

The journey to a sustainable future

Why the world needs a sustainable mid-market

2024



Foreword

When it comes to sustainable business, much is known and written about the world's largest corporations given their obligations for reporting and transparency.

However, the progress and actions of mid-market companies – the driving force of the global economy – have been largely ignored and unexplored. South Africa is no different when it comes to these matters.

Sustainability is quickly becoming a must-have rather than a nice-to-have for the mid-market. Firms are being driven by market competition, client demands and investor pressure, whilst in parallel they are under pressure to meet increasingly stringent regulations and standards. Yet for many firms this is brand new territory, and they don't have a road map or blueprint to follow.

The mid-market's role in the global supply chain means that it forms a vital part of the business ecosystem, connecting and serving organisations and their clients across the globe. As the mid-market becomes more sustainable itself, it will enable larger corporations to comply with supply chain requirements as well as set an example and pave the way for smaller firms: it becomes a lynchpin for the sustainability of the global ecosystem. In order to play its full role, the mid-market will need the right guidance, support and business environment that allows these businesses to thrive.

In this report, we explore the shape of that journey for the mid-market, what is driving these organisations to take action, what are the main barriers they have to overcome and what areas of sustainability will they focus on next. We set out our five recommendations to both large corporations and mid-market companies in order to provide a smoother path to sustainability.

Mid-market firms have started on their journey to a sustainable future, but there is still a way to go. To overcome any hesitancy around taking the next step on their sustainability journey, firms need clear advice on what comes next and how to approach it.



“ESG is not just a responsibility—it’s the foundation for a sustainable and inclusive future. By embracing sustainability, mid-market firms can unlock cost efficiencies, attract impact-focused investors, meet evolving customer demands, and strengthen their competitive edge in a transitioning economy.”

Victor Sekese

Chief Executive Officer,
SNG Grant Thornton



Green fuel

The commercial opportunity

The mid-market is being pulled to sustainability by the commercial opportunities it presents. Consumers increasingly look to support brands with strong credentials, while investors are increasingly conscious of the long-term value it can provide. Sustainability has become more than just a buzzword, it's a commercial opportunity.

This sentiment is reflected in our International Business Report (IBR) research. It shows that the most important factor encouraging businesses to focus on sustainability is market competition. Businesses are likely prioritizing ESG to stay ahead of competitors, attract talent, and secure loyal customers in a market where sustainability is becoming a critical expectation.

Intrinsic motivations, such as aligning ESG with business purpose, are also significant, signaling a shift toward values-driven strategies. Businesses should focus on integrating ESG deeply into their strategic priorities, leveraging it as both a competitive tool and a core element of their mission.

The most important factors encouraging businesses to focus on sustainability:



17%

Market competition



15%

Purpose of business



13%

Brand reputation



13%

Supply chain /
Customer requirements



11%

Access to finance

The regulatory environment

The current regulatory landscape for sustainability is complex. Regulations are predicted to increase in scope in the upcoming years, as new laws emerge locally and globally that mandate increased transparency and disclosure of companies' environmental, social and governance performance. Examples of some of regulations include, the Companies and Intellectual Property Commission (CIPC) disclosure requirements and the Johannesburg Stock Exchange sustainability and climate guidelines.

Despite this, less than 1% of mid-market firms in our research cite jurisdictional or industry regulations as the main driver of their focus on sustainability initiatives. However, 21% of mid market organisations are concerned around the complexity of regulations and standards. Different jurisdictions, overlapping frameworks, and inconsistent standards make it difficult for them to establish a clear, unified approach to ESG initiatives.

“Around 80% of our client queries at the moment is about the voluntary versus mandatory regulatory and reporting requirements in South Africa.”
Sumaya Jaffer, ESG and sustainability Lead, SNG Grant Thornton



While firms might be pulled by the commercial opportunities, they are being pushed by the regulatory environment.



Head wind

Head wind

Given the importance of the mid-market to global sustainability, it's key that we understand the obstacles they encounter in this area. Locally, the mid-market identifies three key barriers to successfully developing ESG initiatives:

- Complexity of regulations and standards: 21%
- Cost: 20%
- Lack of internal knowledge, information, or skillset – 10%

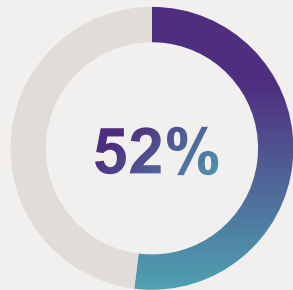
The most significant barrier identified by the South African mid-market, is navigating the evolving and often fragmented ESG regulatory landscape. Organisations need clear guidance, better harmonisation of local and global ESG standards, and resources like ESG compliance tools or expert consultants to navigate these challenges effectively.

A close second, cost is a major barrier, reflecting the financial burden associated with adopting ESG initiatives. Investments in sustainable technology, infrastructure upgrades, and training can strain budgets, particularly for smaller organizations or those in capital-intensive industries.

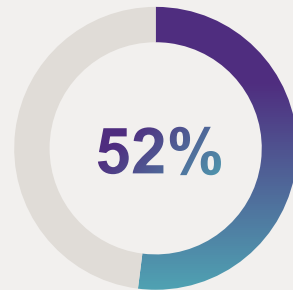
The relatively lower percentage with regards to internal knowledge, information or skillset suggests that many companies recognize the need to build ESG competencies internally but may not yet view it as a top barrier compared to regulatory and financial challenges.

Mid-market organisations have various concerns about ESG/sustainability compliance.

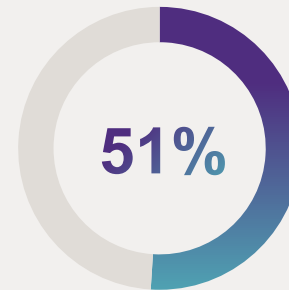
Four issues stand out:



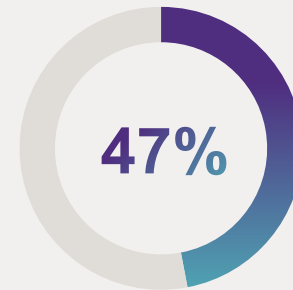
The resource required to be compliant in terms of staff and time



The Capital Investment



The speed at which requirements change



Understanding the requirements for different jurisdictions

A person wearing a blue and white plaid shirt is holding a map and a compass. The map is open and shows a route marked in green and orange. The compass is a vintage-style brass compass with a white face and a brown leather strap. The background is a blurred outdoor setting with trees and a clear sky.

Plotting a course

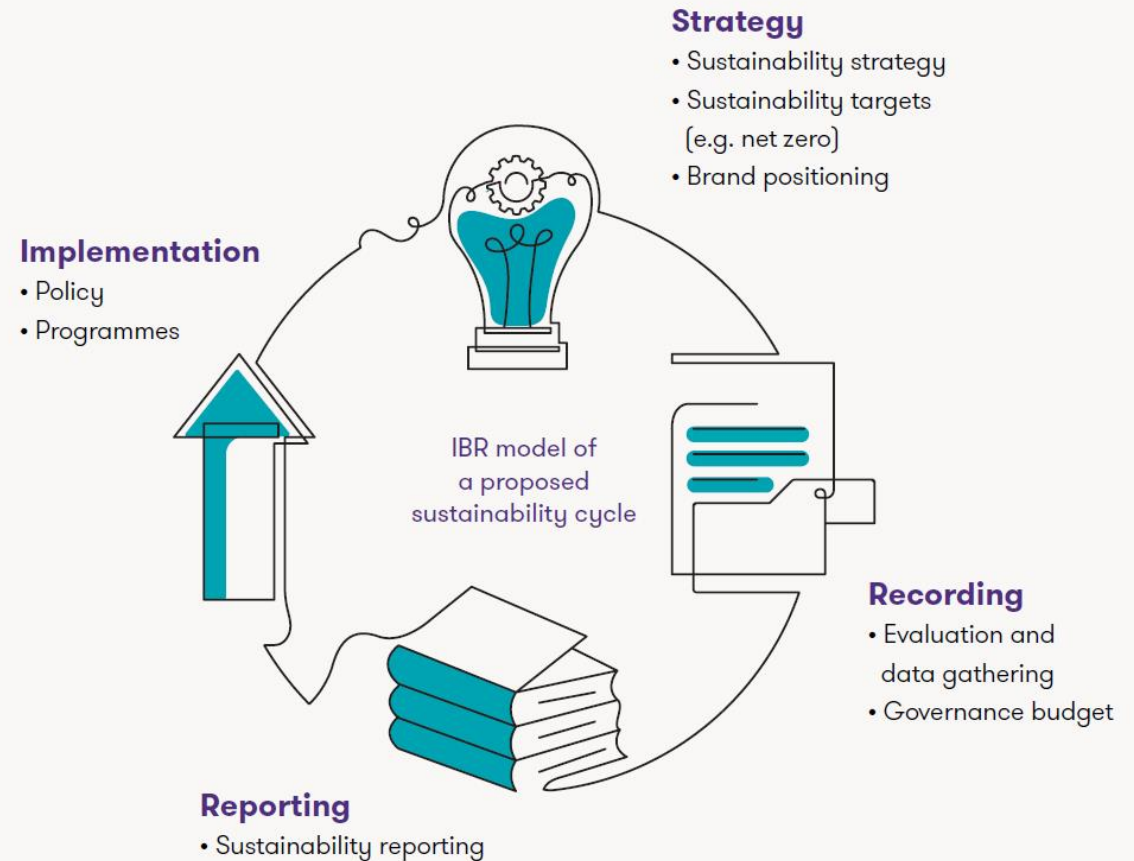
Plotting a course

From our research and the IBR data, we have produced a proposed model for a 'sustainability cycle' which depicts the phases most mid-market firms will go through on the journey to becoming a sustainable business. The cycle is comprised of four phases, each encompassing different actions on sustainability.

From the data we can also determine that the cycle is continuous and iterative. Most of the mid-market has taken the first steps towards sustainability. Locally 93% of mid-market businesses have implemented at least one action over the last 12 months.

But there is still a way to go: 31% of the mid-market has set sustainability targets, which compared to large companies is a low proportion.

The relatively lower focus on reporting, targets, and branding suggests businesses may still be in the early stages of ESG implementation, with execution and communication strategies lagging.



Plotting a course

Top 3 actions taken:

46% Sustainability strategies

43% Sustainability evaluation and data gathering

35% Sustainability reporting

Our analysis shows that mid-market firms undertake many different combinations of actions on sustainability. Each cycle through the phase's fuels subsequent ones, and as time goes on, a complex and interconnected journey forms. It's therefore helpful to picture the midmarket sustainability journey as a continuum.

The emphasis on strategy and evaluation reflects a shift toward long-term planning and informed ESG decision-making. As global ESG expectations evolve, businesses appear to be preparing foundational elements (strategies, data gathering) to meet future demands.



“Sustainability is no longer optional but a key driver of resilience, competitiveness, and long-term value creation.”

Omar Hassan
Head of Business Consulting,
SNG Grant Thornton

The sustainability continuum

Our research suggests that the sophistication of sustainability regulations and standards that an organisation is compliant with, is most likely to determine where they are on the sustainability journey. Those at the start of their journey are less likely to have been subject to regulation previously, and are therefore likely to have undertaken fewer sustainability actions or phases and have invested less in sustainability initiatives.

Discover

Firms feel the pressure to act but find limited resources and lack of stakeholder buy-in to be barriers.

Evolve

Firms feel the push from clients' and market expectations, but costs and reporting challenges are a constant pull.

Endurance

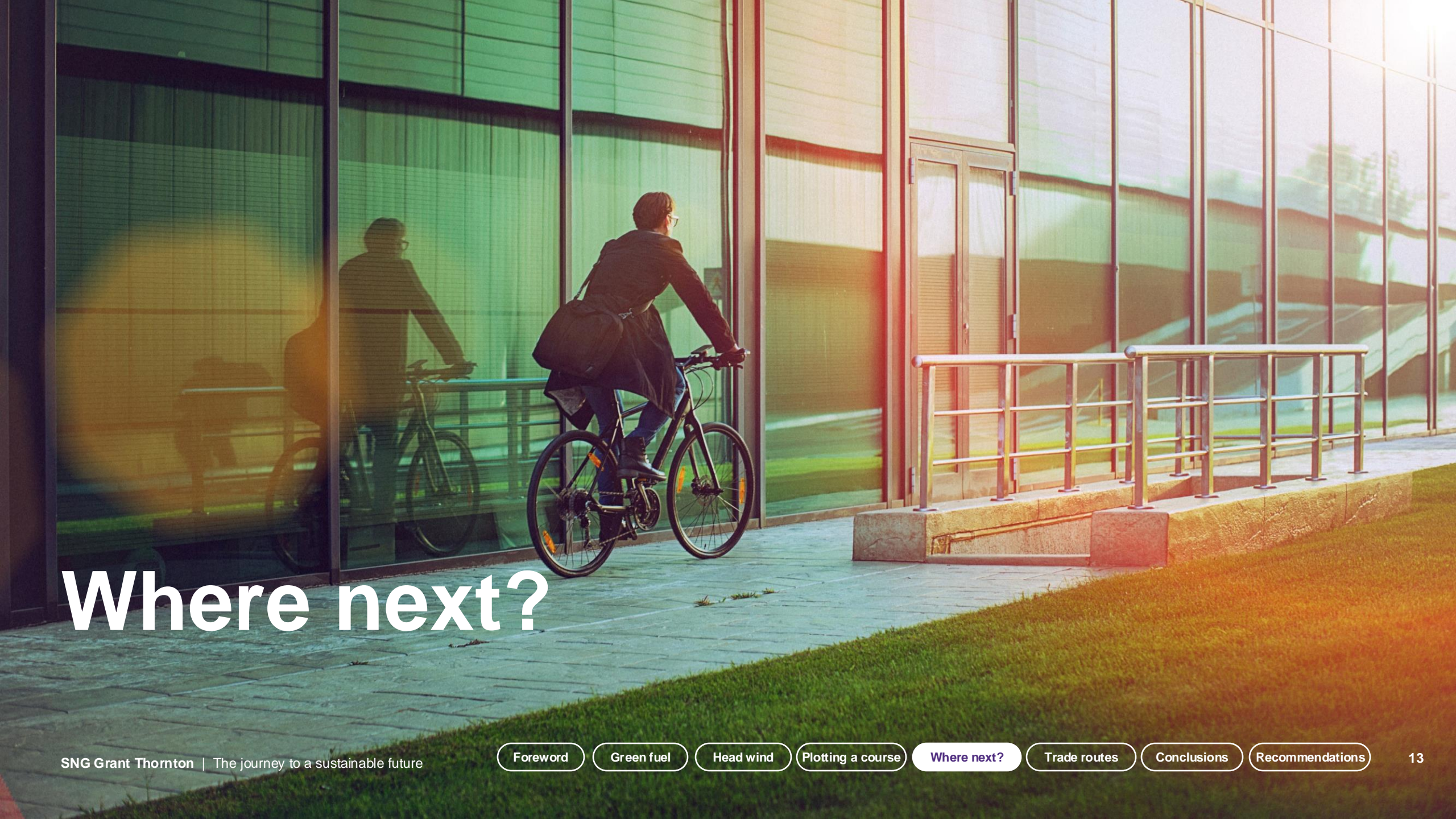
Competition in mature regulated markets pushes companies to stay ahead of the pack.

Explore

Sustainability is driven by brand reputation and market gains, but the risk of regulatory headaches looms.

As mid-market firms advance on their sustainability journey at differing paces, and begin to create their own sustainability cycles, many can be categorised under Discover, Explore, Evolve or Endurance.

Compliance with increasingly complex and exacting regulations and standards



Where next?

The path less taken

Our data suggests that mid-market companies are not currently focusing on sustainability reporting, and implementation, and are instead concentrating on strategy or data gathering. 46% of firms say that they plan to implement a strategy in the next 12 months, whilst only 35% of firms say they plan to begin reporting.

This may reflect mid-market firms' interest in brand reputation and taking actions that are visible and engaging for customers and stakeholders. It also reflects a reluctance to engage with some of the new regulations, and a procrastination by many firms when it comes to reporting requirements – either fearing the investment required, greenwashing allegations, or simply not knowing where to start.

"Mid-market businesses in South Africa encounter considerable challenges in adopting sustainable practices. High upfront investment costs, insufficient guidance, and limited support often discourage progress. The complexity of ESG reporting and concerns about regulatory compliance further exacerbate these barriers."

Oupa Mbokodo
Advisory Managing Director,
SNG Grant Thornton





Trade routes

The path less taken

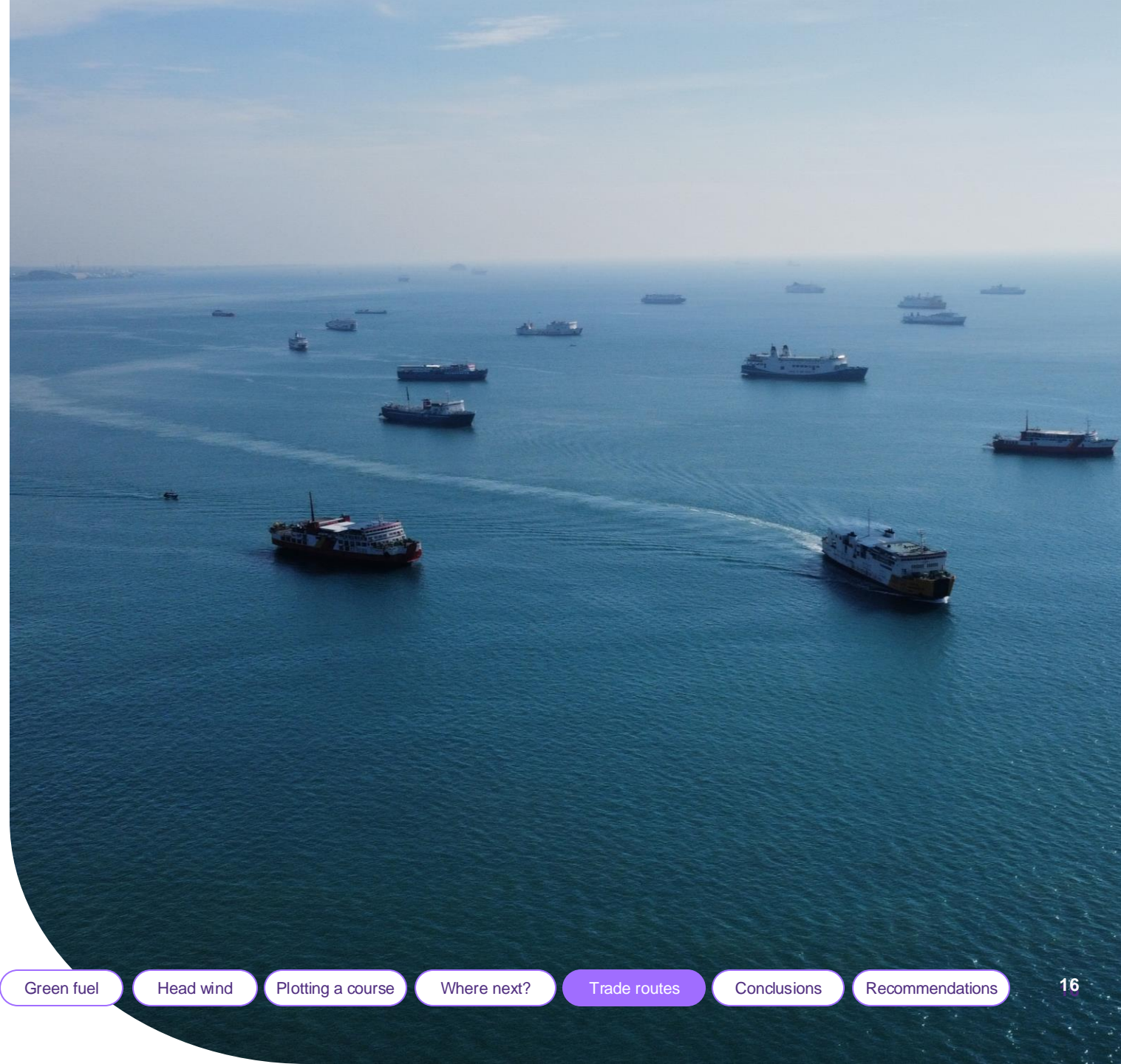
When we asked mid-market firms, “to what extent do you agree that ESG/sustainability requirements are a potential barrier to international business expansion,” 43% of respondents agreed with the statement.

The most globalised industries, engaging in high volumes of cross border trade, and therefore more likely to be caught by rules in multiple jurisdictions, were the most likely to cite requirements as a barrier. However, mid-market firms are at an advantage compared to large corporations when it comes to having to adapt quickly as they are more agile.

"Mid-market businesses in South Africa should view ESG as a powerful opportunity to drive growth, resilience, and innovation. ESG is not just a compliance requirement—it's a pathway to long-term value creation and market leadership."

Omar Kadwa

Head of ESG Assurance



Mid-market firms are described as the powerhouse or engine of the economy, as they provide many of the links within the global supply chain.



The link in the chain

Mid-market firms are described as the powerhouse or engine of the economy, as they provide many of the links within the global supply chain. The prominence of the mid-market as a 'connector' within the global business ecosystem means that it can truly drive a more sustainable world. It can help make sustainability a strategic focus.

It is therefore critical for there to be a sustainable mid-market, which supports the rest of the business ecosystem to become more sustainable too. For this to exist, we need to help mid-market firms overcome regulatory barriers.

"By streamlining compliance, uncovering opportunities, and integrating ESG goals with business strategies, SNG Grant Thornton enables mid-market businesses to adopt sustainability with confidence, transforming challenges into practical, value-driven solutions."

Oupa Mbokodo
Advisory Managing Director,
SNG Grant Thornton





Conclusions

1

The world needs a sustainable mid-market. It's vital to economies, societies and the planet, because mid-sized businesses are the cogs which make the wheel of the global economy turn.

2

Mid-market firms are mainly motivated by commercial factors, and in particular market competition.

3

The mid-market is struggling with the high cost and complexity of aligning with rapidly changing regulations. Additional market dynamics, such as brand and supply chain requirements, are also putting significant pressure on mid-market companies.

4

The regulatory burden may be a barrier to mid market businesses international expansion plans if they are not prepared to collect and report sustainability-related information as required by foreign jurisdictions.

5

A 'one-size-fits-all' approach to sustainability doesn't work. Most mid-market firms have taken at least one step on their sustainability journey but firms' starting points are different.





Recommendations



- 1.** Take action sooner rather than later, when it comes to reporting requirements. Regulations and standards are only likely to get more complex and the resource to supply advice more scarce, which could increase the cost of becoming compliant.

Rather than waiting for implementation deadlines, acting now will give you time to build up your knowledge and processes, facilitating a smoother transition and helping to minimise the challenges of implementation. Improving the quality of your data requires time and investment, and so the earlier you start this process, the better.

- 2.** For mid-market firms who get it right, being sustainable can offer a competitive advantage, whilst protecting brand reputation.

When you first see the complex legislation and regulation governing disclosures, you may see sustainability as a barrier. However, moving forward you should see it as an opportunity to enable deeper thinking about how to ensure the long-term health of your business.

Getting sustainability right will make your businesses more attractive to investors as well as customers, by strengthening and differentiating the brand. You will be more resilient, more easily able to attract and retain customers, access new opportunities and enter new markets.

- 3.** Some mid-market firms may be hesitating to take action due to the complexity involved, but speaking to an adviser can help overcome some of this reluctance, simplify the process and plot the right course.

We understand how overwhelmed many mid-market firms feel – you have a product or service to sell, and sustainability is not your day job. Speaking to an advisor can help alleviate this and enable you to progress on your sustainability journey. Our job is to understand new requirements, we have a whole team of resource dedicated to this, and experience implementing requirements for clients all over the world.



- 4.** Larger companies need to work with their mid-market counterparts in supply chains to help them navigate regulatory issues. The world needs a sustainable mid-market and so do they.

Navigating complex sustainability regulations is something many large firms are already doing. Sharing the expertise gained from this process will help their mid-market partners to adapt more effectively. Cooperation ensures a more resilient and compliant supply chain, enabling larger companies to meet their own sustainability goals, particularly in reducing Scope 3 emissions. A sustainable supply chain leads to reduced risks, improved efficiency, and enhanced reputations for all involved.

- 5.** The sustainability journey is not a sprint. It is likely to take most businesses several years to perfect their strategy and reporting and to adjust to external factors, but as always, the most important action is to take the first step.

Taking the first step in the sustainability journey is crucial regardless of a business' size or industry. The first step, whether it's conducting a sustainability assessment or implementing a small-scale initiative, sets the foundation for continuous improvement and will position the company to better navigate the ever-evolving regulatory landscape.

To establish where you are and to find out where you need to go next on your sustainability journey, find your nearest SNG Grant Thornton Sustainability services team.



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