

ESG-focused procurement in the hospitality and leisure sector

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The hospitality and leisure sector in South Africa was arguably one of the worst-affected industries during the Covid-19 pandemic. The industry was cut-off from its customers, who could not travel and enjoy the experiences offered by operators in South Africa. As a result, it has become increasingly crucial for hospitality and leisure sector operators to find low-cost wins. The same undoubtedly applies to suppliers in the sector.



Source: Sandra Seitamaa via [Unsplash](#)

Environmental, Social and Governance (ESG) compliance can offer much-needed, low-cost credentials as an additional competitive advantage, especially in a tight market.

ESG is far more than just a philanthropic buzzword, with industries ranging from mining to financial services realising its value in unique ways and adopting ESG principles as core to how they operate.

It asks businesses to consider their impact on the environment and on their stakeholder relationships and to implement policies that benefit not only their businesses but also considering broader society.



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All South African businesses must comply with certain minimum ESG standards, such as health and safety, employment and corporate governance statutory and regulatory requirements.

As compliance with the broader ideals of ESG is not mandatory in all cases, hospitality and leisure operators may ask: "How does ESG help my business and why should I consider it?"

Aside from the obvious benefits to society and the environment, ESG makes businesses more attractive to customers and investors, more robust to external shocks and reduces risks businesses face in the open market.

In the hospitality and leisure sector, consumers are more aware than ever of where their food comes from and whether the products they use are sustainably made. They also want to know if the suppliers to a hospitality business, pay their workers a fair wage and recognise their labour rights.

However, not all businesses can comply with the broader ideals of ESG, whether for financial or operational reasons. Nonetheless, they can access the advantages of compliance by leveraging the ESG credentials of suppliers of goods and services.

An example of how this works within the hospitality and leisure industry is the purchase of serviettes and take-away cutlery by restaurants and hoteliers. If procured from an ESG-compliant supplier who manufactures wooden cutlery and serviettes made from recycled paper, the hotel or restaurant can enhance its ESG credentials. A bed and breakfast chain can purchase its bed linen from an ESG-compliant supplier that sources cotton from sustainable agribusiness.

These are just a few examples of how an ESG-focused supply chain can assist hospitality and leisure operators to bolster their own ESG credibility.

The opportunities are wide-ranging yet easily accessed if some thought is applied to the supply chain process.

Supply chains as a key component of ESG

Codes and standards applicable to ESG in South Africa recognise that a company's supply chain directly influences a company's behaviour towards the environment and broader society.

An example is the JSE Sustainability Disclosure Guidance (SDCG), released in June 2022. The SDCG pays attention to who a company or business buys from when benchmarking that operation's ESG performance. If a business purchases goods or services from an ESG-compliant supplier, the buyer's own ESG standing is enhanced.

Using its supply chain to support ESG-compliant businesses, a hospitality and leisure business can play a credible role in advancing ESG in ways that benefit society at large, while strengthening its own market position through its enhanced ESG status.

Beyond the legal ramifications of ESG compliance, hospitality and leisure operators can use supply chain relationships to reach ESG-conscious customers credibly.

Even if a business cannot comply fully with the broader ideals of ESG, by recognising the value it can add to the ESG

ecosystem at large and adapting its supply chain accordingly, it can meaningfully participate in, and contribute to, rising ESG consciousness.

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