**ESG AND SUSTAINABILITY REPORTING IN ZIMBABAWE**

**Done by Fungai Chimwamurombe and Leon Gona**

It is common cause that the chief aim of any company or enterprise is to make a profit. Global consciousness has however moved on from this profit-centric approach and stakeholder pressure has seen the rise to prominence of ESG- Environment, Social and Governance- standards that seek to measure sustainability and impacts of businesses. Globally the utility of these set of standards has proved popular with an emerging class of institutional investors; aptly named ESG investors, coming to the fore and a general will for corporations/companies to be considered good corporate citizens. In the Zimbabwean context ESG or Sustainability reporting in not a new phenomenon particularly to listed companies who have been obligated to commission such report in terms of the Securities and Exchange (ZSE Listing Requirements) Rules 2019. Notwithstanding the stated statutory provisions, it is opined that the culture fro sustainability reporting is yet to cascade throughout Zimbabwe’s corporate world. This article seeks to explain the nature, utility and growing importance of ESG’s to Zimbabwe’s corporate landscape.

As stated above, ESG is an acronym that stands for Environment, Social and Governance. This is collection of standards that assist companies to identify gaps between internal frameworks and international best practice. Invariably focus on particular aspects of ESG are more pronounced if due consideration is given to the industry in question, e.g. it would be expected that Environmental factors vis-à-vis long term risk of a mining company are the primary consideration, without derogating from the social and governance factors. Such effects confirm the reason why ESG has been characterised as a stakeholder focused approach to doing business. Whereas the sustainability reporting obligation is prescribed only in respect of listed companies in Zimbabwe, the drive towards ethical and sustainable business supersedes arguments that would hamper this objective. It follows that reporting, benchmarking and tracking is imperative for the success of ESG in Zimbabwe’s corporate landscape. Indeed metrics from said reports are the basis upon which ESG investors are motivated towards investing, moreover it promotes transparency with the stakeholders that contribute to such business.

Below is a sample ESG rubric including factors which may be considered under each standard. These factors will inform internal company policy management ethos and practices.

**Environmental**

*Preservation of our natural world*

[Climate change](https://www.diligent.com/insights/esg/climate-disclosure-trends/), [Carbon emission reduction](https://www.diligent.com/insights/esg/business-carbon-offsetting/), [Water pollution](https://www.diligent.com/insights/esg/water-footprinting/) and water scarcity, Air pollution, Deforestation and [Greenhouse gas emissions](https://www.diligent.com/insights/esg/how-to-measure-greenhouse-gas-emissions/)

**Social**

*Consideration of humans and our interdependencies*

Customer success, Data security, Gender diversity, Community relations, Mental health

**Governance**

*Logistics and defined process for running a business or organization*

Board of directors and its makeup, Compensation, Recruitment best practices

The utility of such tools lies in the accuracy and integrity of ESG or sustainability reports. Companies and company directors in particular should be wary of corporate greenwashing – which a practice of falsifying sustainability reports. It is this author considered view that company director’s in Zimbabwean context must view ESG as being analogous with the duty of care and business judgment rule that is required of every director, and prescribed in terms of s54 of the Companies and Other Business Entities Act [ Chapter 24:31]. While it is common cause the foremost objective of any business or enterprise is to garner profits, ESG seeks o temper unconscionable profiteering. it follows that it should be incumbent upon every company director to be alive to the benefits, and utility of compiling sustainability reports as their statutory duties of duty of care and business judgment rule, may infer sustainable and ethical business. With the rise in prominence of ESG investors the legislature may also look into further entrenching sustainability reporting by extending the requirement beyond listed companies, notwithstanding various pressures from stakeholders and societies to hold all business enterprises accountable and the same being transparent in respect on the impact upon their stakeholders.

ESG is not an entirely novel concept, however it is apparent from its rise in popularity that various stakeholders across varying industries deem it necessary for businesses within those to conduct such businesses in an ethical and transparent manner. While sustainability reporting is required of listed companies in Zimbabwe, there is a case for extending the same to private companies. The need for sustainability reporting is arguably inferred as part of any company director’s fundamental duty of care and business judgment.