



# Consultation on the World Benchmarking Alliance

Cape Town - 12 February 2018  
Summary document

## About the consultation



The third regional consultation of the World Benchmarking Alliance was held in Cape Town, South Africa on 12 February 2018, co-hosted by Investec Asset Management. It brought together 30 participants representing companies, financial institutions, civil society organisations, research institutions, and sustainability experts.

The consultation aimed to lay out the general rationale and concept for the WBA, as well as explore the following strategic questions:

- What kind of global and regional institutions need to be part of the alliance to help ensure the WBA is credible and legitimate? And what value does the WBA need to create in return for these institutions?
- How can corporate SDG benchmarks be designed to ensure they create value for stakeholders as well as the companies being assessed?
- What are the important intersections between SDGs and industries for South Africa?

To build relationships and promote open dialogue between the different stakeholders, the above issues were explored in two ways. The first consisted of discussions in small groups on the first two questions, enabling participants to have in-depth conversations as well as meet and share views with other participants. The second consisted of a fishbowl conversation focusing on the third question. This set up allowed the entire group to participate in an open and in-depth discussion on relevant intersections between SDGs and industries for South Africa.

This summary document outlines the main themes and insights that emerged from the consultation meeting.

## Building the alliance – giving all stakeholders equal voice



Participants agreed that for the WBA to be successful, it needs to be inclusive of all stakeholders, giving each stakeholder group equal weight in the conversation. Making sure that everybody around the world can have a say in how the WBA is shaped and built is important to safeguard this inclusiveness. This requires true ability to listen to different stakeholders both when establishing the WBA and throughout the benchmark development process. Crowdsourcing and making use of other digital technologies to gather different perspectives was considered as a potentially impactful way to consult stakeholders beyond the physical roundtables. This also ensures that underrepresented stakeholders such as individuals or small organisations are actively included in the WBA consultation process.

Participants also agreed that getting the right stakeholders involved in the benchmark development process is critical. As one participant put it: “you need credible people in the design of the benchmarks.” Other participants emphasised the importance of actively involving institutions that people trust, such as academic institutions and scientific networks. Sharing data with universities so they can do more research around business and the SDGs was considered an interesting avenue to explore further.

The involvement of critical actors such as civil society, advocacy and research organisations, and investigative journalists, was also considered key to the credibility of the WBA and its benchmarks.



“You need credible people in the design of the benchmarks.”

# Building the alliance – the need for scale and inclusiveness



Participants also saw value in engaging smaller and regionally-relevant institutions, such as the Centre for Environmental Rights and the Institute for Poverty, Land and Agrarian Studies (PLAAS). Vocal NGOs and smaller institutions with strong ideologies were considered as respected stakeholders to engage, and participants advised the WBA to “work with cynics and corporate-friendly guys” and to allocate funding specifically for civil society engagement. Organising a separate dialogue with more critical and vocal actors was considered as a good way to achieve buy-in from these stakeholders.

Faith-based groups were seen as particularly important in the South African context, with participants noting that these groups are often viewed as impartial and have proven to be important facilitators in bringing together different stakeholder groups, for example in the mining sector.

Similar to the consultation in Kuala Lumpur, participants emphasised the importance of regulators and financial standard-setting authorities in driving increased disclosure on environmental, social and governance issues. One of the participants mentioned the Task-force on Climate-related Financial Disclosures (TCFD) as an important framework that will contribute to improved, consistent and com-

parable disclosure on climate-related risks. Participants also noted that financial standard authorities are increasingly moving away from voluntary standards. Involving governments in general, and regulators in particular, was considered important for the WBA moving forward.

Participants also advised to involve institutions that represent specific stakeholder groups such as consumers, investors (e.g. UN PRI, UNEP FI, ASISA) and labour associations in the WBA, as they are able to reflect the voice of their constituents. Working with sectoral networks was also considered important in this regard, as they often have initiatives aligned with sustainable development objectives.

Other organisations that were mentioned by participants included UN Global Compact, the African Development Bank, the Development Bank of Southern Africa, the World Resources Institute, IFC, the Sustainable Stock Exchange Initiative and the International Energy Agency.



## Creating value by focusing on impact

Participants agreed that benchmarks are useful if they contribute to driving change. As one participant put it: “anything that contributes to driving [positive] change is always creating value.” However, according to participants, the value for companies being assessed depends very much on the design and quality of the benchmark. One of the participants noted that whereas “it is quite easy to make a benchmark that is relevant for stakeholders, it is more challenging to make something that is relevant for companies.” Benchmarks should therefore be designed in such a way that there is value for companies to participate and provide the required data. Some of the incentives identified included positive reputational effects as well as potential increased investments.

Maintaining a positive focus would help to ensure that people and companies embrace the benchmarks. For companies, it is particularly important that benchmarks focus on the transformation and the journey rather than only absolute end goals. Small steps and improvements should be credited as “every shift in the right direction will be helpful.” This would also allow for positive recognition of companies that rank lower in the benchmark. “Not everyone can be at the top,” said one participant. Emphasising the positive message by ‘naming and faming’ rather



“For corporates it is the benefit of being on top of the ranks and getting more investments, for others it is about progress on the SDGs which will benefit everyone.”

## Creating value by focusing on impact



“What the WBA provides is that it encourages companies to report on what’s material to them as well as what their impact on society is.”

than ‘naming and shaming’ will help to excite and motivate companies to buy in and engage, according to participants.

Participants all believed companies can do more, but that celebrating and crediting small steps would be essential in motivating companies to improve. One of the participants emphasised that companies should ask themselves the question “what can you [as an organisation] do to deliver progress on the SDGs that is in your interest?” Participants also felt that benchmarks should use the language and themes companies relate to in order to stimulate their involvement and buy in.

Another important way WBA benchmarks can create value is by serving as a guide for companies on how they can create ‘shared value’ and contribute to the SDGs. This can help decision makers to view business opportunities through an SDG lens. Participants viewed the WBA as an important initiative that can make it easier for companies to report on the SDGs. Companies, they noted, are now often “intimidated by the SDGs and the indicators.” WBA benchmarks can show that there is a simple way to report on the SDG indicators and help make the SDGs digestible by helping companies focus on the specific issues on which they can have the strongest impact. This can contribute to building an



## Creating value by focusing on impact



environment where reporting on social and environmental indicators becomes just as important as reporting on financial indicators.

Benchmarks can also help to raise awareness on relevant sustainability challenges within companies and amongst senior management. Most participants saw buy-in from senior management as critical in driving sustainability efforts within companies. “If it is not driven and understood at board level, implementation will be very difficult,” noted one participant.

Many participants in the Cape Town roundtable stressed the importance of focusing on impact and the need to go beyond measuring transparency and performance. “Being transparent and being on top in a benchmark is good, but you really have to make sure that there is actual impact,” noted one participant. Measuring the actual impacts of corporate investments in sustainability is often extremely challenging and complex for companies, however, and participants believed that WBA benchmarks and their corresponding methodologies could offer guidance for companies on how to measure this impact.

Participants saw an important role for the WBA in aligning definitions across initiatives so that companies do not have to produce

different data sets for different initiatives. They identified gender equality as one area that would benefit from such alignment in definitions and measurements.

Participants also saw significant value in the ability of the WBA to provide strategic overviews and insights about where specific industries stand with regards to progress on the SDGs. The WBA’s ability to collect significant amounts of data over time would also allow the WBA to provide insights on the impact of policies on SDG-related corporate performance and, in doing so, help formulate policy recommendations.

## Align with national priorities to achieve local buy in



According to participants, many South Africans do not know about the SDGs: businesses and investors rarely talk about them, students are not familiar with them and government communication about the SDGs is limited. Driving an understanding of the SDGs in South Africa by emphasising the tangible aspects that touch people's lives was considered an important way to build this awareness and knowledge about the SDGs.

Some participants cautioned that a sole focus on the global level (SDGs) might limit the WBA's ability to achieve sufficient buy in at the local level. As one participant put it "the SDGs are relevant but it needs to go to a different level to be really relevant for South Africa." Stronger focus and alignment with priorities set out in the National Development Plan (NDP) can help to make the link between the global and national level and help to create buy in beyond the corporate sector. Participants emphasised that much alignment exists between different NDP objectives and the global SDG framework.

Participants also saw a value in tailoring methodologies to local and regional contexts and developing regional benchmarks. This ensures that large regional and national players are also rewarded for SDG performance and makes benchmarks particularly

useful for governments. In this way, benchmarking outcomes can assist in national planning.

Participants highlighted that since 2010 the Johannesburg Stock Exchange requires listed companies (on a comply or explain basis) to publish an integrated report in accordance with the King III Code (the code was updated this year). Whereas these reports should highlight the value that companies are trying to create, one of the participants noted that "very few companies clearly communicate what value it is they are trying to create." Stakeholders need more clarity to truly understand what companies are doing to address sustainable development challenges.

In South Africa, all listed companies, state-owned companies, or companies of high public interest are now required to have a Social and Ethics Committee in place. This Committee is required to monitor and report on non-financial activities and issues. Although many companies have established these committees, many participants remained concerned about the lack of clarity on what these committees are expected to do, and their efficacy and effectiveness. Participants saw an important role for these committees to focus on how their companies can contribute to



# Align with national priorities to achieve local buy in

the SDGs and to focus “not on what you are spending, but what the impact is on the SDGs”. It was suggested that in order to incentivise greater board engagement with the Goals, these Committees should be transformed into SDG Committees.

Participants also advised the WBA to organise a consultation in Johannesburg to gather additional stakeholder inputs from the corporate and civil society sectors and to achieve broader support for the WBA in South Africa.

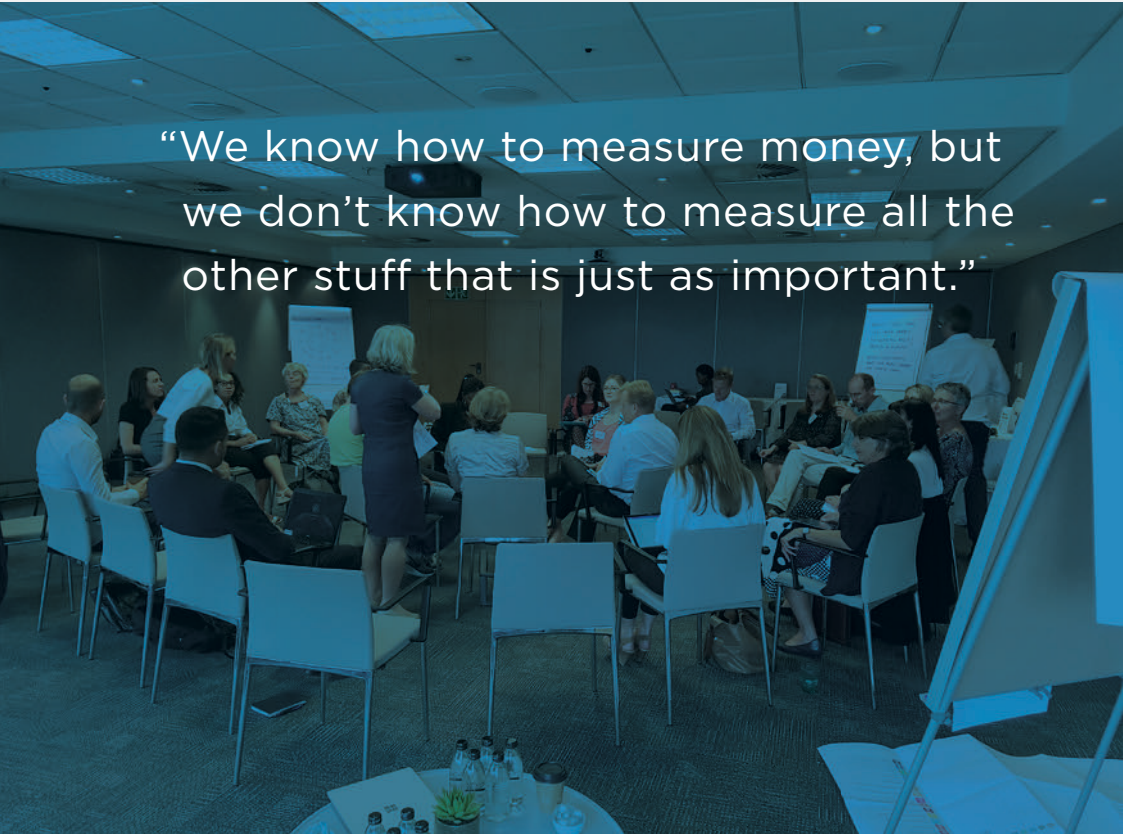


## The challenge of short-termism



Participants highlighted the current disconnect between short-term profits and long-term impact on the SDGs. Achieving these long-term positive impacts means making profound changes to the current business model. This, noted one participant, requires shareholders to understand that “impact doesn’t happen overnight.” Shareholders, particularly those in South Africa, often do not see the value of sustainability due to focus on short-term

financial returns, according to participants. They also wrongly perceive that investments in sustainability come at the expense of financial returns. “In a lot of incidences, it is actually in the benefit of returns”, noted one participant, adding that there are a plethora of indicators and studies proving this. Changing this misperception will require awareness building and education. It will also be important to ensure a balance between environmental, social and governance considerations. According to some participants, wherever investors include ESG factors, many tend to focus more on social aspects rather than environmental ones. Some participants believed the current water crisis in Cape Town could incentivise greater consideration of the environmental aspects.

A photograph of a meeting room with several people seated around a table, engaged in a discussion. The room has a modern, professional feel with a blue-tinted overlay. A quote is overlaid on the image.

“We know how to measure money, but we don’t know how to measure all the other stuff that is just as important.”

Another challenge in the South African context is the strong focus on corporate social investments (CSI). “CSI becomes an excuse not to change the way you do business,” noted one participant, and many agreed that “corporate social investments are not going to make a big difference.” Instead, participants emphasised that companies need to truly embed the SDGs in their strategies and operations. This, many participants argued, implies that responsibility for a company’s contribution to the SDGs and sustainability should not only rest with the CSR department but rather be integrated across all business departments.

# Building the WBA and corporate SDG benchmarks



Participants emphasised that including companies only based on size (e.g. market cap, revenue, number of employees) in the benchmarks might lead to a strong North-leaning bias while the impacts the SDGs are trying to address are actually in the South. Some participants also questioned whether large companies also have the biggest impact on the short term, as they can be slow movers. “Big ships are hard to manoeuvre,” noted one participant.

Participants expressed a strong preference for sector-based benchmarks and while it was acknowledged that many SDGs are interdependent, they also advised to narrow the focus on the SDGs where industry can deliver the strongest impact. As one participant put it “we cannot expect everyone to achieve everything.”

Participants saw an important role for the WBA in articulating what the SDGs mean for business and in developing a set of guidelines and indicators that would help companies and stakeholders to measure progress. However, all participants agreed that responsibility for meeting the SDGs cannot lie with the private sector alone and that close collaboration between all stakeholders is thus necessary. “Unless we all start working together, we’re not going to achieve them.” Participants also believed that the WBA

could play an important role in building momentum as time is ticking. “Having some sort of framework would be a good foundation to build upon,” noted participant.

While competition can drive a race to the top, some participants also expressed concern that competition alone might not always lead to the best sustainability outcomes. One participant argued that much more ‘colpetition’ (a mix between collaboration and competition) is needed to encourage change and drive impact. Crediting participation in multi-corporate and multi-stakeholder initiatives could be a way to foster competitiveness on sustainability while recognising the need for collaboration in many of the SDGs.

Importantly, the conversation rightly warned that benchmarks risk becoming another tick box exercise for companies. “Any new benchmark makes me nervous,” admitted one participant, adding that new benchmarks carry the risk of creating more work for companies, particularly for sustainability departments. Participants lamented that the growing number of reporting requests and “the duplication of standards and reporting frameworks” have turned sustainability departments, that used to be agents of change, into “data gatherers.” Participants advised the WBA



# Building the WBA and corporate SDG benchmarks



“You create robustness if you keep it simple.”

to think carefully about how it could make reporting easier for companies and to ensure that what is being reported on is actually valuable for stakeholders. Many participants recommended a ‘keep it simple’ approach as companies do not necessarily have the capacity to report on complex benchmarks. One participant advised to carefully consider the way in which questions are crafted: they should be creative and should encourage and reward companies for being innovative.

## Building on existing initiatives

Participants stressed that the WBA should not compete with existing reporting and benchmarking initiatives and organisations, including for-profit indices. Participants stressed the importance of building on existing standards and frameworks rather than starting from scratch or duplicating them. The WBA's focus on the SDGs was considered an impactful way to achieve differentiation and create added value. Participants also felt that existing reporting initiatives such as SASB, IIRC and GRI would be important allies to the WBA as this can ensure alignment between initiatives, avoid reporting fatigue and prevent confusion for stakeholders.

Participants expressed concern about whether the WBA would be able to collect the right data and accurately measure performance, noting that other initiatives face significant challenges in this regard. Some participants were also sceptical about the quality and accuracy of self-reported corporate data. By actively involving advocacy organisations and audit specialists, participants believed the WBA would be able to better validate data provided by companies.





## Critical Industry – SDG intersections in South Africa



Participants agreed that inequality (SDG 10) is a key social issue in South Africa at “the root cause of a lot of what is happening in the country” and inhibiting advancement of many of the SDGs. Tackling the sharp inequalities in South Africa was considered as key priority by all. One participant noted that in order to create an equal South Africa, a broader transformation is required as in society “playing fields are not level.” Participants acknowledged this is a difficult conversation. “People are uncomfortable talking about it [inequality], but this doesn’t make it go away” noted one of the participants. Some participants also raised the lack of empathy in South Africa as a barrier to transformation and progress. “If we find a way for businesses to address this, then we can have a real impact on achieving the SDGs” said one participant.

Participants also felt action was needed to address gender equality (SDG 5) in the country and that “the voices of black women are underrepresented.” As gender equality is integral to all dimensions of sustainable development, participants felt driving change in this area was crucial. As one of the participants warned: “if you don’t address gender equality, it will affect many other SDGs.” Having a diverse board was mentioned as a way to ensure that different perspectives are taken into account within

companies. However, participants also emphasised that addressing gender equality goes beyond the corporate boardrooms and the workplace as it is linked to so many other big challenges, including access to education, access to jobs, hunger and poverty. Working with men at the grassroots level to shift dominant norms and ideas about gender, as well as challenging beliefs, practices and structures that are at the root of gender inequalities was seen as key to diminish the gap between men and women. Participants acknowledged that companies have a role to play in society when it comes to challenging existing values and norms. Companies can address gender equality and gender norms as part of their value and product proposition, for example. However, these changes in mindset are often hard to measure and make it hard for companies to claim any impact.

Among the sectors identified by participants as having an impact on reducing inequalities were the food- and agricultural ones. Industries mentioned in those included forestry, farming, ocean fisheries and food retailing. Participants also highlighted the financial sector as a sector with a strong potential for impact. Mining was considered an important sector in South Africa as it is “the backbone of South Africa’s economy” and is a major contributor to GDP. However, participants noted that the

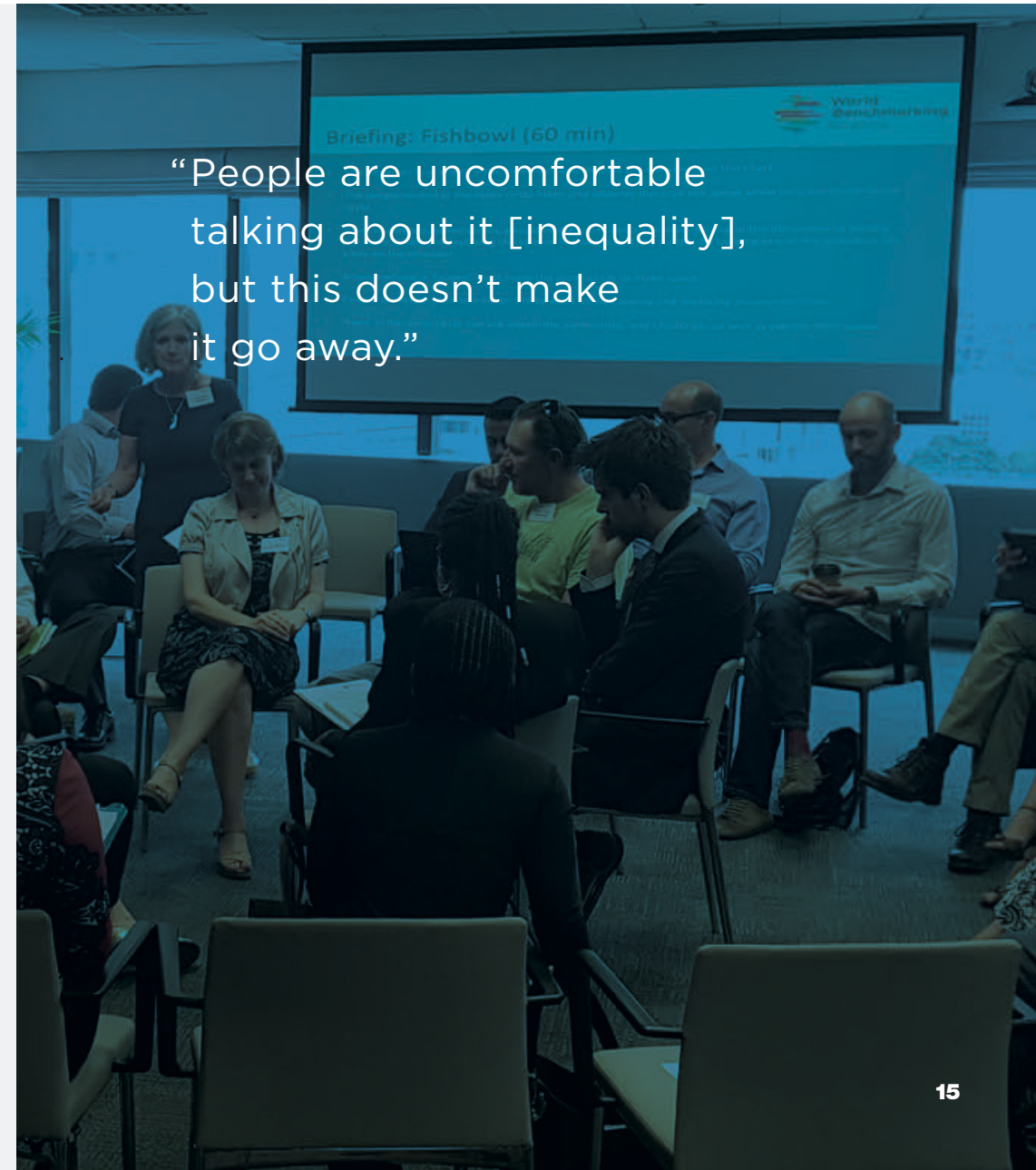


# Critical Industry – SDG intersections in South Africa

industry is “male dominated” and that it has not played a meaningful role in addressing gender inequality in South Africa so far. ICT, mobile technologies and social media were also highlighted given their ubiquity and significant impact on attitudes and behavioural change.

One of the participants noted that environmental and governance indicators have received quite a lot of attention in South Africa. However, social issues are often harder to measure or quantify and an unintended consequence of the proliferation of criteria and indicators that companies nowadays must report on is that “everything is about measuring” and “so much is focused on what things cost rather than what the actual impact is.” Measuring progress in areas like gender equality or poverty is often hard and “can’t be put in a sustainability report that investors look at,” one participant deplored. Addressing these challenging social issues requires companies to talk to each other about what they are doing in the social space.

Participants perceived SDG 4 (quality education) and SDG 2 (hunger) as also being important for South Africa. The main challenge for SDG 2 relates to what participants called the country’s ‘broken food system’: while food is available, it is often of



# Critical Industry – SDG intersections in South Africa



very poor quality and has limited nutritional value, leading to hidden hunger. This leaves people obese yet malnourished due to deficits in nutrients such as minerals and vitamins. Addressing this problem will be key to tackle the rise of noncommunicable diseases in the country.

Similar to other regional WBA roundtables, participants highlighted the importance of SMEs in the region as they are the largest job creator and can have much larger impact on the local level than their multinational counterparts. However, SMEs require capital to grow and to invest in better environmental and social standards.

Participants also reflected on the business model of the WBA. All regarded the public and free nature of the benchmarks as a particularly strong advantage, with one participant noting that charging a fee for the benchmarks and results would compromise on impact. Participants also agreed that companies being assessed should not pay for being part of the benchmark in any form as this would compromise the reliability of the data and credibility of the outcomes. Furthermore, given companies are already under significant pressure to report and disclose, participants saw it highly unlikely that companies would want to pay for this anyway.

By contrast, participants saw licensing benchmarking methodologies to rating agencies such as Standard & Poor's as a viable strategy for creating additional revenue streams. This, they noted, would enable credit rating agencies to integrate indicators developed by the WBA into their company ratings.

## Next steps



The Cape Town consultation – the third formal WBA regional consultation held – provided key input and ideas on the WBA concept, including its added value and business model, helped identify critical Industry-SDGs intersections for South Africa, and identify important considerations for WBA benchmarks. The conversations during the Cape Town consultation also showed the value of multi-stakeholder dialogues on the role of the private sector in sustainable development.

Key considerations from this consultation included:

- > The WBA needs to be inclusive for all stakeholders, giving each stakeholder group equal weight in the conversation. Making sure that everybody around the world can have a say in how the WBA is shaped and built is important to safeguard this inclusiveness. This requires true ability to listen to different stakeholders both when establishing the WBA and throughout the benchmark development process.
- > Involving more critical actors and smaller and regionally-relevant institutions will contribute to building credibility of the WBA and its benchmarks.
- > Alignment between the SDGs and priorities set out in national development plans can help to make the link

between global and national levels, stimulating local buy-in beyond the corporate sector.

- > Inequality is a key issue in South Africa, inhibiting advancement of many of the SDGs. Broader transformation is required to create a level playing field.
- > Including social issues in the WBA benchmarks will be important, as these can be difficult to measure and are too often neglected.
- > Benchmarks risk becoming another tick box exercise for companies. This can be overcome by focusing on measuring actual performance and impact, and giving credit to companies that lead, innovate and truly align their business model with the SDG.

Over the course of the coming months, the WBA will build on the insights generated from this consultation as it continues to convene regional and global consultations with key stakeholders around the world.

Continued feedback is welcome. We look forward to comments, questions and suggestions to ensure that the World Benchmarking Alliance consultation is inclusive and builds on stakeholder input. stakeholders around the world.



# List of participants



**Ashburton**

**Building Bridges Foundation**

**Consulate General of the Kingdom of the Netherlands**

**Corporate Governance Accreditation**

**Food Lover's Market**

**Fossil Free South Africa**

**GlobeScan**

**Incite**

**Industrial Development Corporation**

**Investec**

**Investec Asset Management**

**Kigoda**

**Mineworkers Provident Fund**

**Old Mutual Investment Group**

**Santam**

**Southern African Venture Capital and Private Equity Association**

**The Business Development Agency**

**The Green House**

**The Poverty Stoplight Office**

**University of Cape Town**

**University of Western Cape**

**WWF South Africa**