

Assessing the factors that drive CSR performance of Food and Drug retail companies listed on the JSE

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- *All wisdom comes from God and so does common sense and understanding* -
Proverbs 2:6

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ABSTRACT

Corporate Social Responsibility (CSR) has recently become a buzz term in modern society and the topic is gaining significant increase in interest around the world. Nonetheless, CSR cannot be considered from a similar perspective as developed countries, since each has a different economic, political, social and cultural environment. Calls have been made for a definition of CSR within a developing country context in particular, as well as a framework of factors that drive and hinder CSR performance and the reporting thereof. If CSR is to succeed in developing countries, the gaps that have been identified need to be filled by providing crucial information that corporations in developing countries can consider when they develop or improve their CSR strategies. And in knowing what barriers to CSR performance and reporting thereof exists, corporations can start implementing strategies to overcome them. This study served the purpose of identifying factors that drive CSR, as well as factors that hinder CSR performance and the reporting thereof within a developing country by exploring the phenomena through the investigation of JSE listed Food and Drug Retail companies in South Africa. The retail industry in South Africa contributes at least nine percent towards the South African GDP and is a major contributor towards the JSE. This industry is also anticipated to be involved in CSR initiatives that can be categorized within all three contexts of CSR, being economic, social and environmental contexts.

This study adopted a qualitative approach and positioned within the interpretivism paradigm. All seven (entire population) JSE listed Food and Drug Retail companies were purposefully selected and included in this study. The data obtained to address the research objectives were gathered through a literature review; a content analysis of the annual reports, integrated reports and official websites of the companies selected for this study; as well as semi-structured interviews with two CSR representatives from two of the companies selected for this study. All six companies selected for purpose of this study was approached to take part in the interviews, however, two agreed to the interview, three declined to take part and one did not respond. Based on the findings of this study a new definition for CSR within a developing country context was arrived at that suggest that corporations should not only create value for all stakeholders, but should also promote social-, civil- and

political rights of citizens, and meet the needs of citizens in a manner equal to or exceeding the role of government. This research however also cautions that the built-in expectation within the new definition might be too onerous on corporations. The findings of this study also indicate that the CSR performance of JSE listed Food and Drug retail companies have improved over time supporting the notion that other corporations could adopt the strengths of their CSR strategies identified in this study. It was however identified that majority CSR initiatives consists of philanthropy and that some companies regard CSR as voluntary. An area where the JSE Food and Drug Retail companies could improve on is the reporting of CSR. The findings of this study further reveals that CSR is driven by the company purpose, values and strategy, legal and political factors, company financial performance and the social conditions in which companies trade, amongst others. Barriers to CSR performance include amongst others, government support and aligned objectives, unstable municipal utility supplies, availability of funds and the availability of suitable CSI practitioners or managers. It was found that the main challenges experienced in terms of CSR reporting include the availability of data, technical and human errors and staff turnaround.

Some of the main recommendations of this study include that in order to improve CSR within South Africa, JSE listed companies should have a formal CSR policy (strategy document) and should include reaching the FTSE/JSE Responsible Investment index as one of their CSR targets. In addition, even though the level of interest and influence of the natural environment on a corporation cannot be measured, this does not mean that the natural environment is disqualified as being labelled as a key stakeholder and should therefore be included as one. Corporations should also report on their social cost to the environment, as the environment is one of the three contexts of CSR. There should also be no substances from government working against corporations in their quest to play their part in terms of execution of CSR. It is further recommended that higher degree institutions offer a formal qualification that specifically prepares individuals to enter the workplace as CSR practitioners. Companies should also turn to social media to obtain data on their CSR initiatives and performance from the communities that they service.

Keywords: CSR, CSR performance, CSR reporting, developing countries, JSE listed Food and Drug Retail companies

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LIST OF ABBREVIATIONS

CSR	Corporate Social Responsibility
FTSE	Financial Times Stock Exchange
<IR>	Integrated Reporting
JSE	Johannesburg Stock Exchange
SRI Index	Responsible Investment Index

CHAPTER 1 – INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The concept of corporate social responsibility (CSR) has grown into a contentious issue around the world that has many talking about it in newspapers, financial news or even a business magazine. The topics surrounding CSR include corporations, and how these corporations set out their goals for the protection and welfare of the communities and environment in which they do their business. Since the introduction of the concept of CSR, it has become a subject of high interest to all, including the shareholders of companies, the public, and even among employees and governments (Farcane & Bureana, 2015:31).

This study explores the concept of corporate social responsibility; where and how the concept came into existence and the different views of researchers regarding the concept; the significance of CSR through the discussion of the benefits that CSR has on corporations; who implement CSR; the performance and measurement of CSR; and CSR within a South African context. This study also explores the corporate social responsibility performance of the Food and Drug Retail industry companies listed on the JSE, that have been selected for this study.

1.2 BACKGROUND TO STUDY

This section explores the concept of CSR, the importance or significance of the concept, CSR performance and the measure thereof and finally, CSR within a South African context.

1.2.1 Historic overview of the CSR concept

The concept of corporate social responsibility (CSR) has been around for decades, since the 1950s, however it is considered to be a twentieth century product even though early research efforts on the concept had been done, providing wide-ranging results (Carroll, 2008:1). It is also a contemporary research issue in the corporate

world, as well as in academia (Tilt, 2016:7; Nave & Ferreira, 2019:885). CSR started with the questions of whether corporations have a moral responsibility, whether they can be regarded as moral agencies, and whose interests these corporations would serve (Rossouw & van Vuuren, 2017:82).

Milton Friedman concluded that corporations do not have a moral responsibility and that they only have a responsibility towards the shareholders to realise profit, and to comply with the laws of society (Freeman & Liedtka, 1991:93). Friedman also stated corporations cannot be held socially responsible since they are not moral persons and social actions should exclusively be performed if it is in the interest of the corporation (Carroll, 1998:2; Rossouw & van Vuuren, 2017:82). Christopher Stone was one of the first individuals who publicly disagreed with the views of Friedman, when he refuted Friedman's view on CSR in a book he wrote (Stone, 1985: Rossouw & van Vuuren, 2017:84). In short, Stone concluded that managers do not ever explicitly promise to maximise the profits of a corporation (Stone, 1985:558). In addition, he added that laws are reactive and only implemented when damage has been done. He then ultimately concluded that corporations have a moral obligation and should engage in self-initiated CSR (Stone, 1985:567; Rossouw & van Vuuren, 2017:885). This subsequently led to the question of whether corporations or entities are moral agents.

Peter French challenged the views of Milton Friedman and concluded that corporations are moral persons based on the two criteria for moral responsibility (French, 1979:207; Rossouw & van Vuuren, 2017:88). Edward Freeman then developed the stakeholder theory based on a legal, economic and stakeholder argument, and asserted all stakeholders should be treated equally and corporations should add value to them all (Freeman, 2001:3; Rossouw & van Vuuren, 2017:90). Kenneth Goodpastor subsequently agreed with Edward Freeman, however he disagreed that all stakeholders are equal (Goodpastor, 1991:137; Freeman, 2001:3). Goodpastor was of the view that corporations have a "special duty" towards shareholders and management needs to find ways in which the entity fulfils its moral obligations to all stakeholders, without forfeiting the private economic mission of the entity (Goodpastor, 1991:143; Rossouw & van Vuuren, 2017:94). In other words, if corporations gave away all their resources to the community and nothing is left to grow

the company with, then the company would have to close down, and the community would lose in any case.

The concept of CSR has become much more important, to such an extent that the term has been used in discussions, famous debates, research, and comments (Farcane & Bureana, 2015:31). Europe has over many decades become fascinated with the concept of CSR. Substantial evidence shows that scholars and practitioners are taking the social concern very seriously and these are often displayed in the form of consultancies, formal writings, conferences, and research (Carroll, 2008:2). CSR policies and practices have more recently grabbed the attention of Asian countries as well (Carroll, 2008:1). South Africa is no different. Mervin King chaired a committee on corporate governance in 1993 and the King Code of Corporate Governance was developed, which encourages corporate citizenship and a stakeholder inclusive approach (Kretzschmar *et al.* 2019:133).

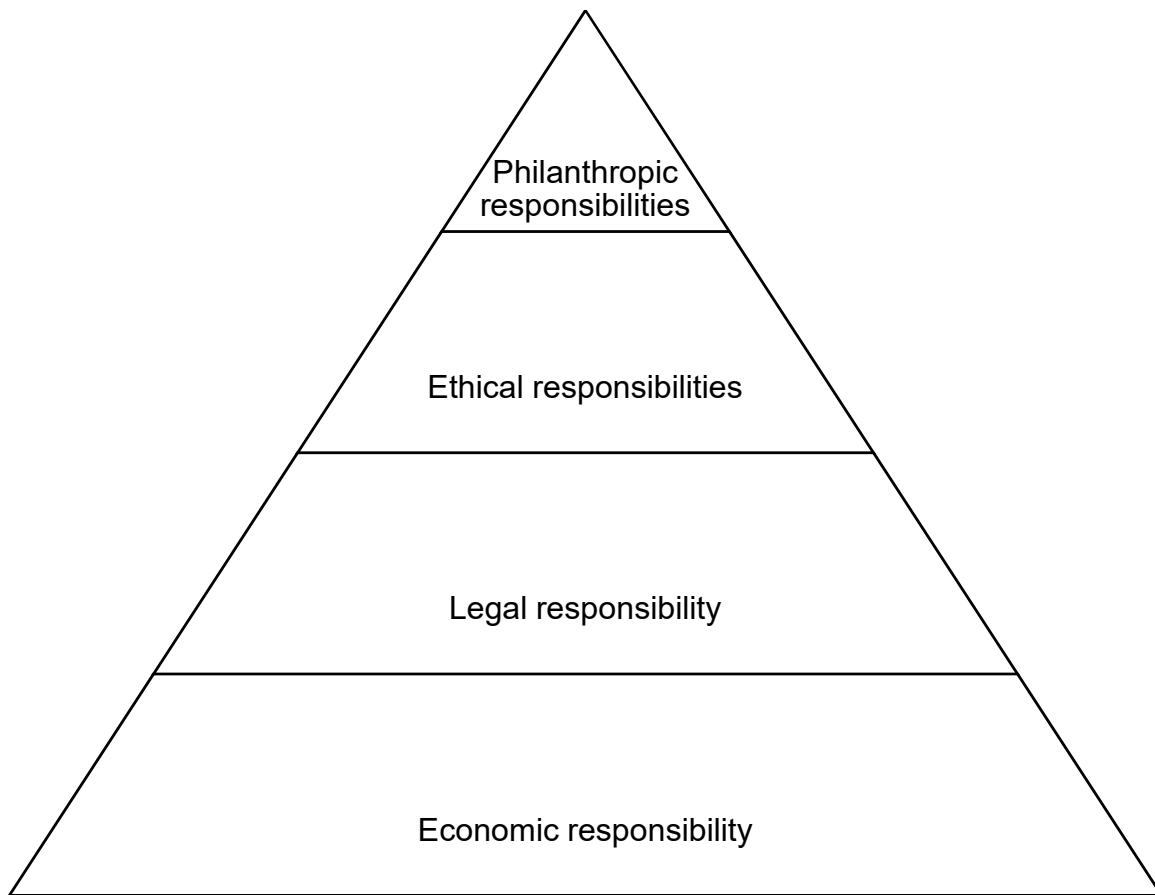
The subsequent section explores the definition of CSR.

1.2.2 CSR definition

Dahlsrud (2008:1) and Schwartz and Carroll (2003:503) assert that there has been a challenge as well as uncertainty in both the corporate and academic worlds, as researchers struggle to derive an appropriate definition for CSR and the concept still remain ambiguous to some. Dahlsrud (2008:1) is also of the view that inconsistent definitions surrounding CSR might pose a significant problem in terms of implementation. The first efforts towards a formal definition for CSR date back to Bowen (1953) and Moir (2001), followed by Carroll's definitions of CSR (Dahlsrud, 2008:2).

Carroll (2016:5) defined CSR in terms of a corporations' responsibility by way of a pyramid.

Diagram 1.1 - Carroll's CSR pyramid



Source: Carroll, 2016:4

In 1979 a four-part definition of CSR was originally published (Carroll, 2016:4). In 1991 Carroll took the four-part definition of CSR and re-formed it into a pyramid (Carroll, 2016:4). The geometric design of the pyramid was selected because of its simplicity, intuition, and it was designed to withstand the test of time (Carroll, 2016:4).

Economic responsibility was placed as the foundational phase because it is a requirement for business. The point of CSR here is that CSR should be built upon the principle of an economically sound and sustainable business. The business should make a profit for investors, should allow shareholders to get capital gains or dividends, the employees must get fair employment, and the customers should receive good quality products (Carroll, 2016:4; ACCA, 2019:38-39). If a business is to be seen as socially responsible, the profits should be earned in a legal manner, because society expects businesses to obey and comply with the rules and regulations of the law (Carroll, 2016:4; ACCA, 2019:38-39). In addition, businesses are also required to act

in an ethical manner. Meaning that they are to act in a manner that is fair and just, to avoid any harm that could be done to the stakeholders with whom the business interacts (Carroll, 2016:4). In order for a business to be classed as philanthropic, it is expected to be a good corporate citizen, that gives back to the communities in the form of charitable donations, giving employees opportunities or chances to improve their own lives, contributing financially, physically, and human resources, as well as other contributions to local communities (Carroll, 2016:4; ACCA, 2019:38-39).

The definition for CSR has however been refined over the years and consensus has been reached as to what the most appropriate definition for CSR is. Naidoo, Booysen and Rayner (2018:377) define CSR as:

“the commitment of business to managing and improving the economic, environmental and social implications of its activities at the firm, local, regional and global level”

Therefore, for purpose of this study, it is concluded that CSR is a business approach adopted by corporations that not only aims to create value for shareholders and internal stakeholders, but also to create value for the society, the economy and the environment.

Companies can have different opinions of CSR and to what extent it should be implemented in the business strategy (Visser, 2011; Carroll, 2016), and this might particularly be linked to what they deem the importance of CSR to be.

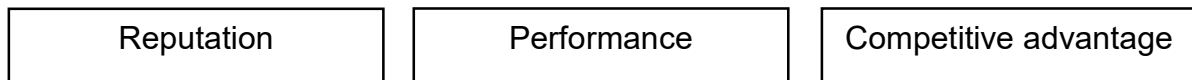
1.2.3 The significance of CSR

A question that was outstanding was why corporations should engage in CSR. A paradigm shift took place that led corporations to apply triple bottom-line reporting and then integrated reporting, since they started to understand the powerful influence they have on the society and the environment (Kretzschmar *et al.*, 2019:112). When corporations voluntarily implement CSR it will be more likely that the leadership of such a corporation will lead to the enhancement in the corporation's reputation. They will be building meaningful relationships and developing trust amongst their

stakeholders, and this will result in the company reaping the economic benefits of their positive awareness in the market in which they trade (Naidoo *et al.*, 2018:379).

Illustrations 1.2 to 1.4 demonstrates the overall, internal and external benefits of CSR.

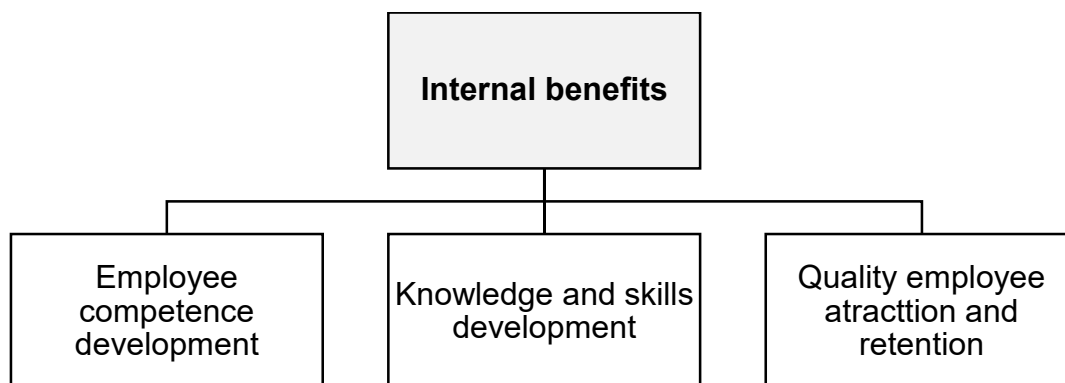
Diagram 1.2 - Overall CSR benefits



Source: Author

In terms of Diagram 1.2, the overall benefits of CSR are categorised into three classes by Nave and Ferreira (2019:893), being reputation, performance and competitive advantage. Which according to Chong and Tan (2010:361) can be further categorised into internal and external benefits. The internal benefits may include, amongst others, developing employee competencies, knowledge and skills, and attracting and retaining better employees to the corporation, because such employees believe that these corporations uphold ethical values (Chong & Tan, 2010:361-363; Sprinkle & Maines, 2010:447). These are demonstrated in Diagram 1.3.

Diagram 1.3 - Internal CSR benefits

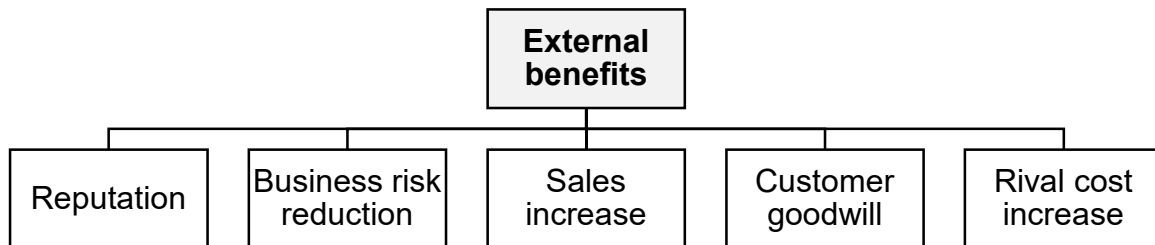


Source: Author

CSR also holds external benefits to corporations, as demonstrated in Diagram 1.4. The external benefits of corporations practicing CSR that have been identified by Chong and Tan (2010:360) are upstanding reputation, reduction of business risks,

boosting their sales revenue, customer goodwill, and an increase in rival costs (Chong & Tan, 2010:360).

Diagram 1.4 - External CSR benefits



Source: Author

In a study done by Galbreath (2010:412) it was found that CSR has a positive link with customer loyalty and employer commitment, as well as employee commitment to the corporation. Another study that was done by Adeneye and Ahmed (2015:152) found that effective CSR practices also maximised the profits of the shareholders of those corporations who practice CSR. Corporations came to understand the value of the implementation of CSR, but an approach was necessary to measure the performance. By measuring CSR performance, corporations would be able to identify their strengths and weaknesses, adjust their strategies, and identify opportunities for improvement (Giannarakis & Theotokas, 2011:4).

1.2.4 The measurement of CSR performance

According to Ahmed, Islam and Hasan (2012:16) two generally accepted approaches are used to measure CSR. Reputation index, being the first approach, is described as where a firm's dimensions of social performance is rated by knowledgeable stakeholders. The second method is described as the content analysis method of how CSR is measured, whereby a corporation's performance is measured based on their reports on CSR, including annual reports. Many researchers resort to content analysis to measure the CSR performance of corporations (Khlif, Guidara & Souissi, 2015:53).

In another study, done by Charitoudi, Giannarakis and Lazarides (2011:449), it was reported that there is no single method that can be used to measure CSR because CSR is a broad concept and its dimensions makes the formation of performance framework a much more complex process. They also found that there is not one established method in measuring CSR performance, not even on a national level because of the difference in national and cultural characteristics. Nave & Ferreira (2019:897) and Giannarakis and Theotokas (2011:4) are of the view that this challenge can be overcome through thorough the identification of indicators with which to evaluate CSR performance. In a study done by Adeneye and Ahmed (2015:151), they used a measure called CSR index to measure CSR performance. They measured the company's performance by making use of market to book value (MBV), the size of the company (Size), and a measurement called return on capital employed. Using the CSR index measurement, Adeneye and Ahmed (2015:161) found a substantial relationship between a company practicing CSR and financial performance. They discovered that listed companies did much better financially than non-listed companies, simply because those listed companies are more corporate socially responsible towards their stakeholders.

Some research has also been done by scholars on factors that have an influence on a corporations CSR performance. Tsoutsoura (2004:3-20) asserts that the values of the corporation, planning, management, employee commitment to CSR, resource availability, and the cost of adopting CSR are some of the factors that influence CSR performance and reporting. The study was based on companies that form part of the Domini 400 Social Index in the United States. Van Beurden and Gössling (2008:420-421) conclude that factors that influence CSR performance include: the corporation's size, the industry in which the corporation trades, risk, safeguarding, bridging, adaptive capability, customer satisfaction, availability of funds, environmental dynamics, the prior year's turnover, the type of management, the level of pollution, investment intensity, shareholder expectations and differentiation. Tilt (2016:1) cautions that these research findings are predominantly related to developed countries and that researchers fail to investigate factors that influence CSR performance and reporting in developing countries. Tilt (2016:8) argues that the dynamics of developed and developing countries differ since each has a different economic, political, social and cultural environment.

It is worth investigating what factors drive the CSR performance of companies within a South African context and whether these coincide with literature, or whether there are several other factors not yet reported by literature.

1.2.5 CSR within a South African context

Within a South African (developing country) context, some researchers conducted research on the relationship between companies listed on the JSE that participate in CSR initiatives, disclosures thereof or CSR investments and the financial performance of the companies. Chetty *et al.* (2015) conducted a study on the impact that CSR public announcements had on the financial returns of non-listed and JSE listed companies in South Africa between 2004 and 2013, and found that CSR activities does not have a significant impact on the financial performance of the companies included in the study. Similarly, Du Toit and Lekoloane (2018) researched the impact of CSR investment on the financial performance of companies listed on the JSE between 2009 and 2014 and found that no real relationship exists. However, companies who do invest in CSR are more likely to be granted the opportunity to list on the JSE Social Responsibility Investment Index (JSE SRI Index). The JSE SRI Index plays an influential role in the sustainability of top the companies in South Africa (Du Toit & Lekoloane, 2018:3).

In contrast, in a recent study conducted by Wasara and Ganda (2019) on the relationship between CSR disclosure of 10 mining companies listed on the JSE over the period of 2010 to 2014, it was found that there is a positive relationship between the companies' financial performance and CSI disclosure, in particular environmental disclosures.

Notwithstanding the inconclusive results on the relationship between CSR initiatives, the disclosures thereof or CSR investments and the financial performance, adopting a CSR business strategy holds several benefits that have an impact on the viability of organisations that should not be overlooked (Chong & Tan, 2010:361; Chong & Tan, 2010:361-363; Sprinkle & Maines, 2010:447; Naidoo *et al.*, 2018:379; Nave & Ferreira, 2019:893). And in South Africa, when an organisation seeks to expand its operations significantly in order to gain a greater market share advantage, listing on the JSE might

be their best option, since listing on the stocks exchange comes with the benefit of raising additional funds, especially when taking on more gearing is not an option (JSE, 2020a) and, as mentioned earlier, listing on the JSE SRI Index plays an influential role in the sustainability of the top companies in South Africa (Du Toit & Lekoloane, 2018:3).

In South Africa, it is mandatory for companies listed, or that have the prospects of listing on the Johannesburg Stock Exchange (JSE), to implement the King Code of Corporate Governance for South Africa as amended from time to time (JSE Listing Requirement, 2017: section 3.84). In terms of the King IV Report (2016:4-5), organisations cannot exist independently from society as they form part of it. Therefore, organisations have to be proactive in the management of the needs and interests of all stakeholders of that organisation. The King IV Report (2016:18) also states that organisations have to participate in the sustainable development of the organisation by adopting an integrated approach that sustains the capital of the organisation, as well as the economy, society and environment (referred to as the triple context). Hence, companies listed on the JSE have the mandatory obligation to incorporate within their business approach and participate in corporate social responsibility initiatives. The JSE listed companies also have to report on their capital and the triple context within their integrated reports (King IV Report, 2016:5).

Prior research examined the relationship between CSR initiatives, disclosures thereof or CSR investments, and the financial performance of companies. A closer look at factors that influence CSR performance and the actual CSR performance of companies listed on the JSE, deserves attention. As a starting point a sector of the JSE that contributes substantially towards the South African Gross Domestic Product (GDP) should be explored. The retail food industry alone contributed 9 percent to the overall South African GDP in 2016 that equated to R491.6 billion in revenue (Ntloedibe, 2017:1). The JSE Food and Drug Retail industry currently comprises of six companies that have a combined market capitalisation of R186.8 billion, of which five of those companies are in the JSE Top 100 based on their market capitalisation (African Markets, 2020; Top Foreign Stocks 2020). Companies trading in the Food and Drug Retail industry are most likely to include a balanced number of initiatives that create value in terms of the economy, society and the environment, that ultimately

includes all three aspects of CSR. As opposed to companies in the mining industry, that will tend to direct their focus more towards value creation in terms of the environment.

1.3 PROBLEM STATEMENT

Research indicates that defining CSR has proved to be a convoluted matter and even though a more refined definition for CSR exist, there may still be confusion amongst some parties. This could pose a challenge in the process of the development and implementation of a CSR strategy. There is also no uniform method of measuring CSR performance, even though the most commonly used measurement instrument is content analysis through the analysis of annual reports (Ahmed, Islam & Hasan, 2012:16; Khlif, Guidara & Souissi, 2015:53; Tsang *et al.*, 2020:1). The identification of measurement indicators could be valuable for arriving at CSR strategies since companies would know what they are striving towards. Tilt (2016:1) and Jamali and Karam (2018:32) explain that research in terms of CSR in developing countries, such as South Africa, is lacking. The problem statement identified in this research is that, no framework of factors that hinder CSR performance and related reporting in developing countries exist. From a CSR perspective, these countries cannot be considered from similar perspectives, since each has a different economic, political, social and cultural environment. Nave and Ferreira (2019:897) also established in their study that it is crucial to identify barriers that impede CSR implementation and reporting within specific countries. This will reap benefits in order to develop, adopt and implement the most appropriate CSR strategy to support the sustainability of corporations. This should provide valuable information towards the improvement of CSR strategy. An in-depth understanding of factors that have an impact on CSR and the reporting thereof for JSE listed Food and Drug Retail companies within South Africa can provide valuable insight in an effort to improve the positive impact of CSR on the corporations, as well as its stakeholders that include the community and the economy. But foremost, it needs to be determined what the CSR performance of Food and Drug Retail companies currently look like in order to build a case for other industries to adopt the strengths in these companies CSR strategies and to learn what barriers to CSR performance and reporting thereof. By knowing what weaknesses are present, corporations can start implementing strategies to overcome them. On the

other hand, corporations can also adopt the strengths of other entities who successfully implement CSR, into their own strategies, without having to go through a lengthy trial and error process.

1.4 RESEARCH OBJECTIVES

Primary objective/research question

To determine factors that drive the corporate social responsibility performance of Food and Drug Retail companies listed on the JSE.

Secondary objectives

1.4.1 Theoretical objectives

- Define corporate social responsibility within the context of a developing country (SO 1).
- Identify indicators to evaluate CSR performance (SO 2).

1.4.2 Empirical objectives

- Analyse the CSR performance of the selected Food and Drug Retail companies over a three-year period (SO 3).
- Investigate factors that influence the CSR performance and reporting thereof, from the perspective of the selected companies (SO 4).
- Provide recommendations to address negative factors that have an influence on CSR performance and reporting (SO 5).

1.4.3 Significance and benefits of the proposed study

Foremost a refined definition for CSR within the context of developing countries, could eliminate confusion about the proper implementation and reporting of CSR. This research provides a list of factors that drive CSR within developing countries that is

based on empirical research, for which calls have been made in the past. In knowing what weaknesses or barriers to meaningful CSR performance, corporations can start implementing strategies to overcome these, on the other hand, corporations can adopt the strengths of entities who successfully implement CSR within their own strategies without having to go through a lengthy trial and error process. This should ensure that corporations reap the benefits of CSR practice that may have an impact on their sustainability and contribution towards society and the economy. This study would also contribute towards CSR literature within a developing country perspective.

1.5 RESEARCH METHODOLOGY

The research design, population, sampling strategy, sample, data collection technique and data analysis is subsequently discussed.

1.5.1 RESEARCH DESIGN

Research design is the quest on investigating probes to questions or problems through the collection and analysis of data by conducting proper planning, investigation and to structure the answers to your questions or problems validly, accurately, objectively and economically (Kumar, 2011:94).

A qualitative research design will be adopted in this study since a theory will not be tested, but rather the aim is to obtain theory from the data, and the analysis thereof (Kumar, 2011:103). This will be obtained from annual financial statements and integrated reports of the Food and Drug Retail companies listed on the JSE. Questions will be posed to the selected companies' CSR representatives in order for them to provide their perspective on factors that influence or drive their CSR performance.

This research aims to gain a detailed understanding of the CSR performance of Food and Drug retailer companies listed on the JSE through the analysis of the integrated reports and responses obtained from CSR representatives from the selected companies pertaining to the matter. Hence, the interpretivism paradigm is adopted in this research study (Taylor and Medina, 2013:4-5).

1.5.2 POPULATION AND SAMPLING

According to Kumar (2011:193) and Maree *et al.* (2016:192) sampling refers to the process whereby the researcher selects a few targets from a bigger group of targets that is referred to as the population. The population of this study is companies listed on the Johannesburg Stock Exchange (JSE), of which the researcher aims to study those companies listed that trade within the Food and Drug Retail industry.

The JSE, established in 1887, is a platform that offers capital markets where securities are traded under regulated procedures (JSE, 2020b). Companies make use of this platform to raise capital and it is where investors can gain exposure to major capital markets (JSE, 2020b). At present, the JSE is the largest stocks exchange in Africa and is ranked the 19th largest stock exchange globally (JSE, 2020b). The CEIC (2020) reported that there were 345 companies that were listed on the JSE, trading in 37 industries, as at June 2020 (African Markets, 2020; Top Foreign Stocks, 2020). The more refined selected population for this study will consist of companies that are listed on the JSE that trade within the Food and Drug Retail industry. The retail food industry alone contributed 9 percent to the overall South African GDP in 2016 that equated to R491.6 billion in revenue (Ntloedibe, 2017:1). The JSE Food and Drug Retails industry have a combined market capitalisation of R186.8 billion, of which five of those companies are in the JSE Top 100 based on their market capitalisation (African Markets, 2020; Top Foreign Stocks, 2020). The selected company's integrated reports will be selected over a three-year period and these will be analysed.

There are currently six companies listed on the JSE that trade within the Food and Drug Retail industry. All six these companies will be selected for this study (African Markets, 2020; Top Foreign Stocks 2020). These companies are:

- The SPAR Group limited
- Dis-Chem Pharmacies
- Shoprite Holdings Limited
- Pick N Pay Holdings Limited
- Pick N Pay Stores Limited
- Massmart Holdings Limited

- Clicks Group Limited

Even though there are seven individual companies listed above, Pick N Pay Holdings Limited and Pick N Pay Stores Limited's financial and other results are reported in one integrated report, hence reducing the number to six.

Several sampling strategies exist which a researcher can select from. Sampling strategies can be categorised as either probability sampling or non-probability sampling (Kumar, 2011:198; Maree *et al.*, 2016:192-197; Bryman *et al.*, 2018:173, 178). Probability sampling involves random sampling, in contrast to non-probability sampling where random techniques are not used to select the sample (Kumar, 2011:198; Maree *et al.*, 2016:192-197; Bryman *et al.*, 2018:173, 178).

The sampling strategy used in this study is non-probability sampling, since the entire population of companies trading in the Food and Drug Retail industry listed on the JSE were selected. Furthermore, the particular strategy of non-probability sampling that will be adopted is purposive sampling. Purposive sampling is defined as a strategy adopted to select a case or participants in a strategic manner so that the targets selected are relevant to the research problem that the researcher aims to solve and is most commonly used in qualitative research. (Kumar, 2011:207; Maree *et al.*, 2016:198; Bryman *et al.*, 2018:186). The JSE listed companies that are in the Food and Drug Retail industry are the companies that will be selected on purpose to solve the research problem within this qualitative study.

The integrated reports of the six companies selected for this study can be found on the world wide web or the McGregor BFA database of the North-West University that provides stock market research data.

The integrated reports of the Food and Drug Retail companies that are listed on the JSE is readily available to the public. An application programme named "McGregor" can also be used to obtain data from. Hence the information required for this study will not be difficult to gain access to.

This research is of companies listed on the JSE who have to comply with the KING IV code. This requires companies to be good corporate citizens, i.e. to be involved in corporate social responsibilities. The Food and Drug Retail industry also makes a significant contribution toward the GDP and the JSE. The CSR initiatives of Food and Drug Retail companies listed on the JSE are also most likely to be a combination of value creation toward the economy, society and the environment, that includes all three aspects of CSR. Whereas another industry, for example mining, would focus more on environmental value creation. Hence, the study of the Food and Drug Retail JSE listed companies will include a balanced look at all three aspects of CSR.

1.5.3 DATA COLLECTION

Data collected through research can either take the form of primary data or secondary data. Primary data can be described as data that is fresh or derived from the original source for the first time from, the study conducted (Kothari, 2004:95; Bryman *et al.*, 2018:268). On the contrary, secondary data is derived from existing textual data, legislation, policies, documents and existing research. This research will look at the historical integrated reports of the companies selected for this study over a three-year period. This will include the three financial reporting years of the companies pre-COVID 19. The type of data for this study will constitute primary data and secondary data as it will be obtained from the secondary sources, that is the integrated reports of the companies and through responses from representatives from the selected companies (primary sources).

Data gathering methods can include surveys or questionnaires, interviews, observations, content analyses and literature reviews (Bryman *et al.*, 2018:190; 213; 242; 298). Three data collection techniques will be used to address the secondary objectives, being a literature review, content analysis and interviews. The interviews will be semi-structured as the researcher will prepare a list of interview questions in advance. However, the researcher may also pose additional questions on the day of the interview based on the responses from the participants (Bryman *et al.*, 2018:225).

The first two secondary objectives of this study are to define CSR from a developing country's perspective, and the factors that influence CSR. This can be achieved

through reviewing existing literature on the matters (Bryman *et al.*, 2018:92). The third and fourth objectives are to analyse the integrated reports of the companies selected for this study. Kothari (2004:110) and Bryman *et al.* (2018:42) describe a content analysis as the analysis of documents to identify themes or categories of information, meanings of the results obtained and the number of instances an occurrence takes place. The integrated reports will be analysed to derive themes of how the companies report their CSR, and the performance will be analysed through the identification of performance indicators against which performance can be measured. Lastly, Maree *et al.* (2016:92) define interviews as a conversation between two individuals where one asks a list of questions (referred to as the interviewer) and the other answers the questions (referred to as the interviewee). The interview is done to collect data from the interviewee in order to learn about their ideas, views, beliefs, opinions and behaviours. A list of interview questions will be developed that will be presented to the interviewee that takes part in this study, to determine, from the perspectives of the companies selected for this study, what factors influence their CSR performance and reporting. All six companies selected for this study will be approached to request participation in the interviews.

The information for the literature review will be collected from existing articles in journals, and from the internet using platforms such as Google Scholar, amongst others. The integrated reports will be downloaded from the websites of the companies selected, through the world wide web. If there are any issues with obtaining the integrated reports for the three years, the McGregor BFA database will be used.

In terms of the interview questions, these will be sent to the interviewee, or rather the CSR departments or representatives of the companies selected for this study, and the list of questions will subsequently be asked during an online video or conference call (via Zoom or Microsoft Teams). Annexure A contains the list of interview questions used in this study.

1.5.4 DATA ANALYSIS

The way in which the data gathered will be analysed, should depend on the way in which the data was collected.

Maree *et al.* (2016:114) state that the data gathered from the content analysis should first be prepared for analysis. In terms of the literature review, Bryman *et al.* (2018:96) suggest obtaining a holistic comprehension of the results found within the review of literature and to report a summary of the findings.

For the content analysis of the annual financial statements, integrated reports and interviews, chapter 3 will provide comprehensive details on how analysis was conducted.

1.5.5 QUALITY OF THE PROPOSED RESEARCH DESIGN

The proposed research design of this study will ensure that the research will be of the highest quality, by implementing the following. This is according to the requirements of a qualitative research approach.

1.5.5.1 Credibility

According to Maree *et al* (2016:123) “Credibility is enhanced through the development of an early familiarity with the participants and the participating organisations, but also through well-defined, purposive sampling, detailed data collection methods and triangulation”. Others methods include regular debriefing between the researcher and the supervisor, the reflective notes of the researcher, as well as member checks (Maree *et al* 2016:123). The researcher is familiarised with the companies selected for this study, that are all listed on the JSE. All information pertaining to the companies, operations, financial statements and integrated reports are also available on the world wide web, which the researcher has already examined.

1.5.5.2 Transferability

Diane (2014:89) asserts that transferability is the findings which can be applied to other groups or settings. The findings of this study can be shared with any company listed on the JSE. Since there is no uniform way in which CSR performance is

measured, the manner in which it will be assessed in this study could be adopted for other companies listed on the JSE. Furthermore, as there is no framework of the factors that hinder the CSR performance of companies, the factors identified in this study should provide valuable insight to other companies (in different industries as the one selected). It could assist them in the process of developing an appropriate CSR strategy.

1.5.5.3 Dependability

Dependability is concerned with whether the same results will be observed twice (Kumar, 2011:185). It can however, be achieved when another researcher agrees with the research process at each stage (Diane,2014:89). For purpose of this study, the results will not be analysed twice. The CSR performance of the companies selected and the analysis of the factors that influence the CSR performance will only be “observed” at a specific point in time and not reassessed at a different point in time.

1.5.5.4 Confirmability

Confirmability is the degree of neutrality to which the results of the study are confirmed or corroborated by the participants and not by the researcher’s bias, interest, or the researcher’s motivation (Kumar, 2011:185; Maree *et al.*, 2016:125). The researcher will determine the most appropriate manner in which the CSR performance of companies listed on the JSE should be measured. As such the measurement of CSR performance will not be based on the researcher’s preference. These most appropriate measurements determined will be adopted for this study. CSR performance results obtained by the researcher will be supported by the results obtained from the interview questions to the CSR representatives of the companies selected for this study.

1.5.6 ETHICAL CONSIDERATIONS

According to Creswell and Poth (2018:53-54) ethical considerations at the planning process of the research is crucial. As a starting point, ethical approval or clearance will be obtained from the Economic and Management Sciences Research and Ethics

Committee (EMS-REC) of the North-West University prior to the execution of this research. Another important factor to consider is the protection of the identity of the research participants (Maree *et al.*, 2016:44). The identity of the companies selected for this study cannot be kept confidential. However, results obtained from the content analysis, in terms of the analysis of the CSR performance of the companies selected for this study, as well the interviews and the content analysis on the factors that influence CSR performance, will not be linked to the specific companies. It will rather be presented as a collective for the entire population. The representatives who take part in the interview will also be requested to complete a consent form prior to the completion of the interview (Maree *et al.*, 2016:44). It will also be reiterated to the participants of the interview, that taking part in this study is voluntary. No incentives will be offered to any participants taking part in this study.

Primary ethical considerations according to Bryman *et al.* (2018:120-129) include the following:

- Informed consent should be obtained from participants - this indicates that the participants of a research study should be fully informed about what the research process entails and the implications of the research, and they should give consent for the researcher for the data to be used as explained by the researcher. Written informed consent forms will be distributed to the participants of this research to study and then give formal consent by signing the form.
- Participants should not be harmed - this refers to physical or psychological harm that participants could be subject to. No harm is expected to come from this research.
- The privacy of participants should not be invaded - all participants hold the right to privacy and therefore they should be allowed to refuse answering a specific question if they are of the view that it is invading their privacy. The researcher will explain to the participants that they have the right to refuse answering any question if they do not feel comfortable to answer it.
- Participation should be voluntary -participants of a research study should not be incentivised to take part. No incentives will be offered to participants and their participation will be completely voluntary. The benefit obtained through the recommendations made in this study is part of the scientific research process.

- The data obtained should be kept safe – this relates to how the confidentiality of data will be kept during the collection and storing thereof. Only the researcher will have access to the data and will put measures in place to keep the data safe.

All of the aforementioned was taken into consideration when the list of research instrument (Annexure A) was developed. The research instrument will also go under scrutiny of EMS-REC of the North-West University to assess whether these ethical considerations have been taken into account.

1.6 DELIMITATIONS AND ASSUMPTIONS

Theofanidis and Fountouki (2018:157) describe delimitations of a research study as limitations that the researcher deliberately sets for their own research study, in order to prevent the study from becoming impossible to complete. Theofanidis and Fountouki (2018:157) further state that this is a tactic used by the researcher to “control” the study. One of the delimitations of this study is to select a specific industry that is listed on the JSE, namely the Food and Drug Retail industry, as oppose to the entire JSE listed companies, as this might compromise the feasibility of the completion of the study. In addition, another delimitation was the selection of one of the data collection instrument. A lengthy telephone interview could agitate the interviewee and they might give very short answers in order to conclude the interview as soon as possible. On the contrary, if they are provided with an online video interview, via a platform such as Zoom or Microsoft Teams, they might be less likely to become agitated and in a rush to conclude, and therefore won't leave out important details.

One assumption of the study is that the companies selected for this study, namely the Food and Drug Retail companies listed on the JSE, have all adopted the KING Code of Corporate Governance, which is a JSE listing requirement. The KING Code recommends CSR as a practice. As such, it is assumed that the companies selected for this study have executed CSR initiatives or practices in some form or another.

1.7 CHAPTER LAYOUT

Chapter 1 – Research proposal

In this chapter, an introduction to this study, an overview of the research problem, the primary and secondary objectives and the proposed research methodology will be discussed.

Chapter 2 – Literature review

In this chapter, the definition and concept of CSR will be conceptually framed with reference to international perspectives on the concept, African continent perspective and the South African perspective. In addition, trends in CSR will also be investigated. CSR performance measures or indicators will also be identified

Chapter 3 – Methodology and design

This chapter serves the purpose of detailing the research design adopted in this study, the population and sample, the data collection process, and the data analysis process followed.

Chapter 4 – Results and discussion of results

In this chapter, the results obtained from the execution of the research (aimed at addressing the secondary objectives) will be discussed. First and foremost, the results from the analysis of the CSR performance of the companies selected for this study will be discussed, and then the factors that affect the CSR performance and the reporting thereof.

Chapter 5 – Conclusion and recommendations

In this chapter an overview of the study will be provided, the key results will be summarised and discussed, and recommendations will be made based on the results. Recommendations for further research will also be made.

1.8 CHAPTER SUMMARY

This chapter provided an introduction to this study, a preliminary literature review, the problem statement of this study, as well as the research objectives determined to solve the research problem identified. The concept of corporate social responsibility was explored; where and how the concept came into existence and the different views of researchers regarding the concept; the significance of CSR through the discussion of the benefits that CSR has on corporations; who implements CSR; the performance and measurement of CSR; and CSR within a South African context. This chapter also provided an overview of the planned research methodology. The latter included the research design, a description of the population and sample selection for this study, an overview of the data analysis techniques that will be applied as well as the ethical considerations.

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

CSR has recently become a buzz term in modern society and the topic is gaining significant increase in interest around the world (Frynas & Yakahaki, 2016:258; Freeman & Dmytriiev, 2017:7). Corporations and different parts of the world also have different perspectives on CSR (ACCA, 2019). It is believed that literature on CSR, in particular the CSR performance of companies in South Africa and other developing countries, is lacking (Tilt, 2016:1; Inekwe, 2020:227). Prior research on the matter of CSR explored the relationship between the disclosure of CSR initiatives and corporate performance (Chetty *et al.*, 2015; Wasara & Ganda, 2019), and the relationship between CSR investment (sometimes referred to as CSI investment) and financial performance (Du Toit & Lekoloane, 2018). However, Tilt (2016:1) advises that factors that influence (positively and negatively) the CSR performance and reporting of companies in developing countries, like South Africa, needs to be explored. In having a good understanding of these factors, strategies in the form of frameworks that can be adopted by companies in South Africa can be arrived at by policy makers, government and other influential institutions as to how they should develop and implement their CSR strategies in order to enhance the sustainability of the corporations. In knowing what factors negatively impact CSR performance, companies throughout South African could implement precautionary measures to overcome these.

This chapter serves the purpose of providing an extended overview of the CSR concept and the theories of CSR. It also explores international perspectives on CSR, the perspectives of developing countries, as well as CSR trends. CSR reporting, and disclosure frameworks and factors that drive CSR are also explored in this chapter. The impact that Covid-19 has or is expected to have on CSR is also discussed. Lastly, this chapter investigates indicators or measures that can be used to analyse CSR performance, as well as frameworks used as guidelines for the disclosure of CSR activities by corporations.

2.2 The concept CSR

The concept of CSR has been seen as a highly controversial topic, even though the literature has been under examination for almost 40 years and is still prevalent (Frynas & Yamahaki, 2016:258; Freeman & Dmytriiev, 2017:7). The famous notion of Milton Friedman (1997), which is that corporations only have a responsibility towards its owners to make a profit, is now rendered outdated since corporations can no longer deny that they form an integral part of society and that without the contribution that each stakeholder makes in the corporation, it cannot continue to exist (IODSA, 2016:4; Freeman & Dmytriiev, 2017:7). In today's society, the concept of CSR implies that corporations should voluntarily incorporate social and environmental concerns into their operations, as well as into the interactions with their stakeholders. It implies that the corporations should create value for its various stakeholders (Branco & Rodrigues, 2007:5; IODSA, 2016:4). The concept is not to be confused with philanthropy, since it stretches far beyond only charitable activities (Noor & Sa'aban, 2015:167).

Different definitions and theories are still used to define the concept, but nevertheless, these definitions convey similar meanings (Ngoepe-Ntsoane, 2018:421). As mentioned in Chapter 1 section 2.2, it was concluded that non-uniform definitions for CSR existed, but nonetheless that the concept comprises of a few dimensions. These dimensions are the environment, social aspects, financial aspects, stakeholders, and volunteerism (Kloppers & Kloppers, 2018:230). These became very important in the refinement of the definition of CSR.

CSR, according to Naidoo *et al.* (2018:377) is defined as "*the commitment of business to managing and improving the economic, environmental and social implications of its activities at the firm, local, regional and global levels*". Naidoo *et al.* (2018:377) further asserts that CSR focuses on the good that corporations are expected to do in becoming or being seen as good corporate citizens. Corporate citizenship, according to Aßländer and Curbach (2014:542), suggests corporations have a presence similar to that of individuals of society, and according to Naidoo (2016:375) that status (or presence) might exceed that of individuals. The latter signifies that corporations could have a greater impact on society than individuals. And since corporations can be classified as citizens, they have responsibilities that stretches beyond economic

activity and corporation management related responsibilities (Aßländer & Curbach, 2014:542). Defining 'good' in good corporate citizenship can be difficult. As early as 1998, the question of what corporations should do to be considered as good arose (Carroll, 1998:1). Carroll (1998:2) was of the opinion that if a corporation adopts a CSR strategy, with which they not only generate profits within a lawful and ethical manner, but also part-take in giving back to society through social philanthropic initiatives, then they are doing good. Then Wagner (2001:16) concluded that a good corporate citizen strives towards better stakeholder inclusive practices and aims for better treatment of all stakeholders. The views of Carroll (1998:2) and Wagner (2001:16) affirms Naidoo's (2018:377) contemporary assertion that good corporate citizenship refers to corporations who adopt a CSR strategy of creating value for all stakeholders. Van Thanh and Podruzsik (2018:12) also refer to CSR as a business strategy. As concluded in chapter 1, based on the review of various literature for the purpose of this study, CSR is a business strategy adopted by corporations that not only aims to create value for shareholders and internal stakeholders, but also to create value for the society, the economy and the environment. Aßländer and Curbach (2014:541) agree that both CSR and corporate citizenship can be seen as strategic tools to enhance the reputation of corporations, and thus have the potential to improve the economic performance of the corporations.

Regardless of any perceived benefits of CSR, the concept of CSR has also been criticized. The ACCA (2019) identified Visser (2011) as a prominent theorist who urges for a new age of CSR, since it is believed that CSR has failed in modern society. Visser cites that CSR has failed since management is still in denial that societal and environmental problems exist, or that these are not their corporation's problem, or that they benefit from these problems, or the problems are trivial and unimportant (Visser, 2011:12). Freeman and Dmytriyev (2017:8) also highlight that since the concept of CSR gained prominence, various critics against CSR has emerged. In summary, Visser (2011:8-9), and Freeman and Dmytriyev (2017:8-9) cite the following criticisms against CSR:

- CSR has led to the retrogression of corporations' sensitivity towards shareholder expectations.

- CSR initiatives appear to be limited to large corporations and smaller ones do not partake.
- Some corporations execute CSR initiative as a means to mislead observers by covering up wrongdoing that has the potential to damage the corporation's reputation.
- CSR is creating something that is referred to as false dichotomies. This means creating the belief that elements are in competition or contrast to each other when they are not. For example, profits versus society or business versus ethics.
- CSR initiatives are only undertaken if it is beneficial to corporations, otherwise it is not executed.
- Corporations use CSR initiatives as a marketing and public relations tool.
- Corporations report processes that they are obliged to execute, as part of their CSR initiatives. For example, they list training new employees on how to execute their tasks as part of their CSR activities.
- Corporations who externalise the negative side-effects of their operations to society and internalise all the benefits of their operations are still rewarded in an era where CSR is supposed to matter.

2.3 CSR forms

2.4 CSR trends

In 2005 the International Centre for CSR co-hosted a workshop on CSR with many affluent business schools in attendance (McWilliams *et al.* 2006:3). Researchers from across the United States, Mexico and Europe attended this workshop and numerous papers that were presented that provided a more global perspective on CSR (McWilliams *et al.* 2006:3). Crucial insights on the backgrounds and consequences of CSR have emerged from the papers that were presented at the workshop, as well as a variety from the social sciences disciplines which included political science and sociology, economics and numerous fields in management including, economics, marketing, strategic management, political science, finance and organisational behaviour (McWilliams *et al.* 2006:4).

On a global basis CSR has been exemplified by a survey that had been conducted by the Society of Human Resource Management (SHRM) in 2007 (Cavico & Mujtaba, 2012:13). According to Cavico and Mujtaba (2012:13), countries where the surveys were conducted included the United States, India, Australia, China, Canada, Mexico, and Brazil. The SHRM found that a majority of human resources professionals in these countries reported that their corporations had CSR practices in place. A number of reasons was then put forth by the SHRM for the extent to which CSR has gone. Firstly, companies realised that before they can become a force to be reckoned with or threat to other businesses, they needed to respond to large scale social problems. Secondly, on a more positive note, the SHRM withstands that the solutions to key social problems can increasingly be viewed as new sources of business opportunities (Cavico & Mujtaba 2012:13). In conclusion, the SHRM found that CSR is an active and important component in creating competitive advantages and thereby value for the corporation and its stakeholders (Cavico & Mujtaba 2012:13).

Even though the relationship between corporations, society and stakeholders has been a topic of much debate, evidence has continued to show that the best corporations make a positive impact on the environments within which they trade (Aras & Crowther, 2009:2). Furthermore, more evidence has come forth and showed that such socially responsible behaviour is good for business, not only within an ethical context but also in a financial context. In essence this means that CSR has a positive impact on business, as well as the stakeholders involved in the business (KING IV Code on Corporate Governance, 2016:6). Consequently, factors that have shown to have a positive correlation with corporate performance is the ethical behaviour of corporations, as well as a concern for the environment.

The concept and practice of CSR have both gained significant attraction over several decades, driven by a movement which comprised of agents, mechanisms, institutions, and discourse that assist to diffuse the norms of CSR (Michelson *et al.* 2016:3). What has also become more prominent is that corporations have started to take the concept of CSR more seriously, not only because they understand that it is a key advantage to the success of the business, but that CSR can give them a strategic advantage. Also because people in those corporations care more about social responsibility than earlier times. Corporations are also reacting partly to external pressures and are

leading the progression of responsible behaviour and reporting (Aras & Crowther, 2009:2). Therefore, accountability, one of the key principles of CSR, has gained much more recognition and is being responded to by an increase in transparency, which is also principle of CSR (Alhaddi, 2015:37). Another principle of CSR, sustainability, has also become much more common as to be permeating for businesses, as well as for society, and that every corporation mentions sustainability and most have claimed to have developed practices that are considered sustainable (Aras & Crowther, 2009:2). The GRI (2020) adds a fourth central principle, reporting, where corporations have to report on their CSR performance. Table 2.1 is a summary of the definitions of accountability, transparency, sustainability and reporting.

Table 2.1 – CSR key principles

Accountability	Transparency	Sustainability and sustainable development	Reporting
The obligation that rests upon an individual to answer and take responsibility for their actions and the consequences that came as a result.	The truthful and univocal process of accounting for and providing open and clear disclosure of reliable information regarding a corporation's business activities, operational inputs and outputs. These should measure up to ethical standards.	Sustainability refers to the process of limiting the use of resources that are depleting at a rate that could see the replenishment thereof. Sustainable development is the adoption of a development process that meets the needs of the current generation without conceding the ability of future generations meeting their own needs.	Communication of the social, environmental and economic impact that the corporation's business activities and processes has on stakeholders and these are often reported according to guidelines and frameworks.

Source: KING IV Report on Corporate Governance (2016:9-18); ACCA (2019:47;61); Okafor *et al.* (2021:3)

These four principles are interrelated in the sense that corporations are obliged to be more responsible in the manner in which they conduct business by taking accountability for their actions and being transparent on the matters. In addition, corporations now also need to take cognisance of and adopt sustainable practices, and they are required to report on their impact on society, as well as their relationship with stakeholders.

Initially it was expected that corporations report on their contributions made towards society, then as interest in the concept of CSR increased, corporations were expected to take responsibility for the impact that they have on society (Abad-Segura *et al.*, 2019:4). Corporations were then expected to include CSR in their business strategies, which initially entailed the inclusion of objectives that include environmental and social changes (Abad-Segura *et al.*, 2019:4). Currently, corporations are expected to adopt a business approach that takes interest in all stakeholders. This includes conducting business in such a manner that it creates value for a wide variety of stakeholders within the environmental, societal and economic context (Noor & Sa'aban, 2015:167; Abad-Segura *et al.*, 2019:4). In modern society, corporations are obliged to accept their responsibility as role players that impact society, the environment and the economy, and have to adopt a business approach that is forward thinking in terms of providing sustainable value to stakeholders (Abad-Segura *et al.*, 2019:1). CSR has evolved even further into a corporate governance matter that is embodied in the terms of corporate citizenship, corporate sustainability and sustainable supply management (Noor & Sa'aban, 2015:167; KING IV Report on Corporate Governance, 2016; Abad-Segura *et al.*, 2019:17). Corporate sustainability and sustainable supply management is associated with limiting the use of critical resources that are consumed at a rapid rate at a level that threatens the availability of these resources for future generations (ACCA, 2019:45). Eco-efficiency is becoming a big focal point in discussions surrounding CSR, hence, the emergence of Green initiatives (Halkos & Nomikos, 2020:107).

According to Abad-Segura *et al.* (2019:17) it was notable that between the years 2014-2016 there was a shift in research trends which are now aimed at assessing CSR's sustainable approach, which is according to the size of the corporation and also

analysing the functions of the board of directors that is in relation to sustainability and CSR. Nwagbara and Reid (2013:15) assert that business management trends have evolved over the years and as more pressure is added by consumers to make more responsible choices, as well as to deal with how companies can be more competitive, more companies are incorporating sustainable strategies and adopting more socially responsible practices.

According to Nwagbara and Reid (2013:15), and Investopedia (2021:1) the following points discussed below, in no particular order, are the business management trends which have evolved over the years. These points have captured the history of business trends, some of the most popular CSR trends, as well as looking into how organisations can become more competitive and successful:

- *An increase in transparency*

What has become commonplace among consumers are the demands for transparent disclosure, for companies to make known what's taking place in their businesses. Companies are now sharing more environmental, social, and governance disclosures as part of a business model that embrace CSR.

- *Creativity or Inventiveness*

Organisations who follow management trends seem to have constant creative ideas in their organisations that will sustain their productivity levels in light of the pressures of changing market environments, competitors, niches or other business notions such as CSR criticism. This approach adopted by management is also of crucial importance in the era of new technology, when social media, as well as information management, plays an important role in CSR matters and stakeholder engagement.

- *Green technology*

Climate change has been a topic that has continued to grow and which has driven many conversations in the corporate world. Multiple trends in CSR overlap with this topic. This is in light of the fact that natural resources around the world are becoming increasingly depleted, the world has reached a tipping point of an average rise in of a 2-degree temperature. Socially responsible companies are investing in greener technologies, companies are reducing their reliance on non-renewable resources, and are looking towards more sustainable inputs to do their business. A narrative called circular energy is also making waves. Circular Energy, according to Olabi (2019:450),

is described by the European Commission as the phenomena where nothing goes to waste, natural resources are managed in a manner that enhances the future sustainability thereof, and the protection of biodiversity. Several corporations are engaging in processes that effectively manages waste materials. Many corporations have also engaged in renewable energy technologies that aim to reduce the dependence on fossil fuels to generate energy and to ultimately minimize the impact on climate change (Gallagher *et al.* 2019:133). The greatest challenge, in terms of investing in renewable energy technologies, is the fact that a substantial amount of initial capital is required (Gallagher *et al.* 2019:133).

- *Global companies acting locally*

Companies who are operating on a global level are recognising more so the value of local markets, as well as supply chains. This, however, is not only to reduce carbon emissions that might be related with transportation or supply chain costs, but rather to tap into local talent and possible solutions. CSR initiatives also actively attempt to engage in activities that will not only benefit their local communities but also produce profits for the organisation. Not only will the organisation receive public benefits by getting involved in local communities, but this involvement can also boost employee satisfaction.

- *Extension of Product Lifecycle through CSR Communication*

Extending the product lifecycle is important for extension of brand, as well as for extending the value of services and products. The product lifecycle includes performance of a product in the pre-manufacturing stage, the manufacturing stage, the use of the product, the period after the use of the product, and the logistics stage (Taddese *et al.*, 2020:3109). For businesses who want to do well, they have to set themselves targets and achievable objectives which are based on the guidelines on how to stay afloat, as well as to continually remain competitive. Therefore, business could choose to extend their product lifecycle, as well as their services, by making their CSR commitment credible, and also making sustainable business decisions. This will bring about confidence in the minds of customers, consumers and stakeholders.

- *Diversity and inclusion*

Many political debates have risen to the forefront on the issue of economic inequality, and these issues increasingly put pressures on corporations. What has been seen as another emerging trend in CSR is the recognition of inequalities in salaries and

economic challenges that employees face. Measures between the difference in income amongst the highest-paid and lowest-paid employee within a corporation, pay equity amongst males and females, and ensuring that there is a diverse staff composition have become rather important priorities amongst the best corporation around the globe. Other CSR initiatives, such as recruiting candidates from difficult educational or economic backgrounds eventually leads to local talent being empowered, and bringing different voices to the table, is seen as a trend that is here to stay.

- *Research and Development (R&D)*

R&D is another important aspect which allows growing opportunities for some corporations, as well as to allow them to remain up to date with business trends. R&D also opens up a variety of creative knowledge, identifying ideas as well as business solutions and equipping organisations with creative energies in order to outperform their competitors, since the innovative ideas are of a wellspring of fresh ideas. Therefore, R&D in CSR issues a big platform market gains for responsible investments by organisations in the face of changing business models which require competitive strategies.

- *Systemic investment thinking (SIT)*

SIT is all about producing different and new ideas, as well as business opportunities to create wealth by adapting existing services or products. The five steps which are central to this business strategy in order to arrive at SIT are: creating virtual products, identifying feasibility of the product under review, benefits and markets, adaptation/challenges, identifying needs and applying existing tools or products. The five steps are considered to be SIT peak and corporate communications strategies can therefore be re-invented by making use of this platform.

- *Technological advancements – Specifically social media*

This concept is crucial in the current business environment whereby a lot of business opportunities depend a lot on the development of new technology such as social media (YouTube, Instagram, Facebook, Twitter and other media platforms) to thrive. Social media platforms are important instruments for managing CSR related communication, that also relies heavily on technology to achieve efficacy.

- *Value Creation*

This is one other way through which organisations can create wealth. In this context, value creation can be done through the promotion of ideas, as well as models that will enhance environmental and social learning that will be crucial for surpassing stakeholder detractors, which enables maximum return on working capital.

Another huge emerging trend that is continuously evolving currently position within the CSR disclosure practices (Halkos & Nomikos, 2020:106). Social and environmental reporting are regarded as key paradigm shifts in the current era of CSR (ACCA, 2019:47). The subsequent section explores CSR reporting and disclosure frameworks that have emerged over time.

2.5 CSR reporting and disclosure frameworks

One of the first reporting initiatives was called the Triple Bottom Line (3BL) embodied in the AA1000 accounting standard (ACCA, 2019:47). The concept of 3BL implies that the performance (namely success and viability) of corporations should not only be measured from a Profit perspective (economic line), that ultimately refers to traditional financial and operational performance, but should also be measured in terms of People (social line) and Planet (environmental line), and corporations should report how they fulfilled their obligation towards each of the three lines (Norman & MacDonald, 2004:243; ACCA, 2019:47). Each of the lines are summarised from the view of Alhaddi (2015) in Table 2.2 below.

Table 2.2 – Triple Bottom Line Summary

Economic	Social	Environmental
<p>This refers to the impact that the corporation had on the economy and focuses on economic value that the corporation provided in terms of its financial performance and financial position. This is also where the corporation reports on the it's ability to support current and future generations economically with its financial wealth.</p>	<p>The social line refers to the manner in which the corporation conducts its operations and whether these are beneficial, acceptable and fair to the community, employees, customers, and so on. It also suggests that the corporation has duties to fulfil towards employees, customers, suppliers and other human stakeholders that should be reported on.</p>	<p>This line describe that corporations should conduct their operations in such a manner that it does not compromise the ability of future generations to enjoy natural resources that the current generation is enjoying. This is typically where the corporation should aim to minimize its carbon footprint, make use of energy resources sparingly, amongst others and the corporation should report on the performance within this context.</p>

Source: constructed by author from Norman & MacDonald (2004); Alhaddi (2015); Loviscek (2020)

Norman and MacDonald (2004:247) believed that it is quite difficult to measure the social and environmental performance due to a lack of measurement tools, unlike with the economic line. The latter might be a reason why little empirical research has been conducted on the 3BL performance of corporations, as per the findings of Alhaddi (2015:9; Loviscek, 2020:6).

In the past, CSR disclosures predominantly lacked providing information regarding human resources, corporations' involvement in the community and consumer related disclosures since it focused on disclosing quantitative measures and environmental

impact (Ali *et al.*, 2017:275; Loviscek, 2020:7). Nonetheless, the lines or contexts of 3BL became the foundation of reporting on CSR and sustainability matters and sustainable development. The KING IV Code on Corporate Governance (2016:18) refers to these three lines as the triple context. Sustainable development is defined as adopting business practices that ensures that the needs of the current generation is met without compromising future generations' ability to meet their own needs (KING IV Code on Corporate Governance, 2016:18).

Since there was a need for disclosure practices that could be applied consistently around the world, The Global Reporting Initiative (GRI) gained prominence later on. In 1987, an inspirational goal of sustainable development was set out by the World Commission on Environmental and Development, describing the goals as development that is able to meet the needs of the current generation without placing future generations' ability to meet their own needs in danger (GRI, 2020). The GRI (2020) asserts that through the activities and relationships of all organisations they all make positive as well as negative contributions towards the goals of sustainable development. Therefore, organisations have a critical role to play in achieving this goal. As prompted by the GRI standards, sustainability reporting can be seen as an organisation's practice of reporting publicly on its environmental, economic and social impacts; hence the organisation's contributions are positive or negative towards the goal of sustainable development (GRI, 2020). By following this process, organisations can then identify the significant impact it makes on the economy, environment, and society and report on these according a standard accepted globally (GRI, 2020).

The purpose of the GRI was to provide a template that could be used for voluntary disclosure of CSR initiatives (Brown *et al.*, 2009:182). This was followed by the development of standards by the GRI international body, that provided guidance to corporations on how to comprehend, measure and report (or communicate) the impact that they had on the triple contexts set out in 3BL that could be used to provide more consistent disclosures around the world (GRI, 2012:1). The standards in existence in 2012 (GRI, 2012), were replaced by three universal standards coupled with 33 standards that addresses specific topics. A summary of the GRI standards, referred to as sustainability standards, are provided in Table 2.3 (GRI, 2020).

Table 2.3 – GRI standards

Standard	Short description
Universal standards	
GRI 101: Foundation	General background of sustainability reporting, overview of the GRI sustainability reporting standards and guidance on how to use the standards.
GRI 102: General Disclosures	Provides general disclosure <u>six</u> guidelines on the following: <ul style="list-style-type: none"> • Organizational profile • Corporate strategy – Including risk management • Ethics and integrity – corporation values, ethical mechanisms and so on • Governance – structures, roles, policies, remuneration, and so on • Stakeholder engagement – identification of and engagement with stakeholders • Reporting practices – including annual financial reports, auditors’ reports, and GRI content index
GRI 103: Management Approach	Guidelines on reporting management’s approach in terms of governance of the corporation.
Topic Specific Standards	
GRI 200: Economic	Seven economic performance measures and disclosure of: <ul style="list-style-type: none"> ▪ Economic value generated and allocated ▪ Financial implications due to climate change ▪ Employee benefit- and retirement plans ▪ Government assistance
GRI 300: Environmental	Eight standards on measurement and reporting of the usage, management and preservation of natural resources.

Standard	Short description
Universal standards	
GRI 400: Social	19 standards on all issues socially related that include labour relations practices, customer health and safety and customer privacy protection measures and disclosures.

Source: constructed by author from the GRI Standards (2020)

The latter standards have been written in such a manner that they can be utilised by any type of or size corporation (GRI, 2020). The GRI standards also create a common language for organisation's as well as stakeholders (who can be the board of directors, managers and employees, investors, shareholders, customers, suppliers, government, and the local community) with which the economic, environmental, and social impacts of corporation's can effectively be communicated and understood around the world (Ranganathaiah & Hopkins, 2005; GRI, 2020). In addition, these standards are designed to enhance the quality and global comparability of information on these impacts, thus enabling greater accountability and transparency of organisations.

Companies in South Africa are however not obligated to adopt the GRI reporting standards in terms of the Companies Act of South Africa (2008), yet JSE listed companies need to prepare an Integrated Report as prescribed in KING IV Report (2016) and stipulated in the JSE listing requirements (JSE, 2014:55). The KING IV Report prescribes the preparation of an Integrated Report (<IR>), and disclosure of the six capitals set out in the International Integrated Reporting Council's (IIRC) <IR> Framework (KING IV Report on Corporate Governance, 2016:3). The <IR> is a tool used to provide an enhanced reflection of a corporation's value creation for stakeholders over time (Vitolla *et al.*, 2019:1152). The quality of the <IR> by corporations who adopt the framework is yet to be explored by means of empirical research (Vitolla *et al.*, 2019:1152). The IIRC (2021:10) assert that the purpose of the <IR> is to serve as a communication tool that comprehensively describes how a corporation's strategy, governance, performance, and prospects within the corporation's external environment context created (or preserved) or dismantled value over the short-, medium- and long term. Six capitals are listed in the <IR> Framework,

which corporations should use to report on their value creation in order to provide the users of the report a better understanding of how the corporation utilised and allocated scarce resources to create value (IIRC, 2021:19). Table 2.4 provides a brief summary of the six capitals' reporting requirements.

Table 2.4 – Integrated Report Framework Six Capitals Summary

Capital	Description of matters disclosed
<i>Financial</i>	Reporting on the nature of the funding obtained by the corporation and how these were utilised in the provision of services or the production of goods.
<i>Manufactured</i>	Manufactured objects such as infrastructure, property, plant and equipment that are available to the corporation to use in the process of provision of services or production of goods, as well as manufactured objects created by the corporation.
<i>Intellectual</i>	Knowledge (including inherent systems, protocols and processes) and other intellectual property (for example software, patents, licenses, and so on), referred to as intangible assets, available to the corporation and how these were utilised in an innovative manner to provide services or produce goods and ultimately gain a competitive advantage.
<i>Human Capital</i>	The people in the corporation, their capabilities, competencies, experience and internal drive to innovate and invent. It also refers to how the corporation is governed by human capital, and how the people's skills, experience and capabilities aligned with the corporation's governance framework, policies, ethics and values codes.
<i>Social & Relationship</i>	The corporation's relationship with stakeholders that include communities in which the corporation trades, network groups, and so on. This also includes the shared values between the corporation and the stakeholders, the trust between the parties and the willingness of external stakeholders to engage with the corporation.

Capital	Description of matters disclosed
<i>Natural</i>	Natural resources, that include all renewable and non-renewable environmental resources, that were utilised (or key) in the manufacturing and core operational activities of the corporation and how these affect the current and future survival prospect of the corporation. It also includes the impact that the corporation had on these natural resources.

Source: constructed by author from the IIRC Council <IR> Framework (2021)

Calls for enhanced transparency continue to become more radical in the contemporary world and CSR disclosures are evolving. This is seen in that the European Union is driving the new environmental, social and governance (referred to as ESG) reporting directive (KING IV Report on Corporate Governance, 2016:5). The Governance dimension is added, and it indicates that in addition to reporting on CSR, that includes the triple context of environmental, society and economy, corporations have to report on their governance performance as well (Ferrero-Ferrero *et al.*, 2016:1; Xie, 2018:286; Whelan *et al.*, 2021:4). Ferrero-Ferrero *et al.* (2016:5) and Xie (2018:286-288) report that the following categories (to be disclosed) form part of the governance dimension:

- Corporate vision and strategy
- Board structure
- Functions of the board of directors
- Rights of shareholders
- Remuneration policy

It is believed that disclosure on the governance dimension has an even stronger impact on the corporate efficiency of corporations than the other dimensions, and it is extremely beneficial to the owners of corporations who appoint agents to operate their businesses on their behalf (Xie, 2018:286; Bermejo Climent *et al.*, 2021:2). The subsequent section explores theories of CSR and corporate perspective on CSR.

2.6 CSR through the perspective of theories and corporate approaches

The section explores CSR as a business approach. It explores CSR's philosophical theories and it also looks into international perspectives on CSR.

2.5.1 CSR as a business approach

Different perspective or approaches to CSR exist around the world (Rossouw & Van Vuuren, 2017; Carroll, 2021:2). These are depicted in theories or views on the matter. Fernando and Lawrence (2014) suggested that three theories exist that can be used as a theoretical framework for CSR. These theories are the legitimacy theory, the stakeholder theory, and the institutional theory. Frynas and Yamahaki (2016:258) on the other hand suggest that four theories related to CSR exist. These are the stakeholder theory, the resource-dependency theory, the resource-based view, and the agency theory (Frynas and Yamahaki, 2016:258). Spence (2016:23) asserts that apart from the stakeholder theory, Carrol's pyramid (described in chapter 1 of this study) can also be regarded as a core theory to define CSR perspectives. Ali *et al.* (2017:280) assert that all these theories also have an impact on the level of detail corporations disclose in relation to their CSR activities. The subsection that follows explore these theories.

2.5.2 CSR theories

It is accepted that CSR within a business context relates to the promotion of benefits for various stakeholders, the tackling of social and environmental issues, and finding a balance in terms of the creation of value within an environmental-, social and economic context (Noor & Sa'aban, 2015:167; Halkos & Nomikos, 2020:106). With consensus already reached about what CSR entails, doubt still exists since various philosophical orientations can be adopted by corporations when they incorporate CSR into their business strategies (Noor & Sa'aban, 2015:167). These philosophical orientations are theories of CSR. This section explores the legitimacy theory, stakeholder theory, institutional theory, agency theory, the resource-dependency theory, and the resource-based view and their relationships with CSR. The perspectives of corporations on CSR can be positioned within CSR theories and it is

also asserted that the theory adopted by the corporations have an impact on their disclosures in annual reports (Ali *et al.*, 2017).

2.5.2.1 The stakeholder theory of CSR

The stakeholder theory is commonly associated with Edward Freeman and dates back to 1984 (Fernando & Lawrence, 2014:157; Spence, 2016:24). The stakeholder theory gives consideration to the relationship between corporations and its stakeholders (Fernando & Lawrence, 2014:157; Spence, 2016:27; Freeman & Dmytriyev, 2017:9). This stakeholder theory is potentially the most influential theory that has impacted the way in which CSR is viewed and implemented in practice (Spence, 2016:27; Freeman & Dmytriyev, 2017:9). The stakeholder theory suggests that corporations should not only build relationships with and create value for the corporation and its shareholders, but corporations should also give equal consideration to all other stakeholders and create value for each of them since all stakeholders are equally important (Fernando & Lawrence, 2014:157; Spence, 2016:27; Freeman & Dmytriyev, 2017:9-10). It also stresses that it is core for corporations to incorporate the interest of society into its main operations (Freeman & Dmytriyev, 2017:10). CSR is then driven by relationships with specific stakeholders (Frynas & Yamahaki, 2016:264).

One of the key requirements of the stakeholder theory is for corporation to execute a detailed exercise to determine who its stakeholders are (Fernando & Lawrence, 2014:158; Freeman & Dmytriyev, 2017:10). These stakeholders can include employees, customers, suppliers, tax authorities, the surrounding natural environment, and so on. If a corporation adopts this theory, it is likely to strive towards creating value for all stakeholders because they deem various stakeholders to be as important as shareholders. Research conducted by Ali *et al.* (2017:276-280) on CSR disclosures in developing countries show that where companies adopt the stakeholder theory, they tend to have full CSR related (environmental, social and economic) disclosure in the annual reports.

The theory does not exist without critique. One of the major critiques is that stakeholders cannot all be regarded as equal since their contribution, interest, and the level of power they exert on corporations are not equal. It is believed that the

corporation would fail in its private economic mission by treating all stakeholders the same (Fernando & Lawrence, 2014:161; Rossouw & van Vuuren, 2017:88).

2.5.2.2 The legitimacy theory of CSR

Barkemeyer (2007:7), as well as Burlea and Popa (2013:1579), makes use of the definition of Suchman (1995) to define organisational legitimacy. It is defined as follows: *“legitimacy is a generalized perception or assumption that the actions of an entity is desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”*. This means that the corporation continuously attempts to operate within the norms and values set by society and that the terms that society has set (not only limited to norms set in terms of legislation), referred to as social contract, are not breached (Fernando & Lawrence, 2014:152). The aim with adopting this theory in CSR is for corporations to justify themselves by way of self-initiation of voluntary CSR economic and social activities in an effort to prevent sanctions from society, or for certain things to become a legal requirement that might negatively impact the corporation (Burlea & Popa, 2013:1579). However, the corporation deliberately identifies influential stakeholders in an effort to convince those stakeholders that they are addressing their needs and their socially constructed expectations (Dube & Maroun, 2017:24).

These corporations seek to gain legitimacy from its primary stakeholders in an attempt to prevent any sanctions against the corporation (Barkemeyer, 2007:7). They will also attempt to align the societal objectives to that of the corporation (Frynas & Yamahaki, 2016:264). The legitimacy theory further suggests that the continued existence of corporations depend on the legitimisation processes and compliance with the legal terms that society has set (Burlea & Popa, 2013:1580; Fernando & Lawrence, 2014:152). This theory acknowledges that corporations cannot exist or function without society as a whole (Fernando & Lawrence, 2014:152).

Corporations who adopt the legitimacy theory in terms of CSR are more likely to include voluntary disclosures on the impact that the corporation had on society and the environment in order to fulfil what is referred to as their social contract or obligation towards society (Burlea & Popa, 2013:1579). However, they are also likely to only

report on positive actions of the corporation and omit anything that might be perceived as negative (Fernando & Lawrence, 2014:154). Research conducted by Ali *et al.* (2017:276-280) show that companies who adopt the legitimacy theory are less likely to include full disclosure on CSR and generally reports on the impact the corporation had on the environment. According to de Grosbois (2016:249), disclosure of CSR by corporations who adopt the legitimacy theory is part of strategic reasons to enhance the corporate image of the corporation.

Some critique against the legitimacy theory from the CSR perspective is that corporations who adopt the theory try to divert attention from anything that could negatively impact them. These corporations tend to try to change the perceptions of stakeholders by aggressively attempting to gain sympathy, and they tend to deny the existence of problems all in an effort to maintain legitimacy (Dube & Maroun, 2017:25).

2.5.2.3 The institutional theory of CSR

De Grosbois (2016:251) asserts that the institutional theory stresses that corporations are open systems that are vigorously influenced by the institutional environment that they are subject to, as well as regulations, accepted norms and any beliefs constructed by society that has a significant influence over the corporate strategy of the corporation. That signifies that regulatory pressure has an impact on a corporation's actions (Nair & Bhattacharyya, 2018:1). In terms of the institutional theory, it is also believed that the institutional pressure results in a lack of independence and in homogenous characteristics for corporations who trade within the same social framework (Fernando & Lawrence, 2014:162; Nair & Bhattacharyya, 2019:2). Corporations will therefore respond to pressures to incorporate CSR into their business strategies and to adopt structures that are perceived as socially accepted, and as appropriate behaviour (Fernando & Lawrence, 2014:164). When management determines CSR initiatives that they will execute on behalf of corporations, they strive to conform with regulatory and legal requirements as well as social norms (Fernando & Lawrence, 2014:164). It is expected in terms of the institutional theory that corporations who trade within the same industry will likely have a similar attitude or behaviour towards CSR (Nair & Bhattacharyya, 2019:2).

The research conducted by Ali *et al.* (2017:276-280) also show that corporations who adopt the institutional theory perspective on CSR often provide full disclosure of CSR. That is because these corporations adhere to regulations that encourage the disclosure of CSR practices. Critique against the institutional theory include that if there is no institutional, regulatory or social pressure to execute CSR activities, corporations will not feel urged to engage in CSR or adopt CSR as part of their business strategy (de Grosbois, 2016:251).

2.5.2.4 The agency theory of CSR

From an economic point of view, the agency theory describes that managers of a corporation act as agents of owners of the corporation (referred to as the principals) (Frynas & Yamahaki, 2016:264; Calvo & Calvo, 2018:1223). The principal(s) delegate their power to the agents who are tasked to execute work on behalf of them (Calvo & Calvo, 2018:1223). A problem that exists though is that the interests, preferences and goals of the agents are not always aligned with the principals', and that needs to be managed in order to find common grounds and the processes that need to be put in place comes at a cost to the principals (Li *et al.*, 2016:612; Vitolla *et al.*, 2019:1153).

From a CSR perspective, the agency theory implies that the view of Milton Friedman (1997) that state that when managers engage in CSR activities, they act beyond their mandate and with selfish intention to enhance their own reputation at the cost of the corporation, is true (Li *et al.*, 2016:612). CSR is hence driven by misaligned objectives between the owners of corporations and management (Frynas & Yamahaki, 2016:264). This theory also suggest that management does initiate CSR activities on behalf of corporations (Li *et al.*, 2016:612; Ali *et al.*, 2017:276). And the research of Ali *et al.* (2017) on CSR disclosure, conclude that corporations, where the agency theory applies in terms of CSR, does provide full disclosure. This makes sense since the agency theory implies that management engages in CSR activities and wants to publicly disclose these in an effort to enhance their personal public image (Vitolla *et al.*, 2019:1153).

Research conducted by Ali *et al.* (2016:612) assert that in some instances, top management of corporation can have a negative impact on the investment in CSR

activities. Another critique against the agency theory in CSR is that the theory only provides a partial explanation as to why corporations engage in CSR and that this theory should rather be considered cooperatively with other theories (Frynas & Yamahaki, 2016:272).

2.5.2.5 The resource-dependency theory of CSR

The general notion of the resource-dependency theory is that a corporation's existence depends on its surroundings and access to core resources from external parties. Corporations are therefore obliged to tend to the demands of their surrounding environment and stakeholders who provide key resources to the corporation (Frynas & Yamahaki, 2016:264). Resources include financial resources, human capital, technical resources, infrastructure and so on (Adomako & Nguyen, 2020:2669; Chen *et al.*, 2021:3). The resource-dependency theory in CSR explains that corporations are dependent on (critical) resources, in particular those provided by other corporations, in order for them to undertake CSR initiatives (Frynas & Yamahaki, 2016:264; Adomako & Nguyen, 2020:2668-2669). The theory is closely related to the legitimacy theory (Heath & Waymer, 2017:200). The theory states that if a corporation's business activities are combined with charitable activities, resources available to the corporation has the potential to increase and these increased resources can be used to legitimise the corporation even further (Heath & Waymer, 2017:200; Chen *et al.*, 2020:3). Similar disclosure practices as to that of the legitimacy theory will also be adopted (Ali *et al.*, 2016).

Undertaking CSR initiatives are important in the resource-dependency theory; hence corporations would go to the extent of collaborating with other corporations to execute CSR activities (Adomako & Nguyen, 2020:2669). The latter is specifically true in developing countries where financial resources are said to be more scarce than in developed countries (Adomako & Nguyen, 2020:2669). If a corporation therefore depends less on external resources, the corporation is expected to engage in less CSR activities (Chen *et al.*, 2020:3).

Chen *et al.* (2021:5) assert that main critique against the resource-dependency theory in relation to CSR is that if a corporation has sufficient internal resources (especially

financial resources), it will be less dependent on external resources and less likely to engage in CSR activities.

2.5.2.6 Resource-based view (RBV) and CSR

RBV examines what resources and capabilities a corporation possesses that would enable the corporation to gain a competitive advantage or to sustain its existence (Frynas & Yamahaki, 2016:269; Nair & Bhattacharyya, 2019:1). This competitive advantage is gained through the acquiring and deployment of resources that will assist in enabling the corporation to become more independent and less homogenous (Frynas & Yamahaki, 2016:269; Nair & Bhattacharyya, 2019:1). These resources and capabilities will become some sort of leverage that the corporation has in the market (Campbell & Park, 2017:303). When corporations who adopt the RBV stance engage in CSR activities, these actions will take the form of initiatives that are engaged with specialised capabilities (or skills) and will be used to gain a competitive advantage (Frynas & Yamahaki, 2016:264). In addition, the CSR performance are dependent on the unique (non-market) resources and capabilities that the corporation possesses (Frynas & Yamahaki, 2016:264). These are internal resources, as appose to external resources as per the resource-dependency theory.

CSR disclosure practices, in terms of RBV, is part of a strategy corporations use to gain a competitive advantage (de Grosbois, 2016:249) and hence full disclosure of CSR activities are expected (Ali *et al.*, 2017:276-280).

A critique against RBV is that CSR initiatives are engaged in as a means to gain a competitive advantage, and resources and capabilities will not be utilised on initiatives where no corporate enhanced economic benefits can be gained (Frynas & Yamahaki, 2016:269).

In conclusion, the Diagram 2.1 below captures the main concepts of each theory, their disclosure practices and main criticism.

Diagram 2.1 – Differentiation between prominent CSR theories

	Stakeholder theory	Legitimacy theory	Institutional theory	Agency theory	Resource-dependency theory	Resource-based view
Main CSR concept	Corporation treat all stakeholders as equal and CSR initiatives create value for all stakeholders	CSR initiatives are executed to prevent sanctions against the corporation and influential stakeholders are identified in attempt to address their needs and socially constructed expectations	CSR initiatives are executed in response to institutional or regulatory pressure to adopt structures and behaviour that are socially accepted and appropriate	Managers engage in CSR initiatives on behalf of corporations, however to enhance their own reputation or image	Participation in CSR initiatives depends on the level at which the corporation is dependent on external resources since corporations tend to the needs of stakeholders to compensate for core resources they make available to the corporation	CSR initiatives undertaken are unique to a corporation and often take the form of engaged-specialised capabilities and -skills and are used to gain a competitive advantage
External reporting disclosure practices	Full disclosure	Disclosure emphasises positive actions, omits information that might damage corporate image	Full disclosure in an effort to adhere to regulations	Full disclosure	Disclosure emphasises positive actions, omits information that might damage corporate image	Full disclosure as part of strategy to gain competitive advantage
Main criticism	<ul style="list-style-type: none"> - Stakeholder level of interest & power on corporations differ, hence stakeholders should not be treated equal - Corporation fails private economic mission 	<ul style="list-style-type: none"> - Attention is diverted from anything that could negatively impact the corporate image - Aggressive attempts to gain sympathy - Denies existence of problems 	<ul style="list-style-type: none"> - No institutional, regulatory or social pressure, no urge to incorporate CSR in business strategy 	<ul style="list-style-type: none"> - Top management can have a negative impact on investment in CSR initiatives 	<ul style="list-style-type: none"> - The less dependent a corporation is on external resources, the less CSR initiatives they will engage in 	<ul style="list-style-type: none"> - Resources and capabilities will not be utilised on initiatives where no corporate enhanced economic benefits can be gained

2.5.3 Forms of CSR

The following forms or types of CSR describes the rationale behind the execution of CSR or the adoption of a specific CSR theory by a corporation.

2.5.3.1 Strategic CSR

Strategic CSR describes that the motivation or intention of the adoption of CSR approach or decisions made in terms of CSR initiatives is driven by the corporation's strategy (Crotty & Holt, 2021:981). This signifies that the corporation's or the management's values and culture have an impact on the strategic decisions made on behalf of the corporation, in so far it relates to CSR initiatives and the reporting thereof (Alshbili & Elamer, 2020:21). If the strategic CSR approach is adopted, CSR initiatives and CSR disclosure practices of a corporation will be aligned to the strategy and operational activities of the corporation (Li *et al.*, 2021:1). When CSR initiatives and the CSR reporting strategies are selected, significant consideration is given to the stakeholders of the corporation in order to ensure that their needs are addressed through the process (Li *et al.*, 2021:2). It is also important that the corporation itself benefits from the CSR initiatives executed and that the corporation gains a competitive advantage when these initiatives are executed (Li *et al.*, 2021:2). Crotty and Holt (2021:982) suggest that strategic CSR can be used to camouflage negative performance and other matters that could have a bad impact on the image of the corporation. Strategic CSR therefore shares characteristics of the legitimacy, resourced-dependency and resource-based view theories of CSR.

2.5.3.2 Ethical CSR

Ethical CSR suggest that ethical leadership has an impact on the CSR strategy and reporting practices adopted by a corporation (Li *et al.* 2021:4). The KING IV Report on Corporate Governance in South Africa (2016:20) links ethical leadership to corporate citizenship, sustainable development and adopting an approach of stakeholder inclusivity. That signifies that ethical CSR stretches far beyond strategic CSR and ethical CSR is rooted in creating sustainable growth for all stakeholders. The concept of ethical CSR gained attention in light of ongoing corporate scandals that also

involved fraudulent financial reporting and a lack of transparency (Rossi *et al.*, 2021:2). Ethical CSR is characterised by ethical behaviour (Rossi *et al.*, 2021:3). An action or decision is ethical in terms of the ethics triangle if it is good for self (the corporation) and good for others (stakeholders) (Rossouw & Van Vuuren, 2018:4-5). Often, corporations that adopt the ethical approach to CSR will develop ethical standards according to Rossi *et al.* (2021:4). Carroll (2021:6) suggest that in developing countries, CSR is more driven by the legal infrastructure than the ethical dimension of CSR. Ethical CSR therefore shares a lot of characteristics with the stakeholder theory of CSR. However, ethical CSR considers the view of Kenneth Goodpastor (Goodpastor, 1991:143) that CSR should be executed without sacrificing the private economic mission of the corporation.

2.5.3.3 Altruistic CSR

When the altruistic approach to CSR is adopted, management strives for the corporation to be seen as a good corporate citizen (García-Sánchez & García-Sánchez, 2020:4). CSR is executed regardless of whether the corporation economically benefits or not (García-Sánchez & García-Sánchez, 2020:5; Li *et al.*, 2021:4). The CSR initiatives are executed to benefit society and the environment, or the corporation strives to perform their operations in a manner that will prevent potential harm to society or the environment (García-Sánchez & García-Sánchez, 2020:5). Altruistic CSR shares characteristics with the stakeholder theory of CSR.

2.5.3.4 Coercive CSR

In terms of the coercive approach to CSR, a high level of engagement from policy makers is present through the development of sustainably based guidelines, rules and recommended practices (Alshbili & Elamer, 2020:4; Caputo *et al.*, 2020:22). CSR is driven by policy makers through the implementation of a system that rewards corporations who take part in CSR initiatives and penalizes corporations who do not (Caputo *et al.*, 2020:22). According to Alshbili and Elamer (2020:4), coercive pressure from policy makers have a direct impact on the level and depth of CSR initiatives executed by corporations Caputo *et al.* (2020:23) suggest that this approach to CSR can be highly effective to get corporations to take part in CSR, however, limited

engagement or support from corporations affected can be expected. The regulatory framework of a country will therefore have an impact on whether coercive CSR is present or not. Coercive CSR share characteristics with the Institutional theory of CSR.

2.5.3.5 Form of CSR adopted by South African JSE listed companies

Companies listed on the JSE are obligated to adopt the recommended practices prescribed by the KING IV Report on Corporate Governance in South Africa (2016). The Report prescribes corporate citizenship and sustainable development (KING IV Report, 2016:20), which recommends the inclusion of CSR in the overall strategy of corporations. Due to the aforementioned, the researcher is of the view that CSR adopted by South African JSE listed companies is driven by strategic CSR and coercive CSR.

2.5.4 Corporate perspectives on CSR

Researchers (Visser, 2011; Carroll, 2016) categorise the perspectives of corporations on CSR based on the view they have in terms of implementation of CSR. These stances represent their perspectives on CSR.

Sprinkle and Maines (2010:446) used the term corporate sustainability to describe the stance that a corporation can take on CSR. Corporate sustainability, according Sprinkle and Maines (2010:466), focuses on long-term shareholder value in nine areas by incorporating principles such as ethics, governance, financial return, community involvement, transparency, business relationships, environmental protection, product value and employment practices. In contrast to this, according to the stakeholder theory, the stakeholder view implies that corporations have a social responsibility that compels them to reflect on the interest of all parties affected by their operations and decision-making (Branco and Rodrigues, 2007:6).

The perspectives of Johnson *et al.* (2007) on CSR is quite popular in modern society (ACCA, 2019:40). Johnson *et al.* categorise corporations' adopted CSR approach into four ethical stances. According to Johnson *et al.* the following are four ethical positions a company can take in terms of CSR:

- Short-term shareholder interest - in other words, it depends on if governments impose constraints on governance, for example, laws. Other than that, there is no obligation to go any further. This means that companies are there only to make profits, pay their taxes, and create job opportunities in order to comply with the law and nothing more. Companies in this stance rely strongly on controls and objectives that are set out to achieve the main aim and it is unlikely that they will respond to outside pressure. Examples of companies who would fall in this stance of Johnson would be large multinational companies quoted on many different stock exchanges.
- Long-term shareholder interest - The image of the corporate world here may be heightened by an assumption of wider responsibilities. What may prevent a build-up of social and political pressure for legal regulation here is the exercise of corporate power. An approach such as this is quite pragmatic as it acknowledges that the pursuit of profit, over the long term will not maintain shareholder wealth. Organisation such as this are merely led by individuals who are supportive and who encourage best practice to respond to outside pressure and to engage with its stakeholders. Groceries stores and retailers with a strong focus on consumers are examples of companies that would be under this stance.
- Multiple stakeholder obligations - An organisation would not be able to function if groups such as the suppliers, the employers, and the customers are not recognised, unless the organisation accepts the legitimacy of stakeholders and their claims. Here the board uses the stakeholders' view to follow strategies that strive towards pure profit generation. The public sector organisations, those operating in the arts, and the educational establishments are examples of this this stance.
- Shaper of society - Even though it is acknowledged that such a role is largely preserve of public sector organisations, it is motivated enough for every organisation to at least attempt to follow. Shaper of society requires that visionary leadership working together with other organisations pursue an agenda of social and market change. Be in support of individual responsibility that gets taken across the organisation in order to achieve this. It is however still debatable if such organisations really exist, even though some of these traits may be present,

such as supportive management styles, visionary leadership and having a desire for social change.

These four ethical approaches can be utilised as the benchmark or categorise a corporation's perspective on CSR, namely, based on the business approach the organisation adopts. They can be categorised as either having a short-term stakeholder interest stance, a long-term stakeholder interest approach, a multiple stakeholder obligation approach or a shaper of society approach.

The concept of CSR has been relatively well documented in developed countries. There is, however, a need to better understand the concept CSR, of its form and peculiarities, in developing countries as well.

2.7 CSR within a developing country context

Earlier and contemporary research conducted has shown that there has been far more research done in developed than in developing countries on the concept of CSR (Dobers & Halme, 2009:3; Jamali & Karam, 2018:32). Dobers and Halme (2007:3) assert that CSR is more pronounced in developed countries as there are gaps in governance and social provision; in other words, in developing countries, constituencies and institutions providing social goods are, in general, less than in developed or wealthier countries. A more recent study done by Jamali *et al.* (2017:2) show that the various CSR initiatives that have materialised over the recent years, especially in Western countries, have not been at the same intensity in the context of developing countries.

Ngoepe-Ntsoane (2018: 421) state that CSR around the world has the same meaning, however, differences in the definition of CSR exists between developing and developed countries due to a difference in the lenses through which the concept is viewed. Jamali and Karam (2018:32) state that when one takes a deeper look into national systems in developing countries and take these into consideration, CSR might be differently defined or expressed. The geopolitical, cultural, political, governance, ethical values, and societal values of developing countries differ from that of developed countries (Jamali & Karam, 2018:35; Ali & Kaur, 2021:2). Ngoepe-Ntsoane (2018:421)

believe that if one considers the social, legal, business contexts, ethical views, and the economic perspectives of countries, the definition of CSR expands. As mentioned earlier, CSR can be defined as "*the commitment of business to managing and improving the economic, environmental and social implications of its activities at the firm, local, regional and global levels*" (Naidoo *et al.*, 2018:377). CSR in developing countries is expected to be executed as a means of complimenting efforts made by governments to fulfil the needs of citizens (Inekwe *et al.*, 2020:228). Ngoepe-Ntsoane (2018:421) suggest that empowerment of citizens should be added to the definition when considering the concept of CSR within a developing country context. The views of Ngoepe-Ntsoane (2018:421) and Inekwe *et al.* (2020:228) suggest that the shaper of society stance of Johnson *et al.* (2007) extends the view on CSR as defined by Crane and Matten, and should be adopted within a developing country context. Crane & Matten (2008:30-31) defined CSR through three views on CSR. The first view on CSR defined CSR in a similar manner as the short-term shareholder interest of Johnson *et al.* and names it the limited view of corporate citizenship. The second view, referred to as the equivalent view on corporate citizenship defines CSR in the same manner as the accepted definition of CSR (Crane & Matten 2008:29) as described by Naidoo *et al.* (2018:377). In terms of the extended view on corporate citizenship, in addition to adopting a business strategy equivalent to the one described by Naidoo *et al.* (2018), CSR by corporations also promote (Crane & Matten, 2008:30-31):

- The social rights of the citizens of a country.
- The civil rights of citizens through placing pressure on government to do so.
- Using the power of the corporation to act as a political figure that allows citizens to promote their cause.
- Surpassing the role of government by meeting the needs of citizens where government does not fulfil or has failed to do so.

It is believed that CSR is no longer optional within an African context, especially in South Africa (Ngoepe-Ntsoane, 2018:419). There is no doubt about the fact that there is much more research being done on CSR in developed than in developing countries (Dobers & Halme, 2009:3; Inekwe *et al.*, 2020:227).

In a study that was done by Dartey-Baah and Amponsah-Tawiah (2011:130), they examined the difference between CSR in Africa and CSR in the west, and found various drivers for CSR in developing countries, such as the countries in Africa. Even though these drivers are not all unique to developing countries, a distinctive picture of these drivers can be build up together with how CSR is incentivised, perceived and practiced (Dartey-Baah & Amponsah-Tawiah, 2011:130-131). Discussed below is a brief summary of the seven drivers in no particular order:

- *Government gaps* - The governance gaps are often seen as the way that CSR has to fill the gaps which are left by weak governance, corrupt governments, or even under-resourced governments who continually fail to provide satisfactory basic services.
- *Political reform* - CSR cannot be separated from the socio-political reform process that often drives a corporation's behaviour towards the integration of social and ethical issues in developing countries.
- *Cultural tradition* - While it is believed by many that CSR is a Western intervention, enough evidence has also come forth that suggest that CSR in developing countries draws strongly on business ethics, indigenous cultural traditions of philanthropy, as well as community embeddedness. From an African context, it is proposed that CSR is framed by socio-cultural influences such as charitable traditions, communalism and ethnic religious beliefs. Since the shift of orientation took place in governments, there has been an outreach to organisations to take on social programs as government alone could not handle the societal problems.
- *Socio-economic priorities* - It has been argued that CSR is specifically aimed at addressing the socio-economic development challenges of the developing countries which includes provision of health-care, education, reduction of poverty and developing infrastructure, which is in contrast to the Western countries' CSR who priorities factors such as climate change, consumer protection, green marketing, fair trade and socially responsible investments or spending.
- *Market access* - The concept CSR is however also sometimes used to create a partnership approach, or for the development of new markets.

- *Stakeholder activism* - The four stakeholder groups who have emerged as the most powerful activists for CSR in developing countries are the development agencies, trade unions, International NGOs, and business associations. These activists provide critical support towards local non-government organisations, that are not adequately resourced or developed enough to advocate towards CSR.
- *International standardisation* - CSR is often driven by standardisation which is enforced by multinationals who strive to achieve consistency among its subsidiaries on a global scale in developing countries. However, the profile of their CSR tends to echo the profile of the country in which they trade.

Thanh and Podruzsik (2018:291) state that another big difference in perspectives on CSR in developing countries, compared to developed countries, is that corporations in developing countries receive less pressure to report on their CSR performance. There is also less institutional pressure and legal frameworks that enforce the participation in CSR in developing countries (Thanh & Podruzsik, 2018:291; Jamali & Karam, 2018:37).

Research conducted on the concept of CSR within developing countries suggest that CSR practice in the African continent is predominantly focused on philanthropic or charitable initiatives (Hamidu *et al.*, 2016:697; Inekwe *et al.*, 2020:227; Kvasničková Stanislavská *et al.*, 2020:6). The corporations in African countries are however trying to increase their profitability by creating a positive image, partnering up with governments to gain access to extended benefits, however, very little or no attempt has been made to engage with stakeholder's and management (Hamidu *et al.*, 2016:697). The issue regarding the regulation of CSR is not fully established due to governmental departments that are not functioning properly or functioning inefficiently (Hamidu *et al.*, 2016:697;). Some affluent individuals in African countries are also of the view that the traditional values like Ubuntu in South Africa, influences CSR activities (Hamidu *et al.*, 2016:697). The achievement of sustainable development and strategic/instrumental CSR is currently not a priority for many corporations and only a few multinational corporations are engaging in it, in an effort to maintain their image and consistency of a service that is provided wherever these corporations trade

(Hamidu *et al.*, 2016:697). In conclusion this means that CSR in Africa and other developing countries around the world predominantly mirrors what Western countries does in response to local pressures (Hamidu *et al.*, 2016:697). Jamali and Karam (2018:45) suggest that CSR activities in developing countries should be tailored to the local needs and expectations of society and relevant stakeholders in order for it to be effective.

According to Idemudia (2011:2), CSR has inadvertently taken attention away from dealing with or addressing the real economic, political, and social problems that people in developing countries face. Lund-Thomsen *et al.* (2014) found that among the key barriers in developing countries is the willingness of governments to enforce their own labour and environmental laws in the event that governments implement joint-action CSR initiatives.

Jamali and Karam (2018:32) assert that within developing countries, CSR is less formalised, and often only takes the form of philanthropy (charitable activities). The latter notion is supported by Ngoepe-Ntsoane (2018:419) who calls for laws to be passed to make the adoption of CSR strategy compulsory in developing countries. Inekwe *et al.* (2020:227) assert that CSR stretches far beyond philanthropy. One of Visser's (2011) key arguments that is still relevant in contemporary society (ACCA, 2019), which formed part of critique against the existing CSR era in the call for more responsible CSR, is that CSR activities appear to take a philanthropic perspective, and more is needed to make a real difference, not only in the direct community of the corporation but also on a national and international level.

In developing countries, more than developed countries, CSR is regarded as a fundamental factor that is important for sustainable economic growth and it enhances good corporate governance (Van Thanh & Podruzsik, 2018:12-13; Inekwe *et al.* 2020:226). Ngoepe-Ntsoane (2018:419) states that CSR in a developing country context plays a pivotal role in uplifting communities and alleviating some of the socio-economic challenges faced in these countries. Even though CSR is so important for developing countries, it is often found that developing countries are encumbered by corruption and group interest (Van Thanh & Podruzsik, 2018:12-13; Inekwe *et al.* 2020:226). Hence, Ngoepe-Ntsoane (2018:419) asserts that within a developing

country context, the integration of CSR into business operations is fundamental in the process of the restoration of humanity and goes on to suggest that adopting a CSR business approach should be made a legal requirement. Kabir *et al.* (2015:284) summarised the following South African laws as CSR-related laws:

- BBBEE Act 53 of 2003
- Employment Equity Act 55 of 1998
- Occupational Health and Safety Act 85 of 1993
- Labour Relations Act 66 of 1995
- Skills Development Act 97 of 1998
- Mine Health and Safety Act 29 of 1996
- Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000
- Promotion of Access to Information Act 2 of 2000
- Mineral and Petroleum Resources Development Act 28 of 2002
- National Water Act 36 of 1998

Eight of the aforementioned laws are labour practice related and the remaining two relates to the environment. When one considers the JSE Socially Responsible Investment Index pillars (that mimic the triple bottom line context) (JSE, 2021), other laws such as consumer related, personal information protection and anti-corruption laws can also be added to the list prepared by Kabir *et al.* (2015:284).

In conclusion, in an ideal world, taking into account all the aforementioned, CSR within a developing country can therefore be defined as a business strategy adopted by corporations that not only aims to create value for shareholders and internal stakeholders, but also to create value for the society, the economy and the environment. In addition, CSR also indicates that corporations will promote the social, civil and political rights of citizens and meet the needs of citizens in a manner equal to or exceeding the role of government.

2.8 Critical success factors for CSR

Zahidy *et al.* (2019:5) assert that consideration should be given to factors that are required for the implementation and execution of a corporation's CSR strategy to be

successful. The review of literature (Fuzi *et al.*, 2015; Ahmadi & Khosrowpour, 2017; Asiaei & Bontis, 2019; Zahidy *et al.*, 2019) reveals that certain factors need to be in place in a corporation in order for CSR at corporation level to be successful. The following provides a summary of the factors identified from the literature:

- A CSR strategy and execution plan needs to be in place.
- Management (especially top management) has to support and be involved in the process of establishing and the implementation of the corporation's CSR strategy.
- The management of a corporation must have an in-depth knowledge and understanding of relevant laws and regulations related to CSR and reporting thereon.
- Employees have to be educated and trained on CSR and kept up to date with what these CSR related matters and legal and regulatory requirements are.
- Employee involvement is critical.
- CSR related skills and experience by employees and management.
- Resources, that include financial and human capital, are important.
- Financial success of a corporations is crucial as it will affect the availability of resources to implement and execute a CSR strategy.
- The participation of, and interaction with key stakeholders in the process of implementing and executing a CSR strategy.
- Monitoring of CSR strategy implementation outcomes and the communication or reporting thereof.
- The economic growth of the national economy of the country within which the corporation trades.

The following section, section 2.8, explores factors that drive CSR as contained in literature.

2.9 Factors that drive CSR

Critical factors that motivate the execution of CSR activities include pressure experienced from within the corporation as well as externally (Halkos & Nomikos,

2020:107). These include social and political pressures (Halkos & Nomikos, 2020:107). The following factors are said to be some of the driving forces behind global CSR initiative executions:

- Corporation size and profitability – Corporations with lower profitability levels are less likely to take part in voluntary CSR initiatives. Corporations partake in environmentally friendly initiatives if there is a benefit of cost reduction for the corporation.
- Laws and regulations
- Stock exchange listing requirements
- Desire to achieve a competitive advantage through enhancing corporate image
- Change in global trends on reporting requirements – corporation takes part in CSR initiatives in order to have something to include as part of reporting CSR requirements.

Sources: Noronha *et al.* (2013); Abad-Segura *et al.* (2019:2); Halkos & Nomikos (2020:107)

Participation in CSR initiatives in South Africa is said to be driven by factors that include public policies, code of good practice, JSE listing requirements, trade unions, BBBEE legislation, societal demands, and the media (Malm, 2012:3; Demetriades & Auret, 2014:1; Kabir *et al.*, 2015:284). What extends the corporate obligations is the practice of CSR which has to include manifold stakeholders such as the community, the natural environment and employees, as well as the outcomes of policies and programs that concentrate on those relationships (Dawkins & Ngunjiri, 2008:287). According to Dawkins and Ngunjiri (2008:287) South Africa, which has the 10th largest stock market in Africa and an emerging economy, is seen as the wealthiest and most economically developed country in Africa. Subsequently, South Africa is seen as the bellwether economy for the southern part of Africa, and is also a good barometer of its economic prospects (Dawkins & Ngunjiri, 2008:287). According to Skinner and Mersham (2008:114) much of the ongoing developments of CSR on the African continent is mainly owed to the developments and advancement of CSR in South Africa. Postma (2011:3) did a study that looked at the Netherlands and South Africa to see how these countries regarded CSR and the findings showed that both countries regarded CSR as being important. However, there were differences on the focus

points, but corporate accountability and transparency are, just as sustainable development, underlined by both countries. Both the Netherlands and South Africa referred to the Global Reporting Initiative (GRI) as guidelines for transparent reporting. Postma (2011:3) found that in South Africa, sustainability is rather encouraged through socio-economic development, and investing in historically disadvantaged individuals by way of creating access to the country's economy.

It was during the 1970s and 1980s that South Africa was seen as one of the monitoring and evaluation systems which was known as the Sullivan Principles (Skinner & Mersham, 2016:111). This was seen as the forerunner of the CSR systems, which has emerged since then, such as the Global Reporting Initiative and many others that followed (Skinner & Mersham, 2016:111).

Malm (2012:11) is of the view that in South Africa, there is a vast variety of CSR models but yet inadequate literature on the process, monitoring, evaluation, design and implementation of these CSR initiatives and strategies. However, Demetriades and Auret (2014:1) are of the view that in South Africa, social responsibility and sustainability has been driven to the forefront of the essence of corporations that operate locally, as a result of the KING reports on corporate governance as well as the listing requirements of the Johannesburg Stock Exchange (JSE). As mentioned in section 2.6., JSE listed companies are required to report on the six capitals of <IR> as part of the requirements of the KING IV Report on Corporate Governance. These initiatives have however, also impressed on the local corporations the need for some form of sustainability, or socially responsible actions, and as a consequence have increased the awareness of the investment community and other local corporations (Demetriades & Auret, 2014:1). The study of Demetriades and Auret (2014) aimed to determine the link between firm performance and CSR.

Kabir *et al.*, (2015:281) assert that due to the substantial socio-economic challenges that South Africa is facing, there is still a huge gap between the rich and the poor in South African society, even after democracy was achieved in 1994. South Africa is regarded to be the world's most unequal society with a Gini co-efficient of 0.65 and an income inequality of 74.2% (STATSSA, 2020). This resulted in CSR, which became an important issue to the South African economy and the public at large to address

the socio-economic challenges and problems of the country. According to Kabir *et al.*, (2015:284) there are seven different CSR drivers in South Africa:

- *The JSE* - which sets standards in the CSR sectors for companies that are listed.
- *Trade Unions* - which play a very important role with regards to job allocation, working conditions, labour law, HIV/AIDS medications distribution to employees, and employee benefits.
- *South African Government* - the direction of CSR is wide-ranging, because CSR pressure on the South African corporations mainly stem from the political guidelines that is set out for these corporations. This is in light of the prominent role that the local government and South African politicians play in the development of society, the economy, and ecological environment through BEE. CSR involvement of companies is very positive as a result of that.
- *BBBEE* - The demands of the BBBEE comprises BBBEE companies to provide the historically disadvantaged groups of individuals' opportunities that relate to job allocation, access to equity ownership, as well as management positions in the companies.
- *South African civil society organisations* - which have an influence on voice regarding human rights, equal opportunities and environmental protection.
- *Customers* - whose views are also regarded as an important factor. Customers will rather buy the products of socially responsible companies.
- *The media/press* - which plays a key role in providing stakeholders avenues that they can use to place pressure on political structures.

The study of Kabir *et al.* (2015) is literature based. It is evident from the research that South Africa is one of the leading economies on the African continent and that CSR has become an integral part of business in South Africa, which plays a significant role in global economic affairs. Yet empirical research on factors that drive CSR in South Africa is still in demand (Tilt, 2016:1; Jamali & Karam, 2018:32). As mentioned in Chapter 1, section 1.2.5, studies on CSR in South Africa have focused on the impact of CSR on corporate performance. This study aims to explore the factors that drive CSR performance of Food and Drug Retail companies listed on the JSE. Factors that had an impact on successes and factors that hindered performance will be explored.

The first question that should be answered, is how CSR performance should be measured.

2.10 Indicators or measures used to evaluate CSR performance

CSR performance measures can be used to perform an objective assessment of CSR practices of a corporation and the extent at which it is practiced (Karabasevic, 2016:45). There is a general lack of consistent CSR measurement basis (Tsang *et al.*, 2020:1).

Pérez and del Bosque (2013) suggested in their research that the CSR performance of a corporation can be measured through measuring their CSR Image. What the latter implies is how customers and other individuals, such as shareholders and employees, view the corporation. Pérez and del Bosque (2013:269;274) went on to suggest that the CSR Image can be measured through research of the perceptions of individuals and to gather the information by way of surveys, interviews or content analysis. The dimensions used to determine the perceptions can include the four CSR pillars of Carrol (1979); the sustainable development theory of the UN which include triple context of 3BL; or Edward Freeman's (1984) Stakeholder Management Theory.

Vargas (2015) measured the CSR performance of Columbia, a developing country, and determined that the measurement basis should be CSR disclosures and the Ethic Rating linked to the disclosures. The ethics rating determined was derived from using the following four step methodology process (Vargas, 2015:95-97):

- i. Collecting information – annual reports and sustainability reports analysed based on the CSR criteria contained in ISO 26000.
- ii. Analysis of information within the seven categories of ISO 2600 – Governance, Human rights, Labour practices, Environmental, Fair Operating Practices, Consumer Issues, and Community Involvement and Development.
- iii. Determining the company's FTSE4GOOD Rating.
- iv. Making a classification and assigning an Ethical rating based on a weighted model analysis.

FTSE4GOOD was obtained from the stock exchange and the final step in the process of Vargas (2015) made use of the judgement of the researcher in order to determine the final rating.

Lee *et al.* (2016) investigated the relationship between the financial performance of a corporations and their environmental performance in Korea. Lee *et al.* (2015:44) measured environmental performance using the Korean ESG model results obtained from the Korean Corporate Governance Service. The Korean ESG model calculates a total environmental performance score that is based on the environmental strategy of the corporation; environmental organization, environmental management, environmental performance, and stakeholder correspondence (Lee *et al.*, 2015:44).

Tsang *et al.* (2020) performed a comparative analysis on CSR performance measures. Tsang *et al.* (2020:1) stated that performance ratings obtained from the KLD database on the five CSR performance measures can be used as the benchmark for CSR performance. The KLD (Kinder, Lydenberg, Domini Research & Analytics, Inc.) database ranks corporations based on 60 ESG performance dimensions that are categorised within seven themes (Tsang *et al.*, 2020:3-4). These are:

- i. Environmental
- ii. Employee relations
- iii. Product
- iv. Community
- v. Human rights
- vi. Diversity
- vii. Corporate governance

The JSE determines the Socially Responsible Investment Index (SRI Index) of companies listed on the stock exchange and has adopted the FTSE Russel ESG ratings process to benchmark the performance into two categories (JSE, 2021). These categories include Responsible Investment and Responsible Investment Top 30. The FTSE Russel ESG ratings measures a corporation's overall quality of management, using the following measurement scores:

Table 2.5 – FTSE Russel ESG ratings measurement themes

Pillar	Score measurement themes
Environmental	Biodiversity Water Security Pollution & Resources Climate Change Environmental Supply Chain
Social	Customer Responsibility Health & Safety Human Rights & Community Labour Standards Social Supply Chain
Governance	Anti-corruption Corporate Governance Risk Management Tax Transparency

Source: Arrived from JSE, 2020

What should be noted about the FTSE Russel ESG ratings measures, is that not all companies are exposed to all themes. If a company that is listed on the JSE, makes it to the Responsible Investment Index list, then it is an indication to promote corporate sustainability practices and integrate the triple bottom line context within their corporate strategy and strive towards good governance (JSE, 2020). These companies are listed on the JSE Responsible Investment Index (JSE, 2020). In 2021 for example, only 60 JSE listed companies made it to the latter list. The measurement themes are all based on non-financial information, which is more difficult to measure. Hence, what is often used to measure the performance, is the level at which the non-financial information is disclosed (Noronha *et al.*, 2013:32; Sampong, 2018:2).

Sampong (2018) examined the relationship between CSR disclosure and the performance of corporations in South Africa. Sampong (2018:7-8) used the number of GRI, G3.1 guideline for disclosure (75 guidelines) found in integrated reports to measure CSR disclosure performance. This was done through a content analysis of the integrated reports.

Another manner in which companies CSR performance can be measured is through determining its CSI investments or spending in amount and compare it with companies with a similar profile (Kabir *et al.*, 2015:286-287). This measurement is similar to the one proposed by Noronha *et al.* (2013) that stipulate that the CSR value creation of companies can be quantified by dividing the social contribution (CSI spending in rand) by the total number of shares of the corporation. Noronha *et al.* (2013:32) state that the amount for social investment includes income tax paid to tax authorities, salaries, interest on loans, investment in the community and on the environment, minus social cost due to the pollution of the environment. The latter ratio, referred to as the social contribution value per share, can then be compared year on year for the same corporation, or to that of companies with a similar profile. Noronha *et al.* (2013:32) suggests that the ratio can be adjusted for different kinds of companies, so that the denominator in the formula can be something else, that could include total net asset value, revenue, profit for the year and so on. Van Niekerk (2013:8) states that within a South Africa context, corporate social investment expenditure includes any costs incurred by a corporation in respect of community activities, and excludes costs incurred for commercial purposes.

2.11 Impact of the COVID-19 pandemic on CSR

Covid-19, that was been declared as a pandemic by the World Health Organisation (WHO) on 11 March 2020, has had significant dire impact on healthcare, global economies, as well as social and environmental challenges (Carroll, 2021:316). The Covid-19 pandemic has caused a decline in the market capitalisation of companies all around the world, especially those who had already been struggling financially before the pandemic emerged and small business have been affected the most (Qui *et al.*, 2021:1; Carroll, 2021:318). Many businesses have ceased to exist due to imposed lockdown restrictions that halted trade for large periods of time (Carroll, 2021:318).

In response to the pandemic, many corporations have invested substantial amounts of money in respect of employees, customers and communities within which they trade to help curb the spread of Covid-19 (Qui *et al.*, 2021:2; Asante Antwi *et al.*, 2021:29). In addition, an increase in charitable donations have been seen all around the world and focus has shifted on initiatives that support society and the economy (Bae *et al.*, 2021:1; Carroll, 2021:325). Nonetheless, Asante Antwi *et al.* (2021:29) state that the Covid-19 pandemic serves the greatest threat to CSR involvement of corporations all around the world due to the massive negative impact the pandemic has had on economies and viability of corporations all around the world, and governments around the world are scribbling for funds in order to reboot the economies of their countries. Asante Antwi *et al.* (2021:29) further state that because corporations are trying their best to at least pay salaries to their employees and fund the health and safety related costs to create safer work environments amid the pandemic, a decline in CSR related expenditure is expected. Within a South African context, the Covid-19 pandemic has led to a further decline in economic growth, and employment (Arndt *et al.*, 2020; Chitiga-Mabugu, 2021:82). The impact of the pandemic on the South African economy is said to still be unfolding (Chitiga-Mabugu, 2021:82). It is therefore expected that the pandemic would have had an impact on the CSR involvement of companies in South Africa, as suggested by Asante Antwi *et al.* (2021:29).

2.12 Conclusion

CSR has evolved over the years and in recent years' consensus has been reached as to what the concept entails. That is that corporations should execute their operations in such a manner that it not only creates value for its shareholders, but also within the triple context. The latter refers to the social, economic and environmental contexts within which the corporations operates. Corporations can also adopt different views or stances on CSR and the type of initiatives they get involved in as well as the level at which they disclose CSR related matters in annual reports are influenced by the views and perspectives adopted. These differences in perspectives can also be noted in theories on CSR. The KING IV Report on Corporate Governance (2016:4) in South Africa recommends a stakeholder inclusive approach be adopted by corporations. The KING IV Report recommends a shift from financial capitalism to what is referred to

inclusive capitalism, whereby the business model of a corporation positively contributes towards society and the environment to create value for all stakeholders in a sustainable manner. This suggests that the stakeholder theory of CSR is endorsed. However, one cannot ignore the critique against the stakeholder theory of CSR. The researcher is therefore of the view that the stakeholder theory appears to be the best practice prescribed and should be adopted by corporations. However, it should be adopted and executed in such a manner that the private economic mission of the corporation (to be financially sound) should not be compromised in the quest to create value for all stakeholders. The corporation will be of no good to society and the environment if it is no longer in existence.

Within a developing country context, it is believed that CSR should stretch far beyond how the matter is defined on an international level. It is expected that corporations meet or surpass the role of government in fulfilling the needs of society and uplifting civil and human rights. Corporations are also said to have an obligation to restore human dignity in developing countries as part of their CSR.

CSR reporting trends have evolved significantly, and South African companies listed on the JSE have adopted Integrated Reporting and are required to report on the six capitals. Factors that drive CSR in the country are yet to be empirically explored, which is one of the aims of this study.

There is currently no consensus as to how CSR performance can be measured. However, the clues in past research suggest that one can rely on the performance rankings of corporations in terms of ESG Indices, CSR disclosure and CSR investment in relation to the corporation's value, shares, and so on. This study is conducted within a South African context and focuses on JSE listed companies. The methodology of following indicators will be discussed in Chapter 3 and these will be used to measure the CSR performance of the companies selected for purpose of this study:

Performance measure	Description
FTSE Russel ESG ratings	Obtained from the JSE/FTSE SRI Index – determine if the selected companies made the index in the three years selected for the study and whether they were ranked in the top 30 or not.
<IR> Six Capitals Disclosure	Companies listed on the JSE adopts the KING IV Report that prescribes the <IR> for disclosure purposes. The six capitals should be disclosed. It should be determined in the three years selected for this study, how many of the six capitals were reported on. These will be compared in relation to other companies selected for purpose of this study.
Social contribution per ordinary share	The proposed formula of Noronha <i>et al.</i> (2013) will be applied whereby the sum of the social investment that includes income tax paid to tax authorities, salaries, interest on loans, investment in the community and on the environment, minus social cost due to pollution of environment is divided by the total number of ordinary shares. The ratio will be calculated for the three years selected for this study, compared year on year and also compared to the selected companies in relation to each other.

The information required for the aforementioned will be obtained through a content analysis that will be conducted on the Integrated Annual Reports of the companies selected for the study. This will be conducted for the three-year period prior to the impact of Covid-19. As mentioned in section 2.9, the Covid-19 pandemic is expected to have had a significant negative impact on CSR involvement for companies in South Africa and around the world, as many companies are trying to keep their heads above water and take care of their employees and customers. The methodology adopted to arrive at the results are discussed in the next chapter (3). The results obtained are reported and discussed in chapter 4.

Furthermore, in chapter 4 the results obtained from interviews conducted with CSR representatives from the companies selected for this study is reported and discussed. The aim was to obtain more detail on what factors drove their company's CSR performance and their CSR reporting. The Integrated Annual Reports over the three-year period will also be analysed by way of a content analysis in order to determine information on factors (that positively or negatively impacted CSR involvement and CSR disclosure) disclosed in the reports.

CHAPTER 3 – RESEARCH METHOD AND DESIGN

3.1 INTRODUCTION

The purpose of this chapter is to describe the methodology adopted in this study to address the research objectives. The study adopted a qualitative approach and is positioned within the interpretivism paradigm. The population of the study consisted of the JSE listed Food and Drug Retail companies. All companies were purposefully selected for execution of the empirical part of the study. This chapter also provides a description of the data collection and analysis.

3.2 RESEARCH DESIGN

Maree *et al.* (2016:51) describe the research design as methods that researchers use as tools to collect data. A research design can either adopt a quantitative, qualitative or mixed methods approach (Kumar, 2011:103; Maree *et al.*, 2016:40-42). A quantitative research design is described by Kumar (2011:103) as a study that is detailed, a design that is well structured and has been tested for its reliability and validity, and one that can be easily recognised and defined. A quantitative research design also tends to place more emphasis on quantification during the collection and analysis of data and follows a deductive approach; thus the theory guides the research (Bryman *et al.*, 2018:31).

Kumar (2011:103) explains that a qualitative research design, on the other hand, either do not have the attributes of quantitative research or might have them but to a lesser extent. According to Bryman *et al.* (2018:31), a qualitative research design follows an approach with more emphasis on data of a textual nature than on quantification during the collection of data. A qualitative approach was followed in this study. The study gathered meaning from results obtained in the integrated and annual reports of the companies selected for the study.

Mackenzie and Knipe (2006:2) state that the way in which a researcher investigates and interprets knowledge gained through the research process is influenced by the theoretical framework within which the research is positioned. This theoretical

framework is known as a research paradigm (Mackenzie & Knipe, 2006:2). A number of research paradigms exist, of which the most common, or rather traditional, are positivism and interpretivism. Positivism is referred to as a “scientific” paradigm and strives to investigate hypotheses or test whether a theory is valid or otherwise (Mackenzie & Knipe, 2006:2-3; Taylor & Medina, 2013:2). On the other hand, interpretivism, according to Mackenzie and Knipe (2006:3) and Taylor and Medina (2013:4-5), aims to gain a detailed understanding of a phenomenon. The theory is not tested, but generated inductively as the research process unfolds.

The current research aimed to gain a detailed understanding of the CSR performance of Food and Drug Retail companies listed on the JSE. To achieve this, an analysis was conducted of the integrated reports and responses obtained from CSR representatives from the selected companies. Hence, the interpretivism paradigm was adopted.

Kumar (2011:107) describes a cross-sectional study as a design that is known amongst researchers as a “one-shot” or “status study” and one that is commonly used in the social sciences. The design is aimed at finding the relevant phenomenon, attitude, situation, issue or problem by making use of a cross-section of a population (Kumar, 2011:107). Research conducted using a cross-sectional design is confined to a single period in time according to Kothari (2004:4). Bryman *et al.* (2018:106) state that a cross-sectional design is a method used to collect data on more than one single point in time; to collect quantitative or quantifiable data using two or more variables. In this study, financial reports and integrated reports at a single point in time were collected for three periods (financial years) and the data was compared.

In contrast, a longitudinal study design is used to determine the pattern of change in relation to time, rather than to measure the extent of change as in finding the phenomenon, attitude, situation, issue or problem (Kumar, 2011:107). It is also described as research that is carried on over multiple points in time (Kothari, 2004:4). Thus, this current study did not follow a longitudinal study design because it analysed the integrated reports of the selected Food and Drug Retail companies that are listed on the JSE over several points in time, namely three years, although the information was collected *at* the same point in time. The data collection was executed to address

the first empirical secondary objective of this study. The data for the remainder of the secondary objectives was also collected at one specific point in time.

3.3 SAMPLING

3.3.1 Population

A detailed description of the sample population, JSE listed Food and Drug Retail companies, was provided in Chapter 1, section 1.5.2. The population of the JSE Food and Drug Retail industry consists of seven companies (African Markets, 2020; Top Foreign Stocks, 2020). The national footprint and number of employees for each of the companies are tabled in Table 3.1.

Table 3.1 – Footprint and number of employees (African continent)

	Co. 1	Co. 2	Co. 3	Co. 4	Co. 5	Co. 6
Number of stores	2 000	194	2 913	2 000	403	1 403
Trading countries	Southern Africa Ireland Switzerland Poland	South Africa	South Africa Ghana Uganda DRC Botswana Namibia Malawi Zambia Mozambique Madagascar Lesotho Eswatini Angola	South Africa Lesotho Namibia Swaziland Zambia Zimbabwe	South Africa Botswana Kenya Mozambique Zambia Nigeria Namibia Uganda Tanzania Malawi Swaziland Lesotho	South Africa
Total employees	4 476	18 800	142 000	90 000	47 583	15 900

Sources in alphabetical order: Clicks Group Limited (2021); Dis-Chem Pharmacies (2021); Massmart (2021); Pick n Pay Holdings Limited (2021); Shoprite Holdings Limited (2021); The SPAR Group limited (2021)

As seen in Table 3.1, the footprint of each of the companies differs and the total number of employees range from 4 476 to 142 000. The JSE listed Food and Drug Retail companies employ a combined total of 318 759 employees.

3.3.2 Characteristics of the sample

All the companies that are listed in this industry on the JSE were selected for this study. No probability sampling was applied; hence the sample strategy to select the companies for the study was purposeful sampling (Kumar, 2011:207; Maree *et al.*, 2016:198; Bryman *et al.*, 2018:186).

Seven companies were identified that comprise the entire population of the Food and Drug Retail sector listed on the JSE, of which two form part of the same group of companies and prepare one set of consolidated financial statements. This narrowed the total number of companies down to six.

In addressing the first empirical objective of this study (see section 1.4.2, Chapter 1), Table 3.2 provides a description of the year-ends that were considered for each company (pseudonyms are used for each company). The financial year-ends of the selected companies are depicted in Table 3.2. The table also shows which financial years' annual financial statements and integrated reports were considered (year-ends prior to 26 March 2020).

Table 3.2 – Company year-ends analysed

	Financial year-end	PRE-COVID YEAR-END		
		Year 1	Year 2	Year 3
Company 1	30 September	2017	2018	2019
Company 2	28/29 February	2018	2019	2020
Company 3	30 June	2017	2018	2019
Company 4	28/29 February	2018	2019	2020
Company 5	31 December	2017	2018	2019
Company 6	31 August	2017	2018	2019

Year 3 represents the latest financial year reviewed, and year 1 the oldest. Only two companies have the same year-end, Company 2 and Company 4. For these two companies, their financial years ended 28/29 February, hence their latest financial year that was not impacted by Covid-19, was the 2020 year-end. The remaining companies all have different year-ends and their latest financial year-ends pre-Covid lockdown were the 2019 financial year-end.

3.4 DATA COLLECTION

3.4.1 Methods

Both theoretical objectives of the study (see section 1.4.2, Chapter 1) were achieved by way of a literature review. A review of existing literature was conducted on the CSR theories, trends and methods used to evaluate CSR performance (Bryman *et al.*, 2018:92). Three methods to measure CSR performance were identified in chapter 2 (see section 2.11), which are applied in Chapter 4 to analyse the CSR performance of the JSE listed Food and Drug Retail companies. No current definition of CSR exists in the context of a developing country. Thus, to provide such a definition (theoretical objective 1, see section 1.4.2, Chapter 1), the literature was reviewed to obtain an understanding of the views of researchers and their arguments as to what CSR should be and look like within a developing country context. A conclusion was drawn based on the findings of the literature review.

To achieve the first empirical secondary objective (SO 3) of the study (see section 1.4.3, Chapter 1), a content analysis was conducted. The annual financial reports, as well as the integrated reports of the companies for the financial years stipulated in Table 3.2, were analysed to determine the inputs used in the calculations executed (Maree *et al.*, 2016:116).

With regard to the second empirical objective of this study (SO 4), semi-structured interviews were conducted to gather data. Also, content analysis was performed on the latest integrated reports and websites of the JSE listed Food and Drug Retail companies under investigation.

Initially, as per Chapter 1, section 1.5.3, the researcher had planned to only conduct interviews. The researcher reached out, telephonically and via email, to all six companies for representatives to take part in an interview to respond to the list of semi-structured questions in the research instrument (Annexure A). Since participation in the interview was voluntary, three companies indicated that they would not like to participate in the study, and one company did not respond to efforts made by the researcher, either via telephone or email, to have them partake in the study. The CSR representatives of two companies agreed to an interview. The researcher then conducted a content analysis of the latest integrated reports of all six JSE listed Food and Drug Retail companies, as well as of the content available on the companies' websites to obtain information with regard to the questions on the research instrument. One of the participants also indicated that the answers to the majority of these questions could be found in their latest integrated report and website.

3.4.2 Recording

3.4.2.1 Measurement of the CSR performance

The data for the JSE/FTSE SRI Index and Top 30 SRI Index were obtained from the JSE website. The JSE releases these lists at the end of June and December each year. Hence year 3 shows the data obtained as at 31 December 2019 (pre-Covid 19 cut-off that was set at 26 March 2020), year 2 as at 31 December 2018, and year 1 as at 31 December 2017. The researcher documented the data for the six companies in a Microsoft Excel spreadsheet for the indicated three years per company.

Data collected from both the integrated reports and annual reports was captured in a Microsoft Excel spreadsheet per company and per financial year as per Table 3.2. To collect the data, the three measurement indicators were used as identified in Chapter 2, section 2.11, namely reporting of six capitals, social contribution calculation, and social and environmental spending as a percentage of profit or loss. Again, the latter ratio was not drawn from the literature in section 2.11 of Chapter 2. The researcher identified through the review of the integrated reports of Company 5 (see Table 3.2) that the ratio is used in the real world by JSE listed Food and Drug Retail companies.

Further explanation for the execution of the calculation in addition to those identified in section 2.11 is provided in Chapter 4, section 4.2.3.2.

3.4.2.2 Factors that drive and hinder CSR performance and reporting

Interviews

The audio data was recorded on an electronic device. The researcher documented the responses obtained from the respondents for all the questions (see Annexure A) verbatim in an Excel spreadsheet. The latter is also referred to as transcribing data (Bryman *et al.*, 2018:92). The data obtained from the interviews is primary data. The audio data obtained from the participants was stored on a password protected computer to which only the researcher had access.

Content analysis of the latest integrated reports and official website content

The data was copied from the integrated reports and websites and documented per question (see Annexure A) in an Excel spreadsheet. This was done for all six companies, including the companies whose representatives participated in the interviews.

The researcher thus had two sets of data to draw conclusion from, namely interviews with two representatives and the content analysis conducted for all six companies. The data in respect of this study had not been collected before commencement of the study and constitutes primary data.

3.4.3 Securing the data

The information obtained via the literature review and content analysis is in the public domain and readily available. Only the researcher and supervisor of this study had access to the data obtained via the interviews conducted with the representatives from the JSE listed Food and Drug Retail companies who took part in this study. The audio data obtained by the researcher was stored on a stand-alone computer (laptop) that

is password protected and not connected to a public network. Only the researcher has access to the password of the computer.

3.5 DATA ANALYSIS

3.5.1 Content analysis – CSR performance measurement

Maree *et al.* (2016:116) and Bryman *et al.* (2018:354-355) suggest that data should be coded. This implies that the data should be thoroughly analysed and the results divided into meaningful categories in order to derive themes based on the interpretation of the data. Bryman *et al.* (2018:354) further suggest “summative content analysis”, where comparisons are made, followed by the interpretation of the results. In Chapter 4 the researcher reports the main themes that emerged during the interpretation, as well as any hidden information derived from the results.

Microsoft Excel is the software program that was used to compare the CSR performance of the selected companies’ year on year and to compare the data amongst the six companies. The latter involved the coding schedule as referred to by Bryman *et al.* (2018:303).

The calculation of the social contribution calculation per ordinary share

The first performance measure calculated is based on Noronha *et al.*’s (2013) calculation, as discussed in section 2.8 of Chapter 2. It comprises the social contribution divided by the total number of shares of the corporation. The following formula represents the formula of Noronha *et al.*’s (2013) calculation:

$$\frac{\text{Social contribution}}{\text{Total number of ordinary shares issued}}$$

Where social contribution consists of the:

Sum of

- income tax paid to tax authorities
- salaries

- interest on loans
- investment in the community and on the environment

minus social cost due to pollution of environment

The annual financial statements and integrated reports of the JSE listed Food and Drug Retail companies were reviewed to establish the amounts they disclosed in relation to the “investment in the community and on the environment”. It was found that three of the companies in the population disclosed amounts invested in the community and on the environment under the title “CSI Investment” or “CSI Spend”.

In order to ensure completeness of the amounts, the annual financial statements and integrated reports were analysed further to determine whether there were any other amounts disclosed in relation to investment in the community and on the environment. It was found that all six companies included a section on value created for stakeholders in their integrated reports. It was also established that one of the companies disclosed bursaries paid, which they included as part of the investment in community amount per the formula stipulated above. Another company did not disclose any “CSI Investment” or “CSI Spend”, but referred to the investment as donations in respect of a foundation that supports many causes. These amounts were included as part of the companies’ investment in the community and on the environment of that company.

Two of the Food and Drug Retail companies included amounts awarded to customers in terms of their customer loyalty programmes (in the form of discounts on future purchases) as part of their investment made in society. However, these amounts were excluded from the social contribution component ‘investment in the community and on the environment’. The reason for the exclusion is that international accounting standards, specifically standard IFRIC 13 – Customer Loyalty Programmes, regard amounts in respect of customer loyalty programmes as deferred revenue (Deloitte, 2022). When a customer earns these benefits, the amount is not included in the sales (revenue) amount immediately, but at a future date when the customer uses the benefit to obtain discount on purchases. This forms part of ordinary sales transactions and was therefore excluded for purposes of the social contribution ratio.

In conclusion, the following amounts made up the 'investment in the community and on the environment' amount in the social contribution calculated:

- "CSI Investment" or "Spend"
- Donations for benefit of the community or the environment
- Bursaries paid

None of the JSE listed Food and Drug Retail companies disclosed social cost due to pollution of the environment. This was therefore not accounted for in the social contribution calculation and is one of the limitations of the study.

Two of the companies in the population disclosed an amount related to donations of surplus food (i.e., food in excess of what the market requires and does not get sold) in their integrated reports. Advice from an accounting expert was obtained on whether to include surplus food donations in the social contribution calculation and, if so, at what value. According to the accounting expert, inventory needs to be carried at the lower of its cost price or its net realisable value at the financial year-end of the company. The net realisable value represents the estimated selling price at which the inventory items can be sold less any cost that is necessary to get the inventory sold. If the latter value is less than the cost price of the inventory items at year-end, that inventory needs to be written off (the value needs to be decreased) with the difference between the cost price and the net realisable value. With regard to surplus food, the net realisable value thereof is zero as at year-end since it is inventory that cannot be sold subsequently. The entire cost price of the surplus food needs to be written off to the statement of profit or loss as an expense. The company can then choose to show that expense as part of cost of sales (above the gross profit line item of the statement of profit or loss) or as an other expense (below the gross profit line item of the statement of profit or loss). If the latter option is selected, it is likely that the account to which the inventory is written off would be called donations. It was concluded that the surplus food can be included as part of the social contribution calculation and at its cost price.

Apart from the amounts reported in the two companies' integrated reports as surplus food, no additional disclosure was made in relation to the value of the inventory donated. No value for the donated food could also be found in the annual financial

statements or the notes thereto. Hence, the figures disclosed in the integrated reports by the two companies were relied on and included in the calculation of social contribution.

Ordinary shares in issue as at the financial year-ends under investigation were used in the calculation.

Calculation of social and environmental spending as a percentage of profit or loss

One of the JSE listed Food and Drug Retail companies calculated a CSI performance ratio by dividing the 'investment in the community and on the environment' investment (hereafter referred to as the 'social and environmental spending' of the company) by the total profit or loss for a specific financial year. As mentioned in Chapter 2, section 2.10, there is currently no consensus as to which indicators should be used to calculate CSR performance. The CSI performance ratio calculated by this specific company in the population provides further guidelines on how CSR performance can be measured. Hence, the ratio calculation was executed for purposes of this study. Social and environmental spending is determined in the same way as per the social contribution per ordinary share ratio.

For purposes of this calculation, the value of surplus food donations was excluded and only expenses were taken into account which had been directly paid in respect of community upliftment and the investment in the environment as indicated in the integrated reports. The reason for the aforementioned is that the cost incurred in respect of the surplus food donations had not originally been made with the intention to donate, but was excess food, namely inventory purchased to sell in the normal course of business, which the market did not require. And, as mentioned in Chapter 2, section 2.9, Van Niekerk (2013:8) states that social investment expenses exclude any cost that have been incurred for ordinary business purposes.

3.5.2 Interviews and content analysis – factors that drive and hinder CSR performance and reporting

To analyse the semi-structured interviews, the responses were populated and a coding process was subsequently followed. According to Kumar (2011:254), coding of data involves dividing the responses into categories, after which the data should be divided into frequencies of distribution (i.e., how many times a specific response occurs) and reconstructed into main concepts. The coding of the content analysis and the information obtained from websites was different to that explained under the content analysis of the CSR performance in section 3.5.1 above. This study is a qualitative study, as mentioned in section 3.2. Coding in this sense means that the data reported in this study were re-presented as obtained (providing exact responses from participants or information obtained from integrated reports and websites), and in the form of themes arrived from interpretation of the data obtained (Maree et al., 2016:116) (Maree *et al.*, 2016:116).

The following steps prescribed by Bryman *et al.* (2018:337) was applied in this study for coding qualitative data:

- i) *Start with coding as data is collected* – the researcher documented the data obtained from the interviews as soon as they were completed and documented information in respect of the content analysis the same time as when the data from the interviews were captured in the Excel spreadsheets.
- ii) *Listen to the original audio again and read the data again* – the researcher listened to the interview audios again, and reviewed the data documented from the integrated reports and the websites to get a general sense of important revelations and findings.
- iii) *Read through the information coded in step i) again* – after this was performed, the researcher made notes (in Microsoft Word) on significant remarks and observations of common themes emerging from the review of the data.
- iv) *Review codes and themes again* – the data captured in the Excel spreadsheet was reviewed by the researcher again to determine whether the themes identified in the notes were complete and whether any duplication had occurred. At this point, the researcher started making connections between certain themes.

- v) *Document general theoretical ideas arrived at from the data and codes* – a final summary was made and is reported in Chapter 4 section 4.3.

3.6 DATA QUALITY

All the information obtained from the public domain (namely the literature, annual financial statements and integrated reports) had already been either peer reviewed or subjected to external auditing. This enhances the quality of the data collected for purposes of this study.

An accounting expert was consulted for advice on the social contribution calculation executed in Chapter 4 (see section 4.5 above). The latter advice pertained to the inclusion or exclusion of surplus foods as part of social contribution and to establish at which amounts these should be included, if at all.

3.7 ETHICAL CONSIDERATIONS

The main ethical considerations for this study were explained in section 1.5.6 of Chapter 1. The Primary ethical considerations according to Bryman et al. (2018:120-129) include the following:

- Informed consent should be obtained from participants;
- Participants should not be harmed;
- The privacy of participants should not be invaded;
- Participation should be voluntary;
- The data obtained should be kept safe.

The following explains how the ethical considerations above were addressed or achieved:

- Even though the identity of the companies selected for this study could not be protected due to that information already being public knowledge, the researcher still assigned pseudonyms to each of the companies in order to retain some anonymity.

- Written voluntary consent was obtained from the aforementioned participants to use the data for research reporting purposes.
- The identity of the participants of the interview was kept confidential.
- As explained earlier (in section 3.4.3) the audio data recordings were secured.
- The researcher obtained ethical clearance to execute this study from the Economic and Management Sciences Research and Ethics Committee (EMS-REC) of the North-West University, who classified this study as minimal risk and assigned NWU-00863-21-A4, approving the research. Minimal risk also indicates that this study was assessed as a study that will not bring harm to any of the participants.

3.8 CONCLUSION

This chapter detailed the methodology applied in this study with regard to sampling, data collection, data analysis and ethical considerations. The chapter also provided an extensive overview of the characteristics of the population. Chapter 4 reports on the findings from the data collected other than through the literature review, as explained in section 3.4.1.

CHAPTER 4 – RESULTS AND DISCUSSIONS

4.1 INTRODUCTION

In Chapter 2 it was stated that CSR is more prominent in developed countries than in developing countries. It was found that corporation participation in CSR in developing countries is generally lower than in developed countries. It was furthermore concluded in Chapter 2 based on the literature that, ideally, the definition of CSR in developing countries should extend far beyond how it is defined and practised in developed countries. Apart from adopting a business approach that creates value for all stakeholders in a “model” developing country setting, the CSR strategies that a corporation adopts should match and even surpass the role of government and promote social, civil and political rights given the fact that developing countries face unique challenges such as socio-economic inequality, corruption, group interest and humanitarian issues (Van Thanh & Podruzsik, 2018:12-13; Inekwe *et al.*, 2020:226). Some authors hold the view that CSR should not be an option any more in developing countries, especially in African countries, and it should be used to restore human dignity (Ngoepe-Ntsoane, 2018:419). CSR should be more than philanthropy, which is the current form that CSR initiatives take in developing countries according Jamali and Karam (2018:32).

Three broad categories for the measurement of CSR performance were drawn from the literature in Chapter 2. They are applied in this chapter to analyse the CSR performance of the JSE listed Food and Drug Retail companies selected for this study. This involved a content analysis of the annual financial statements and integrated reports of these companies for the three financial years that ended before South Africa was placed under Covid-19 lockdown, namely 26 March 2020. The pandemic is purported to have had a negative impact on the CSR initiatives undertaken since companies have been more concerned to keep head above water and implement proper health and safety measure to protect employees and customers (Asante Antwi *et al.*, 2021:29; Bae *et al.*, 2021:1; Carroll, 2021:325).

The first two secondary objectives (section 1.4.1 of chapter 1) of this study were addressed and discussed in chapter 2. This chapter explores not only the factors that

enable CSR performance (addressing the third secondary objective of this study per section 1.4.2 of chapter 1), but also those that create barriers to or hinder CSR performance of Food and Drug Retail companies in South Africa (addressing the fourth secondary objective of this study per section 1.4.2 of chapter 1). Other factors that are explored include those that enhance and those that hinder CSR reporting (addressing the fourth secondary objective of this study per section 1.4.2 of chapter 1). The latter results were obtained through interviews conducted with CSR representatives from the selected companies and a content analysis of the annual financial statements, integrated reports and websites of these companies. Detailed discussions on the results take place in this chapter and the findings are also drawn to existing literature.

4.2 CSR PERFORMANCE ANALYSIS

The subsection that follows reports the results obtained on the ESG ratings (JSE Responsible Investment Index), six capital disclosure performance and CSR investment performance of the companies selected for this study.

4.2.1 FTSE/JSE SRI Index

The introduction of the JSE Socially Responsible Investment (SRI) Index in the year 2004 has played a crucial role in creating CSR awareness amongst South African companies of especially the sustainability issues that they are faced with (Aregbeshola & Radebe, 2012:1697). The SRI Index was replaced in 2015 by the FTSE/JSE Responsible Investment Index whereby an FTSE Russell ESG Rating is allocated to companies who participate in the Responsible Investment Index (JSE, 2021). The Index promotes sustainable and transparent business practices (JSE, 2021). Table 4.1 shows which of the JSE listed Food and Drug Retail companies were included in the FTSE/JSE Responsible Investment Index in the respective years under review.

Table 4.1 – FTSE/JSE Responsible Investment Index

Company	2017 (YR 1)	2018 (YR 2)	2019 (YR 3)
Company 1	✓	✓	✓
Company 2	x	x	x
Company 3	x	x	✓
Company 4	✓	✓	✓
Company 5	✓	✓	✓
Company 6	✓	✓	✓

As seen in Table 4.1, four of the six JSE listed Food and Drug Retail companies (66.67% of all the Food and Drug Retail industry companies listed on the JSE, 2020) reached the FTSE/JSE Responsible Investment Index in December 2017, while only 76 JSE listed companies made the list in totality. In 2018 again only 76 JSE listed companies were included on the Index, while four out of six (66.67% of the entire industry) Food and Drug Retail companies reached the Index. In December 2019, the number of JSE listed companies included in the FTSE/JSE Responsible Investment Index decreased significantly from 76 to 67 companies. However, five of the six JSE listed Food and Drug Retail companies (representing 83.33% of the entire Food and Drug Retail industry listed on the JSE) were included in the December 2019 FTSE/JSE Responsible Investment Index, after Company 3 was included in the Index for the first time. The overall cause of reduction in companies that made the Index is not clear, but it should be noted that the Food and Drug Retail companies have been contributing positively towards the Index.

Company 3 had the largest market capitalisation, R59.76 billion (African Markets, 2020), out of all the Food and Drug Retail industry companies listed on the JSE for their financial year that ended in 2020. Yet the company reached the FTSE/JSE Responsible Investment Index for the first time only in 2019. Conversely, Company 5 had the smallest market capitalisation out of the entire Food and Drug Retail companies, R4.3 billion, for their 2020 financial year (African Markets, 2020) and yet have been included in the FTSE/JSE Responsible Investment Index for all three years reviewed for this study.

Company 2 had a R14.2 billion market capitalisation as at their 2020 financial year (African Markets, 2020) and have not reached the FTSE/JSE Responsible Index by December 2019. Company 4 has been listed on the FTSE/JSE Responsible Investment Index since the 2017 year reviewed, whereas the market capitalisation for their 2020 financial year was R21.8 billion (African Markets, 2020), which is not substantially higher than that of Company 2 who has not been included in the FTSE/JSE Responsible Investment Index by 2019.

Company 6 had the second largest market capitalisation for their 2020 financial year-end (African Markets, 2020), compared to the other five companies, and have been included on the FTSE/JSE Responsible Index all three years under review.

The aforementioned results show that the size of JSE listed Food and Drug Retail companies in terms of market capitalisation does not seem to have an impact on whether they participate in sustainable and transparent business practices which lead to their inclusion on the FTSE/JSE Responsible Investment Index. It appears as if patterns in Food and Drug Retail companies contradict the findings of Noronha *et al.* (2013) and Abad-Segura *et al.* (2019:2), namely that, on a global level, corporation size has an impact on CSR participation.

Table 4.2 shows which of the Food and Drug Retail companies made the FTSE/JSE Responsible Investment Top 30 Index.

Table 4.2 – FTSE/JSE Responsible Investment Top 30 Index

Company	2017	2018	2019
Company 1	x	x	x
Company 2	x	x	x
Company 3	x	x	x
Company 4	x	x	x
Company 5	x	✓	✓
Company 6	✓	✓	✓

In the December 2017 FTSE/JSE Responsible Investment Index, only one of the Food and Drug Retail companies listed on the JSE (16.67%), Company 6, out of the four that was included in the overall Index made the Top 30 Index. In 2018, one more company reached the FTSE/JSE Responsible Investment Top 30 Index, bringing the percentage of Food and Drug Retail companies included on the Index to 33.33%. This shows that the industry has made positive progress over the three-year period with regard to adopting transparent business practices and promoting sustainability.

Company 5 had the smallest market capitalisation in 2020 financial year (African Markets, 2020) out of the entire population, yet the company has been dedicated to contributing towards transparent business practices and promoting sustainability. This is evidenced by their inclusion in the FTSE/JSE Responsible Investment Index for all three years reviewed and in the FTSE/JSE Responsible Investment Top 30 Index for two of the three years reviewed. What may have contributed towards Company 5's continuous strive to adopting CSR business practices which create sustainable value for their stakeholders, is the fact that their parent (holding) company is American (developed country). This supports the findings of Jamali and Karam (2018:32) and Inekwe *et al.* (2020:227) who reported that companies in developed countries participate more intensely in CSR activities and CSR research than companies in developing countries.

Company 6 outperformed all the JSE listed companies in the Food and Drug Retail industry as it is the only company that has been included in both the FTSE/JSE Responsible Investment Index for all three years reviewed and the FTSE/JSE Responsible Investment Top 30 Index for all three years reviewed.

In conclusion, the JSE listed Food and Drug Retail companies' promotion of sustainable and transparent business practices has improved between the years 2017 and 2019, based on the FTSE/JSE Responsible Investment Index.

4.2.2 CSR disclosure practices

This section explores the CSR disclosure practices of the companies selected for this study. All the selected companies adhered to the integrated report framework

guidelines on reporting as prescribed by the King IV Report on Corporate Governance, which forms part of the JSE listing requirements. As concluded in Chapter 2, the CSR disclosure performance can be done through determining how many of the Integrated Reporting (<IR>) six capitals the companies report on in their integrated reports. As stipulated in Chapter 2, Table 2.3 of section 2.6, the companies need to specify which capitals were used (inputs) in the operating activity cycle to produce outputs (create value), which should also be specified. Each company's results are reported separately and then compared to the entire population. The findings follow.

4.2.2.1 Disclosure of six capitals in integrated reports

Table 4.3 – Six Capitals Disclosure: Company 1

Capital	Disclosure included		
	Year 1	Year 2	Year 3
	2017	2018	2019
Financial	x	x	[a]
Manufactured	x	x	[a]
Intellectual	x	x	[a]
Human Capital	x	x	[a]
Social & Relationship	x	x	[a]
Natural	x	x	[a]

[a] Only listed the six capitals

With reference to their 2017 financial year, Company 1 did not disclose their utilisation of the six capitals and the business practices employed to create value or output according to the definition of each or per category of each. However, the company acknowledged this in their 2017 integrated report and stated that their entire report included reference to each of the capitals and detailed explanations of the company's resources and relationship with each.

In 2018, Company 1 again elected not to report on the six capitals per each definition and noted that detailed explanations of the company's resources and relationship with each could be found in reading the entire report (the reader of the report should use their discretion).

In the 2019 integrated report, Company 1 listed the six capital titles as resources that are part of the business activities of the company and no detailed discussion was included. No further disclosures on the six capitals were provided.

Table 4.4 – Six Capitals Disclosure: Company 2

Capital	Disclosure included		
	Year 1	Year 2	Year 3
	2018	2019	2020
Financial	✓	✓	✓
Manufactured	✓	✓	✓
Intellectual	✓	✓	✓
Human Capital	✓	✓	✓
Social & Relationship	✓	✓	✓
Natural	✓	✓	✓

In their 2018 integrated report, Company 2 included detailed disclosures on each of the six capitals, which included quantified (monetary) highlights, detailed disclosure on six capital inputs, and the outputs and outcomes that were obtained. The disclosures were also done according to the definition and meaning of each of the six capitals.

In their 2019 integrated report, Company 2 included more detailed disclosures on each of the six capitals as defined than in 2018, and included quantified (monetary) highlights, and detailed disclosure on six capital inputs and the outcomes that were obtained. Company 2 increased the depth of their six capitals disclosures by including disclosure on the business activities that were part of the process of converting inputs from the six capitals into outputs in the 2019 integrated report. This was not disclosed as such in the 2018 integrated report. In the 2019 integrated report, Company 2 did not link outcomes of each of the outputs from the six capitals, as they had done in the 2018 integrated report. The financial, human and manufactured capitals disclosure had more depth than the remaining three capitals, whereas in the 2018 integrated reports the level of depth of disclosures for all six capitals were more or less the same.

The 2020 integrated report of Company 2 included disclosure on all six capitals per definition and the level of depth of the disclosures were similar to that of the 2019 integrated report.

Table 4.5 – Six Capitals Disclosure: Company 3

Capital	Disclosure included		
	Year 1	Year 2	Year 3
	2017	2018	2019
Financial	✓	✓	✓
Manufactured	✓	✓	✓
Intellectual	✓	✓	✓
Human Capital	✓	✓	✓
Social & Relationship	✓	✓	✓
Natural	✓	✓	✓

In their 2017 integrated report, Company 3 provided detailed disclosures on all six capitals, and included disclosure on the performance (quantified) of the company based on the capitals. The disclosures did not provide an overview of business practice and how each of the six capitals were utilised to generate output for the company. The company, however, included a separate section titled “Nurturing our capitals” where each of the capitals were discussed in greater depth than the previous two companies had discussed. Interestingly, the level of depth of the financial capital was the shortest compared to the other five capitals. The latter makes sense since the bulk of the remainder of the integrated report focused on financial (monetary) aspects.

In the 2018 integrated report, Company 3 provided detailed disclosure on all six capitals. The company included a section in the integrated report which disclosed how the six capitals were utilised to create value for customers in particular (it was indicated in the report that the company is customer oriented). No disclosure on the six capital quantified performance, as per the 2017 integrated report, was provided by the company in the 2018 integrated report. However, their 2018 integrated report included, as part of their disclosure under “Nurturing our capitals”, the inputs used related to each of the capitals and the outcomes of each, which differ from the disclosures in the 2017 integrated report. Disclosure of each of the six capitals were similar in depth, however, less than in the 2017 integrated report.

In their 2019 integrated report, Company 3 again provided disclosures on the six capitals, however much less than in 2017 and 2018 integrated reports. The company went a step further to disclose the business activities they had executed in the process of converting inputs from the six capitals into outputs. This differed from their 2017 and 2018 integrated report disclosures. The depth of disclosure of the six capitals decreased significantly in the 2019 integrated report, compared to 2017 and 2018, since the “Nurturing our capitals” section and the reporting of the six capitals quantified performance were completely removed from the 2019 integrated report. However, the company started to prepare a separate report called a Sustainability Report in the 2019 financial year, where much more detailed disclosures on the five capitals (excluding the financial capital) than the 2017 and 2018 integrated reports were provided. The reader of the integrated report is referred to the Sustainability Report.

Table 4.6 – Six Capitals Disclosure: Company 4

Capital	Disclosure included		
	Year 1	Year 2	Year 3
	2018	2019	2020
Financial	✓	✓	✓
Manufactured	✓	✓	✓
Intellectual	✓	✓	✓
Human Capital	✓	✓	✓
Social & Relationship	✓	✓	✓
Natural	✓	✓	✓

In their 2018 integrated report, Company 4 provided a discussion of their six capitals utilised, primary business activities executed and outcomes of each of the six capitals. In addition, Company 4 provided disclosure of the value the company had created, referred to as their capital trade-off, to demonstrate the interdependence of the company to their stakeholders.

In their 2019 integrated report, Company 4 provided similar disclosure of the six capitals as in their 2018 integrated report, however, they included more detail on how key business activities had transformed the capitals into outputs. The company also

disclosed some quantitative results as part of the outcomes obtained from the capitals. The level of depth of discussion of each of the six capitals did not differ much.

In their 2020 integrated report, Company 4 provided more detailed disclosures on the six capitals as defined and included quantitative values (for inputs). The report also showed the company’s performance in terms of each six capitals (in quantitative values) as part of the outcomes of the inputs generated through the business activities (which were also described). The level of depth of disclosure of each of the six capitals did not differ.

Table 4.7 – Six Capitals Disclosure: Company 5

Capital	Disclosure included		
	Year 1	Year 2	Year 3
	2017	2018	2019
Financial	✓	✓	✓
Manufactured	✓	✓	✓
Intellectual	✓	✓	✓ ^[b]
Human Capital	✓	✓	✓ ^[b]
Social & Relationship	✓	✓	✓
Natural	✓	✓	✓

[b] Not disclosed separately, but rather aggregated with another capital

Company 5 included detailed disclosure on all six capitals in their 2017 integrated report with regard to the inputs relevant to the company, business activities utilised to transform the inputs, and the outcomes of each of the six capitals. In addition, the company included disclosure of how the interdependence of the six capitals (trade-offs) was managed to create value. They further disclosed how the group of companies delivered on their strategy utilising the six capitals and included quantitative results on each of the six capitals.

In their 2018 integrated report, Company 5 again disclosed detail on each of the six capitals. The disclosures again included much detail of inputs relevant to the company, business activities utilised to transform the inputs, and the outcomes. The report also provided an overview of how trade-offs were managed to create value. The level of

depth of disclosure in the 2018 integrated report of Company 5, compared to the 2017 integrated report, decreased.

In the 2019 integrated report, Company 5 aggregated the disclosure of the human and intellectual capitals and only included brief disclosures on the six capitals compared to the 2018 and 2017 integrated reports. The detail of disclosures regarding the six capitals and how these were utilised to generate outputs decreased significantly in the 2018 and 2019 integrated reports compared to the 2017 report.

Table 4.8 – Six Capitals Disclosure: Company 6

Capital	Disclosure included		
	Year 1	Year 2	Year 3
	2018	2019	2020
Financial	✓	✓	✓
Manufactured	✓	✓	✓
Intellectual	✓	✓	✓
Human Capital	✓	✓	✓
Social & Relationship	✓	✓	✓
Natural	✓	✓	✓

Company 6 reported on all six capitals in their 2017 integrated report. The detail disclosed included the value (predominantly quantified) that was created using the six capitals. No details were provided on the specific inputs and operational activities used to transform these inputs into the outcomes.

In their 2018 integrated report, Company 6 included similar disclosures of the six capitals than in the 2017 integrated report, namely the value (predominantly quantified) created by each of the six capitals. Similar to 2017, Company 6 did not provide specific detail on inputs, and operational activities used to transform the inputs into the outcomes were provided for each of the six capitals.

In their 2019 integrated report, Company 6 again only disclosed the value (predominantly quantified) created through the utilisation of each of the six capitals. No further details were disclosed, similar to the 2018 and 2017 integrated reports.

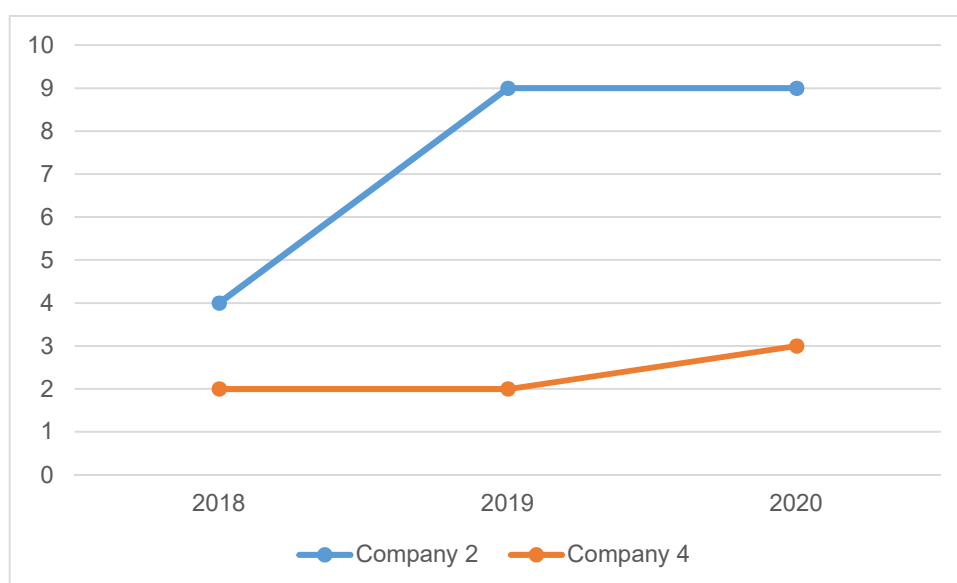
In conclusion, apart from Company 1, all other JSE listed Food and Drug Retail companies reported on the six capitals in their integrated reports. The companies reported on each capital separately, except for the latest year reviewed for Company 5.

Section 4.2.2.2 below provides an overview of the level of depth, in terms of page numbers, of disclosure of information regarding the six capitals in the integrated reports of the JSE listed Food and Drug Retail companies.

4.2.2.2 Detail disclosed on six capitals (in pages) in integrated reports

Diagram 4.1 shows a comparison of the number of pages (level of depth) of detail disclosed on the six capitals in the integrated reports of Company 2 and Company 4 whose integrated reports included the years 2018 to 2020. Diagram 4.2 shows the number of pages of detail disclosed on the six capitals in the integrated reports of Company 1, 3, 4 and 5 whose integrated reports included the years 2017 to 2019. Diagram 4.3 shows a comparison of all companies' disclosure of the six capitals (in number of pages in the integrated reports). Year 1 represents the oldest year and year 3 represents the latest year reviewed.

Diagram 4.1 – Integrated Report Six Capital Disclosure Co. 2 & 4 (pages)



As seen in Diagram 4.1, Company 2 compared to Company 4 included a significantly greater number of pages of disclosures on the six capitals in their integrated reports for all three years reviewed.

Diagram 4.2 – Integrated Report Six Capital Disclosure Co. 1, 3, 4 & 5 (pages)

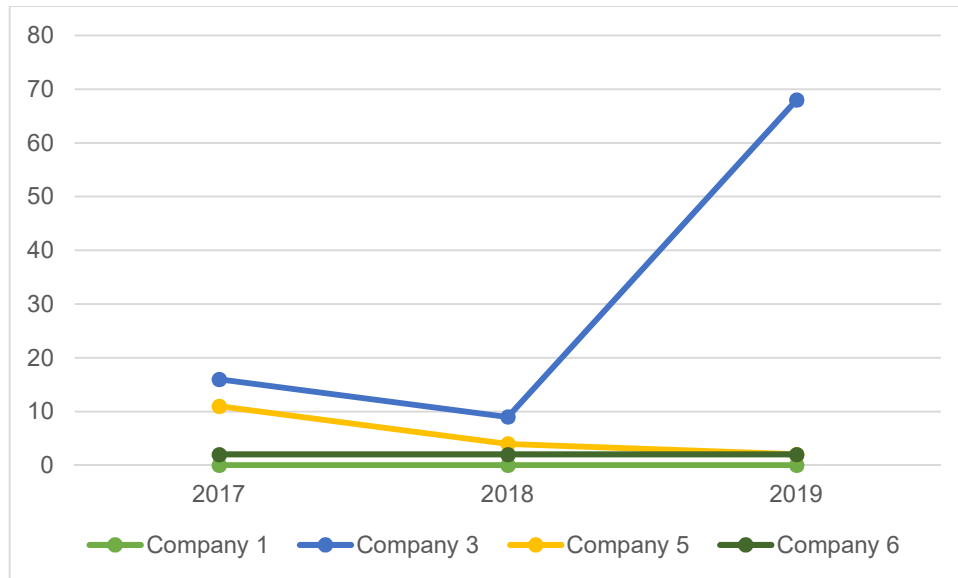
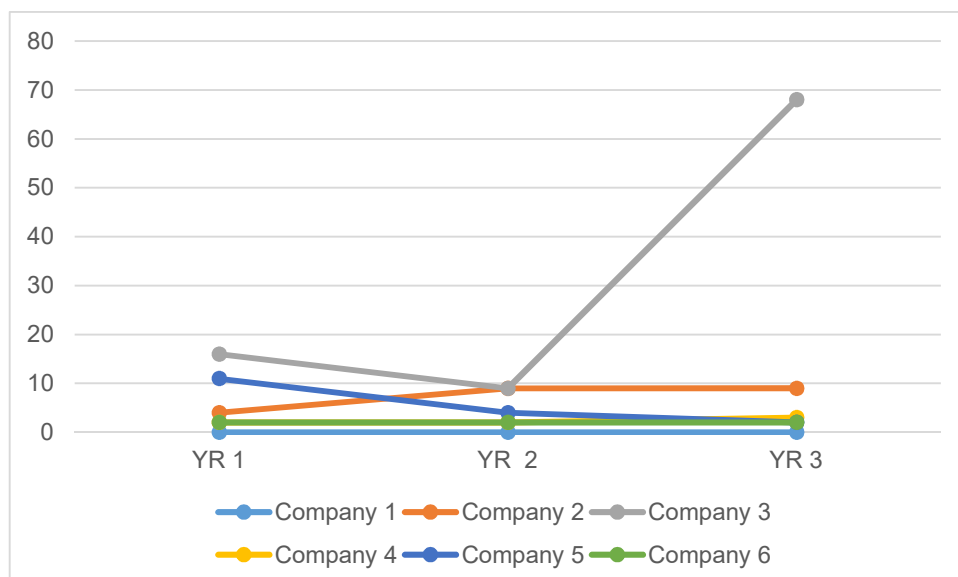


Diagram 4.2 shows that Company 1 and 6 trail behind Company 3 and 5 with regard to the number of pages disclosed on the six capitals in their integrated reports. The number of pages disclosed by Company 5 on the six capitals have decreased over time, whereas the number for Company 3 disclosures have increased significantly.

Diagram 4.3 – Integrated Report Six Capital Disclosure Comparison (pages)



As evident in Diagram 4.3, Company 1 is the only Food and Drug Retail listed company that did not disclose any detail on the six capitals. This means that Company 1 does not adopt the recommended practice of the King IV Report on Corporate Governance in so far as it relates to disclosure of the six capitals.

Company 6 disclosed the second least number of pages of disclosures in their integrated reports over the three-year period, including only two pages in each of the integrated reports reviewed. Company 4 also disclosed only two pages of information on the six capitals in year 1 and 2, and then increased the total pages to three in the latest integrated report reviewed. The total number of pages of disclosure of the six capitals in the integrated reports of Company 4 has decreased over time, with a total number of 11 pages disclosed in the oldest year reviewed, decreasing to four pages in year 2 and further to two pages in year 3 (latest year).

Company 3 improved the level of depth of their disclosure of the six capitals significantly over time, starting off with 16 pages in year 1 increasing the number to 68 pages of disclosure in year 3 (the latest year reviewed). Company 3 is also the only JSE listed Food and Drug Retail company that prepared a separate report, called a Sustainability Report, which provided more comprehensive detailed disclosures on the six capitals.

To conclude, regarding their six capital disclosure in their integrated reports, only two of the six (33.33%) Food and Drug Retail companies have seen an increase over the three-year period under review. Three of the six (50%) Food and Drug Retail companies' disclosures on the six capitals have remained stagnant or slightly decreased over the three-year period. One (16.66%) of the Food and Drug Retail companies is yet to include disclosure on the six capitals in their integrated reports. Furthermore, one (16.66%) of the companies' disclosures (Company 4) has decreased significantly over time.

Overall, no definitive conclusion can be drawn on the CSR disclosure practices of JSE listed Food and Drug Retail companies with regard to the six capitals since some companies' disclosures have improved over time while others have deteriorated.

4.2.2.3 Six capital disclosure and JSE SRI Index

There appears to be no link between the level of six capital disclosures included in the integrated reports of Food and Drug Retail companies listed on the JSE and their inclusion on the JSE Responsible Investment Index. For example, the total number of pages disclosed on the six capitals in the integrated reports of Company 5 have decreased significantly over the three-year period reviewed; however, Company 5 is the only Food and Drug Retail company who has been included on the JSE Responsible Investment Index for the entire three-year period. Furthermore, they are the only Food and Drug Retail company that were included in the JSE Top 30 Responsible Investment Index for two of the three years reviewed. Company 2 disclosed the second highest number of pages on the six capitals in their integrated reports, yet they have not been included on the JSE Responsible Investment Index for the three-year period reviewed.

Company 3 was included on the JSE Responsible Investment Index for the first time in 2019 and the level of depth of disclosure on the six capitals in their integrated report for their 2019 financial year-end has increased significantly. The latter signifies that Company 3 has become more aware of their CSR impact and attempted to be more transparent in their disclosures as time progresses.

4.2.3 CSR Investment performance

The ratio calculations are based on the figures in the annual financial reports of the JSE listed Food and Drug Retail companies for the three preceding financial years prior to the Covid-19 lockdown restrictions. As shown in Table 3.2 (Chapter 3), year 1 represents the oldest financial year studied and year 3 the latest.

4.2.3.1 Social contribution per ordinary share

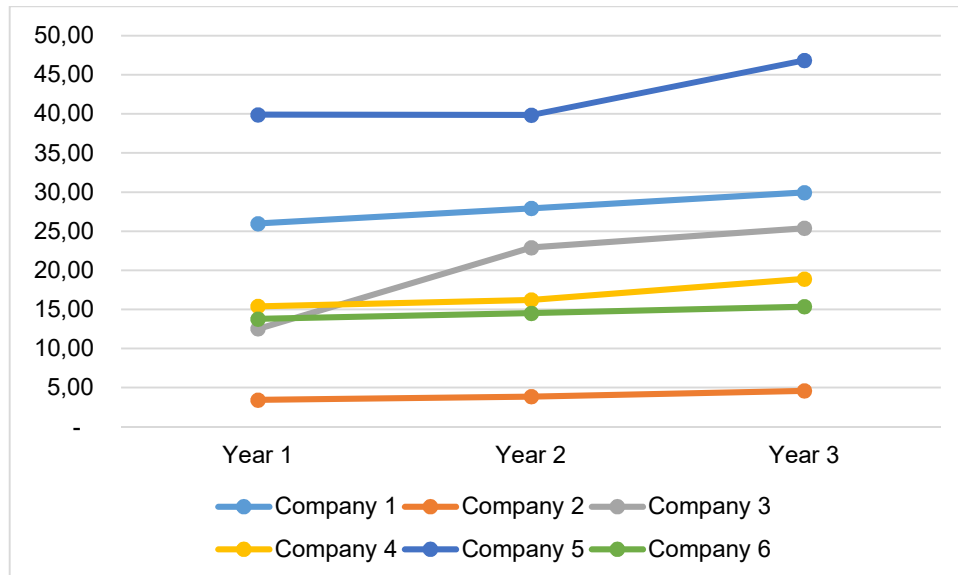
Table 4.9 shows the results of the social contribution per ordinary share of all the JSE listed Food and Drug Retail companies. See Chapter 3, section 3.5 for details on the methodology applied to arrive at the results.

Table 4.9 – Food and Drug Retail Industry JSE listed Companies Social Contribution per ordinary share (in Rand)

	Year 1	Year 2	% change	Year 3	% change	3-year average
Company 1	25,98	27,92	7,5%	29,94	7,2%	27,95
Company 2	3,44	3,85	11,9%	4,59	19,2%	3,96
Company 3	12,54	22,92	82,8%	25,39	10,8%	20,28
Company 4	15,40	16,22	5,3%	18,89	16,5%	16,84
Company 5	39,88	39,86	-0,1%	46,86	17,6%	42,20
Company 6	13,78	14,52	5,4%	15,36	5,8%	14,56

Company 1 did not disclose any amounts related to “investment in the community and on the environment” in their integrated report and annual financial statements, and they did not disclose any six capitals (see sections 4.2.2.1 and 4.2.2.2). However, with regard to the social contribution per ordinary share calculation, Company 1 achieved the second highest average contribution over the three-year period under review, as per Table 4.8.

Diagram 4.4 – Social Contribution Per Ordinary Share Fluctuation



As seen in Table 4.9 and Diagram 4.4, Company 2 had the lowest social contribution per ordinary share over the entire three-year period compared to any other company in the JSE listed Food and Drug Retail population. Company 2 is also the only

company in the population that did not reach the JSE Responsible Investment Index over the three-year period, as indicated in section 4.2.1.

Company 3 had a significant increase in their social contribution per ordinary share in year 2, compared to year 1, of 82.8%. Their social contribution per ordinary share further increased by 10.8% in year 3 (the latest year reviewed). Noteworthy is that Company 3 reached the JSE Responsible Investment Index for the first time in the year after they had experienced the significant increase in their social contribution per ordinary share. This increase may have had an impact on the company's reaching the list.

Table 4.9 shows that Company 5 had the highest social contribution per ordinary share over the three-year period compared to all the other JSE listed Food and Drug Retail companies. Diagram 4.4 also shows that the company had the highest increase in social contribution per share in Rand in year 3. Company 5 is one of the four companies as per Table 4.1 who has been included on the JSE Responsible Investment Index for the three years (see section 4.2.1) and reached the JSE Responsible Investment Index in two of the three years investigated.

As per Diagram 4.4, it can be noted that the social contribution per ordinary share of Company 4 and 6 has continued to increase over the three-year period under review.

Overall, it is clear from Table 4.9 and Diagram 4.4 that the social contribution per ordinary share of all six companies has increased as time progressed. This indicates an improvement over time with regard to the CSR performance based on the social contribution per ordinary share calculation. Thus, even though CSR is explored to a lesser extent in developing countries than in developed countries (Jamali & Karam, 2018:32), companies in developing countries still invest in CSR and see improvement year on year.

4.2.3.2 Social and environmental spending as a percentage of profit or loss

The ratio was calculated for all the companies selected for the study. The results for the three financial years ending prior to South African Covid-19 lockdown are shown

in Table 4.10 and Diagram 4.5. Upon review of the annual financial reports and integrated reports of Company 1 and Company 6, it was found that these companies did not specifically disclose any amounts invested with regard to social and environmental spending, whereas Company 2, 3, 4 and 5 did so. The ratio was therefore not calculated for the former two companies.

Companies 2, 3, 4 and 5 did report on their social and environmental spending that enabled the calculation of ratios as presented in Table 4.10 below.

Table 4.10 – Social and environmental spending as percentage of profit or loss

	Year 1	Year 2	Change [YR1 to YR2]	Year 3	Change [YR3 to YR3]	3-year average
Company 2	2,62%	2,17%	↓	4,52%	↑	3,10%
Company 3	0,96%	1,10%	↑	1,27%	↑	1,11%
Company 4	2,35%	2,07%	↓	2,85%	↑	2,42%
Company 5	1,54%	2,92%	↑	-1,02%	↓	1,15%

As per Table 4.10, the average social and environmental spending as a percentage of profit or loss for Company 2 was the highest of the population, namely 3.10%, followed by Company 4 with an average of 2.42%.

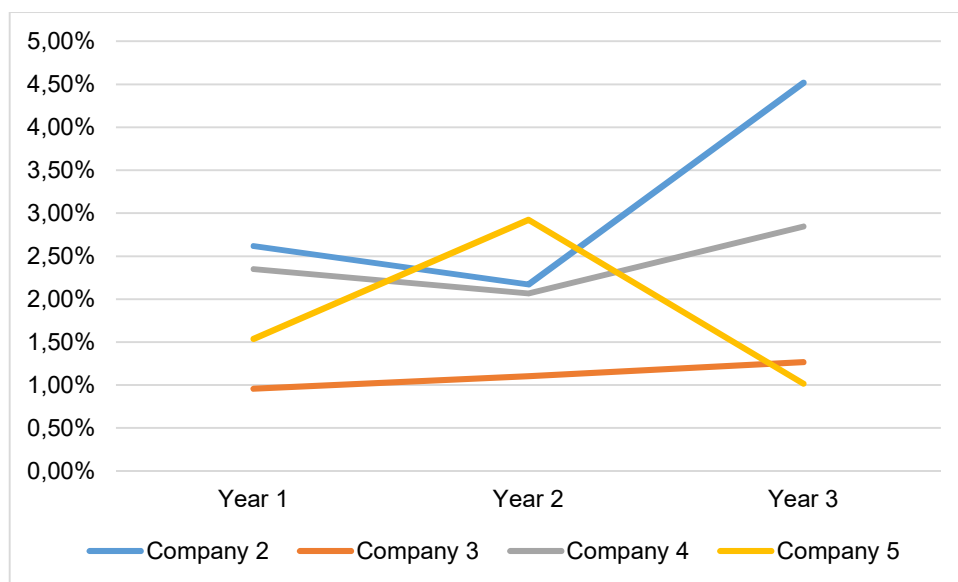
Company 5 had a loss for the latest financial year; hence Table 4.10 shows a negative percentage in year 3. This does not indicate negative social and environmental spending, but that the company still invested financially in social and environmental initiatives amid financial difficulty. The social and environmental spending of Company 5, compared to their profits, improved in year 2, compared to year 1, however, decreased again in year 3. Company 5 was the only company in the Food and Drug Retail population who made a loss for the financial year in the latest year reviewed for the study. This may have had an impact on the decrease in amount of social and environmental spending. The percentage spending in year 3 is, however, still considered to be favourable since the company still invested in the community and environment even though they experienced some financial difficulty.

Company 2 and Company 4 experienced a decrease in their social and environmental spending in relation to their profits for the period in year 2 when compared to year 1. This is regardless of the increase of 9% in profits that Company 2 experienced in year 2 compared to year 1, and regardless of the increase in profits of 27% that Company 4 experienced in year 2 compared to year 1.

Company 3 experienced a decline of roughly 18% in their profits. However, as seen in Table 4.10, the two company experienced an increase in its social and environmental spending in comparison to their profits.

In comparison to all other Food and Drug Retail companies, according to Table 4.10, Company 4 achieved their highest social contribution as a percentage of profit in year 3 despite the fact that the company profits declined by almost 18% in year 3 compared to year 2. Company 5 experienced a decline in profits of roughly 28% in year 3 compared to year 2.

Diagram 4.5 – Social and environmental spending as percentage of profit or loss fluctuation



As evident in Table 4.10 and Diagram 4.5, the social and environmental spending of Company 2, 3 and 4, compared to their profits for the years under review improved over the three-year period prior to Covid-19 lockdown. This indicates an overall

improvement in the CSR performance of the Food and Drug Retail companies in so far as it relates to social and environmental spending as a percentage of profit or loss.

The ratio calculated in this section was not prompted by prior research, but by the actual practice of one of the JSE listed Food and Drug Retail companies. This could be an area of further research, namely a comparison between the social and environmental spending as a percentage of profit or loss in developing countries and developed countries.

4.2.3.3 Disclosure practices and social and environmental spending

It appears that the social investment spending of Food and Drug Retail companies did not have an impact on their six capitals disclosures. In comparison to the other companies, Company 3 included more comprehensive in-depth disclosures on how their six capitals had been used to create value (outcomes). However, compared to Company 2, 4 and 6 (based on Table 4.10), Company 3 spent the least amount (in comparison to their profits) on society and the environment. Company 4, compared to the other companies included in Table 4.10, disclosed the least number of pages (see Diagram 4.3) on the six capitals and how they created value. However, they performed the second best over the three-year period in terms of social and environmental spending compared to the other companies.

Bhathia and Makkar (2019:1) found that CSR disclosure in developed countries is much higher than in developing countries. However, they argue that even if there is a disclosure gap, developing countries should focus on the actual practising of CSR and making a difference rather than reporting thereon since these countries face a much broader range of socio-economic challenges compared to their developed counterparts. It therefore appears that JSE listed Food and Drug Retail companies focus more on doing the actual CSR work, than reporting thereon.

4.2.3.4 FTSE/JSE Responsible Investment Index and social and environmental spending as a percentage of profit or loss

There appears to be no clear link between the FTSE/JSE Responsible Investment Index and the social and environmental spending as a percentage of profit or loss of the Food and Drug Retail companies in the study. This is evidenced by the fact that the social and environmental spending as a percentage of profit of Company 2 has increased significantly over time (see Diagram 4.5), while they did not reach the FTSE/JSE Responsible Investment Index in the three years reviewed (see Table 4.1). In addition, while the social and environmental spending as a percentage of profit or loss of Company 5 has decreased over time, they still managed to be included in not only the FTSE/JSE Responsible Investment Index, but also the FTSE/JSE Responsible Investment Top 30 Index (see Table 4.1 and 4.2).

4.2.4 Concluding links to the research objectives of this study

Secondary objective number 3 (first empirical objective) prompted the analysis of the CSR performance of JSE listed Food and Drug Retail companies over a three-year period. The findings in section 4.2.2 to 4.2.3 indicate that the CSR performance of the companies have gradually improved over the respective three-year periods reviewed. Almost all of the companies have been included in the latest FTSE/JSE SRI Index consulted for the study, and all the companies have performed well over time with regard to CSR Investment performance. An area that requires improvement is CSR reporting, since it appears that the JSE listed Food and Drug Retail companies have gradually decreased the detailed reporting of the six capitals over time, based on the three-year periods reviewed.

4.3 FACTORS THAT DRIVE CSR AND HINDER CSR PERFORMANCE AND REPORTING OF FOOD AND DRUG RETAIL COMPANIES

This section discusses the results from the data obtained from the interviews with CSR representatives from the JSE listed Food and Drug Retail companies (see Annexure A for research instrument). The section also puts forth the results from the content

analysis of the companies' latest integrated reports and information available on their websites.

The demographics of the respondents from the interviews are as follows:

Table 4.11 – Respondent demographics

<i>Respondent 1</i>	
Job Title	Group Sustainability Manager
Duration of service in position	More than three years
<i>Respondent 2</i>	
Job Title	Product Developer
Duration of service in position	Longer than five years

4.3.1 CSR inclusion in corporate strategy

4.3.1.1 Corporate strategy – Results

From the results of the interviews and the analysis of the companies' integrated reports and websites, it was determined that corporate social responsibility was directly included in four (66.66%) of the Food and Drug Retail companies' corporate strategy, namely Company 1, 2, 3 and 4. Upon further analysis of the integrated reports and websites of Company 5 and 6, it was established that both companies held the view that CSR plays an important part in achieving long-term value creation for stakeholders. It could therefore be inferred that CSR forms an integral part of all (100%) JSE listed Food and Drug Retail companies.

To provide more detail on the inclusion of CSR in the corporate strategy of JSE listed Food and Drug Retail companies, the next section discusses the results obtained from the interviews and the content analysis. Here the respondents elaborate on whether CSR forms an integral part of the strategy of the company.

Company 1

“By living our values of passion, family values and entrepreneurship, we remain true to our purpose: to inspire people to do and be more. We contribute to responsible living and take our role as custodian of resources seriously.”

“Social – As a company, we strive to create an environment where all areas of our business operate in a sustainable manner.

“Economic – In an economic sense, [Company name] strives to operate a sustainable business by continuing to prosper in an increasingly pressured and volatile environment

“Environmental – At [Company name] we are committed to the following:

“Reducing our direct environmental footprint, [d]riving innovation in our housebrands to reduce their environmental impact, [c]ollaborating with our suppliers and our retailers to assist them in driving down their environmental footprints.”

Company 2

“[Company name’s] strategy is built on six pillars.

- *Increase store footprint*
- *Drive secondary retail opportunities through innovation*
- *Drive revenue, margin and market share growth*
- *Achieve strategic advantage through our integrated supply chain*
- *Practice good corporate citizenship*
- *Create sustainable value for all our stakeholders”*

“The Foundation provides support in the areas of health, nutrition and education to babies, children, the elderly, abused and the homeless. Environmental protection is included in strategy, and output creation reported in respect of the natural capital (of the IR six capitals) is provided in the IR.”

Company 3

“The starting point is to look at the purpose of [Company name]. Say our purpose is to be Africa’s most versatile and most innovative retailer and coming out of that purpose

is our values. So the first one is 'doing the right thing'. And that is about how we are able to deliver on excellence, integrity and care in the company. We talk about care for our customers, care for our employees, care for our suppliers, but also care for our communities we operate in and care for the environment. So an important part of that care includes the community.

"The second value is 'saving to share' and this is a very important part of [Company name]. We talk about being efficient in our operations and the group is efficient then it is also able to pass on its savings to its customers and be affordable. Because we want to be the cheapest, we want to have the price leadership in the countries we operate in and we do this by saving and being efficient. And it is also around when we save, we have more to donate, for example surplus food donations as part of our CSI. "And the last value is around 'developing local' and that is in terms of how we are able to offer employment opportunities in the communities we operate in and also transformation in our operations and through our value chain as well. So if you look at the purpose of the company and when you look at the values, it is very much intrinsically how we engage with the community, the environment, our suppliers, our employees, and our customers."

Company 4

"The organisation has various team members that focuses on various types of social responsibility sections such as the technical team focusing on better packaging for environment (recycled material products, and recyclable materials), corporate teams focusing on social projects such as feeding the nation, small supplier development programs and so on."

"How our strategy responds to communities' needs:

- Environmentally and socially responsible business practices*
- Source from and develop diverse and ethical suppliers*
- Job creation through long-term sustainable growth*
- Promote healthy and sustainable living."*

Company 5

“To become the healthiest and strongest retailer in Africa with the best long-term prospects. We believe that being socially and environmentally responsible is fundamental to achieving this and creating long-term stakeholder value.’ The company strategy is focused on turning the company into a profitable company again and to grow.”

Company 6

“To create sustainable long-term shareholder value through a retail-led health, beauty and wellness offering.”

“The group’s strategy reaffirms that effective management of environmental, social and governance (ESG) considerations enhances long-term value creation.”

4.3.1.2 Corporate strategy – Results

As mentioned in Chapter 2, section 2.5, CSR is embodied in good corporate citizenship. The recommended practices of the King IV Code on Corporate Governance (2016:23) are that responsible corporate citizenship should be embodied in the organisation’s existence in order to create sustainable value for the corporation. The King IV Report on Corporate Governance (2016:45) also states that corporate citizenship should be embodied into the core values and strategy of the company. Adoption of the King IV Report on Corporate Governance is a JSE listing requirement. The results indicate that the JSE listed Food and Drug Retail companies take cognisance of the requirements of the King IV Report and have all included CSR as part of their corporate strategies.

4.3.2 How CSR is defined by JSE listed Food and Drug Retail companies

4.3.2.1 CSR definition – Results

The results obtained from the interviews and content analysis indicate that the JSE listed Food and Drug Retail companies define CSR as follows.

Company 1

“Good corporate citizenship.”

“[Company name] encourages philanthropic and sponsorship initiatives at store level. It is a voluntary model.”

Company 2

“Corporate social responsibility (CSR) is a vital component of [Company name’s] corporate ethos, and we are committed to contributing to the society in which we operate. We aim to genuinely impact communities in a meaningful and enduring way through Foundation initiated projects.”

Company 3

“The definition of it is around how we engage with, and how we support our local communities, the communities we operate in. But mostly we as a group want to be seen as not just operating in communities, but being part of the communities that we operate in. For example, we have a store in a community that does not only trade there, but we are also part of it because we will donate surplus food, we will sponsor childhood development centres, community food programmes and even have mobile soup kitchens in that community. So that is really how we see it as CSI, and the other part is because these communities are also the home of our employees, our customers, and our suppliers, we want to be as part of that community. The last point in terms of the definition of CSI is also how we help these communities to build resilience and be adaptable. We saw that during Covid, the impact of Covid on hunger and food security is one of the reasons why we drive the community food garden programme. Looks at establishing food gardens at a community level so that communities can establish and grow food and nutritious food and feed themselves.”

“The Group’s corporate social investment extends beyond donations and we aim to develop and support people in a sustainable way.”

Company 4

“Giving back to the community and the environment directly and indirectly, including feeding the vulnerable and poor, staying away from activities that damage the

environment, helping children through educational programmes and assisting small and struggling suppliers to grow.”

Company 5

“Being socially and environmentally responsible committed to ethical practices and good governance is key to how we wish to do business and the creation of long-term stakeholder value.”

Company 6

“Building a trusted, accessible healthcare network; empowering motivated, passionate people; sourcing products that uphold the integrity of our brand; minimising our environmental footprint.”

“Whilst most of our funds are spent in [Company name], we are constantly aware of the numerous needs of our communities.”

4.3.2.2 CSR definition – Themes identified from definition result

Based on the results obtained in aforementioned section 4.3.2.1, the key themes derived from the definitions are that Food and Drug Retail companies view CSR as:

- Philanthropic initiatives
- Charitable donations through foundations
- Sponsorships
- Feeding vulnerable and poor individuals
- Donation of food to poor and vulnerable individuals
- Empowering employees
- Steering clear of activities that could cause harm to the environment
- Educational programmes
- Assisting small and struggling businesses
- Adopting ethical governance practices

The majority of the definitions suggest that CSR within the JSE listed Food and Drug Retail sector is limited to philanthropy (charitable donations and sponsorships). This

is consistent with the view of Jamali and Karam (2018:32) who assert that, within a developing country context such as South Africa, CSR is often limited to philanthropy. Company 1 also refers to CSR initiatives as “voluntary”. This view of CSR has been criticised (Visser, 2011; Inekwe *et al.*, 2020:227) and calls have been made for corporations within developing countries like South Africa to achieve greater impact on a national and international societal level.

Poverty is a socio-economic challenge that the majority of South Africans are faced with (STATSSA, 2020). Van Thanh and Podruzsik (2018:12-13) and Inekwe *et al.* (2020:226) state that corporations should endeavour to tackle these socio-economic challenges. At least two (33%) of the JSE listed Food and Drug Retail companies specifically aim to aid hunger alleviation which is often an outcome of poverty. Unemployment is also an encumbrance in South Africa (STATSSA, 2020), and all of the Food and Drug Retail companies assist in tackling the socio-economic challenge by creating employment. Therefore, it is a surprise that the companies do not particularly include employment creation as part of CSR.

4.3.3 CSR strategy initiatives and the triple context value creation – Results

It was concluded in Chapter 2, section 2.3.1, that CSR is a business approach or strategy that aims to create value for stakeholders, including the economy, the environment, and society. What is evident from the results obtained in 3.3.2.1, is that the JSE listed Food and Drug Retail companies do not share the same definition of CSR. A CSR context that appears to be missing is “economic”. However, the Food and Drug Retail companies’ corporate strategies (see section 4.3.1.1) appear to acknowledge the three contexts of CSR and it seems that the aim of all the companies is to create value for stakeholders within these three contexts.

One respondent who took part in the interview, representative for Company 3, stated that CSR strategy incorporates initiatives that create value for stakeholders within the economic context, the environmental context and societal context. The respondent stated the following:

“On the society part we talked about our programmes and on the environment we have a large number of projects of using solar and responsible and sustainable packaging, to reduce food waste. And on the economic side, the group also has a huge programme to change unemployed youth. We have an employment readiness programme where we train approximately 4 000 unemployed youth per annum on how to work in retail. So what are the different roles that they can fulfil in retail and also so those people that we train provide in terms of filling the pipeline in terms of recruiting new people. And also, they are able to work in other retail environment if they do not get employed by [Company name]. There are many ways we train for the retail sector in the country.”

The latter signifies that Company 3, even though they define CSR differently than the study, acknowledges that CSR is a business approach where value creation takes place for different stakeholders within the three contexts.

A representative from Company 4 stated the following when they were probed whether their company creates value for stakeholders within the specific three contexts:

“Community is one of the main stakeholders for the organisation and the organisation pays close attention to giving back to the community.”

From the above it is unclear whether the company only includes CSR initiatives that aim to create value in society by giving back to community, or whether no initiatives that aim to create value within an economic and environmental contexts are executed.

4.3.4 Food and Drug Retail companies’ key stakeholders – Results

Table 4.12 provides an overview of the key stakeholders of each of the JSE listed Food and Drug Retail companies.

Table 4.12 – Food and Drug Retail companies key stakeholders

Stakeholders	Co. 1	Co. 2	Co. 3	Co. 4	Co. 5	Co. 6
Customers	✓	✓	✓	✓	✓	✓
Shareholders and investors/financiers	x	✓	✓	✓	✓	✓
Community	✓	x	✓	✓	✓	✓
Suppliers	✓	✓	✓	✓	✓	✓
Employees	✓	✓	✓	✓	✓	✓
Franchisees/Retailers	✓	x	x	✓	x	x
Government	x	✓	x	x	✓	x
Regulators	x	x	✓	x	✓	x
Trade unions	x	x	✓	x	x	x

As seen in Table 4.12, 100% of the Food and Drug Retail companies list customers, suppliers and employees as their key stakeholders. Company 1 is the only company that did not list shareholders or financiers as their key stakeholders. Only one company (16.66%) did not acknowledge the community as a key stakeholder, while the vast majority (five of the six companies or 83.33%) acknowledged the community as a key stakeholder. Only 33.33% of the companies acknowledged the government as a key stakeholder, while only one company (16.66%) acknowledged trade unions as a key stakeholder from a CSR perspective.

A remarkable finding is that none of the JSE listed Food and Drug Retail companies acknowledged the natural environment as a key stakeholder. This is peculiar since all (100%) of the JSE listed Food and Drug Retail companies specifically mentioned some sort of value creation for the environment within their company strategy (see section 4.3.1.1). Edward Freeman’s stakeholder theory, as well as Carrol’s (1991) CSR pyramid, suggests that the environment is a key stakeholder (Spence, 2016:36; Freeman & Dmytryev, 2017:10). Per the definition of CSR (section 4.3.2.1), it was noted that environmental initiatives are not specifically summarised as being part of the definition. In addition, in section 4.2.3.1, it was noted that none of the JSE listed Food and Drug Retail companies disclosed the cost of the impact that their businesses had on the natural environment. This is an area that deserves consideration by all the JSE listed Food and Drug Retail companies.

4.3.5 Perception of CSR performance and current strengths of CSR strategy – Results

Based on the results obtained from the interviews and the content analysis, the views of the JSE listed Food and Drug Retail companies in respect of their CSR performance are stipulated below.

Company 1

“Strong.”

Company 3

“It’s difficult to rate it. I obviously rate it quite high. It all depends on the scale you use or the criteria you are using in the rating. Our total community spend was in the region of about R274 million. And now you can argue is that high, is that low, how do you compare it or what do you compare it against. What do you benchmark it with? So I think in terms of the spend it was good. It can always be higher I imagine, but in many ways it is not so much about the spend but how, where is the impact of the programmes. And our impact of the programmes, if you look at the number of people or beneficiary organisations that it touches, that it impacts, that is quite large. The mobile soup kitchens, the surplus food donations and the retail readiness programmes touch thousands of people on a daily basis. I think for that regard and touching people in an area where you know there is so much of food insecurity and unemployment. I think that for me creates a big impact.”

“Good, but certainly improving as we go along. So two years ago I think it was good. We improved on that in terms of how we report, how we consolidate our programmes. Now I think we have a much better idea of where we want to go to in terms of what is referred to as strategic CSI. Strategic CSI being where there is benefit to the society as well as benefit to the company. And if you look at this programme on the retail readiness programme that benefits unemployed youth but also benefits the company by providing it with trained employees in that quadrant of strategic CSI.”

Company 4

“The company performs exceptionally well in prioritising corporate social responsibility. Each year the company’s corporate social responsibility target is

increased to ensure that the company continues to do good for the community, however the actual vs. target was not as anticipated.”

“There has been stability in performance (with no great increases), with increase in poverty and unemployment. Factors such as Covid-19 has impacted the organisation in such way that the major focus was to keep prices low for the customers.”

Company 5

The company's CSR policy stipulates that the company's operating entities within the group should set aside at least 1% of profit after tax for CSI. Based on the calculation performed in section 4.2.3.2, Company 5 achieved this target each year that was reviewed.

To conclude, one of the CSR representatives of the companies mentioned that they believe it is difficult to rate CSR performance since it would depend on the measurement tool used by the party rating the performance. However, overall, the JSE listed Food and Drug Retail companies seemed satisfied with the CSR performance of the companies. No information is available publically on Company 2 and 6's view of their CSR performance.

From the results obtained from the interviews and content analysis the following themes emerged as key strengths of the current CSR strategies of JSE listed Food and Drug Retail companies:

- The CSR strategy is linked to the objective and purpose of the company.
- CSR is widely recognised by customers via wide media coverage and this creates value for the company and its brand.
- CSR strategy is linked to the materiality issues and aspects that the organisation is faced with.
- The majority members of the board of directors have experience in CSR, which, in turn, creates a competitive advantage.
- “Strategic CSI”, where the CSR initiative benefits the company as well; in this case, the CSI strategy is achieved.

The view seems to be held that, if the CSR strategy is in line with the objectives and purpose of the company, the execution of CSR initiatives becomes more effortless. Another key strength of CSR strategies seems to be that the initiatives that stem from these strategies can be used to create brand awareness (marketing tool).

Two of the Food and Drug Retail companies provide “retail readiness training” to unemployed individuals in South Africa. This programme gives training on how the retail industry works and how the businesses operate. The beneficiaries can utilise these newly acquired skills and knowledge to apply for positions in the retail industry. Some individuals are hired by the companies. In the latter case, the companies themselves also benefit.

Another view is that a company gains a competitive advantage in the market when more members on the board of directors have experience in corporate social responsibility. These are strengths that other companies can work towards in order to strengthen their CSR strategies.

4.3.6 Factors that drive CSR performance of JSE listed Food and Drug Retail companies

From the results from the interviews and content analysis the following factors emerged as themes that influence or drive CSR initiatives and CSR performance of JSE listed Food and Drug Retail companies in South Africa:

- Company purpose, values and strategy

In the results this was cited as one of the “main factors” that drives JSE listed Food and Drug Retail companies’ support initiatives towards the community. This is in line with the view of Min *et al.* (2017:61) who state that the CSR practices of a corporation needs to be aligned with its corporate strategy; when these two are aligned, value would be added to the corporation.

- Legal and political factors

The findings of this study indicate that compliance with the JSE listing requirements and BBBEE requirements is another factor that drives CSR of JSE listed Food and Drug Retail companies. All JSE listed companies are encouraged to become responsible corporate citizens, and engaging in CSR initiatives fits the requirement. This factor also drives CSR in developing countries as mentioned by Noronha *et al.* (2013:31).

All the JSE listed Food and Drug Retail companies reported on meeting BBBEE requirements as part of meeting social responsibility demands. Kabir *et al.* (2015:283) assert that the implementation of the BEE Act of 2003 had the intention of promoting CSR in South Africa. For this reason, it makes sense that the JSE listed Food and Drug Retail companies reported on their adherence to BBBEE requirements as part of their social responsibility.

- Formal CSR or CSI policy

Five (83.33%) of the six JSE listed Food and Drug Retail companies have formal policy documents that guide CSR or CSI spend and nature of initiatives. The sixth company has policies for sustainability to preserve the natural environment. Within these policies the companies also set targets to achieve annually. For example, Company 5 has a set target in their formal CSR policy that their CSI spending should be at least 1% of the company's profit or loss. Even if they make a loss, their target is to spend a percentage of that loss on CSI. Martínez *et al.* (2016:10) note that structures, social behaviour and values within a corporation stem from formal processes within a corporation. Having a formal CSR policy is considered a formal process; hence, it makes sense that formal CSR policies are drivers of CSR in JSE listed Food and Drug Retail companies.

- Company financial performance

The findings of this study revealed that financial performance, in particular revenue and profits, is a factor that drive CSR involvement for JSE listed Food and Drug Retail companies. This has an impact on the ability of companies to finance initiatives to support the community. One respondent from the interviews stated that when their company is able to “save” by being efficient and acquiring products at the most affordable prices, their company “have more to donate” when they save money not only for the company, but also for their customers. In Chapter 2, section 2.7, one of the critical success factors of CSR was identified, namely the financial success of companies, of which profitability of the company can be said to be an indicator of financial success.

- Specific needs of the direct community and environment in which the company trades

The results of the study show that JSE listed Food and Drug Retail companies embark on initiatives that address a direct need of the community in which they trade. For example, where there are natural disasters such as droughts and flooding, the companies step up to aid the community.

One of the companies has established a foundation with the purpose of giving back to the community. When members of the community request donations, the company requires them to write letters stipulating and motivating the specific need that the company can fulfil through the foundation.

Halkos and Nomikos (2020:107) argue that social pressure is one of the factors that drive CSR. In this regard, it appears that the JSE listed Food and Drug Retail companies do respond to social pressure (whether directly or indirectly) since there is response to community needs. For example, one of the companies allowed staff from a local municipality where one of the stores is located to buy groceries on credit when the municipality did not pay their salaries (News24, 2022).

- Attitude and commitment of top management (executive level) towards CSR

The findings of the study indicate that CSR initiatives depend on management's attitude towards CSR and whether management or the board of directors want to support the communities in which the companies trade. If management value CSR, the company is likely to engage in CSR initiatives. This is in line with the agency theory of CSR (see Chapter 2, section 2.3.2.4) that implies that management's intentions and attitude towards CSR will have a direct impact on whether or not they undertake CSR initiatives on behalf of the corporations they are responsible for.

- Social condition of countries in which the company trades

One of the Food and Drug Retail companies who trades within a few African and Sub-Saharan countries where food insecurity, hunger and malnutrition are rife stated that "*you can't look away from*" these enormous socio-economic challenges. For this reason, the company drives initiatives to establish food gardens in various communities, donates surplus food, and runs soup kitchens. This factor supports the definition of CSR within a developing country context, as put forward in Chapter 2, section 2.6, namely that the specific needs of citizens in the country must be addressed. According to Jamali and Karam (2018:45), CSR initiatives undertaken in a specific country need to be tailored to the specific societal needs in that country. The latter appears to be what JSE listed Food and Drug Retail companies are currently doing in South Africa.

- International parent company sustainability efforts

Two of the JSE listed Food and Drug Retail companies run CSR initiatives that are aligned to initiatives driven by their international parent companies. This is to support the global sustainability efforts of the group of companies as a whole, which, in turn, supports the global reputation of the company. These parent companies are based in developed countries. As mentioned previously, the concept of CSR is believed to be more pronounced in developed countries (Jamali *et al.*, 2017:2). Thus, one would expect the sustainability efforts of corporations in these countries to be more rigorous

and that they would enforce their CSR strategies on companies that they own located in developing countries. It does not come as a surprise that CSR in JSE listed Food and Drug Retail companies who have parent companies in developed countries are also driven by their parent companies' sustainability efforts.

4.3.7 Factors that create barriers or challenges for CSR performance

The following eight factors were identified as themes that highlight the barriers and challenges to CSR performance that JSE listed Food and Drug Retail companies have to contend with.

- Fund availability

The results indicated that funding or financial resources are a key challenge when embarking on large scale initiatives. This was evident for two of the companies, one of which has established farm hubs for local farmers across South Africa and engages in entrepreneurial development.

A CSR representative from one of the other Food and Drug Retail companies stated that when limited funds are available, the budget for CSR becomes smaller.

In contrast, a CSR representative of one of the Food and Drug Retail companies indicated that funding is not a challenge at all for their company when it comes to investing in CSR. For this company, the challenge is rather "how" they are "able to use the funding".

Funding is linked to financial resources. One of the critical success factors identified in Chapter 2, section 2.7, was resources, which include financial resources.

- Donors (partnership) availability

The findings of the study revealed that this challenge emerges when the companies venture into large scale CSR initiatives. The companies seek support from donors to

donate funds to assist with the execution of the initiatives. When donors are unavailable, the success of the CSR initiatives is compromised. It seems that this finding has not been reported previously. Seeking donations and partnerships to execute larger scale CSR initiatives could also serve as a recommendation to improve CSR practices of JSE listed companies in South Africa.

- Government support and aligned objectives

According to the findings, the companies seem to acknowledge that opportunities exist for greater collaboration with government departments on specific CSR programmes. However, problems seem to arise when municipal and local government objectives are not aligned with the CSR objectives of the company. This concurs with the finding of Ji and Miao (2020:1), namely that CSR in developing countries does not enhance collaborative efforts between corporations and government and that such collaborations could have a positive impact on CSR initiatives related to the environment.

- Stability in municipal utility supplies

The results show that this remains a challenge for one of the JSE listed Food and Drug Retail companies who has established farming hubs across South Africa. However, one of the cities in which a hub with an irrigation system has been established is experiencing low water pressure. This threatens the healthy growth and survival of the crops.

This finding is new in terms of CSR within the South African context; however, South Africa is not the only developing country where unstable municipal utility supply has been identified as a challenge for CSR initiative success. Kansa and Singh (2012:12) conducted a study on the CSR performance of Indian companies and stated that corporations in the country need to establish innovative methods in order for their CSR initiatives not to be affected by water shortages or suspension in municipal supplies.

- Impact of Covid-19

Based on the findings, it is clear that Covid-19 has impacted JSE listed Food and Drug Retail companies in two areas. First, the pandemic has had a huge impact on the financial performance of these companies. This supports the assertion of Asante Antwi *et al.* (2021:29) that the pandemic is anticipated to have a huge negative effect on the CSR spending of corporations due to its overall impact on economies as a whole.

Secondly, lockdown restrictions have halted CSR initiatives that involve face-to-face encounters, such as employee learning academies and training related learning opportunities offered to members of the public. This impact was not foreseen in the literature. It was not anticipated that social distancing measures would be enforced in a contemporary world characterised by daily face-to-face encounters, as no vaccine existed against prior to the outbreak of the pandemic (Chitiga-Mabugu *et al.*, 2021:82).

- Availability of suitable people who can assist or be appointed as CSI practitioners or managers

This was indicated as a key challenge faced by one of the Food and Drug Retail companies in terms of CSR. Getting the right individuals to fulfil the role of leader or manager in the area of CSR or CSI is not an easy process. This finding supports the call that has been made by Brès *et al.* (2019), namely to consider establishing a new profession of CSR practitioners. One of the main supporting factors for the recommendation by Brès *et al.* (2019:3) is the increase in CSR related activities around the world, which has also led to an increase in job creation.

- Shortfalls in revenue

The findings of the study indicate that revenue shortfalls may negatively impact the budget allocated towards CSR. This was expected, based on the fact that the financial performance of a company was identified as one of the factors that drive CSR in JSE listed Food and Drug Retail companies (see section 4.3.6). However, this was not the case for one of the companies, Company 5, who managed to reach their CSR targets

and spent at least 1% of total profit or loss for the year even when they were in financial difficulties and saw a decline in revenue (see section 4.2.3.2).

- Civil unrest

According to the results, two (33.33%) companies indicated that riots, strikes and civil unrest, such as the looting of businesses that took place in South Africa in July 2021, have had an impact on their CSR performance. In other words, civil unrest has slowed down CSR. This is contrary to the findings of Oyewumi *et al.* (2018:203) from their study on the impact of CSR on financial performance of companies in Nigeria (a developing country), namely that civil unrest is a factor that drives CSR. Oyewumi *et al.* (2018:203) state that companies in Nigeria undertake CSR initiatives as a means to put an end to civil unrest, while in a South African context, civil unrest acts as a barrier for CSR.

4.3.8 Challenges faced in terms of reporting on CSR initiatives

In section 4.2.2 it was found that JSE listed Food and Drug Retail companies did not particularly perform well in terms of reporting on CSR, especially as it relates to the disclosure of how the companies utilised the six capitals to create value for stakeholders. The following themes emerged as challenges that JSE listed Food and Drug Retail companies face when they have to report on CSR initiatives:

- Availability of information and data

According to one of the CSR representatives, a key challenge that their company faces is trying to track the impact their CSR initiatives have made, particularly at the level of informal communities, to enable them to report on these.

- Technical and human errors

One of the CSR representatives pointed out that, because CSR is executed and managed by various teams and various employees, information can get lost and erroneous reporting on CSR can occur.

- Staff turnaround

One of the CSR representatives mentioned that staff turnaround leads to misinterpretation of information which, in turn, leads to incorrect reporting of CSR related matters.

In the literature two main factors emerged as having an impact on CSR reporting. First, reporting depends on the framework that is adopted for the process; and, secondly, verification of the information reported is an issue (Lu *et al.*, 2016:27; Al-Shaer *et al.*, 2021:1). Tilt (2016:7-8) also highlighted the need to identify challenges towards CSR reporting. The challenges identified in this study provide an overview of some challenges experienced in terms of reporting within a developing country context, based on the data collected of JSE listed Food and Drug Retail companies.

4.3.9 Concluding links to the research objectives

Section 4.3 addressed secondary objective four (second empirical objective per section 1.4.2) of this study, which was to investigate factors that influence the CSR performance and reporting thereof, from the perspective of the selected companies. This was addressed by first exploring the factors that drive CSR. Then the researcher investigated factors that create barriers to CSR performance. Lastly, factors that create challenges for CSR reporting was discussed.

4.4 CONCLUSION

Overall, the CSR performance of the Food and Drug Retail companies listed on the JSE has improved over time as far as it relates to the FTSE/JSE SRI Index and CSR

investment. Five of the companies in the sample were included on the FTSE/JSE Responsible Investment Index in the latest year reviewed, whereas only four of the six were included on the index in the oldest year reviewed.

The social contribution per ordinary share of all the Food and Drug Retail JSE listed companies has also improved over time and the highest ratio is seen in the latest year reviewed in this study. The social and environmental investment as a percentage of the profit or loss of the four companies who disclosed the figure in their integrated reports improved over time as well. Although the percentage of Company 5 decreased in their latest financial year reviewed, they are still considered as having performed well with regard to their social and environmental investment. The reason is that the company continued to invest in society and the environment even amid financial difficulty. Overall, indications are that there has been advancement in the CSR performance of JSE listed Food and Drug Retail companies in South Africa in recent years.

A key strength was identified that could have had an impact on the overall performance of the companies, namely that CSR is incorporated into the corporate strategies of all the companies in the population. Other companies would do well to adopt similar practices.

A CSR performance area where the Food and Drug Retail JSE listed companies appear not to perform well, is the disclosure of CSR in so far as it relates to the six capitals disclosure requirement as per the Integrated Report Framework. This might also be the case for other JSE listed companies. One of the issues that this research aimed to explore was to identify areas where the CSR performance of JSE listed Food and Drug Retail companies need to improve, which could, in turn, assist other companies listed on the JSE. One of the six Food and Drug Retail companies did not disclose detail on their six capitals at all. Even though the remaining five of the six companies did disclose detail on the six capitals, the level of depth of disclosures has decreased over time, except for Company 3 who prepares a separate (from the integrated report) report on the utilisation of the six capitals to create value for the company and its stakeholders.

In terms of developing a CSR strategy, consideration needs to be given towards reporting on CSR. And perhaps objectives should be set to also appropriately report on CSR without focusing solely on performing well in terms of CSR initiatives.

This chapter provided an overview of the factors that hinder both CSR performance and the reporting of CSR, which have been identified as areas that need to be explored. The factors that drive CSR in JSE listed Food and Drug Retail companies range from the company purpose, values and strategy, to the efforts required by international parent companies.

When companies develop or try to improve on their existing CSR strategies, they should bear in mind the challenges and barriers that are currently faced by JSE listed Food and Drug Retail companies. Although these factors drive CSR, the barriers to CSR performance identified in this study create circumstances that make it difficult to execute CSR initiatives. For example, if a company requires support from government in respect of a CSR project, they should ensure that their objectives are aligned with those of government or they should have a plan in place to convince government of the validity of their objectives.

CHAPTER 5 – CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION AND STUDY BACKGROUND

This chapter draws all the findings of the study together to reach conclusions on the overall aim of the study, namely to determine the factors that drive CSR performance and reporting of JSE listed Food and Drug Retail companies in South Africa. The main problem that the study endeavoured to solve was to provide guidance regarding the key factors that companies need to consider when developing a CSR strategy that will aid in the successful implementation of CSR.

The Food and Drug Retail industry was identified as a major contributor towards the GDP of South African and this industry also makes a significant contribution towards the market capitalisation of the JSE Top 100 companies (see section 1.5.2 in Chapter 1). This industry was also selected as it was expected that this particular industry is likely to engage in initiatives that create value towards the three contexts of CSR, namely the economy, society, and the environment (see section 1.5.2 in Chapter 1).

All Food and Drug Retail companies listed on the JSE were selected for purposes of the study. Five secondary objectives were formulated to address the primary objective of the study. These objectives are reported in this chapter together with the key findings in relation to each objective. Lastly, recommendations are provided based on the findings for each of the secondary objectives.

5.2 MAIN FINDINGS REVISITED AND RECOMMENDATIONS

The following findings are represented per secondary objective.

5.2.1 Definition of CSR within a developing country context (SO 1)

This theoretical objective was addressed by way of a review of literature. The literature revealed that the concept of CSR is well explored within developed country contexts. Even though no uniform definition for CSR exists, it is evident that CSR is an approach that corporations adopt and whereby management commits to improving or creating

value within an economic, environmental and societal context through its business activities. The literature also revealed that, within a developing country context, the definition of CSR has a somewhat different meaning than in developed countries due to differences in geopolitical, cultural, political, governance, ethical values and societal values. Furthermore, it was found that CSR is viewed differently within a developing country context and expectations are greater. This provided the foundation for the formulation of a new definition of CSR within a developing country context, namely:

A business strategy adopted by corporations that not only aims to create value for shareholders and internal stakeholders, but also to create value for society, the economy and the environment. In addition, CSR indicates that corporations will promote social, civil and political rights of citizens and meet the needs of citizens in a manner equal to or exceeding the role of government.

Based on this definition, corporations are expected to fill the gaps that government is not able to fill or has not succeeded in fulfilling.

Recommendations

Based on the main findings of this objective, the following recommendations are made:

- Since CSR has been well explored within developed country contexts, recommended CSR practices have also stemmed from these countries. However, when corporations develop a CSR strategy, they should aim to do so bearing in mind that CSR within developing countries have a slightly different meaning than in developed countries.
- One could argue that expecting corporations to meet the needs in a manner equal to or exceeding the role of government might be too onerous. This might be the case especially for South Africa since the country is faced with a tremendous set of socio-economic challenges. Also, in section 2.6 in Chapter 2 it was indicated that developing countries are encumbered by corruption and group interest by those in positions of power. This leaves a huge gap that the proposed definition expects modern corporations to fill. It is thus recommended

that corporations across all industries collaborate to support each other in reaching the “ideal-world” definition proposed by this study. In this way, the weight of the expectation does not fall on a small number of corporations.

- The proposed definition of CSR within a developing country context suggests that corporations should promote social, civil and political rights. To achieve this, corporations can put pressure on government to meet the needs of citizens as far as possible, and for more stringent actions to be taken against corruption and behaviour that signify group interest at the expense of others.

5.2.2 Indicators that can be used to evaluate CSR performance (SO 2)

This objective was also addressed by way of a literature review. The literature revealed that different methods are being used around the world to evaluate or assess CSR performance and that there is a general lack of a consistent CSR measurement basis. It was, however, concluded from past research that the following three indicators or measures can be used to evaluate CSR performance:

- i) Listing on ESG (Economic, Social and Governance) Indices
- ii) CSR disclosure practices in relation to prescribed CSR disclosure guidelines
- iii) CSR Investment (in monetary forms)

Since this study was executed in a South African context, the investigation focused on which indicators are relevant to JSE listed companies. The following was concluded:

Table 5.1 – CSR Performance measures used in this study

Performance measure	Description
FTSE Russel ESG ratings	Obtained from the JSE/FTSE SRI Index. It was determined whether the selected companies reached the index in the three years selected for the study and whether they were ranked in the top 30 or not.

Performance measure	Description
<IR> six capitals disclosure	Companies listed on the JSE adopts the King IV Report that prescribes the <IR> for disclosure purposes. The six capitals should be disclosed. It was determined, for the three years selected for this study, how many of the six capitals were reported on. These were compared amongst all the companies selected for this study.
Social contribution per ordinary share	Noronha <i>et al.</i> 's (2013) proposed formula was applied: the sum of the social investment (which includes income tax paid to tax authorities, salaries, interest on loans, investment in the community and on the environment) minus social cost due to pollution of environment, divided by the total number of ordinary shares. The ratio was calculated for the three years selected for the study, compared year on year and also compared amongst the selected companies.

These three indicators appear to be the most commonly used around the world. This signals that there is merit in using these indicators to measure CSR. These indicators are also relevant within the South African context.

Recommendations

Based on the main findings of this objective, the following recommendations are made:

- These indicators could be used by all companies or corporations who wish to track their CSR performance. These could also be built into the CSR objectives of the companies documented in formal CSR strategies.
- It is recommended that, within a South African context, the aforementioned three measures be used to analyse the CSR performance.

5.2.3 Analysis of the CSR performance of JSE listed Food and Drug Retail companies (SO 3)

The results obtained to address this objective were gathered by way of a content analysis of the integrated reports and annual reports of JSE listed Food and Drug Retail companies. In section 2.10 of Chapter 2, it was established that Covid-19 has had a negative impact on CSR performance since corporations had to shift their focus towards making ends meet and ensuring the safety of their customers and employees. For this reason, the study focused on the three financial year-ends for each company prior 26 March 2020 when Covid-19 lockdown restrictions were first imposed in South Africa. The results show that JSE listed Food and Drug Retail companies in general performed well in terms of CSR. This provides justification for why other companies could learn from the CSR strategies adopted by the Food and Drug Retail companies. Moreover, other companies could draw on the CSR strategy strengths of the Food and Drug Retail companies and increase their awareness of the factors that hinder CSR performance and reporting in this sector. Sections 4.2.3.1 to 4.2.3.3 provided a summary of the findings in respect of the CSR performance of the JSE listed Food and Drug Retail companies.

5.2.3.1 FTSE/JSE Responsible Investment Index

The analysis of the FTSE/JSE Responsible Investment Index obtained for 31 December 2017 to 2019 indicated that the Food and Drug Retail industry as a whole performed well in this area. The results of the latest index under review showed that 83.33% of all the JSE listed Food and Drug Retail companies were included in the index. This, in turn, indicates that a substantially large percentage of the industry is acknowledged by the JSE as companies that promote sustainable and transparent business practices.

An interesting finding was that, in general, the total number of companies that reached the FTSE/JSE Responsible Investment Index have decreased over time. The Food and Drug Retail industry companies did not contribute towards that decline.

Recommendation

Based on the main findings of this objective, the following recommendation is made:

- It is recommended that corporations, especially JSE listed companies, include reaching the FTSE/JSE Responsible Investment Index as one of their targets in their CSR strategies.

5.2.3.2 Reporting on the Integrated Report Framework's six capitals

The content analysis of the JSE Food and Drug Retail companies' three-year period integrated reports revealed that only one (16.67%) of the six companies did not provide information on the six capitals and how business activities had been employed to create value. However, the findings indicate that the level of depth of the disclosures (in terms of page numbers) for the industry as a whole has decreased over time. One company in the population has demonstrated a significant growth spurt in terms of the level of depth disclosed on the six capitals in their latest financial year reports. This company was also included on the FTSE/JSE Responsible Investment Index for the first time in the year for which the increase in level of depth of disclosure was noted.

Recommendation

Based on the main findings of this objective, the following recommendation is made:

- Disclosure of the six capitals is a requirement of the King IV Report on Corporate Governance which all JSE listed companies must adhere to in terms of listing requirements. It is therefore recommended that corporations include a CSR disclosure dimension in their CSR strategy. One of the disclosure targets that should be included in the CSR strategy at minimum, should be disclosure of the six capitals and how they are employed to create value for all the corporation's stakeholders.

5.2.3.3 CSR Investment performance

Originally it was planned that only the social contribution per ordinary share would be calculated for the companies. However, the analysis of the integrated reports of one of the companies revealed that this particular company measures their own CSR performance through calculating their investment in the community and in the environment (in monetary terms) as a percentage of their total profit or loss. This formula was also employed to determine the CSR investment performance.

With regard to social contribution per ordinary share, it was found that none of the JSE listed Food and Drug Retail companies disclosed the corporation's social cost due to pollution of the environment. It is questionable whether this figure is determined by the companies at all. The amount that ought to have been deducted from the social contribution figure was therefore not excluded as it could not be determined. The results show that the social contribution per share of all the JSE listed Food and Drug Retail companies has increased over the three-year period reviewed for each of the companies. This signifies continuous improvement.

With regard to social and environmental spending as a percentage of profit or loss, the findings paint a positive picture. The social and environmental spending as a percentage of profit or loss of all the JSE listed Food and Drug Retail companies has increased year on year over the three-year period reviewed for the respective companies. One of the companies even continued to invest socially and environmentally even when they were making losses for the financial period.

Recommendation

Based on the main findings of this objective, the following recommendation is made:

- Due to the fact that creation of value for stakeholders forms an integral part of the definition of CSR, corporations should determine and disclose the value they have destroyed for stakeholders. This includes the environment. It is evident that JSE Food and Drug Retail companies do not report on the social cost (the

amount that it would cost to restore damage to the environment or contribution towards pollution) their companies are responsible for.

5.2.4 Factors that influence CSR performance and reporting thereof the companies (SO 4) and Recommendations to address negative factors (SO 5)

The results in respect of these two secondary objectives were obtained through interviews with CSR representatives from Food and Drug Retail companies, as well as content analysis of the companies' latest integrated reports and website content.

5.2.4.1 CSR drivers

The results of this study indicated that the following factors influence or drive CSR in JSE listed Food and Drug Retail companies:

- Company purpose, values and strategy
- Legal and political factors
- Formal CSR or CSI policy
- Company financial performance
- Specific needs of the community and environment in which the company trades
- Attitude and commitment of top management (executive level) towards CSR
- Social condition of countries in which the company trades
- International parent company sustainability efforts

All of the above seem to be in line with the definition of CSR within a developing country context as proposed by the study (see section 4.2.1).

Recommendations

Based on the main findings of this objective, the following recommendations are made:

- CSR should form an integral part of the corporate strategies of companies. The strategy provides vision and purpose and if CSR is not included, it is unlikely to be pursued.
- All JSE listed companies should have a formal CSR or CSI policy. One of the key strengths of the JSE listed Food and Drug Retail industry is that all its companies have formal CSR or CSI policies in place. These set targets to be achieved and should help corporations to track their CSR performance and the impact thereof. These policies should also provide guidance on the reporting of CSR by the company.
- It was established that the attitude of management towards CSR is a key driver of CSR. Thus, in order to strengthen their CSR performance, companies should consider including experience in CSR and related matters as part of the knowledge, skills and experience requirements in terms of management vacancies.

5.2.4.2 Barriers towards CSR performance

The following has been identified as barriers towards CSR performance for JSE listed Food and Drug Retail companies:

- Government support and aligned objectives
- Stability in municipal utility supplies
- Civil unrest
- Fund availability
- Donors (partnership) availability
- Impact of Covid-19
- Shortfalls in revenue
- Availability of suitable people who can assist or be appointed as CSI practitioners or managers

Recommendations

Based on the main findings of barriers towards CSR performance, the following recommendations are made:

- The first three (37.5%) of the eight listed barriers are directly related to government, the support they give, and service delivery. It is therefore recommended that the South African government heed to the concerns raised regarding the barriers for CSR performance in the Food and Drug Retail industry. The definition of CSR within a developing country context suggests that corporations should aid government in meeting the needs of society. Hence, there should be no forces from government working against corporations in their quest to implement and execute CSR.
- The fourth to seventh barriers listed are related to the economic activity and economic growth of South Africa. One way in which corporations could address the need for funds is, once again, through collaborative effort. It is recommended that the JSE invest in developing a CSR Code. This Code should be based on a thorough analysis of the CSR in South Africa (economic, environmental and social) can be conducted. CSR needs should be identified and documented in this Code, and recommended practices or guidance should be provided regarding measures that can be taken to address these needs. Furthermore, a category of needs should be allocated to a specific industry of the JSE, which should then focus on developing strategies to address that category of CSR needs. There can be collaboration amongst companies within the same industry towards contributing to a specific cause in order to address the CSR needs of the country. Such collaborations would assist with obtaining funds and stimulating partnerships. When companies develop their CSR strategies and policies, they should use this CSR Code to aid the process of setting targets.
- Regarding the final barrier to CSR performance, higher degree institutions should acknowledge the need in the market for CSR practitioners. The institutions can start designing courses and qualifications that train individuals on all there is to know about CSR, the development and implementation of CSR strategies, critical success factors, and so on. All JSE listed companies should employ CSR

practitioners to assist them with the development, implementation and execution of CSR strategies.

5.2.4.3 Challenges regarding CSR reporting

The findings of the study revealed the following challenges faced by JSE listed Food and Drug Retail companies regarding the reporting on CSR:

- Availability of information and data
- Technical and human errors
- Staff turnaround

Recommendations

Based on the main findings, the following recommendations are made:

- To address the first challenge, companies should create a social media platform (which can include WhatsApp, Facebook, Twitter, etc.) where the beneficiaries of their CSR initiatives can provide feedback on the impact of the initiatives. Environmental activists can be requested to keep track of the impact a specific corporation has on the natural environment in which they trade and be asked to provide feedback to the corporation on the same platform.
- With regard to technical and human errors, a designated team of CSR practitioners needs to be appointed by the company to coordinate CSR initiatives. All prospective projects need to be brought to this team for approval by submission of a formally designed document that can be emailed from anywhere in the country. Written feedback should then be provided to this team after the implementation and execution of initiatives. These should be kept in a cloud-based database that is updated in real time to ensure that no data gets lost. This database should be reviewed by one of the senior CSR practitioners and compared with applications received and written feedback to ensure that the data is accurate and complete.

- Regarding staff turnaround, each employee who has been involved with CSR related matters should prepare a short Microsoft PowerPoint presentation with recorded voice over notes to train the individual who will be taking over from them on how to interpret the information that they prepared.

5.2.4.4 General findings

The findings of the study indicate that CSR is incorporated into the corporate strategies of all the JSE listed Food and Drug Retail companies. This came as no surprise since all JSE listed companies are required to adhere to the King IV Report on Corporate Governance which recommends the inclusion of corporate citizenship (a concept interrelated to CSR) in corporate strategies. The findings also indicate that all the companies acknowledged that CSR has three contexts, being economic, environmental, and social. This is a particular strength that other JSE listed companies can take from the Food and Drug Retail industry.

The results of the study suggest that the majority of JSE listed Food and Drug Retail companies define CSR as being limited to philanthropy (charitable donations and sponsorships), with one of the companies even suggesting that CSR is voluntary. The latter comes as a surprise since CSR was included in all the corporate strategies, which brings to question how something that is incorporated into the strategy of a corporation can be seen as voluntary. One of the key strengths of CSR initiatives executed by JSE listed Food and Drug Retail companies is their acknowledgement of and strive towards tackling the socio-economic challenges that South Africa faces, such as hunger, poor quality education, and unemployment.

The key stakeholders of JSE listed Food and Drug Retail companies were also investigated. An interesting finding was that none of the companies listed the natural environment as a key stakeholder in their integrated reports. The environment is mentioned specifically in the strategies of the JSE listed Food and Drug Retail companies, hence the latter finding is peculiar.

Recommendations

Based on the main findings, the following recommendations are made:

- JSE listed Food and Drug Retail companies should rethink their definition of CSR. When developing or updating their CSR strategies, these corporations should clearly define CSR and ensure that the definition aligns with the corporate strategy of the company, as well as with the definition of CSR (see section 4.2.1). This should enhance the CSR strategies of the company by ensuring that the actual implementation and execution of the CSR strategy are not limited to philanthropy. The latter is a key critique against CSR strategies of corporations in developing countries.
- Since CSR is included in the corporate strategies of all JSE listed Food and Drug Retail companies, the implementation thereof should not be regarded as voluntary. Hence, in order to align their CSR strategies to the corporate strategy, JSE listed companies should not view CSR as voluntary, since all listed companies are required to be a responsible corporate citizen in terms of the King IV Report on Corporate Governance.
- Lastly, even though the level of interest and influence of the natural environment on a corporation cannot be measured, this does not mean that the natural environment is disqualified from being identified as a key stakeholder. The natural environment is one of the three main contexts of CSR and should thus be regarded as a key stakeholder and treated as such.

5.3 CONTRIBUTION OF THIS STUDY

5.3.1 Theoretical contribution

This study provided a new definition for CSR within a developing country context. Existing definitions appear to be more relevant within a developed country context. Therefore, calls have been made for defining the concept within a developing country context to assist corporations in these countries to adopt an appropriate CSR strategy relevant to their socio-economic landscape.

The study further contributes towards the body of literature of CSR within a developing country context.

5.3.2 Methodological contribution

As mentioned in the problem statement of the study in Chapter 1, there is currently no uniform measurement indicator to assess the CSR performance of companies. This study researched earlier methods used and arrived at the three most common methods which could be applied by JSE listed companies.

5.3.3 Practical contribution

The study provided a summary of the factors that drive CSR within a developing country context by exploring the phenomenon within the Food and Drug Retail companies listed on the JSE. Along with the factors that drive CSR, the research provided a list of factors that hinder CSR performance and CSR reporting. These factors are important to note as they create a direct challenge to the factors that drive CSR and could thus have an impact on the success of CSR within developing countries.

Through understanding all of the aforementioned, improved CSR strategies can be developed and prevention strategies can be put into place to enhance the probability of CSR success. As mentioned in Chapter 1, section 1.5.2., the Food and Drug Retail industry contributes roughly nine percent to South Africa's GDP and it was expected that companies in this industry would execute initiatives that can be categorised within all three contexts of CSR.

It was established that the JSE Food and Drug Retail companies' CSR performance has been improving year on year. The latter strengthened the case for exploring the phenomenon within the context of this industry. Other companies could learn from these companies by taking cognisance of their CSR strategies and the factors that drive CSR in this industry. The study provided a summary of these factors based on the empirical research conducted.

Lastly, the study not only provided an overview of factors that hinder the CSR performance and reporting thereof in South Africa, but also proposed recommendations to address these.

5.4 LIMITATIONS OF THE STUDY

With regard to the social contribution per ordinary share calculation, JSE Food and Drug Retail companies did not disclose social cost due to pollution of the environment. This was therefore not excluded from the social contribution figure used to calculate the ratio.

With regard to the research instrument (list of interview questions) that was designed for the study, only two (33.33%) of the JSE listed Food and Drug Retail companies participated. This challenge was overcome by conducting a content analysis of the latest integrated reports and website information of all the companies. The data obtained was limited to information that was available in the public domain. Hence, the results were based on data obtained through the interviews conducted as well as the content analysis.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

It is recommended that the social and environmental investment as a percentage of profit or loss be studied for companies within developing countries and then compared with that of developed countries.

5.6 CONCLUSION

This research offered a new definition of CSR within a developing country context which JSE listed companies can utilise when developing their CSR strategies. Three different CSR performance measurement methods, which include measurement of CSR reporting performance, were also proposed for adoption by companies to measure their own performance on a year-to-year basis. Lastly, the research contributes towards the body of CSR literature within a developing country context.

The study found that there is growth in terms of the CSR performance of JSE listed Food and Drug Retail industry companies in South Africa. However, reporting on CSR (by way of six capitals) appears to have regressed; thus, the study made recommendations on how to improve CSR reporting. Particular strengths of the JSE Food and Drug Retail industry regarding their CSR strategies, CSR performance and reporting were also highlighted. Recommendations were made with regard to practices that will enhance CSR strategies and address the existing weaknesses and barriers that JSE listed Food and Drug Retail companies face in terms of CSR and CSR reporting. These practices would, in turn, enhance the future development and improvement of CSR strategies by companies.

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ANNEXURE A

LIST OF QUESTIONS

1. Do you agree that the responses may be used for academic purposes?
2. What is your role and function in the company that you represent?
3. How long have you been in employment with your employing organisation?
4. Would you say that corporate social responsibility forms an integral part of our corporation's strategy?

Please elaborate.

5. Describe how your company defines corporate social responsibility?
6. Describe and explain whether your corporate social responsibility strategy incorporates initiatives (value creation) for the following stakeholders: the economy, the environment and society.

Please elaborate.

7. How would you rate and describe your company's current corporate social responsibility performance (latest financial year reported on)?

Please elaborate.

8. How would you rate and describe your company's corporate social responsibility performance in the two preceding financial years to the latest reported financial year?

Please elaborate.

9. Who are your company's five (5) major stakeholders?
10. Describe the factors that influence or drive your company's corporate social responsibility performance.
11. Describe any strengths of your current corporate social responsibility strategy.
12. Explain any barriers or challenges to your company's corporate social responsibility reporting.
13. Explain any barriers or challenges to your company's corporate social responsibility performance (e.g. resources).

[End of questions]

INFORMED CONSENT

Dear Participant

This **Informed Consent Statement** serves to confirm the following information as it relates to the officially approved research project at the North-West University on “Assessing the factors that drive CSR performance of Food and Drug retail companies listed on the JSE.”

1. The sole purpose of this study is to assess the factors that drive CSR performance of Food and Drug retail companies listed on the JSE.
2. Participation is completely voluntary, and you may opt-out at any time. You may also decide not to answer specific questions.
3. The procedure to be followed is qualitative research design, which entails an interview. Basic background information will be asked e.g. your function and related experience to the topic.
4. Confidentiality of the data is guaranteed and only the combined results will be used for research and publication purposes.
5. The data gathered from the interviews will only be used for research purposes.
6. Also note that this study does not have a correct or incorrect answer to any of the questions. This means that in comparing profiles of companies, there is not a correct or incorrect profile.

Please indicate your consent

I hereby give my consent after having read the above information that my data may be used as stated above.	YES	NO
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Thank you for your time.

Zane Derbyshire (The researcher)

CORPORATE SOCIAL RESPONSIBILITY CONSENT AND LIST OF QUESTIONS [FOREWORD]

Thank you for taking part in this study. The aim of the study is to analyse the corporate social responsibility performance and reporting thereof, as well as factors that influence the performance of Food and Drug retail companies listed on the JSE, in an effort to identify the strengths of the current corporate social responsibility strategies adopted. In addition, this study also aims to identify any barriers that may affect the corporate social responsibility performance of companies, in order to recommendations to address these. This should assist companies who are yet to adopt a corporate social responsibility strategy to focus on the strengths of existing participants and to be mindful of any barriers that may exist.

TERMS

The responses of your answers will be dealt with anonymously, and your participation is voluntary. No participation can be identified. The collective anonymous results will be reported. Should you have any questions, you can contact the researchers, Zane Derbyshire at zane.derbyshire7@gmail.com or 072 911 7689 or Prof Ronnie Lotriet at ronnie.lotriet@nwu.ac.za.