiency is widely believed to support the prediction that energy prices will continue to rise in the foreseeable future. Energy security remains a critical issue, and the gap between the Zimbabwe’s future energy needs and the existing supply is so large that there are significant opportunities for new sources of renewable and low-carbon energy.

This means that Zimbabwe must thrive to become the Southern African leader in generating power from the sun, wind, and policy with action should start to happen in the area of renewables. Huge investment is needed to replace ageing energy infrastructure, combined with this, is the need to move to look beyond hydro power generation as the major source a smart grid, whereby electricity is efficiently delivered from suppliers to consumers should be on the cards. So, the energy sector will be very busy trying to produce more energy in a sustainable way here in Zimbabwe, and it will need to enlist extra help for this huge task in form of investment.
While corporate sustainability has made great strides over the past 15 years, much more needs to be done. Globally, more than 80,000 big multinationals and millions of smaller companies are yet fully engaged in sustainability. New examples of human rights abuses, worker exploitation, environment destruction and corruption by business are constantly being revealed around the world. The world also faces global health crises, conflict, mass population displacement and climate change, which are all impacting business. This means the private sector needs to take its stewardship role more seriously.

Sustainability has become the greatest project of this century and as a continent and a country let us seize this moment in history and become part of the solution by being principled, reconnecting with a broader social purpose, and by recognising that the well-being of society and the planet is core to business success. It is in mind that one of the Sustainable Development Goals (SDGs) is Private Sector development in developing countries and the world over.

**Tapuwa O'bren Nhachi is a Programmes Coordinator with the Institute of Sustainability Africa (INSAF) an Independent Think tank on Sustainability and Sustainable development can be contacted at onhachi@insafrica.org**