Sustainability Snapshot

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The state of play

Global trends and local developments in sustainability

This year, sustainability is undergoing a reset as companies navigate a complex mix of political pushback and evolving regulations. Instead of backing down, businesses are stepping up, shifting from checkbox ESG to bold, results-driven strategies that embed sustainability deep into their core. From tackling water scarcity and closing climate finance gaps to harnessing AI, the focus is now on real impact and transparency. With regulations tightening worldwide, accountability is no longer optional but a competitive edge.

This year marks a turning point where sustainability moves beyond rhetoric, fuelling innovation, resilience and long-term value in a rapidly changing world.

In South Africa, new governance frameworks and the just energy transition demonstrate how local efforts align with global shifts. While the road might be tougher, this evolving environment pushes sustainability into a more mature, resilient phase.

Welcome to the first edition of the SAICA Sustainability Snapshot

The Sustainability Snapshot is a monthly digest distilling global sustainability developments into actionable insights. Each edition highlights regulatory shifts, market trends and strategic risks to help professionals stay ahead of change and unlock long-term value.

In this issue

In this snapshot, we unpack several key themes dominating the world of sustainability today, with a focus on the resultant implications for South African businesses. In all cases, our view is that the best approach is a proactive one: moving to adopt best practice as a way to pre-empt inevitable policy and regulatory developments and in support of sustainable financial performance.

The ESG backlash and resultant recalibration

In the US, a political backlash has made sustainability advocacy riskier. Regulators in the EU are also talking about simplifying frameworks such as the Corporate Sustainability Reporting Directive (CSRD) to ease the burden on companies. Yet the evidence shows that firms and investors are not abandoning ESG. Instead, they are channelling resources into integrating financially material sustainability factors, building stronger stewardship practices and seeking measurable outcomes in areas like climate adaptation and biodiversity.

This tension has reshaped the conversation. Companies are becoming more cautious in their language but not in their strategy. Globally, we see fewer sweeping pledges and more focus on credible integration of sustainability into risk management and performance. The backlash has, paradoxically, accelerated the maturity of ESG by forcing firms to show substance rather than slogans.

In South Africa, the [2024 ESG Barometer] found that almost all large firms either have or are developing ESG strategies and that the main driver is financial materiality. Business leaders report that they are now more deliberate in embedding ESG into board-level decision-making and more conservative in how they talk about sustainability in public.

For South African businesses, the lesson is clear: stay proactive, and integrate ESG into strategy and operations in ways that deliver measurable results. Communicate these strategies transparently and credibly, giving stakeholders – from regulators and communities to investors – the information they need without overselling.

Ultimately, the backlash is forcing ESG to evolve. While it presents challenges, it also acts as a catalyst for the maturation and integration of sustainability into business fundamentals, rather than just a superficial or rhetorical exercise. The backlash no doubt brings a tougher climate for sustainability advocates, but it is one that may yield deeper, more resilient corporate commitments in the long run.

Increasing regulatory pressure

Globally, regulators continue to tighten disclosure requirements, even as some frameworks are being streamlined. In Europe, the Omnibus package seeks to simplify overlapping rules while maintaining strict standards on climate and sustainability reporting. Several markets – including the UK – have rolled out anti-greenwashing rules.

Internationally, climate action has also moved into the legal sphere: in July 2025, the International Court of Justice confirmed that states have a binding duty to act on climate change, signalling a new era of accountability.

This wave of regulation is reshaping the corporate reporting landscape. Businesses are under pressure to adopt more transparent practices, ensure data accuracy and meet higher assurance requirements. Those that adapt quickly gain a strategic advantage, as disclosure is no longer just about compliance but about competitiveness and investor confidence.

South Africa is moving in the same direction. The Companies and Intellectual Property Commission (CIPC) has aligned its reporting taxonomy with new International Sustainability Standards Board (ISSB) rules and launched consultations on mandatory disclosures. The Financial Sector Conduct Authority (FSCA) and the Prudential Authority are embedding climate risk into market conduct and financial supervision. Directors' legal responsibilities for managing climate risks have also been clarified in the new King V Codes.

Forestry, Fisheries and the Environment Minister Dion George gazetted the draft National Greenhouse Gas Carbon Budget and draft Mitigation Plan Regulations on 1 August 2025 under the Climate Change Act, 2024. These regulations establish South Africa's first mandatory carbon budgeting system, replacing voluntary climate reporting with legally binding emissions limits, mitigation plans and strict penalties. They apply to entities emitting more than 30,000tCO_2e a year, including coal, cement, petroleum and fossil-fuel power sectors, while smaller emitters may opt in voluntarily. Companies must register, submit carbon budgets and mitigation plans for ministerial approval, with annual progress reports due by 31 March. The first commitment period runs from 1 January 2026 to 31 December 2030, with budgets reviewed every five years.

Governance for sustainability

The draft King V Code places sustainability at the centre of governance, making directors responsible for ensuring that strategy avoids harm to society, the environment or future generations. Boards must oversee issues such as climate change, pollution, biodiversity and the sustainable use of resources and link this oversight to remuneration so that pay reflects the creation of long-term social and environmental value. The code also introduces double materiality, requiring organisations to assess both how sustainability issues affect the enterprise and how the enterprise affects society and the environment.

Non-compliance is an offence under sections 34 and 35, with fines up to R5m or five years' imprisonment for a first offence, and up to R10m or 10 years for repeat offences. Exceeding budgets triggers higher carbon tax rates under the Carbon Tax Act, 2019. The system will be administered through a web-based platform linked to the South African Greenhouse Gas Emissions Reporting System (SAGERS), with enforcement powers vested in the minister. A new entrants reserve allocates 5% of the economy-wide emissions cap to new or expanding facilities on a first-come, first-served basis.

For South African businesses, the takeaway is to prepare early. Build robust data systems, strengthen board oversight and ensure that sustainability claims can withstand scrutiny. Companies that do so will not only comply with new rules but also enhance credibility with investors and regulators.

The regulatory expectations around sustainability will continue increasing. It is in the best interest of companies and investors to take a proactive approach to adopting international best practice standards.

Financing climate and nature

The global finance gap for climate and biodiversity remains vast. Estimates suggest that the world needs more than $6tn annually for mitigation, adaptation and nature protection through 2030, while actual flows remain only a fraction of that. Bridging this gap requires scaling blended-finance structures that can de-risk investment and crowd in private capital. Internationally, new instruments such as green bonds, biodiversity credits and blue bonds are gaining traction, alongside greater use of nature-based solutions like wetlands restoration and regenerative agriculture. These projects address climate risks, safeguard biodiversity and create community benefits, making them attractive to investors looking for both returns and measurable impact.

The finance conversation has therefore broadened. It is no longer only about decarbonisation but about protecting ecosystems, water basins and food systems. Investors and regulators are increasingly recognising that climate and nature risks are interconnected. This is driving demand for standardised taxonomies, transparent data and credible project pipelines that link biodiversity protection with financial returns. Companies that can demonstrate such integration are beginning to capture early-mover advantage.

South Africa is part of this trend but practice is nascent. Local actors are experimenting with nature-linked financing, including water stewardship programmes and regenerative agriculture. The JSE has started aligning guidance with ISSB standards and companies are beginning to integrate principles of the Taskforce on Nature-related Financial Disclosures (TNFD) into their strategies, positioning themselves for biodiversity finance in emerging markets.

For South African businesses and investors, the imperative is to make climate and nature finance investable. That means building replicable, bankable projects in energy, water and land use, using blended structures to attract concessional and commercial finance, and adopting credible disclosure standards to reassure investors.

Companies that can link climate action with nature protection will be better placed to secure capital, manage risk and demonstrate resilience in a changing global market.

For more on this, see SAICA's previous dialogue.

Prioritising water

Water is emerging as one of the most material sustainability risks. Globally, water scarcity and pollution threaten food systems, supply chains and public health. Companies in water-intensive sectors are investing in efficiency, recycling and stewardship programmes to protect their operations and communities. The shift is from compliance to resilience: water management is no longer only about regulation but about strategic risk control.

The challenge is that regulations are often not fully enforced. Many countries, including South Africa, face gaps in municipal capacity and infrastructure maintenance. This means businesses cannot rely on governments alone to manage water risk. Instead, they must step in with system-level solutions, partnerships and community investments.

For companies and investors, this means moving beyond ticking regulatory boxes and adopting forward-looking, system-level water stewardship. This approach treats water not just as a compliance issue but as a critical business risk and strategic opportunity. By aligning internal strategies with local water conditions, investing in resilient infrastructure and partnering with communities and governments, businesses can build resilience, safeguard their operations and turn water stewardship into a competitive advantage in an increasingly water-stressed world.

Water risk management today demands creativity, commitment and collaboration to protect both business continuity and the communities that rely on this vital resource.

The adaptation imperative

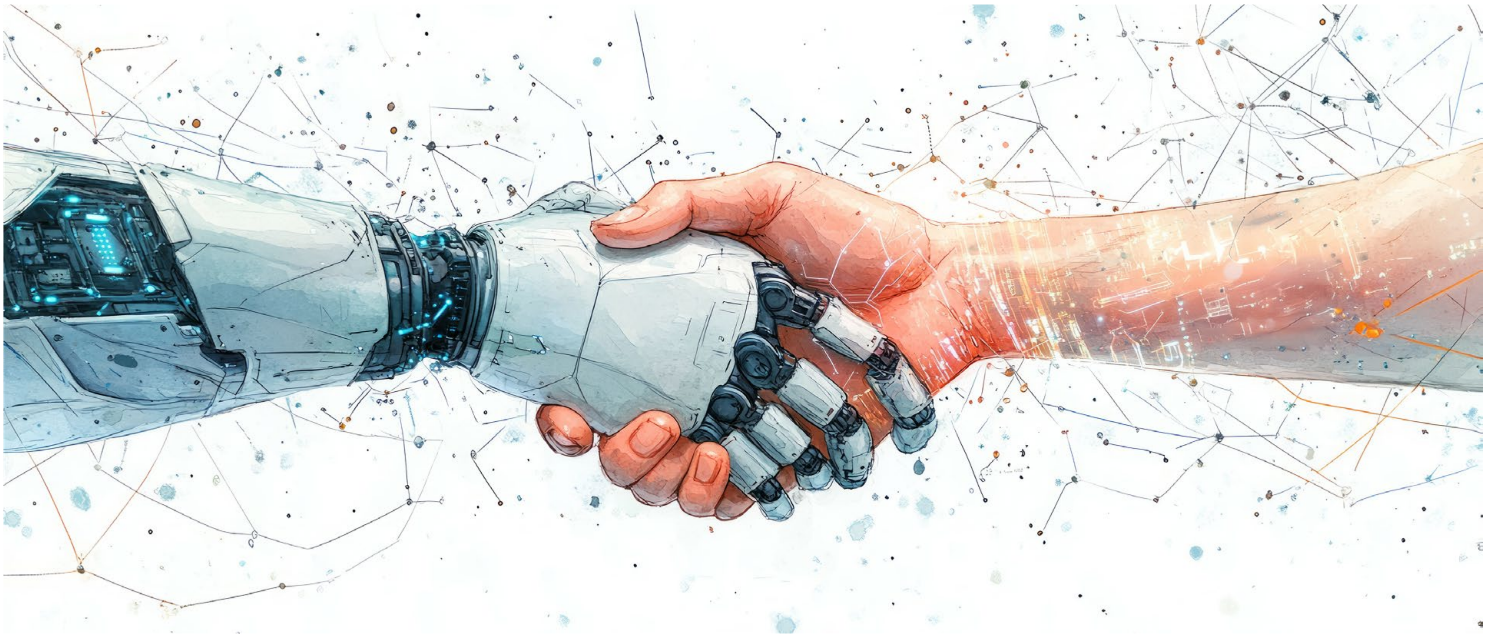
As it becomes clear that the 1.5°C target is slipping out of reach, climate change adaptation is drawing greater attention from policymakers, global forums, governments and, increasingly, companies. This is evident in G20 working groups and other international platforms, where adaptation and resilience feature more prominently than before. As extreme weather events grow more frequent and severe, the urgent need for climate-resilient infrastructure becomes evident. Protecting vulnerable communities and economies requires not only upgrading existing roads, bridges and utilities but also designing entirely new systems engineered to withstand floods, hurricanes and heatwaves.

However, a strategic gap persists between recognition and action. While adaptation receives more attention in policy discussions, implementation remains limited, and mitigation efforts receive the bulk of climate funding.

This creates both a risk and an opportunity: a risk if governments and firms delay action until the costs of disruption escalate but an opportunity for those who move early to build resilience. For South African companies in particular, a proactive approach to adaptation could help them get ahead of inevitable disruptions and position themselves more competitively in a climate-constrained future.

2025 marks a turning point where businesses, governments and investors are beginning to channel serious resources into preparing for the climate challenges already unfolding, recognising that adaptation investments today are essential for long-term survival and prosperity in a changing world.

ESG and artificial intelligence



Artificial intelligence (AI) is becoming deeply embedded across industries, with profound implications for sustainability. It offers powerful tools to optimise energy use, boost resource efficiency and sharpen climate risk models. In sectors such as agriculture, energy and manufacturing, digital twins and predictive analytics are helping minimise waste and improve environmental performance. AI-driven smart grids are another example, balancing electricity demand and supply in real time, reducing carbon footprints and supporting the growth of renewables.

The technology is also transforming biodiversity conservation. AI systems can monitor ecosystems in real time, detect early signs of stress and identify threats such as poaching or invasive species. These advances are opening new possibilities for data-driven environmental management. At the same time, investment in AI for climate solutions is accelerating. Countries such as the UK are emerging as leaders, channelling funding into climate tech, carbon capture and resource conservation.

AI is also reshaping sustainable finance. It can enhance how investors assess environmental, social and governance (ESG) risks and opportunities, strengthen disclosures and sharpen stewardship. These tools support smarter capital allocation aligned with long-term goals.

AI's benefits do, however, come with heavy costs. The data centres that power it consume vast amounts of electricity, often from fossil fuels, and require significant water for cooling. This raises questions about whether AI's environmental footprint might undermine its sustainability promise. Businesses and researchers are working to address this by designing more energy-efficient models, powering facilities with renewables and embedding sustainability considerations throughout the AI lifecycle.

AI has become a powerful force in sustainability. It offers the potential for smarter and faster climate action, but its promise will only be realised if its own environmental costs are managed with care and integrity. The challenge is to ensure AI strengthens the sustainability agenda rather than complicating it. Responsible use depends on balancing machine insights with human judgment, ensuring data quality, embedding accountability and prioritising ethics.

Conclusion
From rhetoric to resilience

The global sustainability agenda is evolving. Political backlash has changed the tone of ESG but not its trajectory. Regulation is tightening worldwide, water is a pressing business risk, and the finance gap for climate and nature remains vast. South Africa is moving towards global alignment, with new governance codes, disclosure frameworks and just transition plans.

For South African businesses and investors, the implications are clear. The conversation is shifting from rhetoric to resilience.

Sustainability is no longer about signalling – it is about building credible strategies, managing material risks and unlocking new opportunities. Those who act early will strengthen trust, attract capital and position themselves for long-term value. Those who delay will face rising costs, stricter regulation and shrinking investor patience.

The challenge now is not whether to integrate sustainability, but how. The winners will be those who do it with substance, transparency and urgency.

Sneak peek into next month's Snapshot
South Africa's just transition

South Africa sits at the heart of the global energy transition debate. It is both one of the world's most carbon-intensive economies and one of the most unequal, making the design of a just transition especially complex. The country depends on coal for more than 80% of electricity generation, with entire communities and supply chains tied to the sector. Shifting away from coal therefore raises profound economic and social questions, particularly around jobs, municipal finances and regional development.

The Just Energy Transition Partnership (JETP), announced at COP26, was meant to help bridge this gap by mobilising $8.5bn in concessional finance from international partners. Since then, pledges have grown to over $12bn. Yet translating commitments into projects has been slow. Eskom's debt burden, policy uncertainty and limited project pipelines have delayed disbursement. While progress has been made in some areas – such as early decommissioning plans and pilot projects in renewables and green hydrogen – the overall rollout has lagged expectations.

The South African government has begun to frame a broader "just transition" agenda beyond Eskom. This includes support for green industrialisation, electric vehicles, green hydrogen and regional development plans for coal-dependent provinces. Local businesses and investors are also starting to respond, with growing interest in renewable energy, water resilience and sustainable agriculture.

For South Africa, the just transition is not only an environmental imperative but also an economic one. Delivering on it requires credible policy direction, stronger project pipelines and better use of blended finance to crowd in private investment. If managed well, the transition could unlock growth and jobs while reducing climate and social risks. If mismanaged, it risks deepening inequality and leaving the economy behind in a decarbonising world.

Be sure to read next month's Snapshot, which will provide a detailed update on South Africa's progress toward the just transition.