SUSTAINABILITY STANDARDS IN THE SOUTH AFRICAN BANKING SECTOR

By

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DECLARATION

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I, Ulrich Granzier, student number 213464853, hereby declare that the treatise, *Sustainability standards in the South African banking sector,* for the partial fulfilment of the requirements for the degree of B.Com.Hons. in Business Management, is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification.

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ABSTRACT

Businesses worldwide are under increasing pressure to operate more sustainably. This has led businesses to increasingly disclose information regarding their impact on the environment, societies and economies in which they operate. This trend is noticeable in that the companies who issue sustainability reports have increased from 35% in 1999 to 92% in 2015 (King & Bartels, 2015:30).

The need by businesses to operate more sustainably and report thereon has led to the creation of a plethora of sustainability standards. The 2016 edition of the *Carrots & Sticks* report has identified a total of 383 sustainability reporting instruments in 64 countries versus 180 instruments that have been identified in 44 counties in the 2013 edition of the report (Bartels, Fogelberg, Hoballah & van der Lugt, 2016:9).

At the same time the role that banks play in the attainment of sustainable development has also been recognised (Carè, 2018:66). Consequently, various sustainability standards that are specifically applicable to the banking sector, such as the United Nations Environmental Program Finance Initiative (UNEP FI), the Equator Principles and Principles for Responsible Investment, have been developed. (Weber & Feltmate, 2016:27).

There was hence a need to determine which sustainability standards are applicable to South African banks when they make disclosures regarding their sustainability. In this research project a content analysis was conducted in order to determine which sustainability standards South African banks refer to within their issued reports.

For the purposes of this research project the integrated reports of five South African banks have been analysed. These banks were the four largest South African banks, namely Standard Bank, Barclays Africa (ABSA), FirstRand and Nedbank. In addition, the contents of the fastest growing bank of South Africa, namely Capitec Bank, was also analysed.

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CHAPTER ONE

BACKGROUND AND RATIONALE OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

Humans depend on the natural environment for sustenance as it provides them with the “environmental services” such as food and water, materials to survive and safety from epidemics and natural catastrophes. Yet not much is done to protect the natural environment. (Sachs, 2015:2).

Increased concern for the environment has led businesses to increasingly collect and disclose information related to their sustainability (Frías-Aceituno, Rodríguez-Ariza & García-Sánchez, 2012:45). This disclosure trend can be underscored by the proportional increase from 35% in 1999 to 92% in 2015 of the largest 250 who have issued sustainability reports (King & Bartels, 2015:30).

The increasing need by businesses to disclose their sustainability performance has led to a plethora of sustainability disclosure standards being created. Carrots & Sticks identified 383 reporting instruments up from 60 in 2006 (Bartels, Fogelberg, Hoballah & van der Lugt, 2016:9).

Environmental and social concerns are also persuading banks to develop more sustainable products, investments and disclose issues related to sustainability (Carè, 2018:65). In 2003, for example, more than 100 civil society organisations have endorsed the Collevecchio Declaration. This declaration consists of six principles on the proper role of the financial sector in promoting sustainable development (Harvey, 2015:62). The fifth principle specifically upholds transparency as a component in the quest of financial institutions’ becoming more sustainable. (Harvey, 2015:62).

In response to these sustainability concerns a number of sustainability disclosure standards have been developed that are applicable specifically to companies operating in the financial services sector. In 2008 the Global Reporting Initiative (GRI), a sustainability reporting standard setter, issued the GRI Financial Services Sector Supplement (FSSS) which contains a set of disclosures specifically applicable to that sector (GRI, 2013_a:3).

1.2 PROBLEM STATEMENT

Since the 1990's companies worldwide and in South Africa have started to issue sustainability reports at an increasing rate. The rate at which the 250 largest companies worldwide issue corporate sustainability reports has increased from 35% in 1999 to 92% in 2015 (King & Bartels, 2015:30). Consequently, a plethora of sustainability standards have been developed. The *Carrots & Sticks* report has identified a total of 383 sustainability reporting instruments in 64 countries versus 180 instruments that have been identified in 44 counties in the 2013 edition of the report (Bartels *et al.* 2016:9). In response Janse van Rensburg (2016:285) has developed a framework of standards and indicators that are applicable to South African companies and can be useful when setting up sustainability reports.

At the same time the role of banks, as intermediaries of financial flows between depositors and lenders, in the attainment of sustainable development has also been recognised (Carè, 2018:66). As a consequence, various sustainability standards that are applicable to the banking sector, such as the United Nations Environmental Program Finance Initiative (UNEP FI), the Equator Principles and Principles for Responsible Investment, have been developed (Weber & Feltmate, 2016:27).

A plethora of sustainability standards have been developed to guide and assist companies in general to operate in a more sustainable way. In addition, sustainability standards that are specifically applicable to the banking sector have also been developed to assist banks to contribute towards sustainable development in general. Janse van Rensburg (2016:285-286) has developed a framework of sustainability standards and indicators that are applicable to large South African companies in general, but not necessarily applicable to South African banks. There is hence a need to determine which international and South African sustainability standards are specifically applicable to banks operating in South Africa.

1.3 PRIMARY OBJECTIVE

The primary objective of this research is to determine what sustainability standards and initiatives South African banks refer to within their integrated financial reports.

1.4 SECONDARY OBJECTIVES

- To define and discuss the concepts of sustainable development, corporate social responsibility and sustainability reporting.
- To discuss the role of banks in realizing the objective of sustainable development.
- To identify the sustainability reporting formats that South African banks use.
- To identify the South African and international sustainability standards that South African banks refer to within their integrated reports.

1.5 RESEARCH QUESTIONS

(a) What is sustainable development, corporate social responsibility and sustainability reporting and how did it develop?

(b) How can banks contribute towards the objective of sustainable development?

(c) What type of sustainability reporting formats do commercial banks use?

(d) What South African and international sustainability standards are potentially relevant to South African banks?

(e) Can an existing framework of sustainability standards be adapted in order to content-analyse the integrated reports of South African banks?

(f) What sustainability standards are used by South African banks as indicated within their published integrated reports?

1.6 METHODOLOGICAL OBJECTIVES

- To conduct a literature review in order to define and discuss the concepts of sustainable development, corporate social responsibility and sustainability reporting.
- To determine the contributing role of banks towards sustainable development by reviewing the existing literature.
- To select an existing framework of format of sustainability reporting and standards and adapting it to analyse the information contained within the sustainability reports of South African banks.
- To develop a content analysis research instrument which is derived from the selected and adapted framework mentioned above in order to gather the relevant data from the sustainability reports
- To develop a database in which all the data that was collected during the content analysis will be entered into and analysed.
- To provide conclusions and recommendations to companies operating within the banking and retail industries in South Africa which is based on the findings made in this treatise.

1.7 RESEARCH DESIGN

In this section the sample that will be used during the research process will be discussed. Afterwards the measuring instrument, the manner in which the data will be collected and the statistical techniques which will be used to analyse the data will be discussed.

1.7.1 Population and sample

For the purpose of this study a purposeful sample of the annual integrated reports issued by the four largest South African banks will be used namely: Standard Bank, Nedbank, ABSA and First Rand Bank. In addition, the integrated report of Capitec Bank will also form part of the sample due to its growing importance. The reports issued during 2017 reporting period will be analysed.

1.7.2 Design of the measuring instrument

Janse van Rensburg (2016:172-173) has developed a framework of standards and indicators which can be used to evaluate the sustainability reports of South African businesses. Based on this framework a schedule for content analysis will be developed which can be used to collect the relevant data from the sustainability reports issued by South African companies (Janse van Rensburg, 2016:342-344). In this treatise an adapted and shortened applicable version of this framework and schedule for content analysis will be used to collect and evaluate the content of the relevant integrated reports of banks.

1.7.3 Data collection

The primary data which is required will be obtained from the integrated reports which have been issued by the companies contained within the sample of this study as determined above. These sustainability reports will be downloaded from the websites of the respective companies. Each one of the five sustainability reports will then be analysed individually by comparing it to the above-mentioned adapted schedule of content analysis.

The data obtained from the observations will be captured directly on a Microsoft Excel spreadsheet. Hence the spreadsheet will serve as both the schedule of content analysis and as a data base on which the data can be capture, stored and analysed on.

1.7.4 Data analysis

Struwig and Stead (2013:156) states that in order to convert raw data into interpretable or meaningful information, categories must first be established. Subsequently each observation should be allocated to a category after which the data should be tabulated in order to organise and summarise it.

The main objective of this treatise is to investigate the integrated reports in the South African banking sector. Hence the categories used in this treatise will all relate to the biographical information of each participating company, format of reporting, South African legislative requirements and initiatives, international sustainability standards and sustainability indicator frameworks.

The allocation of each observation to a category would have been completed during the data collection process. This is due to the nature of the research which does not require fieldwork to obtain the relevant data. The observations will be captured by means of content analysis directly onto a spreadsheet in Microsoft Excel. The captured data will then be tabulated in order to organise and summarise it. The information will then be presented further through graphs.

1.8 SCOPE AND DEMARCATION OF THE STUDY

This treatise will investigate the integrated reports issued by South African banks. The integrated reports that have been analysed were issued by Standard Bank, Nedbank, ABSA, First Rand Bank and Capitec Bank during the reporting period of 2017.

It should be noted that the purpose of this treatise is to determine what existing South African and international sustainability standards the banks contained in the sample currently refer to and use when setting up their sustainability reports. Hence the research is descriptive in nature.

1.9 STRUCTURE OF THE STUDY

The structure of the treatise will be as follow:

Chapter 1: Introduction and background

Chapter 2: Literature overview on sustainability standards in the South African banking sector

Chapter 3: A framework to investigate sustainability standards referred to by South African banks

Chapter 4: Research design and approach

Chapter 5: Empirical findings

Chapter 6: The summary, conclusions and recommendations

CHAPTER TWO

LITERATURE OVERVIEW ON SUSTAINABILITY STANDARDS IN THE SOUTH AFRICAN BANKING SECTOR

2.1 INTRODUCTION

The main objective of this study is to investigate the sustainability initiatives, reporting standards and indicators that South African banks refer to when compiling their sustainability reports. It is therefore important to understand what sustainability reporting entails within the context of the South African banking sector.

In this chapter the terms sustainable development, corporate social responsibility and sustainable reporting will first be defined. Thereafter an historical overview of the development of sustainability and sustainability reporting will be presented.

Next the traditional role of banks within industrial economies will be briefly outlined. This will be followed by describing the role that banks can play to promote sustainable development. The direct and indirect environmental and social impacts that banks have will then be explained and elaborated on. International sustainability standards aimed at managing and reporting on these impacts will then be identified and expounded on.

This will follow with an outline of the structure and size of the South African banking sector. It will include a description of the types of banks that operate in South Africa, identifying the most prominent banks operating in South Africa and subsequently identifying the unique social challenges that South Africa banks face. Sustainability initiatives in South Africa will also be identified and expounded on.

Lastly the use of sustainability reports by banks will be discussed. This will be followed with a summary of this chapter.

2.2 A DEFINITION FOR SUSTAINABLE DEVELOPMENT, CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE REPORTING

In the following section definitions for sustainable development, corporate social responsibility and sustainable reporting will be outlined.

2.2.1 Sustainable development

The *Oxford Advanced Learner's Dictionary* (OALD) defines "*sustainability*" as "*involving the use of natural products and energy in a way that does not harm the environment*" and that which "*can be continued for a long time*" (Hornby, 2015:1507). This definition of sustainability highlights the notion of using natural resources in such a way that the environment from which it is obtained is not harmed and that use should continue indefinitely.

The above description of sustainability links up with the widely used definition of sustainable development in the *Our Common Future* Report, which defines the concept as "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*." (WCED, 1987:40)

At an organisational level the King IV Report describes sustainable development as "organisations intentionally interacting with, and responding to, the opportunities and challenges presented by the dynamic system of the of the triple context in which the organisation operates and the capitals the organisation uses and affects, with the aim to achieve the creation of value over time." (IoDSA, 2016:18). The term "*triple context*" refers to the "*economy, society and environment" in which an organisation operates*" (IoDSA, 2016:18).

For the purpose of this study sustainable development will be defined as:

Sustainable development is development that considers the positive and negative impacts that business processes have on the environmental, societal and economic dimensions in which it operates when decisions are made while ensuring that the needs of the current generation can be met without compromising the ability of future generations to do the same.

2.2.2 Corporate social responsibility

Corporate social responsibility (CSR) is a contested, dynamic and ambiguous concept and this is reflected by the wide range of definitions that are in existence (Rasche, Morsing & Moon, 2017:8). CSR can be defined differently depending from the perspective which it is defined (Rasche, Morsing & Moon, 2017:8-11).

A definition that has broad appeal is the stakeholder definition (Hopkins, 2012:9). In line with this perspective Hopkins (2012:9) defines CSR as being "*concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. The aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation.*" This definition will be used for the purposes of this treatise.

2.2.3 Sustainability reporting

The Global Reporting Initiative (GRI) describes a sustainability report as a report that *"conveys disclosures on an organisation's most critical impacts – be they positive or negative – on the environment, society and the economy*." (GRI, 2013b).

The GRI sustainability reporting standards are the *de facto* global sustainability reporting standards (English & Schooley, 2014:26). This is underscored by the fact that 75 percent of the 250 largest companies in the world have made used of GRI sustainability standards when compiling their sustainability reports in 2017 (Blasco & King, 2017:28). Hence for the purposes of this study the GRI's definition of sustainability reporting will be used, namely:

"Sustainability reporting is the process of setting objectives and measuring performance related to critical positive and negative impacts on the environment, society and economy in order to publicly disclose"

2.3 A HISTORICAL OVERVIEW OF THE DEVELOPMENT OF SUSTAINABILITY AND SUSTAINABILITY STANDARDS

In the following section a brief historical overview of the origin and development of sustainable development and sustainability reporting will be provided.

2.3.1 Sustainability and economic development

The modern concept of sustainability can be traced back to 18th century Europe. In Germany wood was used as fuel to fire the furnaces which were used to smelt the ores to produce metals. Due to overharvesting the size of German forests were reduced to such a degree that the mining industry was confronted with the possibility of running out of the timber needed for their furnaces. In response a German mining administrator, Hans Carl von Carlowitz, had written the treatise *Sylvicultura Oeconomica* in 1713 in which he delineated the manner in which forests could be managed in a sustainable way (Thiele, 2016:40). However, it was only since the 1950's that the concept of sustainability was used in the public sector of the developed world (Gudmundsson et al. 2015:15).

One such influential publication was in 1962 by Carson which brought to attention the negative impacts that pesticides such as DDT have on the natural environment (Gudmundsson *et al.* 2016:16). These and other publications have established the theme that economic development has adverse impacts on the environment and that the natural resources humans are dependent on are finite in supply.

In response to this the United Nations (UN) held the Conference on the Human Environment in Stockholm in 1972. This conference resulted in the creation of the Stockholm Action Plan and the establishment of the United Nations Environment Program (UNEP) tasked with advocating for the protection and enhancement of the environment. (Gudmundsson *et al.*, 2015:17-18). Subsequently four significant UN sponsored conferences concerning sustainable development were held over 10 year intervals, which are listed in table 2.1:

Table 2.1: United Nation's Sustainable Development Conferences

Year	Name of conference	Outcome	Source
1972	UN Conference on the Human Environment	Stockholm Declaration	(UN, 1972)
1982	Nairobi Meeting	Nairobi Declaration	(UN, 1982)
1992	UN Conference on Environment and Development	Rio Declaration Agenda 21	(UN, 1992)
2002	UN World Summit on Sustainable Development	Johannesburg Declaration Millenium Development Goals	(UN, 2002)
2012	UN Conference on Sustainable Development	The Future We Want work document	(UN, 2012)

Source: Author's construction

In preparation for the UN Conference on the Environment and Development held in 1992 the UN General Assembly established the World Commission on Environment and Development (WCED) to create "long-term environmental strategies for achieving sustainable development." In 1987 the WCED published the report *Our Common Future* (WCED:1987).

The concept of sustainable development has obtained formal recognition globally at the United Nations Conference on Environment and Development (UNCED) during 1992 in Rio de Janeiro.

2.3.2 Sustainable development and the corporate world

The notion that businesses have a social responsibility was first expounded on by Bowen (2013). Bowen (2013:3) recognised that the decisions made, and policies adopted by businesses have an impact not only on the business itself, but also its employees, customers and other stakeholders.

Since then stakeholders have become increasingly aware that many social and environmental problems in the world stem directly from unsustainable business practices (Rasche, Morsing and Moon, 2017:2). However, it is also increasingly recognised that businesses can potentially be part of finding solutions for these very problems (Rasche, Morsing and Moon, 2017:2). This has led to the business community becoming increasingly involved in the quest of finding solutions for the numerous economic, environmental and social challenges the world faces.

In 1992 Stephan Schmidheiny, a Swiss businessman, was appointed as the chief advisor for business and industry by the secretary general for the Rio Earth Summit in 1992 (Grayson & Jane, 2017) In this capacity he established a forum called the Business Council for Sustainable Development to serve as a for the private sector at the summit. This resulted in the publishing of an influential book called *Changing Course* in which the term “eco-efficiency” was coined to refer to the relationship between the economic value created by a company and the associated negative impacts made on the environment and society (Schmidheiny, 1992).

There was further a realization that there was a need for companies to have universally agreed principles relating to human rights, labour and the environment. In 2000 the United Nations Global Compact was launched as a platform for companies to come together and commit to align their operations and strategies with ten principles (UNGC, 2017:13).

2.3.3 Sustainability reporting

During the past two decades the compiling and issuing of sustainability reports have become more commonplace. The rate at which the G250 companies issue sustainability reports has increased from 35% in 1999 to 93% in 2017 (Blasco & King 2017:9). Likewise, in South Africa 92% of companies have also issued sustainability reports in 2017 (Blasco & King, 2017:15). The issuance of sustainability reports has experienced most of its growth from the 2000's onwards, but this practice has a much longer history (de Villiers & Maroun, 2017:5).

Initially the increased sustainability disclosures often came about as a result of increased stakeholder pressure following an adverse social or environmental incident (de Villiers & Maroun, 2017:5). Stakeholders however became distrustful of these disclosures because businesses tended to emphasise the positive and neglect the negative social and environmental impacts that they are responsible for (de Villiers & Maroun, 2017:6).

In response to various independent institutions were established to develop standardised frameworks recommending those sustainability disclosures that were of a material nature. One such independent organization is the Global Reporting Initiative (GRI), an independent, global and non-profit organisation, was established in 1997 with the aim of developing sustainability reporting guidelines (English & Schooley, 2014:27). In 1999 the AccountAbility Principles for Sustainability Development appeared (AccountAbility, 2008:14). In 2002 the Carbon Disclosure Project (CDP) was established with the aim of developing standards concerning the reporting of emissions and energy use.

By the year 2016 the *Carrots & Sticks* report has identified 383 reporting instruments in 71 countries and regions (Bartels *et al*., 2016:9). Of these 65% of the reporting instruments are mandatory while 35% are voluntary (Bartels *et al*., 2016:9). These developments also had an impact on the banking sector.

2.4 THE BANKING SECTOR AND SUSTAINABLE DEVELOPMENT

Substantial amounts of investments are needed to address issues such as climate change, fighting hunger, responding to droughts, creating jobs and offering affordable health care (Weber & Feltmate, 2016:3). In the following paragraphs the role of banks in contributing towards achieving sustainable development will be discussed.

2.4.1 Role of the banking sector

Banks play an important role in modern industrial economies. Banks operate the payment systems, serves as a conduit through which monetary policy is executed, provides credit for households, companies and governments and provides a safe shelter for the funds of depositors (Berger, Molyneux & Wilson, 2015:1). As a provider of credit, banks have an influence on the economic development of the countries in which they operate.

Research suggests that a well-developed banking system contributes positively towards the promotion of economic development by increasing the availability of funds for investments and improving the quality of investments (Berger, Molyneux & Wilson, 2015:1). Unfortunately, there is a perception that banks focus more on short-term profit and having a disregard for societal and environmental needs (Weber & Feltmate, 2016:3).

2.4.2 Sustainable development and the banking sector

Sustainability issues poses both risks and opportunities for banks. Risks includes the possibility of creditors defaulting on their loans and potential damage caused to a bank's reputation as a result of the mismanagement of environmental and social issues. Opportunities include providing finance for projects aimed at ameliorating negative impacts on the environment and society (WWF, 2015:5-6).

Banks have both direct and indirect impacts on the economies, environments and societies in which they operate (Weber & Feltmate, 2016:79). The direct impacts are a result of the operating activities that a bank engages in (Weber & Feltmate, 2016:80). These include energy use and related greenhouse gasses (GHG) emitted, GHG emitted related to traveling undertaken by employees and solid waste that is produced (Weber & Feltmate, 2016:105-106).

On the other hand, banks also have indirect environmental and societal impacts (Weber & Feltmate, 2016:105-106). These indirect impacts, unlike direct impacts, do not originate as a result of the bank's operations, but caused by its clients and other external stakeholders (Weber & Feltmate, 2016:80). Eccles and Serafeim (2013:20) also argue that these indirect impacts are more material for the sustainability of financial institutions.

2.4.3 Sustainability standards in the banking sector

In response various sustainability standards that are specifically applicable to the banking sector have been developed over the years. This includes the United Nations Environmental Program Finance Initiative (UNEP FI), the GRI's Financial Services Sector Supplement (FSSS), the Equator Principle (EP) and Principles for Responsible Investment (PRI) (Weber & Feltman, 2016:27).

(a) United Nations Environmental Program Finance Initiative (UNEP FI)

The UNEP FI is a partnership between the UNEP and companies operating within the financial sector worldwide which aims to foster awareness of environmental and sustainability issues that are related to their services, products, processes and strategies (UNEP FI, 2016:3; Weber & Feltmate, 2016:27). It was one of the first initiatives by a sector that is not directly responsible for pollution to establish environmental standards and guidelines (Weber & Feltmate, 2016:27).

(b) GRI's Financial Services Sector Disclosures (FSSD)

The Financial Services Sector Disclosures (FSSD) document was issued in 2015. The FSSD contains additional sustainability disclosures that are meaningful and relevant to company's operation within the financial services sector. This includes additional disclosures pertaining to economic performance, emissions, effluents and waste, occupational health and safety, investment, local communities, product and service labelling, product portfolio, audits and active ownership. (GRI, 2013_a:8).

(c) Equator Principles (EP)

The Equator Principles (EP) is a risk management framework that financial institutions use to assess the social and environmental risks associated with projects that they consider providing funding (Equator Principles, 2013:2). Currently there are officially 92 financial institutions that have formally adopted the EP's (Equator Principles).

(d) Principles for Responsible Investment (PRI)

The PRI is a network of consisting 1449 signatories who are from more than 50 countries and manages US$89 trillion worth of assets (PRI, 2018:4,6)). These signatories have committed to implement six principles that has to do with responsible investment (PRI, 2018:92).

2.5 SUSTAINABLE DEVELOPMENT AND THE BANKING SECTOR IN SOUTH AFRICA

South Africa has a well-developed banking system that compares favourably with those of developed nations (BASA).

2.5.1 Banking sector in South Africa

The South African banking sector is comprised of registered banks, mutual banks, co-operative banks and foreign banks with local branches and approved representative offices (SARB, 2017). As of December 2017, these banks manage assets worth R 5,2 trillion and serves 28,7 million clients (FinScope, 2015:8; SARB, 2017). In addition to the global environmental and social challenges that the global banking sector faces, there are also challenges that are unique to South Africa.

The South African business environment also pose unique challenges to the banking sector. South Africa has an education system which ranks 75th out of 76 countries in the world (OECD). In addition, barriers to quality education is created due to the unaffordability thereof (BASA, 2015:14). Hence access to financing for education is a challenge in South Africa.

2.5.2 Big four banks in South Africa

Four banks, namely Barclays Africa, First Rand, Nedbank and Standard Banks, are responsible for managing just over R5 trillion of the total of R5,2 trillion that are managed by all South African banks (SARB, table 2). The total assets that each of the largest four banks manage are set out in Table 2.2.

Table 2.2: Total assets of the largest four banks in South Africa

Bank	Total Assets (R'million)
Barclays Africa	R 1 165 979
First Rand	R 1 291 724
Nedbank	R 983 314
Standards Bank	R 1 572 052
Total	R 5 013 069

Source: Natsas and Roopnarain (2018:27)

Table 2.2 shows that these four banks have a total asset base of more than R 5 trillion. With an asset base of R almost R 1,6 trillion, Standard Bank has the largest asset base of the four largest banks in South Africa.

2.5.3 Fastest growing bank in South Africa

Capitec Bank was established in in 1999 and listed on the JSE Limited in 2002 (Capitec, 2017:6). In 2016 Capitec Bank managed a total of almost R63 billion (Capitec, 2017:10). The number of clients they serve increased from 4 677 000 in 2013 to 7 269 000 in 2016, making Capitec one of the fastest growing banks (Capitec, 2017:11).

2.5.4 South African sustainability initiatives

Sustainability initiatives that are applicable to financial institutions in South Africa have also been developed. These include the Code for responsible investing in SA (CRISA) and the Code of banking practice (CBP).

(a) Code for responsible investing in SA (CRISA)

CRISA is a code that provides guidance for institutional investors on how investment analysis should be conducted and promotes sound governance (CRISA, 2011:3). It has been issued by the Committee on Responsible Investing by Institutional Investors in South Africa and has been endorsed by the Institute of Directors in Southern Africa, Principle Officers Association (POA) and the Association for Savings and Investments South Africa (ASISA) (IoDSA, 2011:4).

(b) Code of banking practice (CBP)

The CBP is a voluntary code issued by the Banking Association of South Africa (BASA) which set out the minimum standards that personal and small business customers can expect from banks who underwrites this code (BASA, 2011:2). The objectives of this code are to promote good banking practices, increase transparency, promote fair and open relationships between banks and clients and foster confidence in the banking sector (BASA, 2011:3)

2.6 THE BANKING SECTOR AND SUSTAINABILITY REPORTING

Companies in the banking sector are increasingly producing more sustainability reports to convey their performance in and commitment towards issues relating to the environment, economies and societies in which they operate (Weber & Feltmate, 2016:3).

One of the reasons why banks voluntarily make sustainability disclosures are due to the financial benefits that are obtained. Research suggests that there is a positive relationship between the sustainability disclosures made by banks and their share price performance (Carnevale & Mazzuca, 2014). In addition, banks also attempt to create a “green image” of themselves to improve their reputation (Lymperopoulos, Chaniotakis & Soureli, 2012:179).

The issuing of sustainability reports is increasingly being mandated by legislation and regulations. Blasco and King (2017:15) for example founded that the highest increases in sustainability reported have taken place in Mexico (+32%), New Zealand (+17%) and Taiwan (+11%) at the same time as a mix of new regulations, stock exchange listing requirements and pressure from investor have increased.

2.7 SUMMARY

In this chapter the terms sustainable development, corporate social responsibility and sustainability reporting were clarified and defined.

An overview of the historical development of sustainability and sustainability reporting showed that the concept of sustainability can be traced back to 18th century Europe where sustainable forestry was practiced for the first time. The response of the business world towards sustainability issues was discussed followed by an outline of the development of sustainability reporting.

Next the traditional role of banks within an industrialised economic system was briefly outlined. This was followed by a discussion of the direct and indirect impacts that banks have on the economy, environment and society in which it operates.

Subsequently international sustainability standards pertaining to the financial sector were identified and briefly explained. These international sustainability standards are the UNEP FI, FSSD, EP and PRI.

A short overview of the banking sector in South Africa was also provided. The South African banking sector compares favourably with banking sectors in the developed world, but face unique challenges. One challenge is the inaccessibility of quality education due to financial barriers and another is related to the business environment of South Africa.

It was also determined that Barclays Africa, FirstRand, Standard Bank and Nedbank are the largest four banks in South Africa. Capitec Bank is also emerging to become a dominant player in the South African banking sector. Sustainability standards that are specifically applicable to South African banks were then identified and expounded on. These South African sustainability standards are CRISA and the CBP. In chapter 3 both the international and South African sustainability standards that have been identified will be incorporated in the framework of sustainability standards and indicators of Janse van Rensburg (2016:285)

CHAPTER THREE

A FRAMEWORK TO INVESTIGATE SUSTAINABILITY STANDARDS REFERRED TO BY SOUTH AFRICAN BANKS

3.1 INTRODUCTION

In support of the main objective, which is to investigate the formats of sustainability reporting and standards that South African banks refer to when compiling their sustainability reports, an existing framework of sustainability standards and indicators will be adapted and shortened to analyse the content of the integrated reports issued by Barclays Africa, First Rand, Nedbank, Standard Bank and Capitec. The sustainability standards framework developed by Janse van Rensburg (2016:285) will be used for this purpose.

The composition of this existing framework of sustainability standards and indicators will be explained. The section on sustainability indicators will not be used in this study. The framework groups all the sustainability standards in terms of policy, management and reporting standards which are further subdivided as either international standards or South African initiatives. Each of the sustainability standards will then be discussed individually.

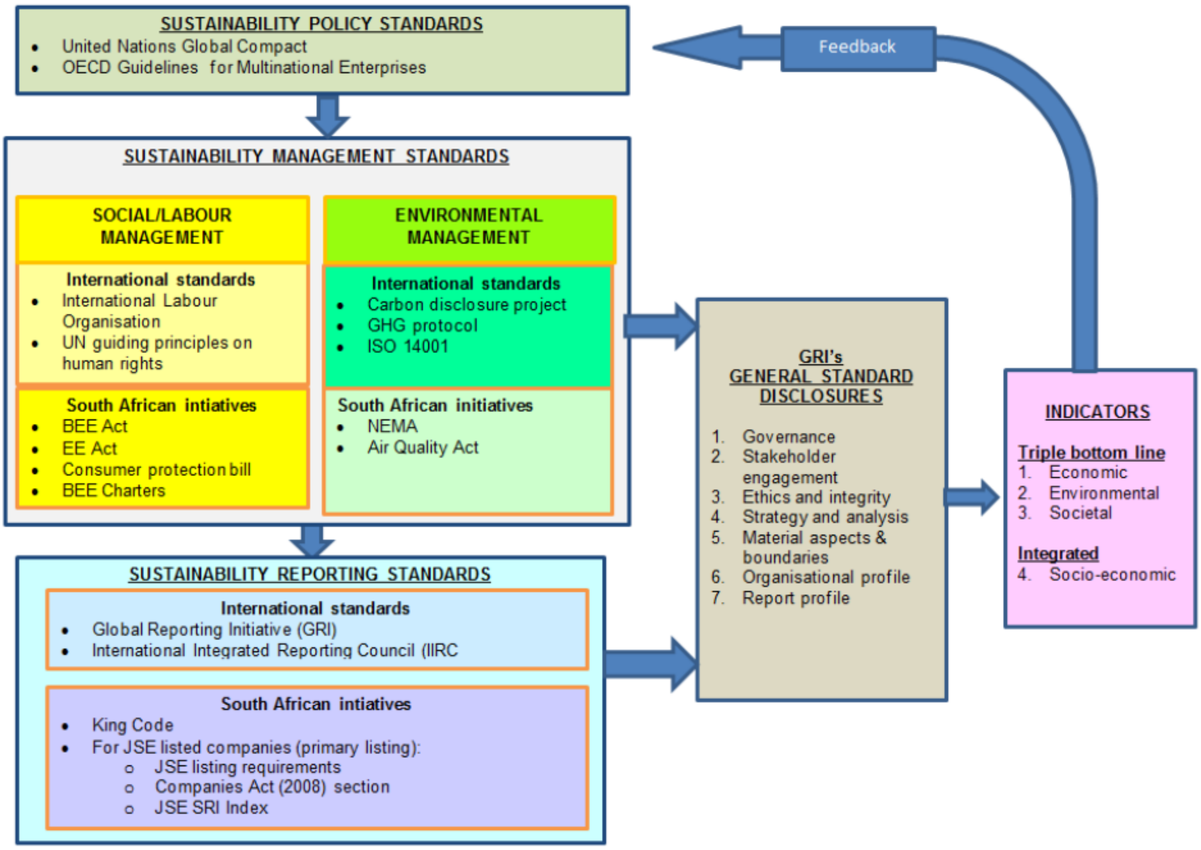
Afterwards the seven general standard sustainability disclosures will be listed and discussed. These general standard sustainability disclosures are prescribed by the GRI and are strategy and analysis, organisational profile, identified material aspects and boundaries, stakeholder engagement, report profile, governance and ethics and integrity (GRI, 2013$_b$:21).

The different reporting formats of sustainability reports will then be identified. The framework of sustainability standards and indicators, developed by Janse van Rensburg (2016:285), will then be adapted and shortened to only include sustainability reporting formats and standards that are applicable to commercial banks, to this framework.

3.2 ADAPTING AN EXISTING FRAMEWORK OF SUSTAINABILITY STANDARDS AND INDICATORS

The main purpose of this study is to investigate the sustainability standard frameworks that South African banks refer to when compiling their sustainability reports and the related disclosures made and indicators used. Towards this end the proposed standards and indicators for sustainability reporting constructed by Janse van Rensburg (2016:285) will be used as a basis to analyse the content of integrated reports issued by South African banks (figure 3.1).

Figure 3.1: Standards and indicators for sustainability reporting



Source: Janse van Rensburg (2016:285)

From the framework (figure 3.1) it can be observed that Janse van Rensburg (2016:285) has categorised the different sustainability standards as either (1) sustainability policy standards, (2) sustainability management standards and (3) sustainability reporting standards. In total there are nine sustainability standards and ten South African sustainability initiatives.

3.3 SUSTAINABILITY POLICY STANDARDS

3.3.1 United Nations Global Compact

The United Nations (UN) Global Compact is a voluntary initiative that aims to promote corporate sustainability by encouraging companies worldwide to commit themselves toward aligning their strategies and operations with the Ten Principles (UNCG). These principles are related to human rights, labour, environment and anti-corruption (UNGC).

3.3.2 OECD Guidelines for multinational enterprises

The *OECD Guidelines for multinational enterprises* (*Guidelines*) are a set of recommendations adhered to by governments that clarifies the expectations they have regarding responsible business conduct from multinational enterprises operating within or from their countries (OECD, 2014:2). These *Guidelines* are divided into eleven chapters and pertains to issues such as human rights (chapter IV), the environment (chapter VI) and consumer interests (chapter VIII) (OECD, 2014:10).

3.4 SUSTAINABILITY MANAGEMENT STANDARDS

3.4.1 International social/labour management standards

(a) International Labour Organisation

The International Labour Organisation (ILO) is an agency of the United nations which concerns itself with promoting human and labour rights and social justice (ILO, 2017:1). The ILO is a tripartite agency that brings together governments, employers and workers representatives from 187 member states in order to set labour standards and develop policies to promote decent work for all persons (ILO, 2017:1).

(b) UN Guiding Principles on human rights

The United Nations Guiding Principles on Business and Human Rights (UNGP) are a set of global standards related to the prevention and addressing of the potential adverse impacts that businesses can have on human rights. The UNGP consists of three pillars which are (i) the duty that states have to protect human rights, (ii) the duty businesses have to respect human rights and (iii) the provision of remedial processes should people's human rights be infringed upon. (Deva, 2012).

3.4.2 South African social/labour management initiatives

(a) Black Economic Empowerment (BEE)

The Broad-Based Black Economic Empowerment Act, 2003, (BEE Act) is a piece of South African legislation that established a framework for the promotion of black economic empowerment (Republic of South Africa, 2004:2).

The BEE Act authorises the appropriate minister to issue codes of good practice (Republic of South Africa, 2004:8). Currently Sector Codes for the chartered accountancy, integrated transport, forest and marketing, advertising and communication sectors have been issued (DTI, 2018).

(b) Employment Equity

The Employment Equity Act (EE Act), 1998, is a piece of South African legislation that was enacted for the purpose of promoting equal opportunity and fair treatment within employment by eliminating unfair discrimination (Republic of South Africa, 1998:12). In addition, it also seeks to achieve equity by means of affirmative action policies (Republic of South Africa, 1998:12).

(c) Consumer Protection Act

The Consumer Protection Act (CPA), 2008, is a piece of legislation that was enacted to ensure that the welfare of consumers is protected (Republic of South Africa, 2008:33). To achieve this, it sets out to provide a coherent legal framework, promoting fair business practices and improving customer awareness and information (Republic of South Africa, 2008:33-34).

(d) BEE Charters

To promote the objectives of the BEE Act the Minister of Trade and Industry must issue Transformation Charters for different economic sectors that have been developed and agreed upon by the major stakeholders within each sector respectively (Republic of South Africa, 2004:10). At present there are Transformation Charters for the agricultural, financial, information and communication technology and property (DTI, 2018).

3.4.3 International environmental management standards

(a) CDP

The CDP, formerly known as the Carbon Disclosure Project, is an international organisation that runs a disclosure system that enables companies, cities, states and regions to measure and manage the impacts they have on the environment (CDP). Currently over 6300 companies use the CDP's standards to report their impacts on climate change, water, forests and supply chains (CDP).

(b) GHG Protocol

The Greenhouse Gas Protocol (GHG Protocol) is an accounting tool used by governments and businesses worldwide to measure, quantify and manage the greenhouse gasses they emit (Carrots & Sticks, 2016:26). The GHG Protocol is used as an accounting framework by nearly every standard and program in the world, including the International Standards Organisation (ISO) and The Climate Registry (Bartels *et al*., 2016:26).

(c) ISO 14001

ISO 14001 is a standard that sets out the criteria that an Environmental Managements System (EMS) should comply with should an organisation seek to improve the environmental performance of their operations through the efficient use of resources and a reduction of waste (ISO, 2015). This standard can be used by any type of organisation that seeks to use their resources more efficiently, reduce waste and lower costs.

3.4.4 South African environmental management initiatives

(a) National Environmental Management Act (NEMA)

The National Environmental Management Act (NEMA) is a piece of South African environmental legislation that was enacted in 1998 to make provision for the cooperative governance and the establishment of principles that serves as guidelines for decision-making pertaining to matters affecting the environment (RSA, 1998).

(b) Air Quality Act

National Environment Management: Air Quality Act, 2004, is a piece of South African legislation that was enacted for the purpose of regulating air quality (RSA, 2015:2). This act makes provision for national norms and standards for the monitoring, management and control of air quality within all spheres of the government (RSA, 2015:2).

3.5 SUSTAINABILITY REPORTING STANDARDS

3.5.1 International sustainability reporting standards

(a) Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is an international independent organisation that assists businesses, governments and other types of organisations to understand and communicate the impacts that their operations have on the environment, societies and economies in which they operate (Bartels *et al*, 2016:26). It does this by developing and issuing sustainability reporting standards.

The GRI released the Financial Services Sector Supplement in October 2008 which is a tailored version of the G3 Guidelines that covers sector-specific issues in addition to the standard reporting principles, disclosures on management approach and performance indicators related to economic, social and environmental issues (GRI, 2013a).

(b) International Integrated Reporting Council (IIRC)

The International Integrated Reporting Council (IIRC) is a coalition that consists of regulators, investors, companies, standards setters, the accounting profession and various non-government organisations (NGO's) (IIRC, 2013:1). The long-term vision of the IIRC is a world in which strategic thinking is embedded into the business practices of companies operating in both the private and public sectors (IIRC, 2013:2). The IIRC aims to realise this vision by promoting integrated reporting as the norm of corporate reporting (IIRC, 2013:2).

3.5.2 South African sustainability reporting standards

(a) King Code of Responsible Governance

The King Code of Responsible Governance (King Code) is a set of principles and standards that seeks to promote what it recognises as high standards of corporate governance in South Africa (IoDSA, 2002:2). The first King Report on Corporate Governance (King I) was issued by the King Committee in 1994 (IoDSA, 2018). It was compiled by a committee headed by Prof. Mervyn King after the Institute of Directors asked Prof. Mervyn King in 1992 to form a committee with the aim of drafting a set of guidelines pertaining to good corporate governance in South Africa (IoDSA, 2018). Subsequently new iteration of the King Code has been issued in 2002, 2009 and 2016 (IoDSA; 2002, 2009, 2016).

(b) Initiatives for primary listed companies on the JSE Limited

In the framework of standards and indicators for sustainability reporting Janse van Rensburg (2016:285) identified three initiatives that are driven by the JSE Limited. These include the JSE Limited's listing requirements, the Companies Act, 2008, and the JSE SRI Index (Janse van Rensburg, 2016:285).

The JSE Limited requires listed companies to implement certain sections of the King Reports (JSE, 2015:113). According to a guidance letter that was issued on 27 June 2013 by the JSE Limited, the issuing of an integrated report is not mandatory (JSE Ltd, 2015:445).

This is because the section in the King Report that deals with integrated reporting is part of chapter 9 which is not a mandatory requirement for listing purposes (JSE Ltd, 2015:445). As a consequence, this principle must be applied on an “apply or explain” basis (JSE Ltd, 2015:445).

Launched in May 2004, the JSE SRI Index in South Africa was the first sustainability index developed by a developing country (Sonnenberg & Hamann, 2006:305). The purpose of this index was to highlight companies listed on the JSE Limited that operates sustainably, provide a basis for socially responsible investment products and measuring objectively the sustainability performance of listed companies (Sonnenberg & Hamann, 2006:305).

3.6 GRI'S GENERAL STANDARD DISCLOSURES

Janse van Rensburg (2016:219) has found that the general standard disclosures (GSD's) as prescribed by the Global Reporting Initiative are used widely by companies operating within the financial industry. The 58 general standard disclosures are grouped into seven parts, namely (a) strategy and analysis, (b) organisational profile, (c) identified material aspects and boundaries, (d) stakeholder engagement, (e) report profile, (f) governance and (g) ethics and integrity (GRI, 2013_b:21). Brief descriptions of each of these parts are given in table 3.1:

Table 3.1: General standard disclosures

General Standard Disclosures	Description	Source
Strategy and Analysis	These GSD's provides a general strategic view of the sustainability of an organisation to provide context for further disclosures.	(GRI, 2013_b:24)
Organisational Profile	These GDS's provide an overview of the characteristics of the organisation.	(GRI, 2013_b:25)
Identified Material Aspects and Boundaries	These GDS's provides an overview of the process that the organisation followed to determine to define the report contents, the identified material aspects and their boundaries.	(GRI, 2013_b:28)
Stakeholder Engagement	These GDS's provide for an overview of the engagements made by the organisation with stakeholders during the reporting period.	(GRI, 2013_b:29)
Report Profile	These GDS's provides an overview of the information that that is contained in the report.	(GRI, 2013_b:30)
Governance	These GDS's provide an overview of the governance structure and composition.	(GRI, 2013_b:36)
Ethics and Integrity	These GDS's provide an overview of the organisation's values, standards and norms.	(GRI, 2013_b:41)

Source: Author's own construction

3.7 REPORTING FORMATS

Sustainability disclosures are made in multiple different formats (Hindley & Buys, 2012:1255). Hinley and Buys (2012:1256) identified four formats in which sustainability disclosures can be made, namely (a) fully integrated, (b) integrated and separate, (c) separate and (d) separate on web. Janse van Rensburg (2016:172) used these four format categories of sustainability disclosure within her research. Accordingly, it will be used for categorisation purposes within this study as well.

Table 3.2: Reporting formats

Format of sustainability reporting	**Description**
Fully integrated	*“This refers to a single integrated report that includes all information needed to form a holistic view of the business’s financial as well as its sustainability performances” (Hindley & Buys, 2012:1256)*
Integrated and separate	*This refers to a single integrate report that serves the above-mentioned purpose, but with reference to separate documents that include more detail on certain areas. The additional separate reports often include the detailed sustainability reports, corporate governance reports” (Hindley & Buys, 2012:1256)*
Separate	*“This indicates that a company compiled separate reports for financial and non-financial disclosures. Thus a separate sustainability report was created in addition to the normal annual financial report” (Hindley & Buys, 2012:1256).*
Separate on the web	*“This indicates that non-financial information is disclosed, but not as part of the annual financial report. This information is only available on the company’s website” (Hindley & Buys, 2012:1256).*

Source: Janse van Rensburg (2016:172)

3.8 AN ADAPTED FRAMEWORK OF STANDARDS AND INDICATORS FOR EVALUATING THE SUSTAINABILITY REPORTS OF SOUTH AFRICAN BANKS

In the above section the international sustainability standards and South African initiatives contained within the existing framework of sustainability have been listed and expounded on. In this section the three international sustainability standards and two South African initiatives that have been identified in chapter 2 will be incorporated into this framework to form the adapted framework of sustainability standards as provided in Table 3.3.

Table 3.3: Adapted framework of sustainability standards and reporting formats

Sustainability Standards	**Sustainability Standards**	
	South African sustainability standards	**International sustainability standards**
Sustainability Policy Standards		United Nations Global Compact
		OECD Guidelines for Multinational Enterprises
Sustainability Management Standards	BEE Act	International Labour Organisation
	EE Act	UN Guiding Principles on Human Rights
	Consumer Protection Act	Carbon Disclosure Projects
	BEE Charters	GHG Protocol
	NEMA	ISO 14001
	Air Quality Act	**Equator Principles**
	CRISA	**UNEP FI**
	CBP	**PRI**
Sustainability Reporting Standards	King Code	Global Reporting Initiative
	JSE Listing Requirements	International Integrated Reporting Council
	Companies Act, 2008	**GRI's Financial Services Sector Disclosure**
	JSE SRI Index	

GRI's General Standard Disclosures	
1	Governance
2	Stakeholder Engagement
3	Ethics and Integrity
4	Strategy and Analysis
5	Material Aspects and Boundaries
6	Organisational Profile
7	Report Profile
Format of Sustainability reporting	
1	Fully Integrated
2	Integrated and Separate
3	Separate
4	Separate on Web

Source: Author's own construct

The proposed framework in Table 3.3 will be used to investigate the sustainability format of reporting and standards that South African commercial banks used.

3.9 SUMMARY

An existing framework of sustainability standards, constructed by Janse van Rensburg (2016:285), was adapted for the purposes of this study. Firstly, an overview of the existing framework was provided. It was highlighted that the sustainability standards were divided into sustainability policy standards, sustainability management standards and sustainability reporting standards. Each of the sustainability standards were subdivided into international sustainability standards and South African sustainability initiatives. In total nine international sustainability standards and ten South African sustainability initiatives form part of this framework. Each of the sustainability standards were then listed and expounded on.

The seven general sustainability disclosures prescribed by the GRI were then listed as strategy and analysis, organisational profile, identified material aspects and boundaries, stakeholder engagement, report profile, governance and ethics and integrity (GRI, 2013_b:21).

Three specific sustainability disclosures that are prescribed by the GRI are grouped as either economic, environmental or social disclosures. These three dimensions were first documented by Elkington in 1997.

Four formats in which sustainability disclosers can be issued were also identified. These were identified as fully integrated, integrated and separate, separate and separate on web.

The purpose of this chapter was to adapt an existing framework of format of sustainability reporting and standards for the purpose of examining the sustainability reports issued by banks in South Africa. Three international standards and two South African sustainability standards that are specifically applicable to the financial sector were identified and included in the proposed framework. In Chapter 4 this framework will be used to develop the schedule of content analysis as part of the research design of the study.

CHAPTER FOUR

RESEARCH DESIGN AND APPROACH

4.1 INTRODUCTION

In Chapter three an adapted framework was developed to investigate the sustainability format of reporting and standards that South African commercial banks used. Chapter four discusses the research design and methodology adopted in this research to collect and analyse the data needed. First the research approach will be discussed. Then the research design will be discussed by referring how secondary and primary data will be collected. Thereafter the sample, data collection, measuring instrument and data analysis will be outlined.

4.2 RESEARCH APPROACH

In an attempt to address the objectives of this study, and to conduct the practical aspects of this research, the qualitative research approach is used. The qualitative research approach is used in situations where there is a need to develop an initial understanding of something; therefore, the primary role of qualitative research is to generate hunches or hypotheses that may be tested through formal research, (Struwig and Stead, 2013: 11). According to Golafshani (2003: 600) qualitative research can be seen as any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification but rather is the kind of research that produces findings arrived from real-world settings where the phenomenon of interest will unfold naturally. Qualitative research is the most appropriate when the research being conducted attempts to explain the unexplained, where the nature of the research is broad, where previous theories do not exist or are incomplete, (Patton, 2002). Yin (2011: 7) identifies five key features of qualitative research to provide a classification for qualitative research:

- To study the meaning of people's lives, under real-world conditions;
- Representing the views and perspectives of the people or participants;
- Explaining the contextual conditions within which people live;
- Contributing insights into existing or emerging concepts that may help to explain human social behaviour; and
- Striving to use multiple sources of evidence rather than relying on a single source alone.

The most compelling reason behind the research being set in the qualitative research approach is that there is limited, systematic and empirical analysis of the sustainability format of reporting and standards that South African banks use.

4.3 RESEARCH DESIGN

In this section the research design will be expounded on by referring to the primary and secondary data that will be collected. Then the methods that will be used to analyse the data will be explained.

4.3.1 Data collection

The following paragraphs outline the secondary and primary data collection in this study.

(a) Secondary data collection

Secondary data will be collected and used while conducting this research project. Secondary data are data that is already available from sources other than that which is specifically collected for a research project (Struwig & Stead, 2015:82). Types of secondary data include raw data, summaries of numbers and written treatises (Struwig & Stead, 2015:82). Secondary data were retrieved primarily from the websites of the respective sustainability standard organisations and government departments. In addition, the EMERALD and EBSCOHOST academic databases were also consulted.

(b) Primary data collection

This section explains what primary data is and how it will be collected for this study. The sample used in for this study will also be discussed in this section.

(i) Population, sample frame and sample

The purpose of this study is to analyse the sustainability reports of South African banks. Accordingly, the total number of banks operating in South Africa will be used as the sampling population of this study. The population of a study refers to all the possible respondents that form part of a study (Struwig & Stead, 2015:268). In South Africa there are three types of banks, namely registered banks, mutual banks and co-operative banks. In addition, foreign banks also operate branches and representative offices in South Africa. In total there are 25 banks in South Africa along with 46 foreign branches and representative offices operating in the country. The types and number of banks operating in South Africa are set out in Table 4.1.

Table 4.1 Number of banks in South Africa

Type	Number
Registered banks	19
Mutual banks	3
Co-operative banks	3
Local branches of foreign banks	15
Foreign banks with approved local representatives	31

Source: SARB (2018)

Table 4.1 shows that there are 19 registered South African banks operating in the country. Of these 19 registered banks 7 are listed on the JSE Ltd. The code, short- and full names of these banks are set out in Table 4.2.

Table 4.2 Banks listed on the JSE Limited

Code	Short name	Full Name
BGA	B-AFRICA	Barclays Africa Group Ltd.
CPI	CAPITEC	Capitec Bank Holdings Ltd
FGL	FINBOND	Finbond Group Ltd
FSR	FIRSTRAND	FirstRand Ltd
NED	NEDBANK	Nedbank Group Ltd
RMH	RMBH	RMB Holdings
SBK	STANBANK	Standard Bank Group Ltd

Source: ShareData

Barclays Africa Group Ltd, FirstRand Ltd, Nedbank Group Ltd and Standard Bank are the four largest banks operating in South Africa (Natsas and Roopnarain, 2018:27). In addition, Capitec Bank Holdings Ltd is the fastest growing bank in terms of clients served (Capitec, 2017:11). For this reason, these five banks will be the sample for the purposes of this study. The sustainability reports ended during the year 2017 that have been issued by the respective banks will be analysed. These sustainability reports are listed in Table 4.3:

Table 4.3 Sample of integrated reports

Bank	Integrated report	Source
Barclays Africa Group Ltd.	Barclays Africa Group Limited: 2017 Integrated Report	(Barclays, 2017)
Capitec Bank Holdings Ltd	Integrated Annual Report 2017	(Capitec, 2017)
FirstRand Ltd	Annual report for the year ended 30 June 2017	(FirstRand, 2017)
Nedbank Group Ltd	Integrated Report for the year ended 31 December 2017	(Nedbank, 2017)
Standard Bank Group Ltd	Standard Bank Group Annual Integrated Report	(Standard, 2017)

Source: Authors own construct

Table 4.3 shows the integrated reports that will be used for analysis in this study. The reports of 2017 were used as the 2018 reports were not yet available.

(ii) Research instrument

The purpose of this study is to identify the sustainability standards that South African banks refer to when compiling their sustainability reports. In order to accomplish this, all the sustainability standards that are applicable to the South African banking sector were identified. These standards were part of the adapted framework of standards and reporting formats given in table 3.3. These standards were subsequently reorganised into a content analysis sheet to be used to content analyse the data (see Annexure A for the content analysis sheet).

This content analysis sheet consists of four sections. Section A relates to biographical information, section B contains the different reporting formats, section C the different sustainability standards and section D the GRI's general standard disclosure standards.

In section A the name of the bank whose sustainability reports are analysed will be recorded. In section B the reporting formats used by the respective banks will be determined by recording it as either an integrated report, sustainability report, annual financial report and/or separate sustainability report on the web.

Section C, relates to the different sustainability standards. Sustainability frameworks are categorised as either South African sustainability initiatives or international sustainability standards. These two broad categories are then subdivided into sustainability policy standards, sustainability management standards and sustainability reporting standards. In total 25 sustainability standards have been identified in order to analyse the sustainability reports by means of content analysis.

Section D consists of the seven general standard disclosures prescribed by the Global Reporting Initiative's reporting framework. These seven disclosures are governance, stakeholder engagement, ethics and integrity, strategy and analysis, material aspects and boundaries, organisational profile and report profile.

The content of the sustainability reports issued by the banks in the sample will be analysed. The content schedule will be used to determine what sustainability standards frameworks these banks refer to when compiling their reports. In addition, the reporting formats used and the GRI's General Standard Disclosures used will also be analysed.

Each integrated report will be scanned by making use of *Adobe Reader's* search function to identify the items contained within the content schedule. After an item has been identified, the page number on which it appears in the integrated report will be captured directly onto Excel. Each statement will result in a dichotomous answer that would indicate whether an item on the schedule is "*present*" or "*not-present.*" This will be the case whether a reference appears only once or multiple times within a sustainability report. The advantage of using this method is that the process to compile the data is simpler (Struwig & Stead, 2015:97).

4.3.2 Data analysis

The data will be captured directly onto an Excel spread sheet. The data will then be analysed by making use of descriptive statistics. The data will be presented in the form of tables and by making use of pie charts. These tables and pie charts will then be further expounded on narratively.

Descriptive statistics will be used to present the data. The purpose of using descriptive statistics will be to provide an overall and coherent picture of the data that has been collected (Struwig & Stead, 2013:165) This will be done firstly by tabulating the results. Afterward pie graphs will be used to further elucidate the data that has been collected. A simple bivariate table will firstly be used to summarise the data that has been collected. It will provide the frequency of observations of sustainability standards that have been made during the content analysis. In addition, the percentage of observations made of each sustainability framework relative to the total number of observations made will be provided.

The tabulated information will then then be used to create pie graphs for each set of observations that have been made. Along with each pie graph, a brief narrative explanation will be provided to elucidate the information that has been presented.

4.4 SUMMARY

In this chapter it was indicated that qualitative research methods will be utilised to undertake this study. The population of this study are all 19 registered banks in South Africa. Of these 19 banks, seven are listed on the JSE Ltd. For the sample of this study five banks were chosen due to ease of availability of sustainability reports and the large impact they exert on the South African economy. These banks are Barclays Africa Group Ltd., Capitec Bank Holdings Ltd., FirstRand Ltd., Nedbank Group Ltd and Standard Bank Group Ltd.

A content schedule (Annexure A) was used to analyse the sustainability reports published by these banks during the year 2017. Sustainability standards were either classified as international or South African. Each one of these two categories were then subdivided into sustainability policy standards, sustainability management standards and sustainable reporting standards. The data was directly captured onto Excel in a database.

Descriptive statistics was then used to display the information. This includes showcasing the information in the form of tables and calculating the average number of sustainability standards that banks refer to when compiling their sustainability reports. In addition, pie graphs will used to illustrate the results.

CHAPTER FIVE

EMPIRICAL FINDINGS

5.1 INTRODUCTION

In chapter 3 an existing framework of sustainability standards and indicators was adapted to conduct a content analysis of the integrated reports issued by the South African banks under consideration in this research project. In chapter 4 the research design and methodology, which was qualitative in nature, but some quantitative analysis will be made was described. In this chapter the empirical findings of this research project will be will be provided.

Section 5.2 provides a description of the sample that had been used for this research project. Table 5.1 list the names of the banks contained within the sample and the concomitant integrated reports for the year ended in 2017 that had been used during the content analysis. In addition, a brief overview of the characteristics these banks have in common is provided.

In section 5.3 the empirical findings have been set out in tables 5.2 to 5.6. Table 5.2 sets out the names of each bank. Information regarding the type of reports that each bank had issued are then provided. In tables 5.3 and 5.4 information regarding the South African sustainability management and reporting standards that are referred to respectively by the banks under investigation are shown. This is followed with table 5.5 that shows the international sustainability standards that these banks refer to in their integrated reports. Lastly table 5.6 shows which banks provide information within their integrated reports that are related to the seven general disclosure standards that are endorsed by the GRI's Reporting Standards.

The information provided in tables 5.2 to 5.6 are then expounded further on. This is done describing the number and percentage of banks within the sample that reference each sustainability standard contained within the adapted framework of sustainability standards and indicators at least once within their integrated reports by making use of circle graphs. The information provided by each circle graph is then expounded on further narratively. In section 5.4 a summary of this chapter is provided.

5.2 SAMPLE DESCRIPTION

The sample that has been used consists of five South African banks. Barclays Africa, First Rand, Nedbank and Standard Bank four largest banks operating in South Africa in terms of the total assets they manage. In total these banks managed R 5 trillion worth of assets at the year ended in 2017(Natsas and Roopnarain, 2018:27). Although Capitec had only managed R 63 billion in 2016, they served 7 269 000 clients (Capitec, 2017:10-11). This is an increase from 4 677 000 clients in 2013, making Capitec Bank the fastest growing bank operating in South Africa. Table 5.1 sets the full names of the banks that have been analysed with the concomitant integrated report that was used for research purposes.

Table 5.1: Integrated Reports of South African banks analysed

Bank	Integrated report	Source
Barclays Standard Bank Group Ltd.	Barclays Standard Bank Group Limited: 2017 Integrated Report	(Barclays, 2017)
Capitec Bank Holdings Ltd	Integrated Annual Report 2017	(Capitec, 2017)
FirstRand Ltd	Annual report for the year ended 30 June 2017	(FirstRand, 2017)
Nedbank Group Ltd	Integrated Report for the year ended 31 December 2017	(Nedbank, 2017)
Standard Bank Group Ltd	Standard Bank Group Annual Integrated Report	(Standard, 2017)

Source: Author's own construct

5.3 EMPIRICAL FINDINGS

In section 5.3.1 the data that have been collected and analysed during the content analysis are set out in tables 5.2 to 5.6. In table 5.2 the biographical information the reporting formats used by the banks under consideration are set out. In tables 5.3 to 5.4 the South African sustainability standards that these banks refer to in their integrated reports are presented. In table 5.5 the international sustainability standards referred to are set out. In table 6.6 the extent to which the integrated reports disclose information that are in congruence with the GRI's general standard disclosure are provided.

In section 5.3.2 circle diagrams illustrates how many of the banks in the sample refer to the sustainability standards in their integrated reports that are contained within the adjusted framework used to conduct the content analysis. The circle diagrams are grouped into two sections, namely South African sustainability standards in subsection a and international sustainability standards in subsection b. These two sections are then further divided into sustainability policy standards, sustainability management standards and sustainability reporting standards.

5.3.1 Presentation of tabulated data and information

(a) Biographical data and format of reporting

Section A of Table 5.2 lists the names of the South African banks whose integrated reports have been used for this research project. Section B provides information regarding the format of reports issued by the respective banks. The reports issued by the five banks under consideration were classified as integrated reports, sustainability reports, annual financial reports or separate sustainability report published on the web.

Table 5.2: Biographical information and results of the analysis of the formats of reporting

SECTION A: BIOGRAPHICAL INFORMATION		**2017**						
B1	Company Name	Standard Bank Group Ltd	Capitec Bank Holdings Ltd	FirstRand Ltd	Nedbank Ltd	Barclays Africa Ltd	Frequency	Percentage
SECTION B: FORMAT OF REPORTING								
1.1	Integrated report	Yes	Yes	Yes	Yes	Yes	5	100%
1.2	Sustainability report	Yes	Yes	Yes	Yes	Yes	5	100%
1.3	Annual financial report	Yes	Yes	Yes	Yes	Yes	5	100%
1.4	Separate sustainability report on the web	Yes	Yes	Yes	Yes	Yes	5	100%

Author's own construct

In section A of table 5.2 the registered company names of the five banks that form part of the sample are provided. Section B of table 5.2 shows that all banks produced have issued integrated reports, sustainability reports, annual financial reports and separate sustainability report on the web.

(b) South African sustainability standards

Table 5.3 provides information regarding the South African sustainability management standards that are referred to within the published integrated reports issued by the banks under consideration. The table shows the page numbers in the integrated reports where the information is found. CRISA and CBP are two South African sustainability management standards that have been identified to be potentially related to South African banks in chapter 2.

table 5.3: **South African sustainability standards: sustainability management standards**

SECTION C: SUSTAINABILITY STANDARDS		**2017**						
B1	COMPANY NAME	Standard Bank Group Ltd	Capitec Bank Holdings Ltd	FirstRand Ltd	Nedbank Ltd	Barclays Africa Ltd	Frequency	Percentage
2	Sustainability Management Standards	Page Numbers	Page Numbers	Page Numbers	Page Numbers	Page Numbers		
2.1	BEE Act (Black economic empowerment Act)	1, 29, 39, 69, 112	105, 106, 109 181,	9, 11, 15, 16, 68, 94, 98, 110, 114, 120, 121, 164, 213	1, 4, 7, 10, 23, 29, 33, 47, 64, 71, 73, 74, 75,	B, C, D, 14, 48, 75, 93, 14	5	100%
2.2	EE Act (Employment equity Act)	20, 39, 119	80, 102, 109,	10, 98, 109, 110,	29, 100,	40, 48, 49, 75,	5	100%
2.3	Consumer protection Act		39				1	20%
2.4	BEE Charters			110, 114,		14	2	40%
2.5	NEMA (National Environmental Management Act)						0	0%
2.6	Air Quality Act						0	0%
2.7	CRISA						0	0%
2.8	CBP						0	0%
Source: Author's own construct		(Standard, 2017)	(Capitec, 2017)	(FirstRand, 2017)	(Nedbank, 2017)	(Barclays, 2017)		

Table 5.3 shows that all the banks under consideration have referred to the Black Economic and Employment Equity Acts. None of the banks have referred to the sustainability standards that have been specifically identified to be related to South African banks, namely CRISA and CBP, have been referred to.

Table 5.4 sets out the South African Sustainability Reporting standard that the banks refer to.

Table 5.4: South African sustainability standards: sustainability reporting standards

SECTION C: SUSTAINABILITY STANDARDS		2017						
B1	COMPANY NAME	Standard Bank Group Ltd	Capitec Bank Holdings Ltd	FirstRand Ltd	Nedbank Ltd	Barclays Africa Ltd	Frequency	Percentage
3	Sustainability Reporting Standards	Page Numbers	Page Numbers	Page Numbers	Page Numbers	Page Numbers		
3.1	King Code (King IV)	2, 3, 10, 34, 100, 101, 106, 112, 116, 118	50(III), 88,	73, 81, 83, 85, 86, 89, 91, 92, 114, 120, 163.	3, 4, 18, 19, 87, 88, 89, 90, 91, 92, 94, 96, 98, 100,	B, 1, 5, 45, 64, 65, 66, 67, 68, 69, 71, 74, 75, 76, 81, 82, 93.	5	100%
3.2	JSE Listing requirements	2, 3, 101, 106.	113, 126, 168,	73, 81, 161, 162, 221, 224, 226, 229, 231, 232,	4, 70, 94,	B, 51, 64, 65, 82.	5	100%
3.3	Companies act	2, 3, 101	39, 93, 112, 113, 115, 118, 126, 175	73, 104, 109, 116, 117, 161, 162, 166, 221, 228,	2, 63, 87, 94,	B, 51, 64, 65.	5	100%
3.4	JSE SRI index	4		114, 120,		31, 75	3	60%
Source: Author's own construct		(Standard, 2017)	(Capitec, 2017)	(FirstRand, 2017)	(Nedbank, 2017)	(Barclays, 2017)		

Table 5.4 shows that all of the Banks have made extensive references to the King Code. All of the banks have also referred to the JSE Listing Requirements and the Companies Act. Only Standard Bank, FirstRand and Barclays have made reference to the JSE SRI index.

(c) International sustainability standards

Table 5.5 outline the international sustainability standards. These standards are classified as either sustainability policy standards, sustainability management standards or sustainability reporting standards.

The UN Global Compact and the OECD Guidelines have been identified as international sustainability policy standards that are potentially relevant to South African banks. But according to section four of table 5.5 only Netbank Ltd. has referred to the UN Global Compact. Except for this reference, no other references were made to other sustainability policy standards.

The International Labour Organisation, UN Guiding Principles on Human Rights, Carbon Disclosure Projects, GHG Protocol, ISO14001, Equator Principles, UNEP FI and the PRI have been identified as international sustainability management standards that are potentially relevant to South African Banks. According to section 5 of table 5.5 none of the banks have referred to the UN Guiding Principles on Human Rights, the ISO14001 or the UNEP FI. The International Labour Organisation and PRI has been referred to once by FirstRand and Barclay's Africa respectively. The Carbon Disclosure Project has been referred to by all the banks with the exception of Capitec Bank. Capitec Bank was the only bank to reference the GHG Protocol, another standard to measure and disclose greenhouse gasses.

Global Reporting Initiative (GRI), International Integrated Reporting Council and the GRI's Financial Services Sector Disclosure have been identified international sustainability reporting standards that are potentially applicable to South African banks. According to section six of table four, reference had been made to the GRI Standards and the International Integrated Reporting Council by all the banks except for Capitec. None of the banks have referred to the GRI's Financial Services Sector Disclosure.

Table 5.5: International sustainability standards

SECTION C: SUSTAINABILITY STANDARDS		2017						
B1	COMPANY NAME	Standard Bank Group Ltd	Capitec Bank Holdings Ltd	FirstRand Ltd	Nedbank Ltd	Barclays Africa Ltd	Frequency	Percentage
		Page Numbers	Page Numbers	Page Numbers	Page Numbers	Page Numbers		
4	**Sustainability Policy standards**							
4.1	UN Global compact				100		1	20%
4.2	OECD Guidelines						0	0%
5	**Sustainability Management Standards**							
5.1	International Labour Organisation			110			1	20%
5.2	UN Guiding Principles on Human Rights						0	20%
5.3	Carbon Disclosure Projects	2		113	11, 75,	43, 75	4	80%
5.4	GHG Protocol		107, 108				1	20%
5.5	ISO14001						0	0%
5.6	Equator Principles	28, 29		113, 121		43	3	60%
5.7	UNEP FI						0	0%
5.8	PRI					69	1	20%
6	**Sustainable reporting standards**							
6.1	Global Reporting Initiative (GRI)	2		114, 120.	1, 2, 3, 4,	B, 69,	4	80%
6.2	International Integrated Reporting Council	2		6, 120,	4, 45,	B,	4	80%
6.3	GRI's Financial Services Sector Disclosure						0	0%
Source: Author's own construct		(Standard, 2017)	(Capitec, 2017)	(FirstRand , 2017)	(Nedbank, 2017)	(Barclays, 2017)		

(d) GRI's General standard disclosures

Table 5.6 outlines the pages within the integrated reports in which the banks have made disclosures that are in corresponds with the GRI's standards disclosures.

Table 5.6: GRI's general standard disclosures

SECTION D: GRI'S GENERAL STANDARD DISCLOSURES		**2017**						
B1	COMPANY NAME	Standard Bank Group Ltd	Capitec Bank Holdings Ltd	FirstRand Ltd	Nedbank Ltd	Barclays Africa Ltd	Frequency	Percentage
		Page Numbers	Page Numbers	Page Numbers	Page Numbers	Page Numbers		
7.1	Governance	100	59	72	87	32	5	100%
7.2	Stakeholder Engagement	5, 13, 17, 35, 66, 100, 101,104	47, 50, 68, 70, 75, 78, 84, 85, 86, 87, 88, 93, 107, 110.	113	34	45, 56	5	100%
7.3	Ethics and Integrity	13, 101	42, 47, 51, 54, 56, 93, 107, 115.	75	35	34, 56	5	100%
7.4	Strategy and Analysis	12	19, 84	124	38	56, 45, 54	5	100%
7.5	Material Aspects and Boundaries	12	37, 57, 73, 109, 113	73,161, 162,	36	43, 54, 54	5	100%
7.6	Organisational Profile	13	51		10	10	4	80%
7.7	Report Profile	D	iv, v,		3	8	4	80%
	Source: Author's own construct	(Standard, 2017)	(Capitec, 2017)	(FirstRand , 2017)	(Nedbank, 2017)	(Barclays, 2017)		

Table 5.6 shows that all of the integrated reports that have been issued by the banks under investigation have referred to aspects related to the seven general standard disclosures as prescribed by the Global Reporting Initiative.

5.3.2 South African and international sustainability standards

There are 25 sustainability standards in the adapted framework of sustainability standards (table 3.3) that was used to analyse the content of the integrated reports issued by the five banks in the sample. Information in the form of circle diagrams regarding the number of banks that refer to these sustainability standards are provided in this section. Subsections a and b provides information regarding South African and international sustainability standards respectively. These subsections are further subdivided into sustainability policy standards, sustainability management standards and sustainability reporting standards.

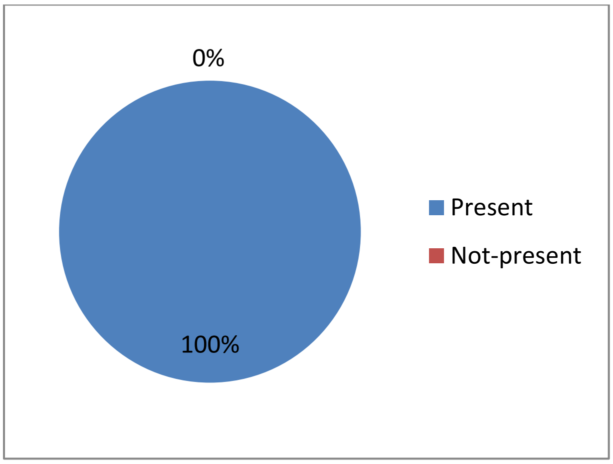
(a) South African sustainability standards

There are 11 South African sustainability standards. Eight of these sustainability standards are classified as sustainability management standards whilst the other three are classified as sustainability reporting standards.

(i) South African sustainability management standards

Figure 5.1 provides information pertaining to the number of banks that refer to the BEE Act within their integrated report.

Figure 5.1: Results for BEE Act (Black economic empowerment Act)

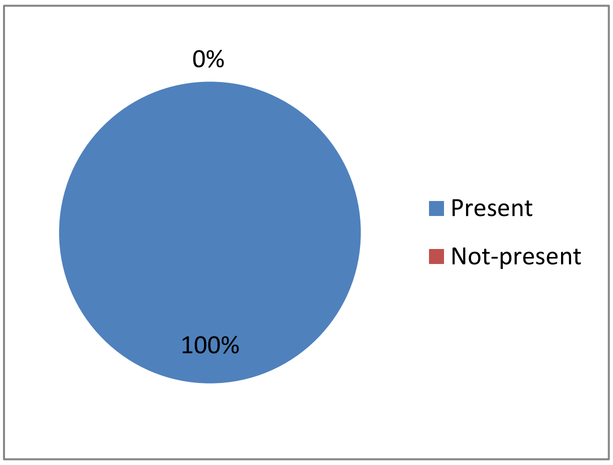


Source: table 5.3

From figure 5.5 above it can be seen that all the integrated reports have referred to the Black Economic Empowerment Act. This was to be expected considering that the South African government is pressuring companies in the financial sector in general to increase economic participation of previously disadvantaged individuals.

Figure 5.2 provides information pertaining to the number of banks that refer to the Employment Equity Act within their integrated report.

Figure 5.2: Results for EE Act (Employment equity Act)

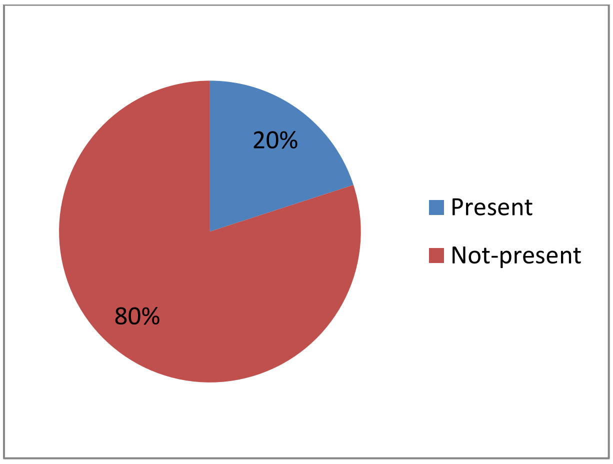


Source: Table 5.3

All of the South African banks have also referred to the Employment Equity Act.

Figure 5.3 provides information pertaining to the number of banks that refer to the BEE Act within their integrated report.

Figure 5.3: Results for Consumer protection Act

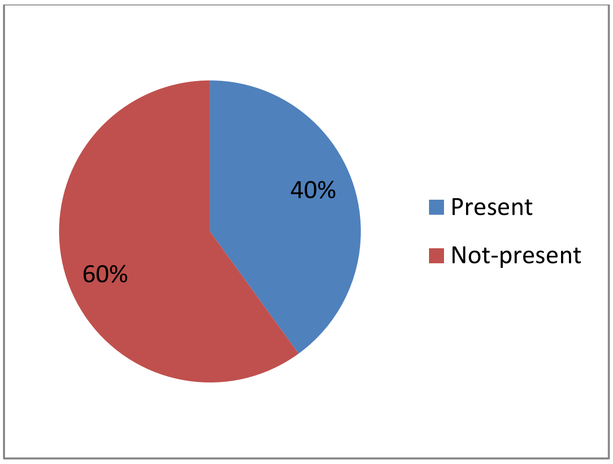


Source: Table 5.3

One of the five South African banks have referred to the Consumer Protection Act within their integrated report

Figure 5.4 provides information pertaining to the number of banks that refer to the BEE Act within their integrated report.

Figure 5.4: Results for BEE Charters

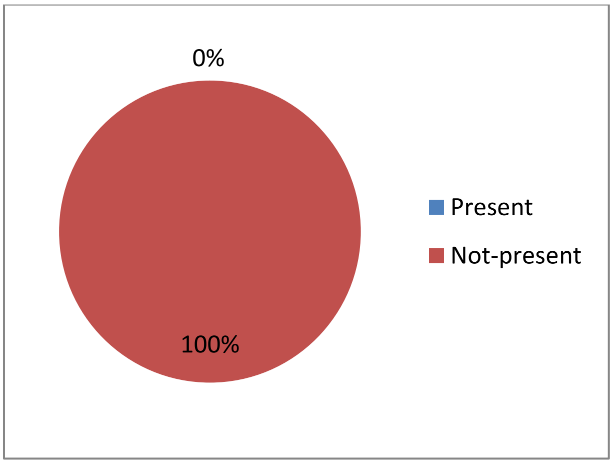


Source: 5.3

Two of the five South African banks have referred to the Financial Charters in their integrated reports. This is in contrast with the finding in figure 5.5 which indicates that mention of the general BEE Act has been made in all of the integrated reports.

Figure 5.4 provides information pertaining to the number of banks that refer to the BEE Act within their integrated report.

Figure 5.5: Results for NEMA (National Environmental Management Act)

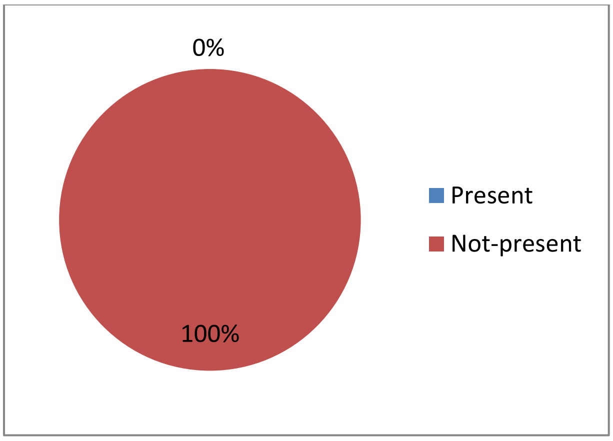


Source: Table 5.3

None of the South African banks have referred to the National Environmental Management Act. One reason for this is probably due to the fact that the direct negative impacts that Banks have on the environment as a result of their operations are negligible (Eccles & Serafeim, 2013:20).

Figure 5.6 provides information pertaining to the number of banks that refer to the Air Quality Act within their integrated report.

Figure 5.6: Results for Air Quality Act

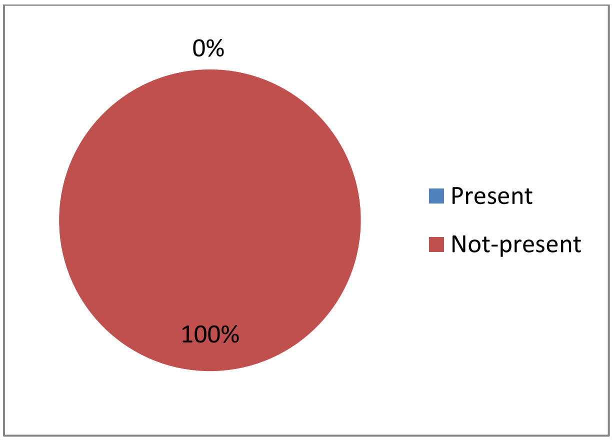


Source: Table 5.3

None of the South African banks have referred to the related Air Quality Act. This was expected because the contribution towards air pollution caused by the operations of banks are negligible.

Figure 5.5 provides information pertaining to the number of banks that refer to CRISA within their integrated report.

Figure 5.7: Results for CRISA

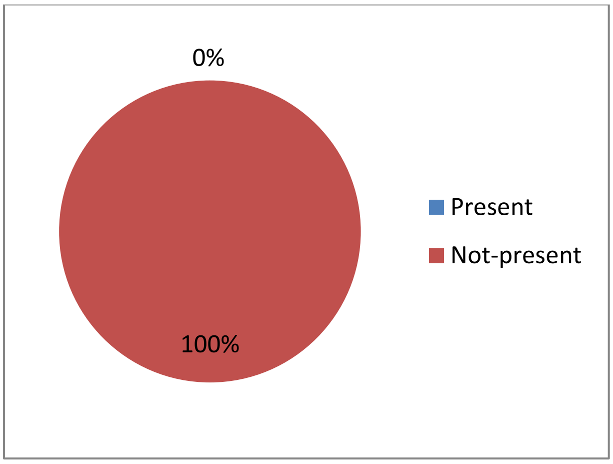


Source: Table 5.3

The Code of Responsible Investing in South Africa is referenced by none of the integrated reports. CRISA is endorsed by the Institute of Directors in Southern Africa (IoDSA), who also publishes the King Code. It is hence surprising that none of the banks have referenced it.

Figure 5.8 provides information pertaining to the number of banks that refer to the Code of banking practice within their integrated reports.

Figure 5.8: Results for Code of banking practice (CBP)



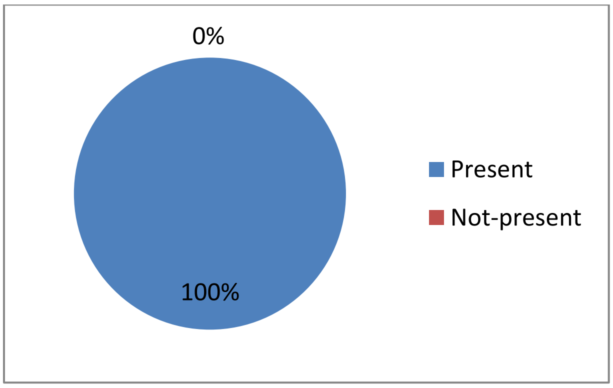
Source: Table 5.3

None of the South African banks have referred to the Code of banking practice within their integrated reports. The CBP is a voluntary code issued by the Banking association of South Africa that sets out the minimum standards that customers can expect from a bank that subscribes to it (BASA, 2011:2).

(ii) South African sustainability reporting standards

Figure 5.9 provides information pertaining to the number of banks that refer to the King Code within their integrated reports.

Figure 5.9: Results for King Code (King IV)

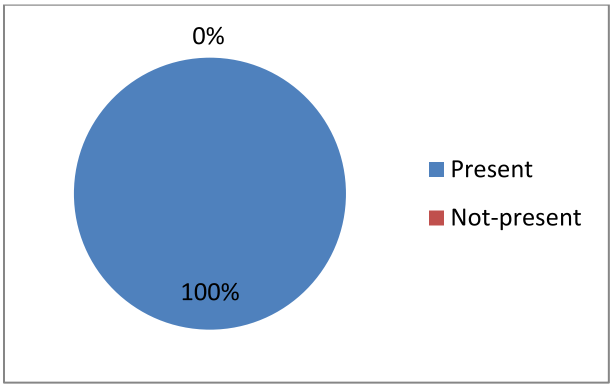


Source: Table 5.4

All the integrated reports have referred to the King Code. This is unsurprising considering that the listing requirements of the JSE Limited requires all listed companies to adhere to certain sections of the King Code (JSE, 2015:113).

Figure 5.10 provides information pertaining to the number of banks that refer to the JSE Listing requirements within their integrated reports.

Figure 5.10: Results for JSE Listing requirements

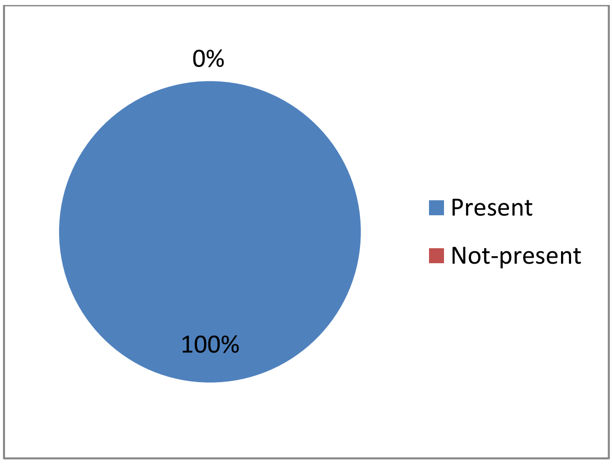


Source: Table 5.4

All the integrated reports have referenced the JSE listing requirement within their integrated reports. This was to be expected considering that all the banks under consideration for this research project are listed on the JSE. As a consequence, they are all required to fulfil the listing requirement to continue being listed.

Figure 5.11 provides information pertaining to the number of banks that refer to the King Code within their integrated reports.

Figure 5.11: Results for Companies Act

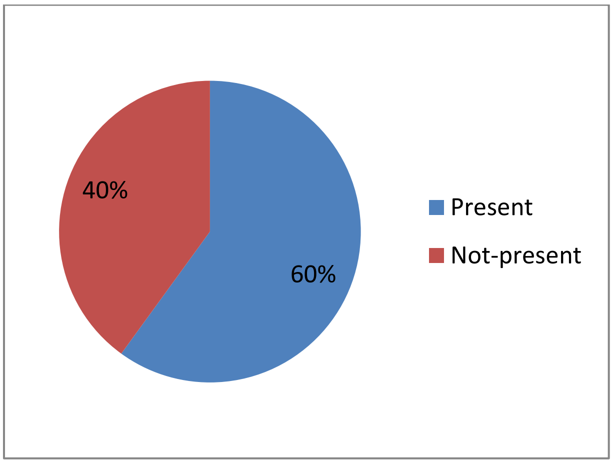


Source: Table 5.4

All the South African banks have referred to the Companies Act. All companies that are listed on the JSE Limited must be registered as public companies. Hence was expected that all banks would refer to the Companies Act.

Figure 5.12 provides information pertaining to the number of banks that refer to the JSE SRI index within their integrated reports.

Figure 5.12: Results for JSE SRI index



Source: Table 5.4

Three out of the five integrated reports have referred to the JSE SRI Index.

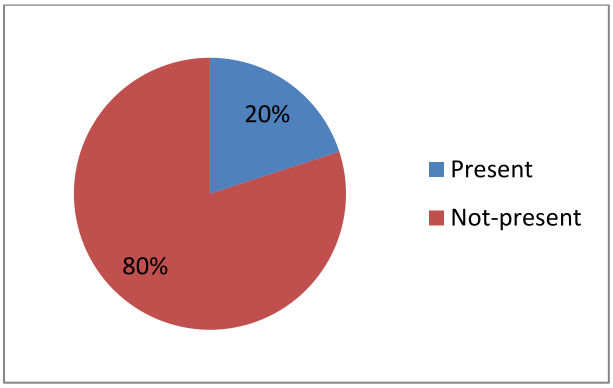
(b) International sustainability standards

There are 13 international sustainability standards. Two of these sustainability standards are classified as sustainability policy standards, eight are classified as sustainability management standards whilst three are classified as sustainability reporting standards.

(i) International sustainability policy standards

Figure 5 provides information pertaining to the number of banks that refer to the UN Global Compact within their integrated reports.

Figure 5.13: Results for UN Global compact

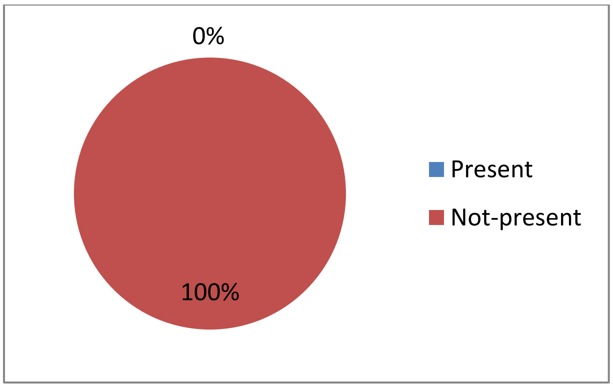


Source: Table 5.5

One out of the five banks, Nedbank Ltd., had made explicit reference to the UN Global Compact. Not one of the South African banks under consideration are participants of the UN Global Compact. Hence it was expected that minimal reference to would have been made to the UN Global Compact.

Figure 5.14 provides information pertaining to the number of banks that refer to the OECD Guidelines within their integrated reports.

Figure 5.14: Results for OECD Guidelines



Source: Table 5.5

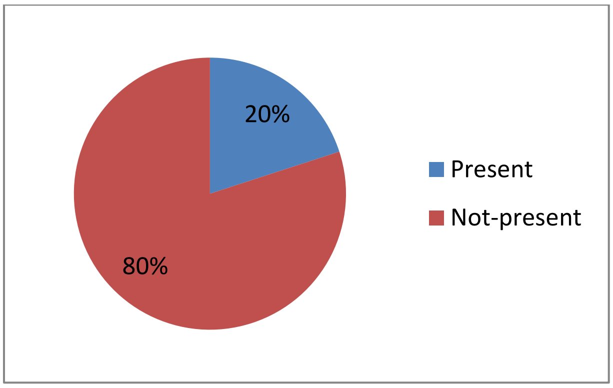
None of the banks have referred to the OECD Guidelines.

(ii) International sustainability management standards

In this section it will be shown that, with the exception of sustainability management standards related to greenhouse gas emissions, South African banks do not tend to reference international sustainability management standards.

Figure 5.15 provides information pertaining to the number of banks that refer to the International Labour Organisation (ILO) within their integrated reports.

Figure 5.15: Results for International Labour Organisation

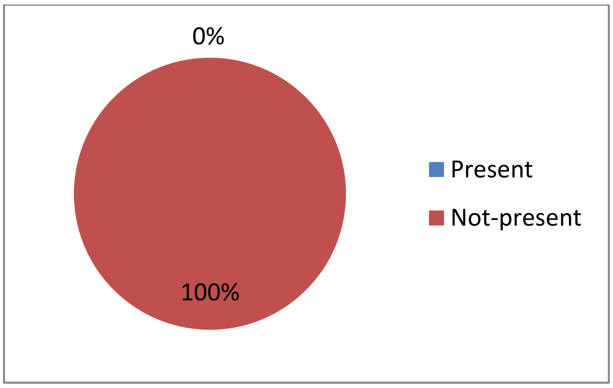


Source: Table 5.5

One out of the five banks have referred to the International Labour Organisation within their integrated reports

Figure 5.16 provides information pertaining to the number of banks that refer to the King Code within their integrated reports.

Figure 5.16: Results for UN Guiding Principles on Human Rights

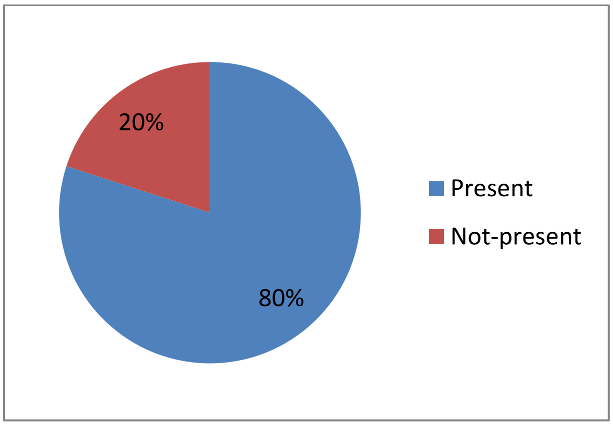


Source: 5.5

None of the South African banks refer to the United Nation's Principles on Human Rights.

Figure 5.17 provides information pertaining to the number of banks that refer to the Carbon Disclosure Project (CDP) within their integrated reports.

Figure 5.17: Results for Carbon Disclosure Project (CDP)

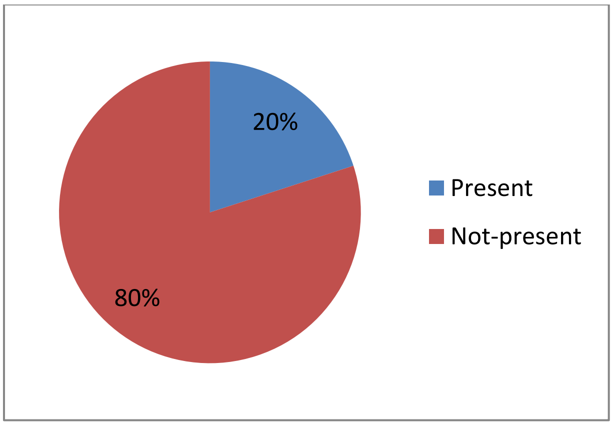


Source: Table 5.5

Four out of the five integrated reports have referred to the Carbon Disclosure Project's standards. All five banks under consideration for this research project are members of the Carbon Disclosure Project. Hence it is surprising that Capitec Ltd did not refer to these standards in their integrated report.

Figure 5.18 provides information pertaining to the number of banks that refer to the GHG Protocols within their integrated reports.

Figure: 5.18: Results for GHG Protocol

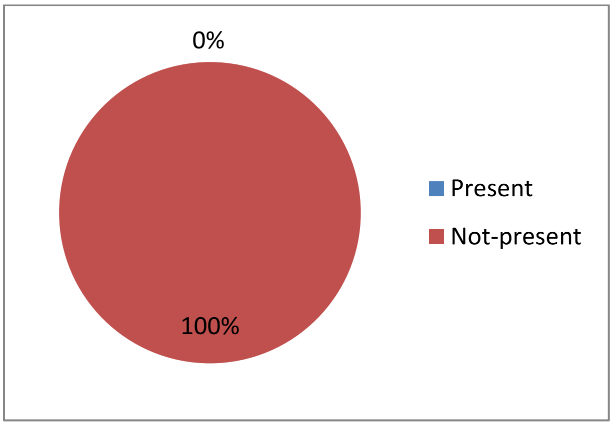


Source: Table 5.5

Capitec Ltd is the only bank that had referred to the GHG Protocol within their integrated report. This could explain why they have not referenced the CDP standards, opting instead to make use of the GHG Protocol for reporting purposes.

Figure 5.19 provides information pertaining to the number of banks that refer to the ISO14001 standards within their integrated reports.

Figure 5.19: Results for ISO14001

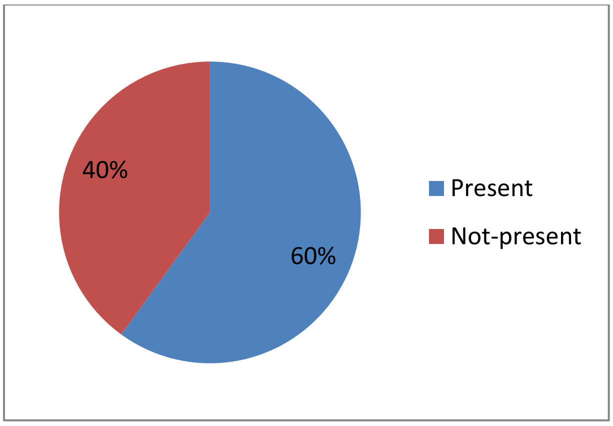


Source: Table 5.5

None of the South African banks have referenced the ISO14001 sustainability standards within their integrated reports.

Figure 5.20 provides information pertaining to the number of banks that refer to the Equator Principles within their integrated reports.

Figure 5.20: Results for Equator Principles

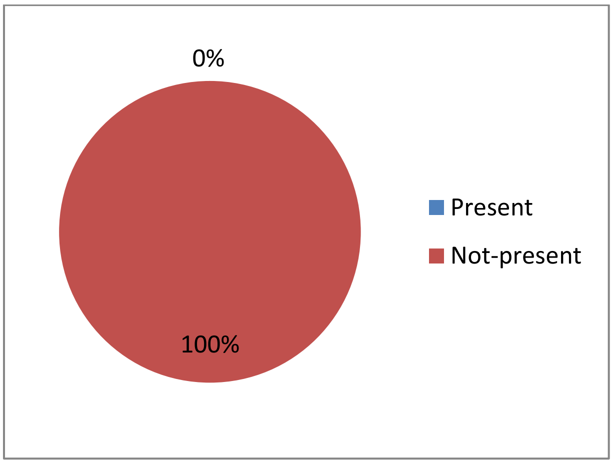


Source: Table 5.5

Standard Bank, FirstRand Ltd and ABSA refer to the Equator Principles in their integrated reports. This was expected, because all of these banks are members of the Equator Principles. In addition, Nedbank Ltd also subscribes to the Equator Principles, yet they have not made mention of it in their integrated report (Equator Principles, 2013:2).

Figure 5.21 provides information pertaining to the number of banks that refer to the UNEP FI standards within their integrated reports.

Figure 5.21: Results for UNEP FI

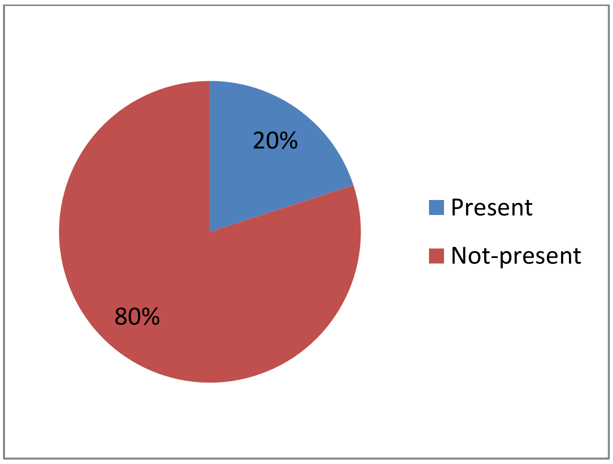


Source: Table 5.5

None of the banks have referred to the Financial Initiative of the United Nation's Environmental Protection.

Figure 5.22 provides information pertaining to the number of banks that refer to the PRI within their integrated reports.

Figure 5.22: Results for PRI



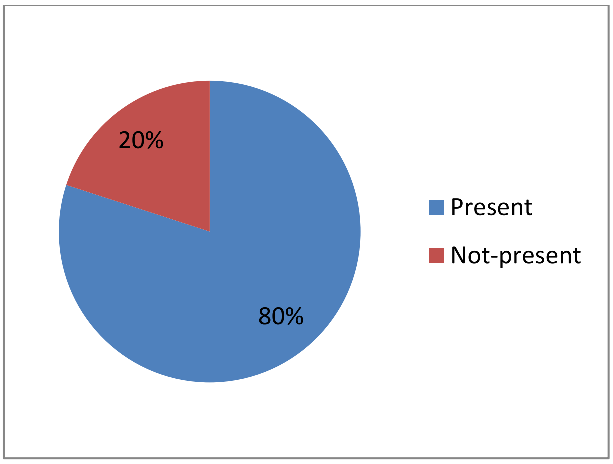
Source: Table 5.5

One of the five South African banks have referred to the Principles for Responsible investment. This is surprising considering that all the banks that have been analysed, are also involved in the management of financial assets.

(iii) International sustainability reporting standards

Figure 5.23 provides information pertaining to the number of banks that refer to the Global Reporting Initiative's reporting standards within their integrated reports.

Figure 5.23: Results for Global Reporting Initiative (GRI)

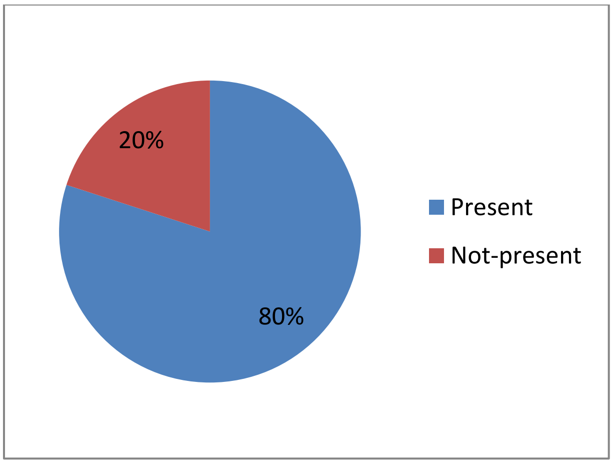


Source: Table 5.5

Four out of the five reports have referred to the Global Reporting Initiative. Capitec Holdings is the only bank that did not reference the Global Research Initiative.

Figure 5.24 provides information pertaining to the number of banks that refer to the King Code within their integrated reports.

Figure 5.24: Results for International Integrated Reporting Council

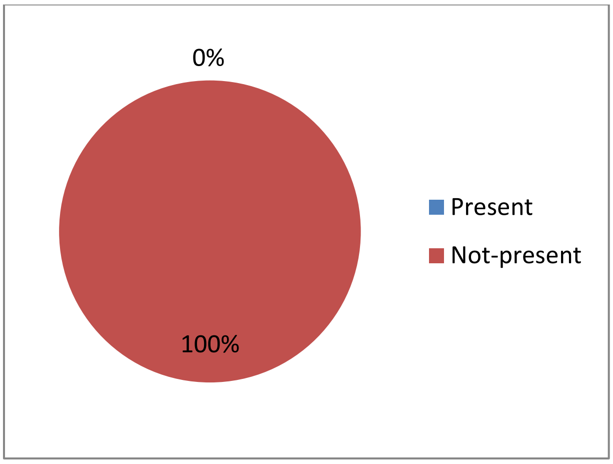


Source: Table 5.5

Four of the five integrated reports have referred to the standards set by the International Integrated Reporting Council (IIRC).

Figure 5.9 provides information pertaining to the number of banks that refer to the King Code within their integrated reports.

Figure 5.25: Results for GRI's Financial Services Sector Disclosure



Source: Table 5.5

None of the integrated reports have mentioned the GRI's Financial Services Sector Disclosure standard. This is unexpected in light of the fact that this service sector standard has been specifically promulgated to assist companies operating in the financial services industry to report on sustainability matters specific to them.

5.4 SUMMARY

In this chapter the results of the content analysis that was conducted on the integrated reports of five South African banks listed on the JSE Limited was presented. This was done by firstly presenting all the results of the content analysis in tables 5.2 to 5.6. These results were then expounded on further by making use of graphs to show number and percentage of banks within the sample that have referred to each sustainability standard at least once within their integrated reports.

It had been shown that the four largest South African banks (Barclays Africa, First Rand, Nedbank and Standard Bank) and the fastest growing bank (Capitec) all issue the four different reporting formats that have been included. These reporting formats are: Integrated report, sustainability report, annual financial report and a separate sustainability report on websites of the respective banks.

All the banks have made extensive reference to South African sustainability standards. All the South African banks have referred to the Black Economic and Employment Equity Acts within their integrated reports. In addition, all of the banks have also referred to the King Code, the JSE Listing requirements and the Companies Act as well.

Although it had been founded that the operations of businesses operating within the financial services industry in general have negligible direct impacts on the environment, it has been shown that all South African banks have disclosed the greenhouse gas emissions that they are responsible for.

Further it has been shown that South African banks in general do not make extensive reference to international sustainability management standards within their integrated reports. Only one bank has referred to the Principle for Responsible Investment and the International Labour Organisation.

All the banks have tended to refer to the seven General Standard Disclosures recommended by the GRI. All the banks have referred to governance issues, stake holder engagement, ethics and integrity, strategy and analysis and material aspects and boundaries. In addition, four banks have also referred to their organizational profile and report profile. Chapter 6 will provide the summary of the main literary and empirical findings that have been made in this research project. The summary will be followed by conclusions and recommendations based on the main findings.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In section 6.2 the primary and secondary objectives of this research project will be reiterated. In section 6.3 a brief overview the research design of this research project will be provided by referring to the composition of the adapted framework of sustainability standards, data collection methods that were used and how these data were analysed.

Next a summary of the most notable findings of this research project will be presented. In section 6.4 a summary of the main finding made from conducting the literature review will be presented. In section 6.5 the most salient findings made during the empirical research will be presented.

In section 6.6 a conclusion for this research project will be provided. This conclusion will be based on the findings made in the literature review and the empirical investigation.

In section 6.7 recommendations based on the findings and conclusion of this research project will be provided. The shortcomings in this research project will be set out in section 6.8. Recommendations for future research will be listed in section 6.9.

6.2 RESEARCH OBJECTIVES

In this section the primary and secondary objectives of this research project is provided.

6.2.1 Primary objective

The primary objective of this research project was to determine what sustainability standards and initiatives South African banks refer to within their integrated reports. This research has pointed out what sustainability standards and initiatives were implemented by the five banks in the sample. It showed that all the banks refer to the BEE and EE Acts extensively. They also make extensive use of South African sustainability reporting standards. Further it was also shown that with the exception of the CDP and the GHG Protocol, the banks have made few to no references to other international sustainability policy and management standards. Four out of the five banks did reference the GRI and IIRC international sustainability reporting standards.

6.2.2 Secondary objectives

- To define and discuss the concepts of sustainable development, corporate social responsibility and sustainability reporting. This was done in chapter two where definitions were outlined.

- To discuss the role of banks in realizing the objective of sustainable development. This was done by expounding on the literature in chapter two on the role that banks can potentially play in the promotion of sustainable development.

- To identify the sustainability reporting formats that South African banks use. The different sustainability reporting formats were identified in chapter three.

- To identify the South African and international sustainability standards that South African banks refer to within their integrated reports. The South African and international sustainability standards that South African banks refer to were provided in tables 5.2 to 5.6 in chapter five. In addition, the graphs in figures 5.1 to 5.25 provides the results of the specific sustainability standards that the banks have referred to.

6.3 RESEARCH DESIGN

In chapter 3 a framework to investigate the sustainability standards that South African banks refer to, was constructed. This was done by adapting an existing framework of sustainability standards developed by Janse van Rensburg (2016:285) by adding the sustainability standards identified in chapter two that are possibly relevant to banks operating in South Africa.

The final adapted framework is presented in table 3.3. In this table each sustainability standard was classified as either South African or international. Each sustainability standard was then further classified as either a sustainability policy standard, sustainability management standard or sustainability reporting standard.

Based on table 3.3 a content analysis sheet was developed (see Annexure A). This content analysis sheet consists of four sections. Section A relates to biographical information, section B contains the different reporting formats, section C the different sustainability standards and section D the GRI's general standard disclosure standards.

The data was then captured on the above-mentioned content analysis sheet. The was then subsequently imported into Excel. The data was then presented by means of tables and pie graphs. The tables and pie graphs were expounded on narratively.

6.4 MAIN FINDINGS FROM THE LITERATURE REVIEW

In section 2.2 the concepts of sustainable development, corporate social responsibility (CSR) and sustainability reporting have been defined. An historical overview of the development of sustainability and sustainability standards was then provided.

It had been found that the concept of sustainability can be traced back to 18th century Europe. However, it is only since the 1960's that issues pertaining to sustainability have entered into the consciousness of the public.

In response the global community, through the United Nations, have held many conferences to address concerns regarding the impact that human activity has on the environment. These include the UN Conference on the Human Environment held in 1972 and the UN Conference on Sustainable Development held in 2012 (UN, 1972; UN, 2012).

The notion that businesses have a social responsibility was first expounded on by Bowen (2013). Since then it has been recognized that various negative environmental and social impacts stem directly from business operations, while at the same time acknowledging that businesses are also capable of finding solutions for these very problems (Rasche, Morsing and Moon, 2017:2).

One of the outcomes of the greater awareness among businesses of the impacts their operations have on society and the environment, is the increased issuance of sustainability reports. In 2017 93% of the largest 250 companies in the world have issued sustainability reports (Blasco & King 2017:9). Likewise, 92% of listed companies in South Africa have also issued sustainability reports (Blasco & King, 2017:15).

In response a plethora of sustainability standards have been created by various organisations to guide and assist businesses to operate more sustainably. The 2016 edition of the *Carrots & Sticks* report has identified 383 reporting instruments in 64 countries.

Concurrently the role of banks in the attainment of sustainable development has also been recognised (Carè, 2018:66). Consequently, various sustainability standards that are applicable to the banking sector, such as the United Nations Environmental Program Finance Initiative (UNEP FI), the Equator Principles and Principles for Responsible Investment, have been developed (Weber & Feltmate, 2016:27). Further the Code of responsible investing in SA (CRISA) and the Code of banking practice have been identified as South African sustainability standards that are specifically applicable to the South African banking sector (BASA, 2011:3; IoDSA, 2011:4).

In chapter three an adapted framework of sustainability standards and indicators was adapted to use to analyse the contents contained within the integrated reports issued by the South African banks under consideration. The adapted framework consisted of 25 sustainability standards. These sustainability standards were grouped into South African and international sustainability standards. These sustainability standards were then further divided into sustainability policy standards, sustainability management standards and sustainability reporting standards. Six sustainability standards, namely the Equator Principles, United Nations Environmental Program Financial Initiative, Principles for Responsible Investing, the GRI's Financial Services Sector Disclosure, CRISA and CBP, that are potentially relevant to South African banks have been included in the framework of sustainability standards and indicators. This adapted framework has been used to conduct the content analysis that formed part of the empirical investigation.

6.5 MAIN FINDINGS FROM THE EMPIRICAL INVESTIGATION

Five banks, namely Standard Bank, Capitec, FirstRand, Nedbank and Barclays Africa, formed part of the sample of South African banks that were investigated within this research project. It was determined that all the banks under consideration have issued integrated reports, sustainability reports, annual financial reports and separate sustainability reports on the web.

Of the eight South African sustainable management standard that have formed part of the content analysis sheet, two have been referred to by all the banks under investigation. These two sustainability standards are the Black Economic Empowerment Act and Employment Equity Act. None of the banks have referred to the National Environmental Management Act, Air Quality Act, CRISA and CDP.

In general, the banks under consideration have made reference to the South African sustainability reporting standards. Of the four South African sustainability reporting standards, all of the banks have referred to the King Code, the JSE Listing requirements and the Companies Act. The JSE SRI index was referenced by Standard Bank, FirstRand and Barclays Africa.

In general, the banks under consideration did not refer to international sustainability standards. The exceptions are the Carbon Disclosure Project, the Global Reporting Initiative and the International Reporting Council sustainability standards that have been referenced four times each. The second most referred sustainability standard are the Equator Principles that are referenced three times. The GRI's Financial Services Sector Disclosure (FSSD) are not referenced by one bank, even though this sustainability reporting standard has been specifically developed for businesses operating within the financial sector.

Lastly, all the banks have made reference to the General Standard Disclosures as prescribed by the Global Reporting Initiative's reporting standards. Five of the general standard disclosures, namely governance, stakeholder engagement, ethics and integrity, strategy and analysis, material and boundaries have been referred to all the integrated reports that have been examined. Except for FirstRand, all the banks have also referred to the organizational and report profile in their integrated reports.

6.6 CONCLUSIONS

It has been recognized that various negative environmental and social impacts stem directly from the operating activities of businesses, while at the same time acknowledging businesses are also capable of finding solutions for these very problems (Rasche, Morsing and Moon, 2017:2). At the same time the role that banks can play to contribute towards sustainable development has also been recognised (Carè, 2018:66).

One consequence of the greater awareness among businesses, including banks, of the direct and indirect impacts their operations have on society and the environment, is the increased issuance of sustainability reports. In 2017 92% of listed companies in South Africa have issued sustainability reports (Blasco & King, 2017:15).

This has led a plethora of sustainability standards being created by various organisations. The 2016 edition of the *Carrots & Sticks* report has identified 383 reporting instruments in 64 countries. Numerous sustainability standards that are specifically applicable to the financial industry, which includes the banking sector, have been developed as well. In this research project CRISA, CBP, the Equator Principles, UNEP FI and the PRI have been identified as sustainability standards that are potentially relevant to the banks operating in South Africa.

It has been found that CRISA, CBP, UNEP FI and the GRI's Financial Services Sector Disclosure has not been refenced by any bank under consideration. The Principles for responsible investing have been referenced by one bank, while the Equator Principles have been referenced by three banks. The reason for this could be that only the integrated reports, and not any other issued reports, have been analysed for the purposes of this research project.

It has also been found that in general the integrated reports issued by the banks have conformed to the general standard disclosures as set out by the Global Reporting Initiative (GRI).

6.7 RECOMMENDATIONS

In this research project it was found that the South African banks under consideration do not in general refer to international sustainability standards. Neither do they refer to the GRI's Financial Services Sector Disclosures. This could potentially put South African banks at a disadvantage with their international peers, and it is hence recommended that these banks should take notice of trends concerning international sustainability standards.

6.8 SHORTCOMINGS OF THE RESEARCH

Even though the five banks that have been investigated in this research project are arguably the most prominent banks in South Africa, it does not include the mutual banks, co-operative banks, and foreign banks with local branches and representative offices. Hence this research project had only investigated the sustainability standards that the four largest banks and Capitec refer to.

Another shortcoming is that only the integrated reports of the five banks have been analysed. The content contained within other publications such as the sustainability and financial reports have not been investigated, meaning that any sustainability reports that have been mentioned in those reports would have been excluded for the purposes of this research project.

6.9 FUTURE RESEARCH

In the previous section it was mentioned that only five South African banks have been investigated. Future research can investigate the sustainability standards that all the registered South African banks refer to in their reports. In addition, research can also be conducted to determine what sustainability standards companies operating within the South African financial industry as a whole refer to within their reports.

In table 5.2 it has been determined that in addition to the integrated reports that the banks under investigation have issued they have also issued sustainability reports, annual financial statements and sustainability reports on the web. In light of the fact that only the integrated reports have been investigated in this research project, future research can also be conducted to determine which sustainability standards South African banks refer to in all of their published reports.

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ANNEXURE A

SCHEDULE FOR CONTENT ANALYSIS

SECTION A: BIOGRAPHICAL INFORMATION

B1	COMPANY NAME	

SECTION B: FORMAT OF REPORTING (Types of reports issued)

1.1	Integrated report	
1.2	Sustainability report	
1.3	Annual financial report	
1.4	Separate sustainability report on the web	

SECTION C: SUSTAINABILITY STANDARDS

SOUTH AFRICAN SUSTAINABILITY INITIATIVES

2 Sustainability Management Standards

2.1	BEE Act (Black economic empowerment Act)	
2.2	EE Act (Employment equity Act)	
2.3	Consumer protection Act	
2.4	BEE Charters	
2.5	NEMA (National Environmental Management Act)	
2.6	Air Quality Act	
2.7	CRISA	
2.8	CBP	

3 Sustainable reporting standards

3.1	King Code (King III)	
3.2	JSE Listing requirements	
3.3	Companies act	
3.4	JSE SRI index	

INTERNATIONAL SUSTAINABLITY STANDARDS

4	Sustainability Policy standards	
4.1	UN Global compact	
4.2	OECD Guidelines	

5	Sustainability Management Standards	
5.1	International Labour Organisation	
5.2	UN Guiding Principles on HumanRights	
5.3	Carbon Disclosure Projects	
5.4	GHG Protocol	
5.5	ISO14001	
5.6	Equator Principles	
5.7	UNEP FI	
5.8	PRI	

6	Sustainable reporting standards	
6.1	Global Reporting Initiative (GRI)	
6.2	International Integrated Reporting Council	
6.3	GRI's Financial Services Sector Disclosure	

SECTION D: GRI'S GENERAL STANDARD DISCLOSURES

7.1	Governance	
7.2	Stakeholder Engagement	
7.3	Ethics and Integrity	
7.4	Strategy and Analysis	
7.5	Material Aspects and Boundaries	
7.6	Organisational Profile	
7.7	Report Profile	