



# Sustainability Snapshot

## Accounting for the social side of the transition

As ESG continues to shape the future of business and investment, the spotlight has long been on environmental factors, the “E” in ESG. However, the social dimension, the “S”, is rapidly gaining the attention it deserves, driven by shifting stakeholder expectations, demographic changes and the clear recognition that social issues have a significant impact on business resilience and value creation.

This snapshot dives into how international and South African ESG frameworks are increasingly weaving social considerations into their fabric, providing critical insights for companies eager to embed the “S” into strategy, reporting and transition planning. By exploring key frameworks, we reveal practical pathways for ensuring a just, inclusive future where social impact stands as a cornerstone of sustainable success.

## In this issue

## Elevating social priorities in ESG frameworks

In 2022, a [KPMG survey](#) found that fewer than half of major companies (49%) formally acknowledge social risks in their ESG reports. Of these, only a minority quantify these risks, with most still relying on narrative descriptions. This imbalance needs to shift, especially as investors, regulators and civil society increasingly demand that social outcomes be treated with the same rigour as environmental performance.

The increased pressure is not because the “S” is just a nice-to-have; in fact, evidence increasingly shows that it’s crucial for building stronger businesses, enhancing resilience and ensuring a fair, inclusive transition to greener economies. Social metrics are becoming essential for long-term value, risk management and reputation.

At the same time, companies are recognising that strong social performance must go hand in hand with environmental initiatives.

If a conservation project affects a local community, those impacts must be managed, sensitively and proactively. Renewable energy supply chains bring their own complex labour rights challenges that need addressing head-on. Ignoring these social responsibilities risks losing vital social licence to operate, which can stall progress towards net zero and net positive goals.

Many of the most notable social and environmental impacts happen in supply chains – where workers and communities can face poor working conditions, low wages and health hazards. As a result, the most effective ESG strategies will be those that take a systemic view, weaving social factors tightly into climate and biodiversity actions, ensuring solutions are sustainable, ethical and truly impactful.

## Social factors in the context of South Africa

### Key social indicators

**33%**  
unemployment rate

**62%**  
youth unemployment

**36%**  
women unemployment

**More than 66%**  
of the population lives below the upper middle-income poverty line

One of the most unequal societies with a Gini coefficient of nearly **0.63**

In South Africa, social factors are not abstract issues, they represent some of the most urgent and material risks facing businesses and investors today. With an unemployment rate soaring to around 33.2% in mid-2025 and a staggering 62.4% of youth out of work, the challenge of joblessness is a socioeconomic crisis that permeates every aspect of society. Meanwhile, over two-thirds of the population live beneath the upper middle-income poverty line and income inequality remains among the highest globally, with a Gini coefficient near 0.63. Gender disparities also persist, as unemployment for women hovers around 36%, amplifying social exclusion.

These stark social statistics highlight that integrating social considerations within ESG strategies in South Africa is not only a moral imperative but a critical component of effective risk management and sustainable value creation.

Failure to address entrenched challenges such as unemployment, poverty and inequality exposes organisations to significant reputational damage, operational disruptions and increasing regulatory pressure. Conversely, by prioritising social factors and aligning with foundational national frameworks like the National Development Plan 2030 and the Green Finance Taxonomy, businesses can actively contribute to transformative poverty alleviation, drive economic inclusion and foster social stability, strengthening their long-term resilience and stakeholder trust in one of the world’s most complex and dynamic markets.

Navigating South Africa’s complex social landscape demands a nuanced, data-driven approach that embeds social equity at the core of sustainable finance and corporate responsibility, transforming risk into opportunity for a just and inclusive future.

**As a starting point, it is worth understanding the double materiality approach.**

# Double materiality

Double materiality is a concept that broadens the traditional financial notion of materiality in reporting and decision-making. Traditionally, materiality focuses on information that a reasonable investor would find important when making financial decisions – essentially, how issues affect a company’s bottom line. Double materiality expands this idea by looking at two interconnected perspectives:

- **Financial (outside-in) materiality:** How ESG factors affect the financial condition and performance of the company. For example, risks such as labour unrest or regulatory changes can affect profitability.
- **Impact (inside-out) materiality:** How the company’s activities, its operations, supply chains, products and services, affect people, society and the environment. This considers the company’s footprint on human rights, community welfare and ecological health.

It aligns with leading sustainability reporting frameworks like the EU’s Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB).

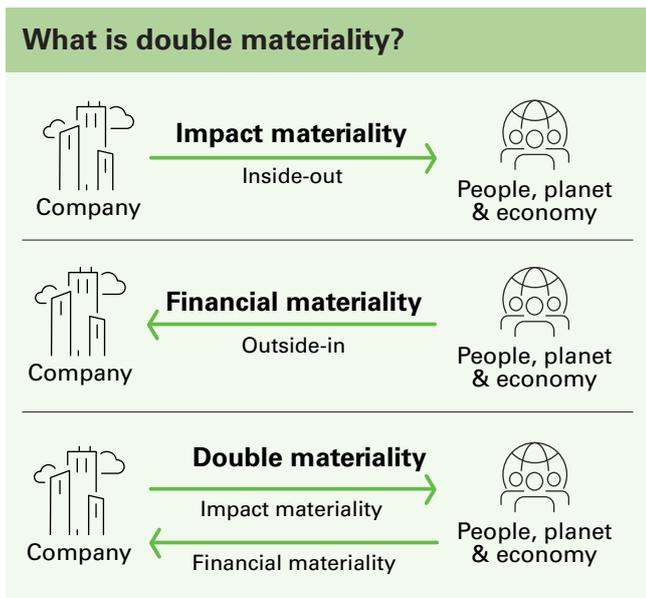
Social issues (such as labour rights, inclusion and community impacts) are frequently externalised or overlooked, especially in transitions like moving to greener economies. Double materiality ensures businesses and investors consider not only how social challenges affect the company but also how the company’s actions affect those social issues, whether through worker transitions, community displacement or supply chain labour conditions.

This framework embeds the notion of a “just transition”: recognising that social sustainability and business sustainability are tightly linked and that supporting people and communities also supports long-term business stability and investor value.

Together with the concept of additionality, which assesses whether an ESG action creates outcomes that wouldn’t have occurred otherwise, double materiality forms the foundation for credible, accountable and socially responsible ESG strategies that drive meaningful change.

Therefore, social sustainability in business can be understood through two interconnected lenses. First, there are the essential “hygiene factors”, responsible business practices such as ensuring fair wages, decent work conditions, health and safety and non-discrimination.

These are foundational obligations primarily embedded and detailed in frameworks like the GRI Standards. Second, there is the broader realm of social impact, where a business actively shapes and improves its societal footprint, addressing issues like poverty, inequality, and community development. This dimension demands strategic, long-term thinking aligned with national and global frameworks such as the SDGs and South Africa’s National Development Plan. Effectively integrating both dimensions allows organisations to not only meet compliance standards but also drive meaningful, systemic positive change.



A topic is material if it matters from one or both of these perspectives. For instance, a company might face financial risk from increased labour unrest (financial materiality), while also contributing to poor working conditions in its supply chain (impact materiality).

This dual lens compels companies to evaluate their sustainability risks and opportunities more holistically, for both how ESG factors affect business performance and how the business affects society and the environment.

# A closer look at international and local frameworks

## Framing the landscape

In today's rapidly evolving sustainability landscape, integrating social considerations within ESG strategies is essential. Leading international and local frameworks, ranging from comprehensive standards like GRI and ethical pillars of the UNGC, to investor-focused tools like TCFD, TISFD, IFRS, ISSB and nationally anchored policies such as South Africa's Green Finance Taxonomy and National Development Plan, offer diverse yet complementary pathways to embed social impact, accountability and equity into business and financial decision-making.

This section unpacks these key frameworks, highlighting their focus areas, adoption and how organisations can leverage them to navigate and lead the just, inclusive transition ahead.

## Sustainable Development Goals

The Sustainable Development Goals (SDGs), adopted by all UN Member States in 2015, represent the most widely embraced global framework for sustainable development. With 190 of the 193 countries actively participating in national action plans and voluntary reviews as of 2025, the SDGs command near-universal adoption and remain the foremost blueprint for aligning development with social, environmental and economic priorities.

Social considerations are deeply embedded across multiple SDGs, from poverty eradication (Goal 1), gender equality (Goal 5), quality education (Goal 4), to decent work (Goal 8) and reduced inequalities (Goal 10). The framework drives holistic thinking that addresses root causes and systemic challenges rather than isolated metrics.

In South Africa's context, the SDGs provide essential guidance for tackling entrenched social risks like inequality, unemployment and poverty within a global development architecture.

The SDGs' best application lies in serving as a strategic compass for governments, corporates, investors and civil society to define, assess, and scale social impact initiatives with clear targets, ensuring alignment with international goals while being adaptable to local realities. However, the sheer breadth of the SDGs means they function best as a guiding lens rather than a detailed reporting framework on their own. Organisations should combine SDG-aligned strategies with more specific measurement tools like GRI or TISFD to achieve actionable insights and impact measurement.

## United Nations Global Compact

The United Nations Global Compact (UNGC), launched in 2000, is the world's largest voluntary corporate sustainability initiative, with more than 20,000 participating companies across 160+ countries. It serves as a voluntary corporate sustainability initiative anchored in 10 universal principles rooted in internationally recognised human rights, labour standards, environmental stewardship and anti-corruption measures. The UNGC operates as an ethical north star, an entry point for companies seeking to ground commercial strategy in globally accepted norms.

The UNGC works less as a measurement tool and more as a statement of intent, an anchor for organisations that need to articulate what they stand for before they disclose how they perform.

It is particularly useful for companies operating in socially exposed markets, where alignment with global norms on labour rights and human dignity is not just ethical signalling but strategic risk management.

For firms still early in their sustainability journey, it offers a credible starting point, grounding stakeholder engagement in principles rather than metrics. Its real utility emerges when it is paired with more technical frameworks such as GRI, ISSB, SASB or the CSRD: the UNGC provides the ethical scaffolding, while these standards supply the measurement. In a fragmented ESG landscape, it helps clarify a company's purpose before it begins the harder work of executing it.

## Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is a robust and versatile framework, established in 1997 to help organisations transparently and comprehensively report their ESG impacts. Its widespread adoption by over 14,000 organisations across more than 100 countries speaks to its credibility, stakeholder-inclusive development and strong alignment with the UN Sustainable Development Goals.

In a landscape where fewer than one-third of companies provide meaningful disclosure on social issues, GRI's detailed standards on labour practices, human rights, community impacts, supply chains, diversity, health and safety and wages offer a level of granularity most other frameworks simply do not attempt.

It forces organisations to move beyond bland commitments and quantify how their operations affect people – workers, suppliers, communities and vulnerable groups.

The GRI is best used when an organisation seeks to provide a broad, transparent and multi-stakeholder-focused report that addresses social impacts throughout its value chain. Its principle-based approach is flexible enough to adapt to diverse contexts but rigorous enough to ensure meaningful disclosures. Companies embarking on their ESG journey or those aiming for comprehensive social accountability will find GRI particularly valuable.

In applying GRI, organisations should start with a thorough materiality assessment to identify the most relevant social topics to their stakeholders and operational contexts. Following GRI's sector-specific standards and guidance further sharpens the relevance and credibility of disclosures. This approach helps embed social responsibility into strategy, risk management and stakeholder engagement, paving the way for a sustainable and inclusive business model.

### The Taskforce on Social and Inequality-related Financial Disclosures

The Taskforce on Social and Inequality-related Financial Disclosures ([TISFD](#)), officially launched in September 2024, the TISFD represents one of the most significant shifts in sustainability reporting since the rise of the Taskforce on Climate-related Financial Disclosures ([TCFD](#)), an attempt to give social inequality the same analytical rigour long afforded to climate. Unlike earlier frameworks that gesture toward social issues, TISFD names inequality as a material financial risk and forces organisations to treat it with the seriousness of any balance-sheet exposure. Building on the momentum of the TCFD, TISFD is designed to fill a critical gap by providing businesses and financial institutions with standardised guidance to identify, assess, report and manage their social inequality impacts, dependencies, risks and opportunities.

It is supported by a diverse coalition of over 100 organisations, including companies, investors, labour unions, civil society groups and international bodies, and guided by a 25-member steering committee.

Where the TCFD taught markets to see carbon, TISFD teaches them to see people. It is most powerful for organisations that recognise inequality not as a reputational concern but as a structural risk shaping productivity, social stability, regulatory behaviour and long-term demand.

Used alone, it sharpens an organisation's understanding of social exposure; paired with frameworks like GRI or ISSB, it becomes an essential tool for embedding social accountability into strategy, risk management and financial disclosure.

### The Taskforce on Climate-related Financial Disclosures & Taskforce on Nature-related Financial disclosures

The Taskforce on Climate-related Financial Disclosures ([TCFD](#)), established in 2015 by the Financial Stability Board, provides a globally recognised framework guiding companies to disclose climate-related financial risks and opportunities. It is based on four pillars, governance, strategy, risk management and metrics and targets. The TCFD has gained widespread adoption with nearly 4,900 organisations across 100+ jurisdictions representing about \$27tn in market capitalisation endorsing it by late 2023.

It is regarded as the architecture that taught global markets how to price climate risk, with a strong focus on financial materiality.

While TCFD occasionally touches on social considerations such as workforce disruptions or impacts on vulnerable communities, its primary lens remains climate-focused and financial.

Building on and extending this approach, the Taskforce on Nature-related Financial disclosures ([TNFD](#)) was launched to focus on nature and biodiversity risks and opportunities. Following a similar structure, TNFD provides a risk management and disclosure framework that helps organisations identify, assess and integrate nature-related information into decision-making and reporting. The TNFD aims to shift global financial flows away from nature-negative outcomes towards nature-positive ones, complementing TCFD's climate focus by addressing dependencies and impacts on ecosystems.

For comprehensive ESG analysis, TCFD's climate risk framework provides the disciplined financial foundation, while TNFD introduces the critical nature dimension. However, neither fully addresses the breadth of social considerations. To capture how climate, nature and social risks intersect, especially with issues such as inequality, organisations should pair these with more socially attuned frameworks such as the GRI for comprehensive social reporting or the emerging TISFD for explicit, inequality related disclosures. Together, these frameworks offer a holistic, integrated lens to guide sustainable, resilient decision-making and disclosures.

## The International Financial Reporting Standards

The International Financial Reporting Standards (IFRS), developed in 2001 by the IFRS Foundation and International Accounting Standards Board (IASB), provide a globally accepted framework for transparent, consistent financial reporting that supports informed decision-making by investors and stakeholders. These standards are mandated or permitted in over 140 countries, making IFRS the dominant accounting language for multinational financial reporting.

IFRS indirectly incorporates social considerations, primarily related to workforce and community impacts, but only when these have a material bearing on climate-related financial risks, as seen in standards like IFRS S2 on climate disclosures. Social impacts are not comprehensively mandated across all reporting but are included insofar as they affect financial risk and performance.

IFRS is best applied for integrating financial and climate risk disclosures within mainstream corporate reporting. Organisations aiming for a holistic ESG approach should use IFRS alongside specialised ESG frameworks with stronger social dimensions, such as the GRI or TISFD.

## The International Sustainability Standards Board

The International Sustainability Standards Board (ISSB), established in 2021 under the IFRS Foundation during COP26, aims to create a comprehensive and globally consistent baseline of sustainability disclosure standards tailored to investors' needs. The ISSB consolidates previous frameworks such as the Climate Disclosure Standards Board (CDSB) and Value Reporting Foundation (which housed SASB standards), streamlining the landscape of ESG reporting.

Supported and adopted in over 35 jurisdictions and endorsed by major regulatory bodies including the International Organisation of Securities Commissions, the ISSB focuses on delivering clear, comparable and reliable sustainability-related financial disclosures. Its standards centre on key disclosure pillars: governance, strategy, risk management and performance metrics, aligned closely with the IFRS Conceptual Framework and building upon principles from frameworks like the TCFD.

The ISSB is largely investor-focused and is most effective when deployed as the financial reporting anchor within a broader sustainability strategy. Companies can pair it with frameworks like the Global Reporting Initiative (GRI) to communicate the wider social consequences of operations, community wellbeing, labour conditions and

diversity, without diluting the clarity ISSB provides for investors.

In practice, ISSB tells the market where risks and opportunities intersect with the balance sheet, leaving the narrative of social responsibility to complementary standards that capture impact beyond materiality.

## South Africa's Green Finance Taxonomy

South Africa's Green Finance Taxonomy (SAGFT), launched in 2022 by National Treasury, serves as a national classification system defining which economic activities, projects and assets qualify as "green", in line with international best practices and tailored to the South African context. Its design was driven by extensive stakeholder engagement and an iterative process that sought to balance global standards with local socioeconomic realities, making it a foundational tool for sustainable finance in the country.

Though primarily environmental in scope, the framework embeds social safeguards to uphold labour rights and human rights, preventing investments from causing significant harm, an early but important nod to the social dimension of sustainability. Though broader social goals like job creation and equitable development are recognised as necessary, their formal inclusion in the taxonomy is still evolving, reflecting the early stage of social dimension integration.

SAGFT is most useful when classifying and reporting green investments, particularly for financial institutions seeking to demonstrate alignment with both domestic policy and global standards.

Its real value lies not just in environmental classification, but in its emerging role in supporting a just transition: guiding capital towards activities that protect communities and respect workers. It signals the integration of social responsibility into South Africa's green finance agenda.

## South Africa's National Development Plan

South Africa's National Development Plan (NDP) 2030 sets out the country's blueprint for a more equitable and inclusive future. Rooted in a vision of building a united, democratic and prosperous nation, the NDP guides government policy, budgeting, and stakeholder actions through

clearly defined priorities and measurable targets. The NDP is widely accepted as the national development blueprint and serves as a critical reference point across sectors for aligning economic growth with social inclusion. It focuses explicitly on key social dimensions such as education, healthcare, social protection, housing, gender equality, employment and community safety.

For investors and companies, the NDP offers more than policy context, it provides a strategic lens to align corporate social initiatives with national priorities.

By situating social impact within the broader ambitions of economic growth and inclusive development, organisations can ensure that their efforts complement public goals, enhance legitimacy and contribute meaningfully to the structural reduction of inequality.

## Broad-Based Black Economic Empowerment

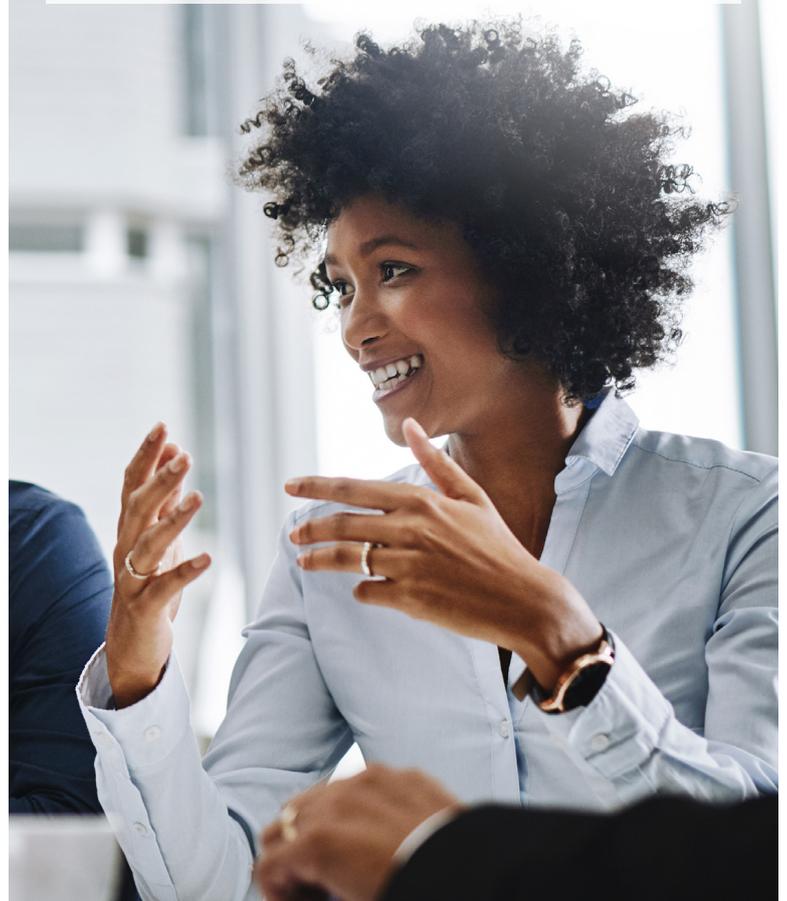
Broad-Based Black Economic Empowerment (B-BBEE) is deeply intertwined with social sustainability, directly reinforcing many of the elements discussed. The generic B-BBEE scorecard is built around five pillars, all rooted in social outcomes, of which three are particularly focused on addressing inequality and poverty: enterprise and supplier development (ESD), socioeconomic development and skills development.

Companies that have genuinely embedded B-BBEE principles, not merely as a compliance checkbox but as a strategic priority, can be said to have a head start in social sustainability. For such organisations, double materiality assessments can sharpen and evolve their existing strategies, helping focus efforts where impact and risk intersect most strongly. For example, companies can complement their ESD initiatives by intertwining ESG principles into their existing support and development initiatives.

In essence, B-BBEE offers a practical, localised blueprint that complements global ESG and social frameworks, providing both accountability and action pathways deeply relevant to South Africa's social and economic context.

Taken together, these frameworks reveal a landscape in flux. From GRI and UNGC providing ethical and comprehensive guidance on social impacts, to TCFD, ISSB and IFRS anchoring climate and financial disclosure, and emerging standards like TISFD explicitly tackling inequality, the trajectory is clear: social factors are moving from the periphery to the core of ESG and sustainable finance. National and regional tools, such as South Africa's NDP and Green Finance Taxonomy, anchor these global ambitions in local realities.

Going forward, we can expect greater standardisation, clearer reporting expectations and stronger alignment between capital flows and social outcomes. What remains uncertain is the speed and depth of adoption; social disclosure will likely lag behind environmental metrics and without robust verification and accountability, frameworks risk being aspirational rather than transformative. The challenge and the opportunity lie in translating principle into practice, ensuring capital not only measures social impact but actively shapes more equitable outcomes.



# Practical steps to take to integrate social factors into strategy

The effective integration of social factors into business strategy starts with recognising that foundational social responsibilities, the hygiene factors like fair wages, decent work conditions, health and safety and non-discrimination, should already be embedded within core functions such as HR, procurement and operations. These practices form the operational baseline without the need for a separate “social strategy.”

Where strategic focus becomes critical is in the social impact dimension: assessing how your business model influences society and identifying when and how to adapt it. This includes decisions to invest in R&D for future products and services, enter new markets, pursue mergers and acquisitions, or even phase out business units that no longer align with social and sustainability goals.

By strengthening this impact-oriented perspective, companies proactively shape their role in fostering long-term social value while navigating risks and seizing growth opportunities. This approach aligns with insights from industry leaders who emphasise that embedding social sustainability deeply into strategic decision-making drives resilience, innovation, and stakeholder trust.

While there is no single, universally agreed approach to integrating social factors into strategy, we propose specific practical steps an organisation can take to kickstart its journey.

## Step 1: Conduct a double materiality assessment (DMA)

Begin by systematically identifying and prioritising the social, environmental and governance risks, impacts and opportunities that matter most to the organisation and key stakeholders.

This phased, collaborative process starts with mapping stakeholders and building a comprehensive topic universe using sector standards, regulations and scientific data. Define how the organisation affects others (impact materiality) and how ESG issues affect its financials (financial materiality). Workshops with internal stakeholders should score and weigh factors such as severity, scale, likelihood and stakeholder vulnerability.

## Step 2: Validate findings with stakeholders

Engage both internal teams and external stakeholders through workshops and consultations to sense-check and refine the materiality assessment. Incorporate their feedback to build consensus and ensure the assessment reflects diverse perspectives and realities. The finalised materiality report should have prioritised social issues that will guide focused strategy development.

## Step 3: Select appropriate frameworks

Based on the DMA findings, choose one or a combination of ESG frameworks aligned with the organisational context and reporting goals. Options include GRI for comprehensive social reporting, UNGC for ethical principles, TCFD/TISFD for climate and inequality-related disclosures, IFRS/ISSB for integrated financial and sustainability reporting and South Africa’s Green Finance Taxonomy, National Development Plan or B-BBEE for local relevance.

## Step 4: Develop and implement an action plan

Translate the prioritised social issues into concrete actions by assigning ownership, defining goals and KPIs, and embedding social considerations into governance and operational processes. This step ensures accountability and integration of social risks and opportunities throughout the organisation.

## Step 5: Monitor, disclose and adapt

Establish ongoing monitoring to track progress against targets and respond proactively to emerging social risks. Transparently disclose outcomes and updates to stakeholders through aligned reporting mechanisms. Use insights gained to adapt strategies and improve social impact over time, completing a dynamic cycle of continuous improvement.

This approach equips organisations to embed social considerations effectively and responsively into ESG strategies, enabling them to contribute to a just and inclusive sustainable transition while meeting evolving stakeholder and regulatory expectations.

## Conclusion

While environmental issues have traditionally taken precedence, social considerations are rapidly gaining importance and becoming deeply integrated across key sustainability frameworks. Concepts like double materiality are important for understanding the dual way social factors influence and are influenced by business activities, moving sustainability beyond financial risk to genuine societal impact.

Implementing double materiality assessments enables organisations to evaluate social issues both financially and in terms of their broader impact, and helps ensure that actions result in meaningful, positive change. These processes support active stakeholder engagement, inform strategy and risk management and enhance transparency.

Social impact is also a measure of business legitimacy, equal in weight to financial performance, environmental stewardship and governance.

Organisations that systematically integrate social considerations into strategy, operations and reporting don't just protect reputation, they unlock long-term resilience and value. The challenge is no longer whether to act, but how deliberately and effectively capital can shape outcomes that truly matter for people and markets alike, and these steps are the first move towards getting there.

Overall, this snapshot shows a clear and evolving pathway: prioritising social factors within ESG frameworks is essential to achieving a just, resilient and inclusive transition. Organisations equipped with these insights are better positioned to drive meaningful social impact alongside environmental and economic value, fostering sustainable progress that benefits all stakeholders.