

A Tale of Two Frameworks: Exploring the Social Side of ESG and BBBEE



Introduction

Environmental, Social, and Governance (ESG) frameworks and South Africa's Broad-Based Black Economic Empowerment (BBBEE) codes both emphasize responsible corporate behavior, but they do so through different lenses.

While ESG takes a global, comprehensive view of corporate impact, BBBEE is a country-specific policy designed to address South Africa's socio-economic inequalities. The social pillar of ESG and the socio-economic focus of BBBEE have significant overlaps but also distinct differences in their objectives and implementation.

While these two frameworks have traditionally been viewed separately, a growing number of businesses are recognising how B-BBEE measurements align with sustainability Key Performance Indicators (KPIs) under ESG, providing a framework for long-term business success.

This alignment is not just about compliance, it is about integrating transformation into the DNA of sustainable business practices.

Understanding ESG and its social context

The social pillar of ESG focuses on how companies interact with employees, communities, and broader society. Key aspects include:

- **Diversity, Equity, and Inclusion (DEI):** Encouraging fair treatment across race, gender, and socio-economic status.
- **Community Engagement:** Supporting local communities through investments, volunteer work, and social programs.
- **Employee Well-being:** Ensuring safe working conditions, fair wages, and professional development opportunities.
- **Human Rights:** Adhering to labor rights and ethical supply chain practices.

Essentially, the social aspect of ESG urges companies to consider their impact on all stakeholders, fostering a more equitable and just society.

Understanding BBBEE codes and social impact

The BBBEE framework is a legal requirement for South African companies, aimed at addressing the historical inequalities caused by apartheid. It measures corporate contribution across five pillars:

- **Ownership:** Increasing black ownership in businesses.
- **Management Control:** Ensuring black South Africans are represented in leadership roles.
- **Skills Development:** Investing in training and upskilling of black employees.
- **Enterprise and Supplier Development (ESD):** Supporting black-owned businesses through procurement and mentorship.
- **Socio-Economic Development (SED):** Contributing to initiatives that benefit Black communities.

BBBEE is a targeted, compliance-driven approach, with specific targets and scorecards to measure progress.

Key Similarities Between ESG and BBBEE

While their origins and methodologies differ, the social aspects of ESG and BBBEE share common objectives:

- **Addressing Inequality:** Both aim to create a more equitable distribution of economic opportunities.
- **Empowering Marginalized Groups:** Both focus on empowering historically disadvantaged communities.
- **Promoting Social Development:** Both recognize the importance of contributing to the well-being of society.
- **Focus on labor practices:** Both place a high value on the fair treatment of employees.

Key differences between ESG and BBBEE

Some of the key differences include:

Feature	ESG	BBBEE
Geographic Scope	Global	South Africa-specific
Legal Obligation	Mostly voluntary (except in regulated sectors)	Legally mandated for certain businesses
Focus Area	Broad social impact (e.g., global supply chains)	Targeted racial and socio-economic redress
Measurement	Varies by reporting standard (e.g., GRI, SASB)	Formal scorecard across five pillars
Investor Influence	Driven by global investor demand	Driven by government procurement and local policy

Synergies and potential for integration

Despite their differences, ESG and BBBEE can complement each other. Companies operating in South Africa can:

- **Unified Reporting:** Align social reporting frameworks to satisfy both ESG metrics and BBBEE scorecard requirements.
- **Inclusive Policies:** Adopt workplace policies that advance both DEI and BBBEE targets.
- **Community Investments:** Design programs that meet BBBEE socio-economic development criteria while showcasing global social responsibility.
- **Supplier Diversity:** Incorporate black-owned businesses into global supply chains to fulfill BBBEE and ESG goals.
- **Leadership Development:** Implement leadership programs that support black talent and address ESG leadership diversity targets.

Organisations that align ESG and B-BBEE are better equipped to manage regulatory and reputational risks, ensuring long-term stability and resilience in an evolving market landscape.

Conclusion

The intersection of ESG and B-BBEE presents a unique opportunity for South African businesses to drive meaningful transformation while securing long-term sustainability. By aligning B-BBEE compliance with ESG KPIs, companies not only meet regulatory expectations but also build resilience, attract investors, and create inclusive economic growth.

The future of business in South Africa lies in integrating these frameworks to ensure both corporate success and societal progress.

How can we help?

As SNG Grant Thornton, we specialize in aligning your ESG strategies with BBBEE compliance, ensuring that your business meets both local regulatory requirements and global sustainability standards. We offer comprehensive support, from developing integrated reporting frameworks to designing inclusive policies and enterprise and development programs. Our tailored approach helps you navigate the complexities of both systems while enhancing your social impact, improving stakeholder engagement, and unlocking new business opportunities. By partnering with us, you can confidently align your corporate strategy with both BBBEE and ESG goals, driving sustainable growth and positive societal change.

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