

Sustainability practices and reporting by the South African banking sector

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DECLARATION

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*Title of Mini-dissertation: **SUSTAINABILITY REPORTING PRACTICES AND REPORTING BY THE SOUTH AFRICAN BANKING SECTOR***

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ABSTRACT

Sustainability reporting based on the GRI guidelines is a relatively new global concept. The principle of the triple bottom line reporting which is recommended by the King III Code of Corporate Governance is the basic premise of the GRI guidelines. However, the guidelines are applied on a voluntary basis and there is still no prescribed standard format of a sustainability report.

The banking sector is one of the key players in the country's economy and this study focused mainly on sustainability reporting within the SA's banking sector. The main purpose was to determine whether there is comparability of reporting within the sector. In order to attain this, a qualitative study which comprised content analysis of the sustainability reports of the banks was conducted. Sustainability reports of seven banks (five South African banks and two foreign banks) were studied and analysed.

The study revealed that the banks' sustainability reports vary significantly in content. This is due to the fact that the GRI guidelines provide a broad choice of indicators. Banks have a choice on what they report on. There needs to be standardization of sustainability reporting within the sector in order for comparability of the reports to be attained.

KEY WORDS: sustainability reporting, GRI guidelines, triple bottom line, banking sector, King III Code of Corporate Governance.

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LIST OF ABBREVIATIONS

ABSA - Amalgamated Banks of South Africa

BC - Before Christ

CERES - Coalition for Environmentally Responsible Economies

CEO - Chief Executives Officer

CFO – Chief Financial Officer

EP – Equator Principles

FNB - First National Bank

GRI- Global reporting initiative

IISD- International Institute for Sustainable Development

IIRC –International Integrated Reporting Committee

IRC SA - Integrated Reporting Committee South Africa

ISO – International Organisation for standardization

JSE – Johannesburg Stock Exchange

JSE SRI - Johannesburg Stock Exchange Sustainability Reporting Index

SA –South Africa

UN - United Nations

UNEP- United Nations Environmental Programme

UNEP-FI –United Nations Environmental Programme: Financial Institutions

UNGC –United Nations Global Compact

WCED - World Commission on Environment and Development

WSSD – World summit on sustainable development

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CHAPTER 1: INTRODUCTION

1.1 Background

The main focus of this study is sustainability reporting by South African companies in the banking sector. It is imperative therefore to start by defining sustainability. As Lozano (2008:1) states, there are so many definitions of sustainability that by the early 90's there were about 70. It was also acknowledged by the World Commission of Environmental Development (WCED), (1987) that the idea of sustainability was quite complex and there was no single definition of the concept as the economic and social systems as well as ecological conditions differed from one country to another.

It is important to note that while most academic literature use the term sustainability, some other institutions such as governments use sustainable development, but both terms are used in exactly the same context and therefore mean one and the same thing (Robinson, 2004: 370). In this study the terms will therefore be used interchangeably.

The most common definition is derived from WCED, (1987) which refers to sustainability as *“development that meets the needs of the present without compromising the ability of future generations to meet their own needs”*. Though it is not where the idea of sustainability was birthed, the formation of the World Commission of Economic Development, marked an important point in the history of sustainability (Robinson, 2004:370). The underlying theme of the report was finding ways in which to mitigate the evident damage caused by the human activity on the ecological system (WCED 1987).

The oxford dictionary, (2008) defines sustainability as *“involving the use of natural products and energy in a way that does not harm the environment”* or as something *“that can continue or be continued for a long time”*. Sustainability became the world's major concern due to the dangers that were posed by on the environment from the way the resources were being used. This was confirmed by WECD's concern, that trends had been identified back in the early 1980's, which posed to radically alter the state of our planet (in the process threatening lives of many species, including human life) (WECD, 1987). With the human life averaging 70 years, and the life spans of other species of animals ranging from a day to 200 years (Carey & Judge, 2001), one wonders how this threat will affect life in its entirety, including the biosphere.

Sustainability is defined, from an economist's perspective by Solow (1991:181), as leaving to the future the option or capacity to be as well as the current generation is and that the current generation is allowed to please itself as much as they want as long as it is not at the expense of the future. The economist refers to the availability of substitutes (which suggests that one product can be substituted for another in production) and thus the current generation need not worry about not consuming certain products, because the future generations can still find substitutes for them. This view is rather controversial and it suggests that there is no need for all the efforts that are being made for sustainability.

There are also multiple perspectives from which sustainability has been approached. These include among others: conventional economists, non-degradation environmentalist, integrational, inter-generational and holistic perspectives (Lozano, 2008:1838).

In the corporate world companies emphasize sustainable business practices and another important question is "how sustainable can a business be?" Another view of sustainability, which Hubbard (2009:5) argues is a shift from the original idea, is that of sustainable profits. Though it is said to be a shift from an original idea, the main reason for existence of businesses is to make profits, and in order to take part in any other business, its main purpose must first be fulfilled.

The principle of sustainability is also implied in one of the underlying assumptions of accounting. The conceptual framework par 4.1 states that financial statements must be prepared on the assumption that an entity is a going concern, which assumes that the business will continue into the foreseeable future. Both sustainability and going concern are about living today with the future in mind.

This study seeks to identify the idea of sustainability adopted by the SA banking sector, their conformance to the adopted idea, and the relevance of the reporting to the concept of sustainability and the comparability of their sustainability reports.

1.2 Sustainability Reporting

Corporate governance was initially about ensuring that the management was pursuing the interest of shareholders (which is the creation of wealth), and as such reports were only about the financial performance of the business (Marx & van Dyk, 2011: 39). With the evolution of the corporate governance and the companies being expected to behave more like legal citizens, the introduction of the King III and the Global Reporting Initiative (GRI) came a requirement for

companies to report on more than just financial performance (King 2009:20). Emphasis was placed on the need for relevant and reliable stakeholder reporting by the organization, including the social and environmental achievements (GRI, 2011).

It is worth noting that sustainability reporting should form part of integrated reporting, meaning that the company's annual reports should include both financial and non-financial performance (King, 2006: 12). The JSE index shows improvement on the rate at which listed companies have adopted and are practicing the idea of sustainability reporting (Sonnenberg & Hamann, 2006:310).

The questions do however remain: If it is voluntary, what is it that motivates companies to focus their efforts on sustainability reporting? If the standards are not so clear, is what they are doing even relevant to addressing the real issues at stake? Also what is it that should be included in the sustainability report?

This study explores what the businesses are intending to achieve by adopting the sustainability policies and practices. The main focus is on the South African banking sector and the largest four commercial banks namely Standard, FNB, ABSA and Nedbank are the subject of the study. African Bank and two foreign banks namely: Bank of America and Lehman are also included in the study.

1.3 Problem Statement

One of the most striking features about sustainability is that it means so many different things to so many different people and organizations. Companies are encouraged by the King code III to report on sustainability, and in doing so, they should use the framework provided in the GRI guidelines (Rea, 2012:4). The King III report (2009) is however clear that the application of its provisions is non-binding and every organization can apply it on voluntary basis. Sonnenberg and Hamann, (2006:312) also established that even though most of the Johannesburg Stock Exchange (JSE) listed companies were reporting on sustainability, only the minority used the GRI guidelines as their reporting standard.

Hubbard (2009:3) argues that for financial reporting there are clear standards that guide the reporting, whereas with sustainability there are no agreed local or global standards or benchmarks. That poses a challenge on either measuring or monitoring corporate sustainability reporting at any level. Rea (2012:4) also points out that, even though the corporate

sustainability reporting goal is a courageous move, there is still an inadequate amount of information available to stakeholders who want to understand how to benchmark corporate sustainability on non-financial matters.

The GRI –G3 outlines what should be contained in the reports as, the economic, social and environmental dimensions under which there are lists of variables or indicators each company should report on. The GRI however allows each company to determine the content of its report, based on its mission, experience and the stakeholder's interests (GRI 2011) (Roca & Searchy, 2012:103). This is a subjective way of determining the report content. Different report contents can be chosen, based on the different perceptions and judgments inherent in humans. According to Roca and Searchy (2012:104) there is no recognised definition or format of a sustainability report. There are also no examples of published sustainability reports that show how sustainability performance indicators should be used (Roca & Searchy, 2012:116). This has brought about a lot of confusion, as it is difficult to say whether a company has/ or has not correctly reported their sustainability performance.

1.4 Research objectives

Based on the above problem the following objectives were formulated;

1.4.1 Primary Objective

Examine the sustainability reports of the four major SA banks in order to determine whether there is comparability of reporting within the sector.

1.4.2 Secondary Objectives

- Examine sustainability reports of two foreign banks and compare them with the reports of the four major SA banks.
- Study and evaluate the sustainability reports of Lehman and African Bank in the light of their failure in financial performance

1.5 Research methodology

The research was done following a qualitative approach. De Vos et al, (2011: 64 - 65) define qualitative research as *“a study used to answer complex nature of a phenomena with the*

purpose of describing and understanding it from the participant's point of view". Both literature and empirical studies were conducted.

The literature study comprised an intensive review of the existing literature (academic publications and text books) on the topic in order to have a clear basis for the interpretation of the results to be acquired from the research.

The empirical study was an exploration of the content of the sustainability reports of the companies selected for research. All the companies that formed part of the research are listed on a stock exchange and therefore their reports are publicly available on their websites.

1.6 Chapter divisions

Chapter 1: Introduction

This chapter gives a background to the topic of the study. The section consists of a brief review of literature to give a broad perspective of the topic as well as the context in which the topic was studied. The introduction highlights the main aim of the study and how the researcher purposed to achieve it.

Chapter 2: Overview of sustainability and sustainability reporting

This section is based on the review of existing literature. Through studying the articles of previous scholars and understanding their opinions, findings as well as recommendations on the topic of sustainability reporting, a foundation was established for this research.

Chapter 3: Research methodology

The chapter discusses the methodology employed in carrying out the study. The type of the study is described and the rationale behind the particular genre is discussed. The chapter also covers the following issues: research sample, research scope and data analysis methods and tools used in order to achieve the main objectives of the study.

Chapter 4: Research findings

In this chapter the research findings are presented.

Chapter 5: Interpretation and analysis

In this chapter the findings presented in the previous chapter are analysed and interpreted.

Chapter 6: Conclusion, limitations and recommendations

This chapter is comprised of conclusion, limitations and recommendations.

CHAPTER 2: OVERVIEW OF SUSTAINABILITY AND SUSTAINABILITY REPORTING

2.1 Introduction

Corporate sustainability reporting is a global business concern. Almost every company, despite their sector of operation, makes promises to its stakeholders about its social responsibility as well as its care for the environment (usually as expressed as “green initiatives”). With the emphasis in the King III reports on corporate governance sustainability, companies need to report to the stakeholders what it is the companies are doing, and what their milestones, achievements and challenges are.

Since this study is about sustainability practices and reporting of the banks, the definition of sustainability was introduced in the previous chapter. It is imperative for the purposes of this study to understand the background behind sustainability as well as the available frameworks for reporting sustainability. The definitions, milestones as well as conceptual frameworks provided in this chapter will provide a context within which the study will be based. By referring to relevant literature, this chapter therefore lays a foundation for studying the sustainability practices and reporting within the SA's banking sector. Accordingly, sustainability is defined in more detail and the rest of the chapter also considers the following issues: history of sustainability; sustainability reporting; content and structure of a sustainability report; sustainability reporting guidelines; and sustainability and bankruptcy.

2.2 Defining sustainability

According to Robinson (2004:370) most literature refers to sustainability and sustainable development in the same context. The terms are therefore used interchangeably for the purpose of this study. The World Commission on Environment and Development (WCED) (1987) has defined sustainability as *“development that meets the needs of the present without compromising the ability of future generations to meet their own needs”*. This definition is the basic premise from which many other definitions of sustainability were drawn. It has also been said that there are so many definitions of sustainability that by the early 90s there were more than 70 (Lozano, 2008:1838). According to Bebbington (2001:129) the lack of clarity of the WCED definition is the cause of tons of definitions of the term that keep emerging. Sustainability is also a dynamic term that keeps being improved throughout the ages (Bebbington, 2001:129). It seems that many institutions and individuals have tried to define sustainability in a way that

makes sense to them, depending on their particular discipline of study, business, or area of interest. It is therefore crucial that, as a part of this study, we understand the meaning of sustainability, and the view of sustainability held by the SA banking sector so that, when reviewing their report, we know their basis. Sustainability has been defined from several approaches and some of them are addressed in paragraph 2.2.1 below.

2.2.1 Different approaches to Sustainability

According to Lozano (2008:1838) perspectives from which sustainability have been approached include (but are not limited to): 1) conventional economist, 2) non-degradation environmentalist, 3) inter-grational, 4) inter-generational and 5) holistic perspectives.

The Conventional economist approach suggests that resource consumption needs not be limited in an effort to save for the future, because through the use of both natural and man-made materials, substitutes can be created for future generations to use (Solow, 1991:182; Illge & Schwarze, 2009:601). This approach overlooks the effects that the economic activities have on both the society and the environment. It is also based on the assumption that people have control of how much of the natural capital they can consume (Lozano, 2008:1839).

The non-environmental degradation approach suggests that once natural capital is used, nothing can be done to replace it (Lozano, 2008:1839). That is why Illge and Schwarze (2009:600) argue that people should apply all the efforts that can help save the natural capital. This approach disregards the social aspect; it takes for granted that the environmental hazards, caused by the lifestyles of the rich, are not an issue to the poor because their needs are not met to start with (Lozano, 2008:1839).

The integrational approach focuses on integrating the three dimensions (economic, social and environmental) of sustainability (Lozano, 2008:1839). The following definition is an illustration for this particular approach: *“to maximize simultaneously the biological system goals (genetic diversity, resilience, biological productivity), economic system goals (satisfaction of basic needs, enhancement of equity, increasing useful goods and services), and social system goals (cultural diversity, institutional sustainability, social justice, participation)”* (Babier 1987:103). The approach is more complete but only focuses on the short term (Lozano, 2008:1839). The definition sets out clearly what sustainability intends to achieve, which is: maximizing the three systems. It also elaborates on the systems to give an idea of what these entail. The definition

however lacks the how part, leaving room for individual interpretation on how the systems can be maximized.

Intergenerational approach; This approach incorporates the time factor, and the economic impacts are divided into long term and short term. The main focus is on meeting both the needs of current and future generations. This approach has been criticized for being vague (Lozano, 2008:1839). Dyllick and Hockerts (2002:131) give a definition which shows this approach: *“meeting the needs of the firm’s direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities, etc.), without compromising its ability to meet future stakeholder needs as well”*. This definition, which evidently flows from the WCED, elaborates on the issue of the needs answering the question of whose needs are to be met and it is also concerned about the future.

Another definition that follows this approach states that doing a sustainable business is: *“adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining, and enhancing the human and natural resources that will be needed in the future”* (IISD, 1992). This definition addresses the how part of the sustainability, since the WCED definition just states what can be defined as a “vision”.

The holistic approach combines the inter-grational and intergenerational approaches, focusing on the economic, social and environmental aspects simultaneously with the time factor (Lozano, 2008:1940).

There is neither opposition nor competition amongst the above-mentioned approaches. They only represent the different positions from which sustainability is envisaged and in most cases there is a fine line between the approaches.

Having explored various meanings and approaches to sustainability, it is important to define sustainability as it relates to this study. The most common definition of sustainability by WCED (1987), which emphasizes that the current generation should leave same amount of resources for future generations, is the main premise for this research. The principle embedded in the definition is that, as the companies carry out their activities in an effort to maximize profit, they should be careful not to deplete the natural environment as well as harm or impoverish the society within which they operate. The study leans more towards the integrational and intergenerational approaches.

2.2.2 Strong VS Weak Sustainability

In addition to the approaches, some literature has put sustainability into two categories, namely strong sustainability and weak sustainability (Garmendia et al., 2010:96). It is evident from the definitions of weak and strong sustainability that the ideas of strong and weak sustainability represent the environmentalists' and economists' views of sustainability respectively.

Strong sustainability assumes that natural capital cannot be substituted and its initiatives are mostly driven by the uncertainty associated with what the environmental damage could lead to in the future (Dietz, 2007:619).

On the other hand Weak Sustainability assumes that natural resources can be substituted by other resources so that future generations can still have resource to use even though they may not be natural. Weak sustainability is based on the following assumptions: 1) natural capital is similar to man-made capital and can therefore be substituted; 2) technological innovation can replace natural capital at the same rate it is depleted or consumed (Dietz, 2007:619).

The common factor between the strong and weak sustainability is that they both want to leave the same amount of resources for future generations as that enjoyed by the current generation. The major difference is that the strong sustainability is more concerned about saving the natural resources, while the weak sustainability believes in leaving the resources despite whether they are natural or man-made.

It seems more reasonable to follow strong sustainability as opposed to weak. Firstly it is known for a fact that some resources, once depleted, may never be replaced (e.g. clean air and water) and secondly because it is too risky to base our future hopes on the assumption that technological innovations will create substitutes of the natural resources (Dietz, 2007:619). Thirdly, Lozano (2008:1839) has criticized the weak sustainability by stating that the economist does not even have the necessary tools to measure the consumption of resources. This poses a challenge because we may not know how much of the natural resources are being damaged so that we would know how much to produce in terms of substitutes. Lastly there would be no need for all the sustainability efforts if the weak sustainability was followed by the world, because substitutes would be an answer to the current environmental degradation.

2.3 Historical background of sustainability

Efforts towards sustainable development were inspired by the fast growing population, coupled with the fast growing global economy which led to negative impacts on the environment as well as the society (Merbatu, 1998:496). It is further mentioned that the negative changes on the environment were caused by changes in human lifestyle which caused people to migrate to new settlements, where they started owning land and animals and cultivating the land which was totally a new idea.

From 3000 BC, land cultivation and mining, which were done in an effort to advance the economy, resulted in serious degradation of the planet (Merbatu, 1998:496). The degradation was also attributed to the inability or failure of the human beings to align their activities to the patterns of nature (WCED 1987).

Since ancient times until the present age, all that has been done to advance the economy and earn wealth, resulted in the decline as far as the environment and humans were concerned (Merbatu, 1998:496). This ranged from metal pollutants filling the streams to the big processing plants polluting the very air that the humans and animals breathed (Merbatu, 1998:496).

In an effort to fight the dangers that were facing our planet, the United Nations (UN) piloted the projects, whose main aim was to restore or preserve the environment, while also ensuring economic development as well as social equity (Seyfang, 2003:223;WCED 1987).

The four mega sustainability summits that were supported by the UN mark the major milestones in the history of sustainability (Seyfang, 2003:223). They were however not the only initiatives that had been taken to advance sustainability. The study only focuses on them since they were the largest representing large part of the world embodied in the UN.

The history of sustainability can be broken into: Stockholm (1972), WCED (1987), RIO de Jenaro 1992 (Merbatu, 1998:496), Johannesburg (2002) and Post Johannesburg.

2.3.1 Stockholm 1972

In 1972 the UN held a conference in Stockholm Sweden on Human Environment (Seyfang, 2003:224). This was the first world conference that was held by the world leaders as well as scientists in order to address environmental issues that were a global concern (Seyfang,

2003:224). The theme of the conference was to resolve the continuous conflict between development and the environment (Merbatu, 1998:496). As a result the terms such as “*development without destruction*”, “*environmentally sound development*”, and finally “*eco development*” were born (Merbatu, 1998:496). It can be argued that the focus then was mainly on the environment and the conference did not consider the social dimension of sustainability. Assuming that the development referred to economic development, the Stockholm’s view of sustainability (though there is no evidence of prevalence of the term at that time) was two-dimensional in that it focused only on economic and environmental issues neglecting the social.

2.3.2 WCED 1987

In 1983, the UN appointed the former prime minister of Norway, Mrs Gro- Harlem Brutland, to create an independent organization that would focus on the environmental and developmental challenges facing the world (Sneddon et al., 2006:253; WCED 1987). In 1987, a commission made up of representatives from several countries around the world met to discuss development and environment in an effort to continue the work that was begun at Stockholm and this was where the term “*sustainable development*” was first made popular (Seyfang, 2003:224). The commission developed the definition of sustainability which, though considered by some as vague, was accepted by the largest part of the world (Laine, 2005:397). The commission also produced a report called “*our common future*”, also known as the Brutland commission report named after the chairperson Mrs Brutland (WCED 1987).

2.3.3 Rio de Janeiro 1992

In 1992, a follow-up on the WCED was made in the form of another UN supported summit held in Brazil, known as “*UN conference on Environment and Development*” (UNCED), or the earth summit (Merbatu, 1998:502). The purpose of the summit was to set clear goals and establish practical initiatives that had to be undertaken to put into practice what had been conceptualized at the WCED summit, in order to make the planet more sustainable for the future (Seyfang, 2003:224). The products of the meeting were the “*RIO declaration*” as well as “*Agenda 21*” (the action plans that were to be followed after the conference). The most commendable thing about the “*earth summit*” in Rio is the level of participation that was encouraged globally, in an effort to seek stakeholder contribution from all levels (Merbatu, 1998:502). As highlighted by Merbatu (1998:502) this meeting created awareness that reached almost all the corners of the world,

around the issue of sustainability through the exercises that were carried out in preparation for the meeting.

2.3.4 Johannesburg 2002

In 2002 there was a follow-up of the Rio meeting which was held in Johannesburg in South Africa and it was said to be the largest meeting of humans in the name of sustainability (Peake, 2002:46). The aim of this meeting was to review the progress on the implementation of *Agenda 21* and also plan for the future (Seyfang, 2003:225). In Johannesburg the theme was implementation: the environmental and social challenges that were identified in the previous meetings had to be dealt with in order to reach a solution. It is also said that while the other three meetings were mostly focused on the environmental impacts, the Johannesburg meeting became the first to give the social component the attention it deserves (Seyfang, 2003: 225).

2.3.5 Birth of the GRI Guidelines

The global reporting initiative is an independent non-profit institution that was initially formed in 1997 by the Coalition for Environmentally Responsible Economies (CERES), which consists of environmental institutions, socially responsible investment professionals as well as labour and religious organizations (Etzion & Ferarro, 2010:10). Supported by the UN under the United Nations Environmental Programme (UNEP), the GRI released the first draft of the guidelines in 1999 and a complete version in 2000 (GRI, 2000).

The second complete version was signed by the attendees of the Johannesburg WSSD as the implementation plan of all of the sustainability initiatives that had been conceived in the prior sustainability meetings (Lamberton, 2005:11). The third version of the guidelines G3 was released in 2006, in 2011 there was G3.1 and lastly the G4 was released in 2013 (KPMG, 2014).

2.4 Sustainability reporting

Corporate governance was born from the concept of agency: where a manager runs companies on behalf of a shareholder, with a major purpose of creating wealth for them (Max & van Dyk, 2011:39). It then followed that reporting was mainly about communicating the financial results to the shareholders and other stakeholders (Max & van Dyk, 2011:39). This changed as companies were now expected to be good citizens within the area in which they do business

(Max & van Dyk, 2011:39). Several regulations and codes were established to guide companies with the movement from just reporting about the finances. Some of those are the GRI guidelines, ISO guidelines and AAA guidelines just to name a few.

The practice of reporting has therefore been through significant changes and improvements over the past two decades. According to Hubbard (2009:5) non-financial reporting began in the US where the focus was mainly on the environment. On the other hand Hahn and Kuhnen (2013:5) stated that it started in the 1970's with annual financial reports being supplemented by social reports, then the 80's came with the introduction of environmental reporting, and lastly the 1990's came with the annual financial reports that were accompanied by both a social report and an independent report on the environment.

At first companies perceived sustainability in a negative light, thinking that focusing on social and environmental issues could compromise their financial performance (Hubbard, 2009:5). This led to some companies assuming the meaning of sustainability that made sense to them which was that of "*sustainable profits*" (Hubbard, 2009:5). This was in essence rejection of the other dimensions of sustainability. It would not make sense how business can be sustainable if the society and the environment are not sustainable. For example: if the people were poor, who would buy in order to support the business? And if the natural resources, such as water, were not available, how will production be feasible for such businesses to engage in water intensive production.

Despite the people's fears and scepticism, sustainability reporting became a common practice in the 21st century (Hubbard, 2009:5). Research shows that some of the reasons that moved companies from total scepticism to burning enthusiasm about sustainability have been reported as follows:

- 1) **Listing requirements:** In some countries sustainability reporting is a requirement for companies that are listed on the stock exchange (Hubbard, 2009:5; Hahn & Kuhnen, 2013:12).
- 2) **Stakeholder expectations:** Hubbard (2009:6) highlights that reporting is done for stakeholders and adds that countries have created indexes for encouraging the reporting. South Africa has the JSE SRI (Maubane et al., 2014:1).
- 3) **Firms with high environmental impact:** This is confirmed by Rea's study where Sasol was ranked South Africa's number one in GRI reporting for 2012 (Rea, 2012:20). Mining is one of

the high impact industries and South Africa is one of the world's leading countries in the mining industry (Mxingtama & Radebe, 2010:288). It is therefore unsurprising that SA shows a high level of commitment on the issues of sustainability.

- 4) **Companies with media exposure:** according to Hahn and Kuhnen (2013:13) bigger companies with media exposure and stakeholder pressure are more likely to report on sustainability.
- 5) **Capital intense and foreign owned companies:** these companies are also more inclined to report on sustainability (Hahn & Kuhnen, 2013:14).

According to Hubbard (2009:8) sustainability reporters grew from 20 to around 1500 within a period of 10 years worldwide. This was a rapid growth of more than 5000%. In its several stages of growth, the non-financial report was called any of the following names: sustainability report, sustainable development report, corporate social responsibility report, corporate citizenship report, sustainable value report, corporate responsibility, environmental health and safety report, environmental and social report, philanthropic and triple bottom line (Roca & Searchy, 2012:103; Hubbard, 2009:6). It has been argued by Hahn and Kuhnen (2013:7) that the flexibility of sustainability reporting is the one that has brought about so many names.

This implies that in the review of sustainability reports that the study undertakes, there is a possibility of finding the "sustainability report", called any of the above names or at least something similar.

2.4.1 Sustainability reporting in South Africa

The SA companies should, according to the King III on corporate governance, report their sustainability in line with the Global Reporting Initiative guidelines (GRI) (Rea, 2012:4). Some companies in South Africa have adopted the GRI, while some other companies, though reporting on sustainability, had at some point not yet adopted the GRI (Sonnenberg & Hamann, 2006:312). It is however not mentioned what standard was used by those companies that had not adopted the GRI.

SA's stock exchange (JSE) has been rated the world's forerunner on the issues of sustainability (ACCA, 2014:17). Sustainability has been evolving over the years and South Africa has been an active player in the sustainability issues on a global scale. Some major highlights for the country in the journey towards sustainable development are the following:

- 1) South Africa hosted one of the world's mega conferences in sustainability in Johannesburg in 2002 (Seyfang, 2003: 225).
- 2) Mervin King, a South African, has chaired the GRI Institute from 2006 to 2011.
- 3) South Africa has King III, a corporate governance document developed by the King Commission that was chaired by Mervin King (King III, 2009).
- 4) SA also has its own sustainability reporting guidelines, called the JSE SRI, though it is mainly for the JSE listed companies. JSE SRI was released in 2004 and its building blocks were from the King III and the GRI (Maubane et al., 2014:1).
- 5) Adoption of the GRI guidelines is the highest in South Africa compared to the rest of the world (Rea, 2012:4).

It is no wonder that SA is said to be one of the world leaders in sustainability reporting (Rea, 2012:4; Maubane et al., 2014:1).

In the study of the 363 South African sustainability reports, of which 55 were from the banking and financial services sector, Rea (2012:20) found that only 2 companies in banking and financial services sector (African Bank and Sanlam) made it to the top 20. In contrast to the findings of Rea (2012:20) the results from this research, as indicated in chapter 4 showed that African Bank presented an inadequate sustainability report. The study further shows that the three banks (Standard, Nedbank and ABSA) ranked between the 20's and 30's. One of the big banks (FNB) appeared in the bottom 20, ranking number 106.

Such diversity in ranking is a cause for concern and triggers interest to investigate practices of banks in particular. To have one company in the 20's and the other in the 100's, yet they are in the same sector and are reported using the same standard, is reason for concern. The study reviews the sustainability reports of the banks and in particular examines their choice of indicators, way of reporting performance and benchmarks and makes recommendations for improvement of sustainability reporting.

2.5 The role of the banking sector in sustainability

Banking forms part of the larger sector of the economy, which is the financial services sector. The main supervisor of the financial services sector in South Africa is the South African Reserve Bank. It is mainly concerned with the monetary policy and determining the financial rates. The financial services board on the other hand supervises all the other financial services. There is

also the South African banking Association, which is made up of all the banks that are registered in South Africa, including international banks (Young, 2013).

Banks play a significant role on the issues of sustainability, both directly and indirectly. The banking business is one of the major contributors to the economy and as Munda (1997:213) noted, economic growth is always accompanied by the social and environmental impacts. In most cases the relationship between economic and socio-environmental dimensions is negative. Stephens and Skinner (2013:176) also highlighted that banks influenced the spending of both the individuals and the companies in that they financed anything from a massive power plant to a small car driven by an individual, to even the credit cards, which finances the consumables.

Banks finance those projects that have an impact on both the environment and the society and as Mngxitama and Radebe (2010:288) highlight, they need to have systems that will make it feasible for them to measure possible impacts of those projects.

Some of the banks' activities, though relatively insignificant, affect the environment directly. Examples of those activities are a consumption of natural resources (such as water and energy) and waste disposal. The impacts can be both positive and negative on the society and the environment. Banks become employers, financial services providers (lending and borrowing) and a corporate citizen in the geographical locations from which they operate.

Stephens and Skinner (2013:175) argue that banks are highly important for sustainable development initiatives because the main business of a commercial bank is deposit taking and making loans, and as such the banks' business has a direct impact on the society they serve. Wu (2013:3532) argues that banks depend on their stakeholders for obtaining resources they need for their survival, because the bank's assets are sometimes financed by the depositor's money and not by the shareholders. The banks therefore need to report back to the community for the use of their resources. There is no doubt therefore that the banks play a role in the issues of sustainability and are expected to be part of the sustainability reporters.

2.6 The reporting frameworks

Before the introduction of the Global Reporting Initiative guidelines, there were other several reporting guidelines that had been used all around the world (Krajnc, 2003:551). These guidelines differed from country to country and most of them were more focused on reporting

about the environment. As Deloitte (2011:10) stated, sustainability reporting could be based on any guideline, including the GRI, AccountAbility AA1000, ISO's, Green House Gas protocol and many other standards. The standards are so many that it would be a hectic exercise to try and mention all of them here (Brown et al., 208:573).

There are also a large number of initiatives for sustainable development globally. To show the abundance of these guidelines the SA's banks sector is a member of three other initiatives, other than the GRI. The banks also subscribe to the Equator principles, UNEP Financial Initiative and the UN global Compact (Mngxitama & Radebe, 2010:294). Table 2.1 below gives a summary of the banks' participation in these initiatives.

Table 2.1 Reporting frameworks used by the banks

	NEDBANK	STANDARD	FNB	ABSA
UNGlobal Compact (UNCG)	X	X	X	X
Equator Principles (EP)	X	X	X	X
UN Environmental Programme Financial Initiative (UNEPFI)	X	X		
Global Reporting Initiative (GRI)	X	X	X	X

Source: Adapted from Mxingtama & Radebe 2010:296

A discussion of the four initiatives follows:

2.6.1 UN Global Compact

Similar to the other sustainability guidelines, the UN global compact standards are voluntary. They provide a basic framework that can be used to incorporate sustainability into strategies.

They can be adopted by companies in any industry. The global compact is more focused on the social factors, though there is some little consideration for the environment. They are relevant to companies with ten or more direct employees. The UN global compact is driven by its ten principles in the areas of human rights, labour, environment and corruption. The principles are derived from the Rio declaration on environment and development and the UN convention against human rights among others (UNCG, 2014)

2.6.2 The Equator Principles (EP)

The equator principles are the voluntary guidelines for reporting sustainability which govern financial institutions. They are mainly applied for first time financing of projects that are worth 10 million US dollars or more. The guidelines provide a framework on which to evaluate such projects, prior to financing, and to monitor them afterwards in order to ensure that the companies are compliant with their respective social and environmental policies. The projects are rated in categories of A, B and C which implies high, medium and low ratings of the social and environmental impacts produced by these projects. Projects A and B should carry out environmental impact assessment, while project C should only be evaluated by the financial institutions in order to determine their potential effects on the environment and society (EP, 2013).

2.6.3 UNEP Financial Initiative

UNEP FI is the initiative that is focused mainly on the financial institutions (banks, insurance companies and investment companies) (Mxingtama & Radebe, 2010:296). Its origin dates back in the early 80's where the banks gathered with the aim of promoting awareness around social and environmental issues and how these affect financial performance in their particular industry (Mxingtama & Radebe, 2010:296). In South Africa only Nedbank and standard bank are the members of the initiative.

2.6.4 The GRI

A brief outline is given under the history section of this chapter, about the origin of the GRI guidelines. The advent of the GRI seems to have been an answer to the needs of many sustainability reporters. This is shown by the highest adoption rate of the guidelines internationally compared to all the standards that came before (Brown et al., 2008:571).

Though the GRI guidelines have been favoured by sustainability reporters over other guidelines, they are not necessarily flawless. They have been criticized for their ambiguity: lacking clarity with respect to reporting scope (Font et al., 2012:1546; Moneva et al., 2006:131). The GRI based sustainability reports are also too diverse (due to the free choice available to reporters in applying the guidelines) and auditing of the reports is also voluntary (Moneva et al., 2006:131). The guidelines are also more inclined towards the social dimension than on the other two dimensions (Hahn & Kuhnen, 2013:7). In this way the guidelines are biased (Moneva et al., 2006:131). It is therefore difficult to judge at any level, whether or not a GRI based sustainability report is accurate and complete (Bonilla & Palacois, 2008:392; Roca & Searchy, 2012:103).

The GRI guidelines are voluntary in nature, hence they cannot be legally enforced (Deloitte, 2011:10; Hubbard, 2009:3). One would argue that with the level of acceptance of the standards, there seems to be no need for any legal enforcement. Even though the GRI withstood so much criticism, there is still no replacement for the guidelines. This shows that beyond the criticism, not much has been achieved to replace the standard. There are on the other hand scholars that appreciate the GRI for the following characteristics:

- a) The GRI covers the widest scope in reporting the non-financial matters (Lozano & Huisingh, 2011:100).
- b) It caters for companies in different sectors and it is country specific (Roca & Searchy, 2012:105).
- c) Compared to other standards it is the best tool that provides some consistency in reporting (Deloitte, 2011:10)
- d) It is the most widely adopted standards on all levels, both locally and internationally (Menichini & Rosati, 2014:355).

The banks are all members of the GRI and thus their sustainability reports are prepared, following the guidelines. For this reason as well as other reasons mentioned above, the study focuses specifically on reporting in line with the GRI, particularly the choice of indicators and the way the reports are structured within the sector, to assess consistency within the sector. All future references to the word “report” in this study will refer to a sustainability report based on the GRI guidelines.

2.7 Is a sustainability report an integrated or a stand-alone report?

The International Integrated Reporting Committee (IIRC) (2011) has defined an integrated report as *“a report that combines different strands of reporting (financial, management commentary, governance and sustainability) into a coherent whole that explains an organizations ability to create and sustain value.”* The Integrated Reporting Committee South Africa (IRC SA) (2011) on the other hand defines it as *“a report that reflects that the organization’s ability to create and sustain value is based on financial, social, economic and environmental systems”*. King III (2009) defines an integrated report as *“a holistic and integrated representation of the company’s performance in terms of both its finance and its sustainability.”*

“Value creation or finance and sustainability” is the common theme of all three definitions. The main purpose of this type of reporting is to provide stakeholders with information that is material in relation to value creation. This is achieved through communication of strategy, governance and performance to the stakeholders (GRI, 2014).

GRI (2014) adds that an integrated report is more than just reporting portions from an annual report or merging pieces of an annual report with a sustainability report. An integrated report is rather a report that interlinks all other reports which the organization has through reference to those independent and detailed reports within the annual report (GRI, 2014).

It is evident from the IIRC and King III definitions above that, the sustainability report forms part of the content within the integrated report. In explaining its relationship with sustainability reporting, the GRI states that integrated reporting got its origins from sustainability reporting. This sounds rather illogical because a sustainability report forms part of the integrated report.

As it is the case with sustainability reporting, Deloitte (2011:6) highlights that there is no single definition of an integrated report yet. It was also found from a study of fifty South African (JSE listed) companies, that even though some companies had already adopted integrated reporting, no company has met the requirements of integrated reporting as yet (Deloitte, 2011:11). This means that companies in South Africa are still in the learning phase with respect to integrated reporting. This adds to the challenges of the reporting, because even the sustainability reporting is still in the growth stages in South Africa.

2.7.1 Report Content and structure

According to Roca and Searchy (2012:104) there is no universally accepted definition or format of a sustainability report. There are also no examples of published sustainability reports, which show how sustainability performance indicators should be used (Roca & Searchy, 2012:116). This has brought about a lot of confusion, as it is difficult to say whether a company has/ or has not correctly reported their sustainability performance. According to Font et al. (2012:1547) many meanings of sustainability are a challenge, which leads to complexity of measurement of sustainability performance.

The GRI guidelines outline what should be contained in the reports as general and specific disclosures. The general disclosures are about strategy and analysis, organisational profile, material aspects, stakeholder engagement, report profile, governance as well as ethics and integrity, while the specific disclosures are about disclosure on management approach and the performance indicators (GRI, 2014). The G4 guidelines prescribe a way in which reporting companies should determine their report content. The main principle that is used in determining the content is materiality principle (GRI, 2014). This implies that the report contents of the sustainability reports will differ, based on the fact that what is material to one company, may not be material to the other.

The performance indicators are based on the three dimensions of sustainability (or the triple bottom line) namely: economic, social and environmental dimensions. The three dimensions are each broken down into lists of variables or indicators that organizations should report on.

Before G4, the GRI allowed each company to determine the content of its report based on its mission, experience and the stakeholder's interests (Roca & Searchy, 2012:103). This was a subjective way of determining the report content. Different report contents could be chosen based on the different perceptions and judgments inherent in humans.

The new version of the GRI guidelines (G4), seeks to eliminate most of the challenges that were experienced with the use of the older version of the GRI guidelines (G3). The G4 guidelines are accompanied by the implementation manual that guides the reporters through the reporting process in order to make it easier and to make the guidelines more aligned to other international standards on sustainability.

2.8 Reporting the triple bottom line

A sustainability report embodies the “*triple bottom line*” of economic, environmental and social performance. Lamberton (2005:11) and Hubbard (2009:5) highlighted that, even though the term was made famous by Elkington in the early nineties, the idea was still the result of the WCED or the Brundtland report. The principle of triple bottomline reporting on economic, environmental and social performance was also adopted in King III (2009).

2.8.1 Economic dimension

In defining the report on the economic dimension, Lamberton (2005:11) explains it as a supplement to the financial statements, elaborating on how stakeholders and the larger economy are affected by them. This definition is in line with the GRI definition of the economic dimension. Hubbard (2009:5) on the other hand suggests that economic dimension refers to financial statements and therefore this part of sustainability reporting amounts to duplication of the financial information. It is established in this study what the economic dimension entails within the sustainability reports of the banks.

2.8.2 Environmental dimension

Environmental dimension is concerned with the impacts of the organization's activities in nature. This includes both direct impacts by the reporting companies and the indirect impacts, caused by the third parties related to the reporting company (such as suppliers and customers) (GRI 2014).

2.8.3 Social Dimension

Pawlowski (2008:83) defined the social dimension to be concerned with values, religions, and the state of affairs in which humans lived as well as the ways in which those humans associated with each other or with the organization. According to the GRI (2014) this dimension is about the impacts that the organization makes on the aspects that directly affect the social environment within which the organization operates. Companies need therefore reflect on how they affect the above aspects, whether positively or negatively, and include this information in their sustainability reports.

2.8.4 Balancing the three dimensions

According to Sing et al. (2012:297) it still remains a challenge for companies to follow a balanced approach to reporting the triple bottom line. He adds that companies end up giving more priority to one dimension over the other two dimensions. The balance of the dimensions is a tricky topic because the GRI itself provides more indicators on one dimension than on others. For example, the economic dimension has nine indicators, while the environmental dimension has thirty four indicators. It is highly debatable whether the number of indicators reflects the level of importance or priority.

2.8.5 Performance Indicators

Reflecting on the use of indicators for sustainability reporting, Lamberton (2005:13) explains that the need to use indicators for measuring sustainability is made necessary by the fact that sustainability itself is difficult to measure. However, the use of these indicators is a challenge, because companies are free to use the indicators any way they want, which can be both strength and a weakness of the GRI guidelines (Daub, 2007:80; Kolk, 2010:120)

Fonseca et al. (2012:7) call this free choice of indicators “*cherry picking*”. The freedom may lead to companies choosing only those indicators which will reflect positive results (Hahn & Kuhnen, 2013:16). This however is not the ideal way to report sustainability, because the GRI states that the balanced way of reporting is that which encompasses both the positive and negative results of sustainability activities (GRI 2011).

On top of the general indicators provided in the GRI guidelines, there are sector specific indicators that companies are also expected to report on. This only adds to the complexity of the incomparability. A few studies had been conducted on the comparability of sustainability reports and one such study was based on Greece companies (that report sustainability using the GRI). The study found out that the sustainability reports’ contents were significantly different (Skouloudis et al., 2010:429). In another study that was conducted in Canada on the ninety four firms that report on sustainability, a total of 585 performance indicators were identified on the reports (Roca & Searchy, 2012:103). It is worth noting that the flexible manner in which the guidelines were applied resulted in over 500 indicators on top of those given in the guidelines.

Roca and Searchy (2012:109) argue that the reason for such a huge number of indicators, as opposed to those on the guidelines, is lack of standards guiding the companies on how to

choose the indicators they report on. The massive number can also be attributed to the fact that the previous version of the guidelines allowed reporters to add the company specific indicators to those already provided in the guidelines (GRI, 2006).

2.9 Comparability of the reports

According to Font et al. (2012:1546) comparability of sustainability reports has not yet been achieved. This can be attributed to non-compliance of the reporters to the guidelines and the fact that sustainability is still unclear to other people (Font et al. 2012:1546). Roca and Searchy (2012:105) states that a lot of research has been conducted on the contents of sustainability reports around the world, and it has been found that there are several approaches to sustainability employed around the world. It has also been found that the reports differ in scope, structure and content (Roca & Searchy, 2012:105).

Sustainability reporting is considered by the GRI to be the performance measurement tool for non-financial matters that is equivalent to financial information for measurement of financial performance (Moneva et al., 2006:127). Stakeholders use financial information for purposes of decision making and the financial information is reported in a way that enables comparison of various organizations' performance. It can be argued that stakeholders should be able to do the same comparisons, based on the non-financial information found in the sustainability reports.

According to Roca and Searchy (2012:116) it is pertinent to have sustainability reports that are comparable, particularly for those companies that operate in the same sector. Font et al. (2012:1552) opine that the fact that there is a challenge with respect to measurement and monitoring of sustainability, performance should not be used by companies to justify preparation of the reports that are not comparable, yet companies are in the same sector. It is therefore necessary for businesses in the same sector to find ways in which they can report in a manner that will enable comparison.

2.10 Transition from G3.1 to G4

The new GRI reporting guidelines seek to eliminate most of the above mentioned challenges in an effort to achieve the ultimate level of reporting sustainability. The following paragraph gives a clear account of what the new reporting guidelines have, that is different from the old version.

According to KPMG (2014:3-6), the following are the major changes that came with G4:

1) Materiality is now the key factor:

Organisations should report on those aspects that are material to them and there is a prescribed process that should be followed to identify those material aspects.

Previously, reporters could choose what they wanted to report on, based on their business, stakeholders and size of their business.

2) The reporting boundaries have changed:

Reporters are required to differentiate between the impacts that lie within the organisation and those that are outside. The impacts within are those that are caused by the company, while those outside are caused by third parties within the value chain, such as suppliers. Previously companies were only required to report on impacts that are fully within their control.

3) New Reporting levels

Reporting levels are now “in accordance core” and “in accordance comprehensive”, as opposed to previous levels (AA+,BB+,CC+). Under “in accordance core” the company should report at least one indicator related to each identified material aspects, whereas under “in accordance comprehensive”, all indicators related to each material aspect should be reported. The Plus sign was for indicating that the report has been assured and with the “in accordance” there is no requirement to differentiate between assured and non-assured reports.

4) There are additional governance disclosures

There are a total of ten new disclosures in G4 guidelines. These disclosures relate to participation of governance bodies as well as employee remuneration. The performance indicators relating to the three dimensions have also been added.

2.11 Sustainability and Bankruptcy

It is evident from all the definitions of sustainability that were discussed earlier in this chapter that sustainability is about continuity. Eminent from high adoption of the GRI guidelines as a measure and guidelines for sustainability, a question can be asked whether it is possible to measure the sustainability of the company itself from the same GRI guidelines. It is reasonable

to assume that the tool that the companies use in an effort to save the planet should first save the company itself.

Among the many definitions of sustainability that have been reviewed, is the Oxford dictionary definition that emphasizes continuity. The conceptual framework par 4.1 also states that financial reports should be prepared based on the assumption that the business will continue into the foreseeable future. WCED on the other hand is more concerned about the sustainability of the planet.

Companies being the citizens and residents of the planet earth in the same way as humans, are responsible for sustainability, hence the many efforts about corporate sustainability, corporate social responsibility and the similar terms. According to Gray (2010:49) for any company that practices sustainability, it can at least be assumed that the company itself is sustainable and if all companies in the world are sustainable, that will result in a sustainable planet. With the reported bankruptcies of major corporations, the above does not seem to be true. Fatemi and Fooladi (2013:102) gave an interesting account of the companies that were seemingly successful only until their unsustainable practices failed them.

It is about CEO's who won the America's CEO's excellence award (recognized by the CEO magazine), whose short-lived glory was followed by the companies' bankruptcy a few years later (Fatemi & Fooladi, 2013:102).

In 1998 Scott Sullivan of WorldCom won the award and only four years later WorldCom filed for bankruptcy. In 1999 Enron's CFO Andrew Fastow won the best CFO award and in less than two years Enron filed for bankruptcy and they went down together with their auditor Arthur Andersen. In 2006 Mr Fuld of Lehman was recognised as the top CEO in the private sector and in March 2008 he made it to the list of 30 top CEO's and was called '*Mr. Wallstreet*' but Lehman filed for bankruptcy just a short while after (Fatemi & Fooladi, 2013:102).

Recently (in 2014) the fall of the African Bank also made the news in South Africa. African Bank is a sustainability reporter and according to Rea (2012:20) it is one of the best sustainability reporters in South Africa, because it appeared in the top two of 55 companies in the banking and financial services sector, whose reports were evaluated based on the GRI guidelines.

In addition to the big four banks in South Africa, a sustainability report of the bank of America is analysed to provide and international benchmark. The reports of the Lehman brothers and the

African bank are also analysed in order to establish how they reported their sustainability and if their sustainability reports somehow indicated the likelihood of the bankruptcy that was to follow.

In trying to answer why the best performers who even take part in the fight for sustainability sometimes go bankrupt, Fatemi and Fooladi (2013:103) suggest the following to be reasons: 1) director remuneration linked to performance, 2) market prices as a reflection of success, 3) lack of enforcement and 4) lack of assurance. Each of the reasons is discussed in the following paragraphs.

2.11.1. Director remuneration linked to performance

It is a common practice for companies to link employee remuneration to performance, especially for the employees in the senior management.

Fatemi and Fooladi (2013:103) argue that if the performance appraisal of the executives was based on the principles of sustainability rather than just financial performance, they would not achieve the high ratings in the first place. Giving these incentives overlooks the main mandate of the management, which is creating sustainable value (Fatemi & Fooladi, 2013:103). Stankeviciene and Nikonorova (2014:1197) define sustainable value to be the kind that helps the business to survive - even the challenging times such as recession.

2.11.2 Market Prices as a reflection of success

This also motivates managers to focus on short term results at the expense of sustainability (Fatemi & Fooladi, 2013:102). Managers resort to shoddy practices with respect to sustainability. When referring to this practice, Svesson *et al.* (2010:337) highlight that they prepare long reports on the finances and just fit a line about sustainability to comply with the minimum requirements. It has been suggested that one way to address the challenge of making high profits at the expense of sustainability, is to reduce the profit with sustainability costs.

Sustainability cost, is a hypothetical or estimated cost that the company would incur if they were to reverse the damage they have caused on the natural environment (Lamberton 2005:8). Including this cost in appraising the managers' performance, would give a better reflection on such performance.

It is still a challenge to relate the financial performance of businesses with sustainability. Lamberton (2005:9) argues that the GRI framework itself does not even address sustainability issues. According to Gray (2010:49) the narratives that are produced in reporting sustainability make it easy for companies to tell fascinating stories that will make music to stakeholders, knowing that it is not easy for these results to be measured.

2.11.3 Lack of enforcement

Sustainability still remains voluntary for most companies and this seems to be a challenge because some companies will do anything that looks like sustainability, even though it does not address the real issues of sustainability (Gray, 2010:49). Svensson et al. (2012:337) argue that some companies prepare sustainability reports just to meet the minimum requirements of corporate governance while they have moved away from that true philosophy that underpins the concept of sustainability. Font et al. (2012:1545) add that the two factors that encourage compliance are either to impress the auditors or a response to the environmental threats. This explains why companies that comply with sustainability reporting standards experience problems under adverse conditions.

2.11.4 Lack of assurance

According to the GRI (2011) the companies have a choice of whether their sustainability report will be assured or not. The companies being at liberty to have their reports audited, results in them choosing an easy way. Hubbard (2009; 11) argues that the non- assurance of the reports reduces their credibility. Companies will then make false claims, knowing that the stakeholders solely depend on the information provided by them.

2.12 Looking beyond the fall of Lehman

Improvements have been made in sustainability since the fall of Lehman (Cramer, 2010). The UN is a host of responsible investment, which is one of its many initiatives towards sustainability. In 2008, during the financial crisis, there were only 350 members of this initiative, but currently the membership increased to over 1200 (Webster, 2013). Webster (2013) highlighted that 5 years later the global banking industry was more concerned about the society, environment and governance than it ever had been before the financial crisis, and this would lead to more sustainability of the banking industry.

One of the major causes of the global banking crisis in 2008 was poor risk assessment in issuing the mortgage loans. Some businesses did not survive the financial crises in 2008 and 2009 and it was expected by some after its failure to rescue businesses from the hard times, that sustainability would be old news by now (Cramer, 2010). This was however not the case. The companies rather learnt from the experience that they needed sustainability even more. As Webster (2013) argues sustainability is vital for businesses and mega global challenges are the ones that give birth to major business opportunities and any company that ignores the social and environmental challenges is more likely to be short-lived.

One of the reasons why the companies that do not take part in sustainability issues may not survive, is that the society has expectations towards them and failure to meet those expectations may mean failure of the business too (Cramer, 2010). The high rate at which the sustainability practice and reporting is growing on a global scale implies that companies, businesses and individuals are all aware of what is at stake.

2.13 Summary

The most dominant definition of sustainability is that which was born at the WCED in 1987. There are several schools of thought on the idea of sustainability but they are all centered on the two approaches: economist and environmentalist. These two approaches are also synonymous with the two categories of sustainability: strong and weak. Strong sustainability is the basis for this study since it is from it that the many ideas were established, including the practice of reporting, which is the main focal point of this study. Literature records the history of sustainability from as way back as 3000BC and the United Nations is one of the most committed institutions for sustainability of the planet earth.

Sustainability has also been reported with the use of many standards and guidelines. The GRI guidelines remain the most dominant standards for reporting sustainability. These guidelines have seen a lot of changes in a quest for improvement and the final version was launched by the GRI in May 2014. This study therefore focuses on sustainability reporting within the SA banking sector in line with the GRI guidelines.

This chapter also sought to answer the question of whether sustainability practices, including reporting, can help businesses to avoid financial bankruptcy. Based on the information from this chapter, particularly on the frameworks for reporting sustainability, the study has been

channelled to investigate the sustainability reporting practices and reporting within the SA's banking sector on the basis of the GRI guidelines. The next chapter deals with the research methodology adopted for this study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The main purpose of this chapter is to provide a detailed account of the research design and method adopted for this study. Firstly the scope of the research is provided, followed by the research design and approach. The particular approach is also discussed, detailing why it was selected for the study. The remainder of the chapter covers the following sub-topics: research sample, data collection, data analysis, ethical issues, validity and reliability and the limitations associated with the research design.

3.2 Research scope

The sustainability reports of seven banks namely: Standard Bank, Nedbank, ABSA, First Rand Bank, Bank of America, Lehman and African Bank are analysed. The reports for the 2013 reporting period were used, except in the case of Lehman, where the 2007 report was used. The purpose of this study is to assess the comparability of the reports within the banking sector. The GRI performance indicators chosen by the banks were therefore identified because the indicators determined the content of a sustainability report.

This study is limited to reporting in line with the Global Reporting Initiative guidelines only. Both GRI G3 and G4 guidelines are used for the analysis of the sustainability reports. The guidelines provide the broad three categories of sustainability namely: economic, social and environmental. These categories are similar to the triple-bottom-line reporting required by King III. The GRI has general guidelines and sector specific guidelines. The companies reporting on the GRI guidelines can choose from a variety of indicators, falling within the three major categories based on what they consider to be material (GRI, 2014).

3.3 Research design

Research design is the overall plan that the researcher intends to follow in carrying out the research (Leedy & Ormrod, 2001:91). Also important to highlight is that this study fits within the typology of an empirical study. Empirical study has been defined as the study which uses either existing primary data (such as surveys, experiments, case studies etc.) or existing data (such as discourse analysis, content analysis, textual criticism etc.) (Mouton, 2001:57).

3.3.1 Qualitative research

This study follows a qualitative approach. De Vos et al. (2011: 64 - 65) define qualitative research as *“a study used to answer complex nature of a phenomena with the purpose of describing and understanding it from the participant’s point of view”*. A qualitative approach is usually followed if the research serves the following purposes: description, interpretation, verification and evaluation (Leedy & Ormrod, 2014:143). In this study the sustainability reports of the four commercial banks were evaluated with the aim of comparing the reports, based on GRI guidelines. This type of research also provides meanings to concepts through adoption and utilization of particular perspectives (Shin et al., 2009: 851). It offers the researcher the opportunity to use several ways that are available to the data in order to end up with an expression of his/her perspective (Shin et al. 2009:851).

According to Leedy and Ormrod (2014:142) there are different types of studies that can be done under qualitative research. These are: case study, ethnography, phenomenology, grounded theory and content analysis. This research study focuses on the content analysis approach and it is therefore appropriate to follow a qualitative content analysis approach.

3.3.2 Content Analysis

Content analysis has been defined as *“a detailed and systematic examination of the contents of a particular body of material for the purpose of identifying patterns, themes, or biases.....Typically performed on forms of human communication including books, newspapers, personal journals, legal documents etc.”*(Leedy & Ormrod, 2014:141)

Content analysis is the most appropriate method for this type of research because sustainability reports (which are narratives that give detailed contribution by companies to sustainable development) are analysed. The sustainability reports of each company for 2013 are reviewed in detail. Content analysis is also preferred over other methods because of the following reasons, as defined in Klaus (1989:4);

1. It enhances objectivity as it is free from bias that can go along with methods that are influenced by the participants.
2. The researcher is able to give all parts of data equal attention: all data to be analysed is at the disposal of the researcher to spend as much time as he/she deems fit on each portion.

3. It allows the researcher to use data in their particular context and to make meaning relevant to their particular study.
4. Content analysis is also mainly aimed at analysis of existing data, such as annual reports (Mouton, 2001:55).

3.4 Research sample

Purposive Sampling is followed in this study. This is the type of sampling that relies on the judgment of the researcher in selecting a sample that is an appropriate representation of the population from which the sample was drawn (De Vos et al., 2013:232). This study was done within the South African banking sector. South Africa is a country that has a population of fifty one million, seven hundred and seventy thousand, five hundred and sixty people (Statistics South Africa, 2012). South Africa's stock market, Johannesburg Stock Exchange (JSE) is the biggest in Africa with over four hundred companies listed (BDO, 2011:8). The companies are classified under three broad categories, namely: resources, financials and industrials. South Africa's banking sector falls within the financials category (JSE, 2014).

There are thirty-eight registered banks and thirty foreign banks with representative offices in South Africa (SARB, 2014). Of the thirty-eight banks, fifteen are controlled in South Africa and others are foreign companies (SARB, 2014). This study specifically focused on the most dominant groups in banking, namely: ABSA group, Standard bank group, Nedbank group, and First Rand group. In accordance with purposive sampling, the following criteria were used in selecting the sample for this study:

- the companies in the banking sector that are listed on the JSE (Rea, 2012:14)
- companies that are the biggest four retail banks in South Africa (Young, 2013)
- the companies are all adopters of the GRI (Rea, 2012:14)
- companies that issue sustainability reports

The study also covered two foreign banks - Bank of America and Lehman, in order to provide an international benchmark. African Bank was also included in this study, inspired by the news of its bankruptcy during the course of the study. The report therefore covers sustainability reports of seven banks in total.

3.5 Data collection

The sustainability reports were obtained directly from the websites of the banks. They are publicly available on each bank's website.

3.6 Information needed for the study

In order to comply with the objectives outlined in Chapter 1, content analysis based on the sustainability reports of four commercial banks was performed. In an effort to understand the sustainability reporting practices within the sector, the sustainability reports of the selected banks had to be studied. The central point in preparation of sustainability reports is identification of material aspects relevant to the reporting organization. Material aspects will therefore differ from organization to organization because they are influenced, among others, by: size of organization, the industry etc. According to the GRI G4 the reports should consist of general standard disclosures and specific disclosures. The performance indicators (which are the core of this study) are part of specific disclosures.

3.7 Research method

The following steps were followed in conducting this study.

1. Obtained the annual sustainability reports of the banks from their individual websites.
2. Read through the sustainability reports to identify the version of the GRI guidelines used by each bank.
3. Grouped the banks according to the version of the GRI guidelines used.
4. Studied the reports to identify the indicators chosen by each bank (within the group). The GRI has several indicators and the reporter has the freedom to choose indicators that are more relevant to their situation.
5. Recorded the indicators under the 3 categories (economic, environmental and social) per bank per group.
6. Scrutinized the reports to identify similar indicators chosen by the banks.
7. Studied the reports to understand the content under each indicator to assess how each bank has reported particular topics. In this step the research only compared indicators reported by all the banks.
8. Used qualitative data analysis techniques to analyse the data above.
9. Interpretation of the results (chapter 5).

3.8 Data analysis

The GRI reporting framework was used to analyse the sustainability reports of the banks. Due to the recent release of the new reporting guidelines the study provided for both the G3 and G4 guidelines. The reports were allocated scores based on the indicators that should be followed, based on the GRI guidelines. Tables 3.1 and 3.2 details the basis of the scores of the reports and each report was rated based on the applicable guidelines (either G3 or G4).

3.8.1 Reporting levels under G4

Reporting in line with G4 is done under the criteria called “in accordance”. There are two levels namely in “accordance core” and in “accordance comprehensive”. Under the core level organizations should report at least one indicator under the aspect they identified as material. The comprehensive level on the other hand requires organizations to report all indicators related to each aspect identified as material.

Table 3.1 Number of performance indicators under G4

CATEGORY	SUB CATEGORY	TOTAL
Economic	Economic	9
Environmental	Economic	34
Social	Labour	16
	Human rights	12
	Society	11
	Product responsibility	9
Total indicators		91

Source :(GRI, 2011)

3.8.2 Reporting Levels under G3.1

G3.1 has the following reporting levels C,C+,B,B+,A,A+. The purpose of the levels is to accommodate all reporters, ranging from new and inexperienced to experienced reporters. The plus on each level implies that the report has been externally assured. The reporting requirements are different for every level. Each company makes a self-declaration on its level based on the indicators it has chosen to report. Companies can either assess their own level or

use third parties' services to confirm their level. The purpose of reporting levels is to give report readers an idea about the extent of the report because requirements differ according to the reporting level (GRI, 2011). It is also a way in which GRI tries to encourage new and inexperienced reporters while still acknowledging advanced reporters.

Table 3.2 Number of Performance indicators under G3

CATEGORY	SUB CATEGORY	TOTAL	CORE	ADDITIONAL
Economic	Economic	9	7	2
Environmental	Economic	30	17	13
Social	Labour	14	9	5
	Human rights	11	9	2
	Society	8	6	2
	Product responsibility	9	4	5
Total indicators		81		

Source: (GRI, 2014)

Under both G3 and G4 the performance indicators are coded as such that the Economic indicators are: EC1, EC2 and so on up to EC9. Environmental indicators are also coded so that indicators are EN1, EN2 etc., up to the last number of the indicators. This is applicable also to the sub-dimensions under the social dimension. Indicators under labour are coded LA1, LA2 etc., under human rights they are HR1, HR2 etc. Indicators under Society are SO1, SO2 etc. and indicators under product responsibility are PR1, PR2 etc.

A detailed list of the performance indicators with their full names is provided in Appendix B.

3.9 Ethical considerations

This study was conducted with consideration of relevant ethical implications. In this study the participants are companies. Though companies are not humans, they are legal persons which also have rights and thus their information should be handled with respect (Companies Act 71, 2008). The research process involves obtaining publicly available information and using it to address the research objectives of this study. Greatest care is taken not to misrepresent the

information but to derive lessons from using the information from the companies' websites in order to recommend improvements to the practice of sustainability reporting.

3.10 Validity and reliability

3.10.1 Trustworthiness

According to Bloomberg and Volpe (2008: 85), the role of the researcher is to inform in a responsible manner and data must be handled in a way that enhances credibility and reliability of the study. They further highlight that the researcher must ensure that biases inherent in data collection and data analysis do not jeopardize the credibility of information. In this study information is presented as it appears in the relevant banks reports. The content of the reports was not changed; instead different methods of data analysis were applied to the data with the intention of deriving meaning from it.

Reliability “.....refers to the extent to which research can be replicated by similar studies” Bloomberg & Volpe 2008:86. It is imperative therefore for the researcher to document all the procedures, categorization, coding etc. To enhance the reliability of this study, a step by step guide is provided on how the data was handled from the source to findings up to interpretations. This study provides the annexures that demonstrate what was done to achieve the results presented at the end of this study.

3.10.2 Credibility

For credibility to be achieved, the researcher must ensure the relevance of the method used to the main purpose of the study (Bloomberg & Volpe, 2008: 85). The researcher therefore needs to align the method to the purpose of the study, by making sure that the research questions are being answered in an effort to address the main research problem. In order to enhance interpretive credibility of the study, the steps followed in the study are outlined, leading to the interpretations and conclusions made.

3.11 Limitations

Limitations associated with qualitative content analysis have been identified by Mouton (2001:167) as:

1. Intentions and the background of the author are not known to the researcher and this could lead to limited interpretation of the data. In order to address this limitation, the reports were read broadly to try and understand the context within which each reporter was operating.
2. Qualitative studies involve developing a coding system which is normally used to interpret the data and sometimes the systems may have inherent errors that can lead to misleading interpretations. In an effort to counter this limitation the coding system used in this study was based on the existing frameworks and the codes that were used to refer to the indicators were the same codes used by the GRI. The researcher also went through the data many times to ensure that there were no errors.

3.12 Summary

The design and methodology employed in this study is presented in this chapter. The study is a qualitative research where content analysis of the sustainability reports of seven companies in the banking sector was conducted. The aim was to assess comparability of the reports within this sector by identifying the GRI performance reporting indicators used by each bank. Within the sample the foreign banks were included to provide an international benchmark. The chapter also considered the ethical issues with regards to research. It further gave an account on the credibility and dependability of the data. Finally the limitations inherent in the research were addressed. The intention of this study is to make a contribution to the practice of sustainability reporting in the banking sector.

CHAPTER 4: RESEARCH FINDINGS

4.1 Introduction

The purpose of this chapter is to present the major findings of this study. The findings seek to address the problem underpinning this study and each of the findings is relevant in addressing the objectives of the study as stated in chapter one. The sustainability reports of the four major SA banks (Standard Bank, Nedbank, ABSA and FNB) were analysed in order to determine whether there was comparability of sustainability reporting within the banking sector. The study also covered two foreign banks; Bank of America and Lehman in order to provide an international benchmark. African bank was also included in this study, inspired by the news of its bankruptcy during the course of the study. The report therefore covers sustainability reports of seven banks in total. Sustainability reports for 2013 were analysed with the exception of Lehman, where the 2007 report was used. For Lehman the 2007 report is the latest available report just before their bankruptcy in 2008. The reports are evaluated on the basis of the GRI guidelines.

It is worth noting that the GRI guidelines were recently revised and the latest version of these guidelines (G4) was released in 2013. In addition to this, reporters are allowed to use the old version of the guidelines (G3) until the end of December 2015.

4.1.1 Implications of the changes on this study

The GRI guidelines have two major components, namely: the general disclosures and the specific disclosures. The general disclosures include strategy and analysis, organizational profile, material aspects, stakeholder engagement, report profile, governance as well as ethics and integrity. The specific disclosures are disclosures on management approach and Indicators (GRI, 2014). The main focus of this study is on the Indicators. Indicators relate to the three dimensions of reporting, also known as triple-bottom-line reporting, i.e. economic, environmental and social issues plus the sector specific indicators for financial services (GRI, 2014).

The indicators are common to both G3 and G4 guidelines. The transition from G3 to G4 came with ten additional indicators. This is however not a significant increase considering that these are spread across six aspects (economic, environmental, labour, society, human rights and product responsibility). The changes therefore do not interfere with what the study is purposed to achieve.

The rest of the chapter is divided into the following sections: structure and content of the reports, economic performance, environmental performance and social performance of the four major South African banks, as well as separate sections on foreign banks and African Bank.

4.2 Structure and content of the reports

All of the four banks provided their sustainability information in an integrated report. ABSA, Standard Bank and Nedbank also provided supplementary sustainability information in detailed independent reports. Standard Bank has over one hundred pages only dedicated to sustainability, whereas Nedbank has about sixty pages. ABSA provided a citizenship report of about sixty pages. Only a brief report to society of about fifteen pages was provided by FNB. Each of the three banks (ABSA, Standard Bank and Nedbank) provided a GRI index that outlined the indicators covered in the report whereas there was no GRI index found on FNB's report.

The GRI index of ABSA gives reference of either the page or subheading within the integrated report or name of the mini report in which the information can be found. However, it is sometimes not very clear where to find relevant information in the mini reports. Standard Bank constructed the GRI index that provided references/links to the particular reports on each indicator that appeared on the index. The GRI Index of Nedbank also referred to the relevant sections, where information on the indicators could be found within its reports. In addition, Nedbank indicated within the sustainability report with labels, which GRI indicator was being reported.

Of the four banks that are being studied, two banks (Standard Bank and ABSA) reported their sustainability performance using the new version of the GRI guidelines-G4, whereas the other two (Nedbank and FNB) used the older version of the GRI guidelines G3. It should therefore be noted that in the following paragraphs findings based on G3 are reported separately from findings based on G4.

4.2.1 Findings from reports based on G3 guidelines

4.2.1.1 Reporting Levels

G3 has the following reporting levels C,C+,B,B+,A,A+. The purpose of the levels is to accommodate all reporters ranging from new and inexperienced to experienced reporters. The

plus on each level implies that the report was externally assured. The reporting requirements are different for every level. An organisation can declare their reporting level, have it verified by GRI or have the third party declare their level (GRI, 2011).

Whether an organisation is on level A, B or C depends on the extent to which they reported on the indicators provided by the GRI guidelines. The guidelines take the reporters through the process of determining their report contents and there are four basic principles that guide the process namely: 1) materiality, 2) stakeholder inclusiveness, 3) sustainability context and 4) completeness (GRI, 2011).

The basic principles are each defined below:

Materiality: report should cover information that would influence the decisions of the stakeholders.

Stakeholder inclusiveness: the organization should identify its stakeholders and ensure that reasonable expectations and interests have been addressed. It should be clear in the report how those needs and interests were addressed.

Sustainability context: every aspect in the report should be presented in a manner that embraces a broad perspective of sustainability.

Completeness: the report should cover all significant economic, environmental and social issues that are relevant for assessing performance of the organization (GRI, 2011).

In summary the reporter follows the following 3 steps:

Step 1: Determine indicators that should be reported using the four principles.

Step 2: Report sustainability using the indicators determined in step 1.

Step 3: Check their report against the GRI criteria for determining reporting levels (GRI, 2011).

Step 3 can be either done by the reporting organisation, by the GRI or the third party depending on the choice of the reporting organisation.

- Nedbank reporting level is level A+:

“Our response to GRI G3.1 is aligned with application level A+.”(Nedbank, 2013)

- FNB only stated that it reports according to the GRI but did not declare their reporting level.

4.2.2 Extent of reporting based on G3 performance indicators

G3 has a total of 81 indicators. Nedbank reported on 48 of the 81 indicators while with FNB only 15 indicators were identified from their report. The following table (4.1) shows the percentage reported of the total indicators by each bank.

Table 4.1 Extent of reporting by banks based on the G3 performance indicators

Bank	Number of indicators reported	Percentage of total indicators
Nedbank	48	59.23%
FNB	15	18.52%
Total GRI indicators	81	

Source: Own research

4.2.3 Findings from reports based on G4 guidelines

4.2.3.1 Reporting levels

Reporting in line with G4 is done under the criteria called “in accordance”. There are two levels, namely in “accordance core” and in “accordance comprehensive”. Under the core level organizations should report at least one indicator under each aspect they identified as material. The comprehensive level on the other hand requires organizations to report all indicators related to each aspect identified as material (GRI, 2014).

The main difference between the core and the comprehensive levels is that the reporters choose between “reporting at least one indicator” and “reporting all indicators” related to each aspect the company identified as material. This means that reporters can choose whether they want to report under “core” or comprehensive. According to the GRI (2014) any reporter can choose any of the two levels despite their sector, size of business or location.

The reporting levels are however underpinned by the materiality principle. G4 prescribes that each reporter must identify the aspects that they consider material to their company. Based on what is material to each company, reporting levels will be determined. The company that chooses to report under “core” will report a minimum of one GRI indicator under each topic they consider material to their organization whereas the company that reports under “comprehensive” will have to report all of the indicators relating to each topic they identified as material.

- Standard Bank reported on “in accordance comprehensive” level. They considered themselves as having not yet reached the comprehensive level because they stated it as *“some way towards the comprehensive level”* (Standard Bank, 2013).
- ABSA declared their reporting level as B. An inconsistency also noticed within the ABSA reports. Their citizenship report/sustainability report states that the report was based on G3 yet their GRI table was based on G4:

“We report against the Global Reporting Initiative (‘GRI’) G3 Indicator protocols and Financial Sector Supplement. We have self-declared our reporting, considering our Citizenship Report, our Annual Report and Accounts and supplementary online information, to be Application Level B.”(ABSA, 2013).

“We have taken direction from the International Integrated Reporting Council and the latest Global Reporting Initiative G4 guidelines....” (ABSA, 2013). An assumption was made that ABSA reported in line with the G4 based on its index.

4.2.4 Extent of reporting by banks based on the G4 performance indicators

The GRI G4 guidelines have a total of 91 indicators (as can be seen in appendix B) that represent the three dimensions of sustainability. Standard Bank reported on a total of 74 indicators while ABSA reported on 27 indicators. The following table shows the percentage reported of the total indicators by each bank.

Table 4.2 Extent of reporting by banks based on the G4 performance indicators

Bank	Number of indicators reported	Percentage of total indicators
Standard bank	74	81.32%
ABSA	27	29.67%
African Bank	23	25.27%
Total GRI indicators	91	

Source: own research

4.3 Economic performance

The economic dimension covers the following aspects: economic performance, market presence, indirect economic impacts and procurement practices.

As it can be seen from tables 4.3 and 4.4, Standard Bank had the highest reporting percentage on the economic indicators with a solid 100%. It is followed by ABSA with 88.89%, then Nedbank with 77.78% and lastly FNB with 33.33%. The reporting of this indicator was considered important with three banks having a percentage above 75%.

Only three indicators were reported by all the four banks. These are EC1 (direct economic value generated and distributed), EC7 (development and impact of infrastructure investments and services supported and EC8 (Significant indirect economic impacts including extent of impacts). The reports seem to be not too varied with respect to this dimension.

4.4 Environmental Performance

The performance indicators under environmental dimension relate to the following aspects: materials, energy, water, bio-diversity, emissions, effluents and waste, products and services, transport, overall, supplier environmental assessment and environmental grievance mechanisms.

Tables 4.3 and 4.4 show that, Standard Bank reported on the highest percentage of the environmental indicators with a score of 70.59%. It is followed by Nedbank with 56.66%, ABSA with 20.59% and then FNB is the lowest with 10%.

Only two out of thirty four environmental indicators were reported by all the four banks. These are: EN3 (energy consumption within the organization) and EN19 (reduction of greenhouse gas emissions). This represents only 5.88% of the total environmental indicators. Looking for the indicators that could appear at least in three reports (excluding FNB) the study still found only four. These are EN3, EN19, EN16 and EN 17 (Refer to appendix B).

Despite that there are only two indicators common to all the reports, Standard Bank reported on most of the indicators that were not reported by the other three banks. It reported on 10 indicators to be exact. These are EN5, EN9, EN10, EN13, EN14, EN24, EN25, EN29, EN30 and EN31 (Refer to appendix B).

Nedbank also reported on the indicators that were not reported by the other 3 banks. These are EN20, EN21, EN22, EN26 and EN28 (refer to appendix B). It is also important to note that EN7 (reductions in energy requirements of products and services) is the only indicator that was not reported by all the four banks.

4.5 Social Performance

The social dimension has the following subdivisions: labour, society, human rights and product responsibility. Each of the sub divisions is considered in the following paragraphs: Only the four major South African banks are considered in this section. The two foreign banks are discussed in section 4.6 and the African Bank in section 4.7.

4.5.1 Labour practices and decent work

Labour practices and decent work address the following topics: employment, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity, equal remuneration for women and men, supplier assessment for labour practices and labour practices grievance mechanisms.

The results in tables 4.3 and 4.4 show that, Standard Bank scored the highest percentage on this sub-dimension compared to the other three banks with a score of 94%. It is followed by Nedbank with 85.71%, and then ABSA with 31% and FNB with only 28.57% of the indicators reported.

The reports vary significantly on this sub-dimension and the banks had both extremes. Standard Bank and Nedbank reported on more than 70% of the total indicators, while ABSA and FNB did not report on even 50% of the indicators. FNB only reported a quarter of the indicators on this sub-dimension.

Of all the indicators, only three are common to the reports of all the four banks. These are: LA1 (total number and rates of new employee hires and employee turnover by age group, gender, and region), LA10 (programs for skill management and lifelong learning that supports continued employability of employees and assist them in career endings), and LA12 (Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group, membership and other indicators of diversity).

The reports vary significantly on this sub-dimension because only three indicators appeared in all four reports, yet each of the indicators was reported at least once.

4.5.2 Human rights

The indicators under human rights relate to the following aspects: investment, non-discrimination, freedom of association and collective bargaining, child labour, forced or compulsory labour, security practices, indigenous rights, assessment, supplier human rights assessment and human rights grievance mechanisms.

As it can be seen from tables 4.3 and 4.4, Standard Bank reported on 75% and Nedbank 81.82 % of the indicators of this sub-dimension. ABSA only reported on 8.33% of the indicators while FNB did not report on any of the indicators under human rights.

There is no single indicator that is common to all the four reports and when looking for indicators that were reported by three of the four banks (excluding FNB), only one indicator, HR4 (Operations and suppliers identified in which right to exercise freedom of association and collective bargaining maybe violated and measures taken to violate these rights) was found.

4.5.3 Society

Performance indicators under society address the following aspects: local communities, anti-corruption, public policy, anti-competitive behaviour, compliance, supplier assessment for impacts on society and grievance mechanisms for impacts on society.

As indicated on Tables 4.4 and 4.5 below, Standard Bank reported on 90.91% of the performance indicators. It is interesting to note that Nedbank reported on 100% of the indicators. ABSA reported on 45.45%, while FNB reported on only 20 % of the total indicators under this sub-dimension.

Only two indicators are common to the reports of all the four banks. This represents only 22% of the total indicators for this sub-dimension. These are SO1 (Percentage of operations with implemented local community engagement, impact assessments, and development programs) and SO4 (communities and training on anti-corruption policies and procedures). The reports were further analysed to identify indicators that could be common to three of the four banks (FNB excluded) and only five indicators were found. The additional three indicators are SO2 (Operations with significant actual and potential negative impacts on local communities), SO3 (Total number and percentage of operations assessed for risks related to corruption and the significant risks identified) and SO6 (Total value of political contributions by country and recipient/beneficiary). Only Nedbank reported on SO10 (significant actual and potential negative impacts for labour practices in the supply chain and actions taken).

4.5.4 Product responsibility

Performance indicators under product responsibility deals with the following topics: customer health and safety, product and Service labelling, marketing communications, customer Privacy, compliance.

Results from tables 4.3 and 4.4 show that, Standard Bank reported on 78.77% of the performance indicators. It is followed by Nedbank with 55.56%. ABSA and FNB reported on only one indicator each and this represents only 11.11% of the total indicators for this sub-dimension.

Only one indicator, PR5 (Results of survey measuring customer satisfaction) is common to all the four banks. Also interesting to note is that PR2 (Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle by type of outcomes) was not reported by the banks.

Table 4.3 Percentage reported per dimension based on G3

Dimension	# Indicators	of Nedbank		FNB	
		score	%	Score	%
Economic	9	7	77.77	3	33.33
Environmental	30	17	56.66	3	10
Labour	14	12	85.71	4	28.57
Human Rights	11	9	81.82	0	0
Society	10	10	100	2	20
Product Responsibility	9	5	55.56	1	11.11

Source: own research

Table 4.4 Percentage reported per dimension based on G4

Dimension	# indicators	of Standard bank		ABSA	
		score	%	score	%
Economic	9	9	100	8	88.89
Environmental	34	24	70.59	7	20.59
Labour	16	15	93.75	5	31.25
Human Rights	12	9	75	1	8.33
Society	11	10	90.91	5	45.45
Product Responsibility	9	7	78.77	1	11.11

Source: own research

4.6 Foreign banks

In order to provide a broader comparison of how the banking sector performs in sustainability reporting, the sustainability report of 2013 by the Bank of America was analysed and the following results were obtained.

4.6.1 Bank of America

The bank of America reported their sustainability in line with the older version of the GRI guidelines G3 and their report is called the Corporate Sustainability report (CSR). They reported on level B+ and their level was verified by the GRI. They provided a GRI index with their report. Their report had labels that indicated which particular indicator was being reported for each piece of information in their sustainability report.

They reported on 59 indicators which represents 72.84% of the total indicators as shown in table 4.5 below. It can also be seen from table 4.5 that, Bank of America reported on over 70% of the indicators on most of the dimensions. It is only on 2 dimensions that they reported on less than 50% of the indicators.

Table 4.5 Bank of America: Percentage of performance indicators were reported per dimension (G3)

Dimension	Total indicators	Total reported	% reported
Economic	9	8	88.88
Environmental	30	26	86.67
Labour	14	10	71.43
Human rights	11	4	36.36
Society	8	8	100
Product responsibility	9	3	33.33
Total	81	59	72.84

Source: own research

4.6.2 Lehman Bank

For Lehman, the 2007 report was evaluated because it was the last report the company had before its collapse in 2008. Only two pages were devoted to sustainability in the integrated report of Lehman. The report also had no indication whether Lehman used the GRI or any sustainability guidelines. They had a section for additional reports on their website and the closest to sustainability report was their philanthropy report. This report also did not make reference to any sustainability reporting guidelines or framework.

4.7 African bank

African bank reported based on G4 guidelines on “in accordance core” level.

Total number of indicators reported is 23 which represent only 25.27% of the total indicators as it can be seen from table 4.6 below.

Table 4.6 African bank: Percentage of performance indicators reported per dimension (G4)

Dimension	Total indicators	Total reported	% reported
Economic	9	1	11.11%
Environmental	34	6	17.65%
Labour	16	8	50%
Human rights	12	0	0%
Society	11	0	0%
Product responsibility	9	8	88.89%
Total	91	23	25.27%

Source: own research

Economic Performance

African Bank reported on only one out of nine economic indicators, EC1. This represents only 11.11% of the economic indicators. African Bank is the only bank that reported on less than 25% of the economic indicators.

Environmental Performance

African Bank reported on six out of thirty-four environmental indicators and this represents only 17.65% of the environmental indicators as shown in table 4.6 above.

Social Performance

Labour

African Bank reported eight out of 16 labour indicators. This represents 50% of the total labour indicators.

Human rights

African Bank did not report on any of the twelve indicators under human rights. There is no explanation why these indicators were not reported.

Society

African Bank did not report on any of the eleven performance indicators under society and there is no explanation in the report why this is the case.

Product responsibility

African Bank reported on eight out of nine performance indicators and this represents 88.89% of the total indicators as it can be seen in table 4.5 above.

The comprehensiveness of sustainability reporting for African Bank, as indicated above, does not agree with the view of Rea (2012:20) noted in section 2.11.

Table 4.7 below provides a ranking of the banks investigated with regards to sustainability reporting.

Table 4.7 Overall reporting ratings for the banks (comparing SA banks with foreign banks)

Bank	% Reporting	Ranking
Standard bank	81.32	1
Bank of America	72.84	2
Nedbank	59.23	3
ABSA	29.67	4
African bank	25.27%	5
FNB	18.52	6

Source: Own research

4.8 Conclusion

The purpose of the study was to examine the sustainability reports of the banks in order to determine comparability of sustainability reporting within the banking sector. Two foreign banks were also examined to provide a benchmark and to seek answers to the mystery around “*sustainability and bankruptcy*”.

Concerning bankruptcy, the results revealed that there was either little or no commitment to sustainability reporting by the two banks that went bankrupt. Lehman did not report in line with the GRI guidelines whereas African Bank’s report scored only 25.27% based on the GRI guidelines. Regarding the international benchmark, Bank of America ranked number 2 after Standard Bank as it can be seen from table 4.7 above. The reporting style used by Bank of America was almost similar to that used by Nedbank.

Table 4.7 also shows that the highest score is 81.32% while the lowest is 18.52% within the SA’s banking sector. Considering that the percentages are based on the number of GRI indicators reported on, it would be unreasonable to compare the report, whose content covers 81.52% of the indicators, with that whose content covers only 18.52%

With the various levels of reporting, different guidelines used and different reporting formats, there is a prominent inconsistency of reporting within the sector. The reports vary considerably on many levels and it would be challenging to compare sustainability performance of the banks based on these reports. It can therefore be concluded that there is a lack of comparability amongst the sustainability reports within the SA’s banking sector. The following chapter is about the analysis of the findings.

4.9 Summary

This chapter gave a detailed report on the findings of this study. It highlighted the various structures and contents of the sustainability reports by the banks. It also revealed that the banks used different versions of the GRI guidelines and reported on various levels. The chapter presented the different choices of indicators (for reporting sustainability under the triple bottom line) by each of the banks. Finally a comparison was made using percentages to record how the banks varied on reporting sustainability in line with the GRI guidelines. The next chapter gives analysis and interpretation of these findings.

CHAPTER 5: ANALYSIS AND INTERPRETATION

5.1. Introduction

This chapter is mainly dedicated to analysis and interpretation of the findings that were presented in the previous chapter. As it was stated earlier, the main aim of this study is to determine whether there is comparability of sustainability reports in the banking sector. In an effort to achieve this, content analysis of the sustainability reports of the seven banks was conducted, which yielded a set of findings stated in Chapter 4. In order to make meaning of the findings, they are further scrutinized in an effort to find possible reasons behind the findings. At the end of this chapter a basis is established for making recommendations that will bring about improvements to the practice of sustainability reporting.

5.2. Structure and content of the reports

Banks doing their report in integrated format is in line with the recommendations of King III (2009) and the IRC SA (2011). Whether the banks have complied with integrated reporting standards is outside the scope of this study. The focus of this study is sustainability reporting in line with the GRI guidelines.

The findings also confirm what was highlighted in chapter 2, that most companies are still at a learning phase with regards to sustainability reporting. Also confirmed by the findings are the various names that are being used to refer to a sustainability report. For instance, Standard Bank called it a sustainability report, Nedbank called it sustainability review, ABSA called theirs a citizenship report and FNB named it a report to society. The implication of these various names for the stakeholders is that one should be clear what kind of non-financial information they are looking for in the reports, otherwise it would lead to confusion or they would miss the information just because the report is not named what one could generally expect.

There is no prescribed format of a sustainability report (Roca & Searchy, 2012:104). The reports confirm this because every bank reported in its own format. Though all the banks presented their sustainability information within an integrated report, each of them presented it differently. Nedbank provided references within its report to guide its reader, e.g. when one wants to see where to find EC1, it is easy to see it because there are GRI labels throughout the report. Standard bank and ABSA on the other hand provided references on their GRI table which lead the reader to the particular report or section of the report that contains information. In some

instances it is not easy to locate information relating to a particular indicator within a report. For example ABSA reported some of the indicators within the citizenship report (which is around fifty pages) and their index just mentioned the name of the report as reference. This would mean going through the whole report in order to identify a paragraph or a few paragraphs that related to a particular indicator.

The FNB report also does not have any labels guiding the reader about the GRI indicators being reported. There was also no GRI table attached to the FNB report. The other three banks provided the GRI table and on top of that Nedbank provided the labels throughout their report. It seems that FNB left it to the reader to identify which information within their integrated report of over four hundred pages related to sustainability. FNB's report is therefore less user friendly compared to the reports of the other three banks.

The results also show that sustainability reporting is still evolving in South Africa, as is the case in other parts of the world. Standard Bank and Nedbank have stated that sustainability is not the status they have already achieved but it is what they aspire to achieve in the future implying that they are still learning and growing in this aspect (Nedbank,2013;Standard Bank,2013). More importantly the two banks are acknowledging shortfalls in their reports.

One other reason why the reports may not look the same is the issue of integrated reporting. The efforts by the South African Stock market (JSE) to promote integrated reporting in line with the King III were only started in 2010 (ACCA, 2014). A study by Deloitte (2011) revealed that although most of the JSE listed companies have adopted integrated reporting, they have not yet mastered the requirements of this type of reporting.

GRI G4 (2014) also has a paragraph guiding the reporters on how the guidelines relate to integrated reporting. This however does not do away with the fact that there is still a lot to be learnt by companies in order to present integrated reports that are up to standard. There is a need for standardisation of integrated reporting, especially for companies that fall within the same sector, such as the banking sector.

5.3. GRI Index

The companies that provided the GRI index (Standard Bank, ABSA and Nedbank) met the requirements of the GRI guidelines on this issue. FNB did not meet the requirement.

The GRI Index is a navigator into the sustainability report or any other report that contains sustainability information. It is also a tool used by the GRI to determine whether the company is reporting in the appropriate number of indicators for their level of reporting. For the three banks that provided the index it is easy to use their reports because the reader can see the contents from the index.

Provision of the GRI index does not necessarily mean the quality of the report is superior. ABSA's report is an example of this instance. Their index has EC3 (defined benefit plan obligations) and they gave cross reference to note 45 in the integrated report. The note refers to contingency provisions and this is the information that has nothing to do with EC3 (defined benefit plan obligations).

5.4 Use of G3 and G4 by the banks

Two banks have reported on the new version while the other two reported on the older version of the GRI guidelines. This is a result of the long transition period given to the reporters by the GRI (till December 2015). It can be expected therefore that even the next reporting period will still be faced by the same challenge of reports being based on two different guidelines depending on the decision by each company. It can be expected that after December 2015, the diversity in reporting will be reduced as the reporters will be using the same guidelines, G4.

5.5 Reporting levels

The main purpose of the reporting levels was to ensure that all types of reporters were accommodated, ranging from new and inexperienced to advance and experienced sustainability reporters (GRI, 2011). For stakeholders looking into the reports to compare the non-financial performance of the banks, they may form wrong impressions from the reports, especially if they do not understand what the different reporting levels mean. The G3 guidelines also do not make it clear whether level A is more comprehensive than level C or the other way around. On a positive note the G4 guidelines give a better definition of the levels and it is clear that a report based on the 'comprehensive' level covers a broader detail than the one based on the 'core' level.

It could be argued that the banks are at different levels of reporting because some have been reporting sustainability in line with the GRI guidelines for a longer period than others. In their defence, the GRI guidelines have been in force for only 14 years. A study by Rea (2012:19) also

found an NGO called Little Eden at the top 20 of the 363 SA's companies that were reviewed against the GRI guidelines, yet they were first time GRI reporters.

5.6 None reported indicators

There are two indicators that were not reported by the banks. These are:

EN7- reduction in energy requirements of products and services

PR2- total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts

There is no apparent reason found in the reports why the two indicators were not reported on by the banks. In some instances banks have given reasons for not reporting indicators but it is not the case with EN7 and PR2.

5.7 Comparison of the report contents where similar indicators were reported

Of the total 91 indicators there were only 11 indicators that were reported by all banks. This accounts for less than 15% of the total indicators. If comparison was to be made of the sustainability report content (particularly on performance indicators) only 11 indicators would be used. The following paragraph is about that comparison.

5.7.1 Economic indicators

The banks provide almost similar information on the indicators they all reported on. They each gave a detailed account on wealth creation and how the wealth was distributed amongst their stakeholders. In some instances companies reported on a similar indicator but their report contents looked different due to the diverse nature of activities undertaken by each bank. For example EC7 is about the impact of infrastructure investment and services supported. Standard Bank reported on infrastructure investment in the energy sector while Nedbank reported about infrastructure in agricultural infrastructure. This plus the narrative nature of the non-financial information can easily be interpreted as different report contents. Even though the contents are different they are similar in principle because they both comply with the GRI requirements.

5.7.2 Environmental indicators

The banks seem to give more priority to EN3 (energy consumption) and EN19 (reduction of greenhouse gas emissions). It is not clear why these indicators captured the attention of the banks out of all the 34 environmental indicators. Standard Bank, Nedbank and ABSA gave a detailed report on their alternative energy initiatives. Standard Bank went further to show their energy savings in rand values as opposed to the other banks that used units of measurement such as tonnes and metre squares. The banks also gave detailed reports about their carbon footprint.

5.7.3. Social indicators

Three banks (Standard Bank, Nedbank and ABSA) provided detailed reports with respect to the social indicators. A few inconsistencies were found, for example in reporting SO3, ABSA reported about customer and employee treatment while Standard Bank and Nedbank reported their anti-corruption activities in line with the GRI guidelines. PR5 (results of survey measuring customer satisfaction) seems to be the most important indicator as it is common to all the four banks. This is possibly because the business of the banking sector is more about providing service to the customers. There is also a high level of competition amongst the banks hence each has to ensure that they keep their customers happy.

5.8 Overview of economic performance

This dimension received the highest attention by the banks with a score higher than 75% for three of the four banks. The same results were found in the study that was conducted by Roca and Searchy (2012:112) on GRI indicators where it was found that the banking sector gave more attention to the economic sector. It can be assumed that the reason for this is that economic dimension is more related to the sector within which the banks operate. It is also logical to assume that each company will report more on the indicators that relate to their sector of operation. For example, companies in the energy sector are more likely to report on the environmental dimension.

The fact that there are only three indicators common to all the four banks shows that reports vary significantly in content. This can be said considering each of the social indicators was reported by at least one bank. It can be seen that the choice of indicators significantly affected the contents of the reports even for a dimension with just a few indicators.

5.9 Overview of environmental performance

Only Standard Bank reported more than 50% of environmental performance indicators. The reports also vary significantly on this particular dimension. Only 2 indicators are common to all the four banks. This only represents 5.88% of the total indicators. It would be more logical if most of the indicators were not reported. But this is not the case because only one indicator was not reported by the banks. The other 33 out of the 34 environmental indicators were reported at least once. This represents 97.06% of the total indicators. One would expect companies in the same sector and falling in the same group in terms of size, business and geographical location would somehow have similar choices with respect to sustainability reporting, but the study reveals the opposite.

Another interesting observation is that Nedbank included some indicators on their index, yet they did not report on them. The example of this is on the environmental indicators EN11 and EN12 that falls under the aspect-biodiversity. The two indicators were both reported by saying: *“no land owned, leased or managed or adjacent to a protected area/area of high biodiversity”* (Nedbank, 2013). Their index can be misleading, because including an indicator on the index implies that the same indicator was reported on.

5.10 Overview of social performance

Both Standard Bank and Nedbank reported on more than 75% of all the social indicators. ABSA and FNB each reported below 50% with FNB scoring a nil under the human rights. It seems that Standard Bank and Nedbank took the social aspects more seriously than ABSA and FNB. All the banks provided reports covering employees; especially the skills development initiatives were given priority. They also reported on how they supported their communities earning their social license to operate within their environment.

5.11 Overview of the banks ‘sustainability practices

5.11.1 Standard Bank

Standard bank adopted sustainability that *“meets the needs of the present without compromising the needs of the future”* (WCED, 1987) type of sustainability, whose reporting is mainly guided by the GRI guidelines. They strive to report in accordance with these guidelines in agreement with the King III. With a total reporting of 74 indicators they covered 91.36% of the

indicators recommended by the GRI G4 guidelines. Seemingly Standard Bank takes sustainability reporting more seriously than the other three banks. It is evident from the results that standard bank has the biggest report on sustainability compared to the other three banks.

5.11.2 Nedbank

Nedbank reported on 48 indicators which represent more than 50% of the total GRI indicators. They rank second (after Standard Bank) in adoption of the GRI guidelines. They too seem to give priority to the GRI reporting. They however fall within the group that reported on the older version of the GRI guidelines G3. Their GRI Index is also deceptive because it includes the indicators that are not reported. There are more than ten indicators in total that appear on the index of Nedbank which are not necessarily reported on.

5.11.3 ABSA

ABSA reported on 27 out of 81 indicators (33.33%). This shows that there is still a lot of improvement to be made by ABSA with respect to sustainability reporting as per the GRI guidelines. The outstanding inconsistency seen on ABSA's reports about the GRI guidelines used could be the result of overwriting the previous year's report when preparing the current year's report.

5.11.4 FNB

FNB reported only 15 out of 81 indicators of the total indicators (18.52%). The score suggest that there is no commitment to sustainability reporting in line with the GRI guidelines. FNB seems to comply with the view of sustainability that was given by Hubbard (2009:5). He argued that to some businesses, sustainability is about how a business sustains their business through profits. The study confirms the ranking that was obtained by Rea (2012:20), where sustainability reports were evaluated for their compliance with the GRI guidelines. FNB appeared in the bottom 20 out of the 363 JSE listed companies. It is hoped that the advent of the G4 guidelines will help FNB to improve its performance on sustainability reporting because they come with the implementation manual that guides users step by step in reporting sustainability. There is a high possibility that FNB still engages in sustainability activities like the other three banks or even more, and it is just the reporting they do not invest time in.

5.11.5 Bank of America

With a score of 72.84%, the bank of America seems to be committed to reporting sustainability in line with the GRI guidelines. Their report is accompanied by the GRI index in compliance with the GRI guidelines. The Bank of America included GRI labels throughout their report, highlighting which indicator is being reported by each piece of information. This style of reporting was also found in Nedbank's report and it makes a sustainability report more user friendly. Of all the reports that have been reviewed in this study, the Bank of America's report is the only one whose level was verified by the GRI. This gives more credibility to the report than when the reporting level is self-declared. Another commendable feature on their report is that they give reasons for each of the indicators they did not report on.

5.11.6 Lehman Brothers

The philanthropy report by Lehman is a simple report about the company's social responsibility. Since the report is not based on the GRI guidelines, it is outside the scope of this study to evaluate it. Writing only two pages in the whole annual integrated report gives an impression that Lehman was not committed to sustainability. On the other hand, it is probably inappropriate to judge their sustainability based on this report. Considering that sustainability has been a growing practice from the past decade, it is not known where Lehman would be with regards to sustainability performance, if it was still functional.

5.11.7 African Bank

The results found in the African Bank's integrated report are contrary to a report produced by Rea (2012:20), which ranked the African Bank higher than the four big banks with respect to sustainability reporting. Table 4.6 shows that the African Bank only reported on 25.27% of the total GRI indicators. Based on their chosen level of reporting which was "in accordance core", African Bank is expected to have reported at least one indicator each of the aspects they consider material. Reporting on only 25.27% implies that the African Bank identified 25.27% as material to them. It is interesting to note that though the overall performance of the African Bank is below 50% on reporting the indicators, they have reported 50% of labour indicators and 88.87% of the product responsibility indicators.

5.12 Conclusion

The choice of indicators under the three dimensions of the triple bottom line (economic, environmental and social) is the key determinant of the content of a sustainability report. Each reporting organisation makes this choice based on what is important to their business.

The study has revealed the diversity of choices made by the SA banks on the indicators, resulting in reports that lack comparability. It is worth highlighting that under the environmental dimension there are 34 indicators but only two are common to the reports of four major SA banks, yet over 30 of these indicators have been reported at least once. The same inconsistency occurs in the social dimension yielding the reports that vary considerably.

The different report contents suggest that the banks consider different issues as important. The main purpose of the sustainability report is to communicate the non-financial performance to the stakeholders and one would assume that the sustainability reports within the banking sector should be comparable because the stakeholders base their decisions about performance of an organization on both financial and non-financial information. With the current situation, comparing sustainability reports of the SA's banks is equivalent to comparing apples with oranges. There is therefore a need for standardization of sustainability reporting within the banking sector.

5.13 Summary

This chapter discussed the findings which were presented in the previous chapter. It scrutinized the different structures and contents found in the sustainability reports of the banks. The chapter also compared the report contents where similar indicators were reported by the banks. Finally the banks were reviewed individually to evaluate their sustainability practices and the study revealed that Standard Bank and Nedbank are more committed to sustainability than ABSA and FNB. The next chapter provides a conclusion to the whole study, limitations to the study as well as recommendations.

CHAPTER 6: CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

6.1 Introduction

The King III Code of governance encourages South African companies to report their sustainability in line with the GRI guidelines. Most companies have responded positively but there is still a challenge with this type of reporting. There is no prescribed format of a sustainability report and each company determines their report content based on what they consider important to their business. The study focused on the banking sector because it is one of the key contributors to the economy of the country. In this study the sustainability reports of the South African banks were studied in order to assess whether the reports within the sector are comparable. The reports of two foreign banks were also studied to provide an international benchmark. The GRI reporting was used a basis for this study.

6.2 Summary

Chapter one provided background and context of the study. It also outlined the problem underlying the study as well as the objectives that should be achieved at the end of the study.

Chapter two reviewed the literature relevant to sustainability and sustainability reporting. This chapter uncovered the origins of the concept of sustainability, various approaches to sustainability and how sustainability has grown over the years. The chapter also addressed various frameworks used for reporting sustainability, including the GRI guidelines which form the basis for this study.

In chapter three the research methodology and design were outlined. The research sample which was made up of seven banks was discussed giving a basis for the sample. This chapter also addressed the scope of the research and the methods used for data collection and data analysis. It provided a step by step guide of how the data was analysed. Also covered in this chapter were the limitations of the research design and how the research sought to minimize those limitations.

Chapter four presented the major findings of this study. The key findings of the study include:

- Integrated reporting: each of the banks reported sustainability within an integrated report.

- Different GRI guidelines: the banks used different sets of the GRI guidelines; some banks used the G3 version while others used the G4.
- Reporting levels: the banks report on different GRI reporting levels.
- Performance indicators: the banks 'choice of indicators is diverse and that resulted in different report contents.
- Total indicators reported: the percentage GRI reporting within the banks ranged from as low as 18.52% to as high as 81.32% based on the indicators.

Chapter five presented an analysis of the findings. Possible reasons for the results were explored and the diversity of reporting within the sector was attributed to the leniency of the GRI in applying the reporting guidelines.

6.3 Limitations of the study

This study has a few limitations. Firstly, the version of the GRI guidelines changed from G3 to G4 during the course of the study and reporters are given a transition period of until December 2015. The result of this is that the study made a comparison of reports that are based on two different sets of the guidelines. Secondly, the study only used two foreign banks to provide an international benchmark. This may not give a clear perspective on how South African banking sector compares with the rest of the world on sustainability reporting. Lastly, one of the foreign banks Lehman went bankrupt in 2008 and therefore the latest report found was for 2007. This resulted in comparing report of 2007 for Lehman with the reports of 2013 for the other banks.

6.4 Recommendations

1. Banks should agree on a standard set on the GRI indicators to report on since they are in the same business.
2. The next version of the GRI guidelines should reduce the level of flexibility in application of the guidelines. For example, instead of giving the reporters freedom to choose indicators, allow them to choose a reporting level and prescribe a compulsory set of performance indicators for that level.
3. The GRI should prescribe a compulsory set of performance indicators per sector. The GRI provides an additional set of sector specific indicators and this should be reported on top of the general indicators. This does not solve the problem because the reporters are still allowed free choice of the general indicators.

4. The GRI should monitor the reporting and give some rating that promotes excellence in reporting such that the reporters who only do the minimum may be motivated to improve.
5. There is a need for further studies to establish the extent to which sustainability reporting informs investors about the suitability of the business.

6.5 Conclusion

The primary objective of this study was to examine the sustainability reports of the four major banks SA banks in order to determine whether there is comparability of reporting within the sector. The study found that the sustainability reports of the four major South African banks vary considerably in content and that renders them non-comparable. For example Standard Bank reported on 81.32% of the GRI indicators while FNB reported on 18.52% of the indicators. Assessing the report contents based on individual sustainability dimensions, reports were to some extent comparable on the economic dimension. Of the four major banks, three reported on over 75% of the economic indicators. It would be reasonable for stakeholders to compare these reports because they addressed almost similar issues and it would be feasible to compare how one bank addresses a particular issue in comparison with its competitors.

The diversity of choice of the environmental indicators is a reflection of a failure on the GRI part. There are 34 indicators under this dimension but only two indicators were reported on by all the major SA banks. The freedom of choice resulted in each bank presenting a different report without any standard. The sustainability information is used by stakeholders in the same manner as financial information. Investors for example, are mostly interested in how one company performs compared to others in the similar business. A sustainability report is supposed to provide information valuable for that kind of decision making, but it seems there is still a lot of work to be done to standardize the reporting in order for that to be achieved.

One of the secondary objectives was to examine sustainability reports of two foreign banks and compare them with the reports of the four major SA banks. Comparing South Africa with its international counterparts, the Bank of America was found within the similar range of reporting with Standard Bank and Nedbank. Based on the percentage of the GRI indicators reported on, Standard Bank performed better than the Bank of America. The structure of the report by the Bank of America was however, better than that of the South African banks. The bank of America was the only bank whose reporting level was checked by the GRI and they are the only ones who provided clear reasons for non-reporting of indicators. Lehman on the other hand did not

form part of the comparison because their report did not make any reference to the GRI guidelines. The number of the foreign banks studied does not justify generalization, but the South African banking sector can still learn valuable lessons from the foreign banks.

Another research objective was to study the sustainability report of Lehman and that of African Bank in the light of their failure in financial performance. The main aim was to analyse their sustainability reports in order to evaluate reporting performance based on the GRI guidelines. An interesting observation was made with respect to Lehman (a foreign bank that went bankrupt in 2008) which implied very little commitment to sustainability reporting. Only two pages of their integrated report were about sustainability. They also did not make reference to any reporting frameworks. African bank also showed very little commitment to sustainability reporting. They reported on only 25.27% of the total GRI indicators and there is only one sub dimension where they reported on more than 50% of the indicators. Though the study found that the two banks that went bankrupt performed poorly on the sustainability reporting, the scope of this study does not justify any major conclusions on this matter. There is a need for further research to investigate the relationship between sustainability and sustainability reporting in line with the GRI guidelines. This study complied with its objectives and concludes that there is little comparability to be found in sustainability reporting by the major South African banks.

APPENDICES

Appendix A

Table 1. Economic Indicators reported per bank

	ABSA	STANDARD	NEDBANK	FNB	BOA	AFRICAN BANK
EC1	Yes	yes	Yes	yes	yes	yes
EC2	Yes	yes	Yes	no	yes	no
EC3	Yes	yes	Yes	no	yes	no
EC4	Yes	yes	Yes	no	yes	no
EC5	No	yes	No	no	no	no
EC6	Yes	yes	yes	no	yes	no
EC7	Yes	yes	yes	yes	yes	no
EC8	Yes	yes	yes	yes	yes	no
EC9	Yes	yes	no	no	yes	no

Table 2. Environmental Indicators reported per bank

	ABSA	STANDARD	NEDBANK	FNB	BOA	AFRICAN BANK
EN1	No	yes	Yes	no	yes	no
EN2	No	yes	Yes	no	yes	no
EN3	Yes	yes	Yes	yes	yes	no
EN4	No	yes	Yes	no	yes	no
EN5	No	yes	No	no	yes	no
EN6	Yes	yes	No	no	yes	yes
EN7	No	no	No	no	yes	no
EN8	No	yes	Yes	no	yes	no
EN9	No	yes	No	no	no	no
EN10	No	yes	No	no	yes	no
EN11	No	yes	Yes	no	no	no
EN12	No	yes	Yes	no	yes	no
EN13	No	yes	No	no	no	no
EN14	No	yes	No	no	yes	no
EN15	Yes	yes	No	no	no	yes
EN16	Yes	yes	Yes	no	yes	yes
EN17	Yes	yes	Yes	no	yes	yes
EN18	Yes	yes	No	no	yes	no
EN19	Yes	yes	Yes	yes	yes	no
EN20	No	no	Yes	no	yes	no
EN21	No	no	Yes	no	yes	no
EN22	No	no	Yes	no	yes	no
EN23	No	yes	Yes	no	yes	yes
EN24	No	yes	No	no	yes	no
EN25	No	yes	No	no	yes	no
EN26	No	no	Yes	no	yes	no
EN27	No	no	Yes	yes	yes	no
EN28	No	no	Yes	no	yes	no

EN29	No	yes	No	no	yes	no
EN30	No	yes	No	no	yes	no
EN31	No	yes	No	no	no	no
EN32	No	no	No	no	no	yes
EN33	No	no	No	no	no	no
EN34	No	no	No	no	no	no

Table 3. Labour indicators reported per bank

	ABSA	STANDARD	NEDBANK	FNB	BOA	AFRICAN BANK
LA1	yes	yes	yes	Yes	Yes	yes
LA3	no	yes	yes	No	No	yes
LA3	no	yes	no	No	Yes	yes
LA4	no	yes	yes	No	Yes	no
LA5	no	yes	yes	no	No	no
LA6	no	yes	yes	no	Yes	yes
LA7	no	yes	yes	no	No	no
LA8	no	yes	yes	no	Yes	no
LA9	no	yes	no	yes	No	yes
LA10	yes	yes	yes	yes	Yes	yes
LA11	yes	yes	no	no	Yes	yes
LA12	yes	yes	yes	yes	Yes	yes
LA13	no	yes	yes	no	Yes	no
LA14	no	yes	yes	yes	No	no
LA15	no	No	yes	no	Yes	no
LA16	yes	yes	no	no	No	no

Table 4. Human Rights Indicators reported per bank

	ABSA	STANDARD	NEDBANK	FNB	BOA	AFRICAN BANK
HR1	no	yes	yes	no	no	No
HR2	no	yes	yes	no	yes	No
HR3	no	yes	yes	no	yes	No
HR4	yes	yes	yes	no	no	No
HR5	no	yes	yes	no	yes	No
HR6	no	yes	yes	no	no	No
HR7	no	no	yes	no	no	No
HR8	no	yes	no	no	yes	No
HR9	no	yes	no	no	no	No
HR10	no	no	yes	no	no	No
HR11	no	no	yes	no	no	No
HR12	no	yes	no	no	no	No

Table 5. Society Indicators reported per bank

	ABSA	STANDARD	NEDBANK	FNB	BOA	AFRICAN BANK
SO1	yes	yes	yes	yes	yes	no
SO2	yes	yes	yes	no	yes	no
SO3	yes	yes	yes	no	yes	no
SO4	yes	yes	yes	yes	yes	no
SO5	no	yes	yes	no	yes	no
SO6	yes	yes	yes	no	yes	no
SO7	no	yes	yes	no	yes	no
SO8	no	yes	yes	no	yes	no
SO9	no	yes	yes	no	no	no
SO10	no	No	yes	no	no	no
SO11	no	yes	no	no	no	no

Table 6. Product responsibility indicators reported per bank

	PRODUCT RESPONSIBILITY					
	ABSA	STANDARD	NEDBANK	FNB	BOA	AFRICAN BANK
PR1	No	no	yes	no	no	yes
PR2	No	no	no	no	no	yes
PR3	No	yes	yes	no	no	yes
PR4	No	yes	no	no	no	yes
PR5	Yes	yes	yes	yes	yes	no
PR6	No	yes	yes	no	yes	yes
PR7	No	yes	no	no	no	yes
PR8	No	yes	no	no	no	yes
PR9	No	yes	yes	no	yes	yes

Appendix B

LIST OF GRI G4 PERFORMANCE INDICATORS

ECONOMIC INDICATORS:

Economic performance

EC1 Direct economic value generated and distributed

EC2 Financial implications and other risks and opportunities for organizations activities due to climate change

EC3 Coverage of organizations' defined benefit plan obligations

EC4 Financial assistance received from government

Market Presence

EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.

EC6 Proportions of senior management hired from the local community,

Indirect Economic Impacts

EC7 Development and impact of infrastructure investments and services supported

EC8 Significant indirect economic impacts including extent of impacts

Procurement Practices

EC9 Proportion of spending on local suppliers at significant locations of operation

ENVIRONMENTAL INDICATORS:

Materials

EN1 Materials used by weight or volume

EN2 Percentage of materials used that are recycled input materials

Energy

EN3 Energy consumption within the organization

EN4 Energy consumption outside of the organization

EN5 Energy Intensity

EN6 Reduction of energy consumption

EN7 Reductions in energy requirements of products and services

Water

EN8 Total water withdrawal by source

EN9 Water sources significantly affected by withdrawal of water

EN10 Percentage and total volume of water recycled and reused

Bio-diversity

EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

EN13 Habitats protected or restored

EN14 Total number of IUCN red list species and national conservation list of species with habitats in areas affected by operations, level of extinction risk

Emissions

EN15 Direct greenhouse gas (GHG) emissions (Scope 1)

EN16 Indirect greenhouse gas emissions

EN17 Other Indirect greenhouse gas emissions

EN18 Greenhouse gas (GHG) emissions intensity

EN19 Reduction of greenhouse gas emissions

EN20 direct greenhouse gas (GHG) emissions (scope 1)

EN21 NO_x, SO_x, and other significant air emissions

Effluents and Waste

EN22 Total water discharge by quality and destination

EN23 Total weight of waste by type and disposal method

EN24 Total number and volume of significant spills

EN25 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of Basel convention 2 ANNEX I, II, III, AND VIII, and percentage of transported waste shipped internationally

EN26 Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff

Products and Services

EN27 Extent of impact mitigation of environmental impacts of products and services

EN28 Percentage of products sold and their packaging materials that are reclaimed by category

EN29 Monetary value of significant fines and total number of non-monetary sanctions

for non-compliance with environmental laws and regulations

Transport

EN30 significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce

Overall

EN31 Total environmental protection expenditures and investments by type

Supplier environmental assessment

EN32 Percentage of new suppliers that were screened using environmental criteria

EN33 Significant actual and potential negative environmental impacts in the supply chain and action taken

Environmental grievance mechanisms

EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms

SOCIAL INDICATORS

LABOUR PRACTICES AND DECENT WORK

Employment

LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region

LA2 Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation

LA3 Return to work and retention rates after parental leave by gender

Labour/management relations

LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

Occupational health and safety

LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs

LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender

LA7 Workers with high incidence or high risk of diseases related to their occupation

LA8 Health and safety topics covered in formal agreements with trade unions

Training and education

LA9 Average hours of training per year per employee by gender, and by employee category

LA10 Programs for skill management and lifelong learning that supports continued employability of employees and assist them in career endings

LA11 Percentage of employees receiving regular performance and career development reviews, by gender and employee category

Diversity and equal opportunity

LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group, membership and other indicators of diversity

Equal remuneration for women and men

LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Supplier Assessment for Labor Practices

LA14 Percentage of new suppliers that were screened using labour practices criteria

LA15 Significant actual and potential negative impacts for labour practices in the supply chain and actions taken

Labor Practices Grievance Mechanisms

LA16 Number of grievance about labour practices filed, addressed and resolved through formal grievance mechanisms

HUMAN RIGHTS:

Investment

HR1 Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

HR2 Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations including the percentage of employees trained.

Non-discrimination

HR3 Total number of incidents of discrimination and corrective actions taken

Freedom of Association and Collective Bargaining

HR4 Operations and suppliers identified in which right to exercise freedom of association and collective bargaining maybe violated and measures taken to violate these rights

Child Labour

HR5 Operations and suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour

Forced or Compulsory Labour

HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of all forms of forced or compulsory labour

Security Practices

HR7 Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations

Indigenous Rights

HR8 Total number of incidents of violations involving rights of indigenous people and actions taken

Assessment

HR9 Total Number and percentage of operations that have been subject to human rights reviews or impact assessments

Supplier Human Rights Assessment

HR10 Percentage of new suppliers that were screened using human rights criteria

HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken

Human Rights Grievance Mechanisms

HR12 Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms

SOCIETY:

Local Communities

SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs

SO2 Operations with significant actual and potential negative impacts on local communities,

Anti-corruption

SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified

SO4 Communities and training on anti-corruption policies and procedures

SO5 Confirmed incidents of corruption and actions taken

Public Policy

SO6 Total value of political contributions by country and recipient/beneficiary

Anti-competitive Behaviour

SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes

Compliance

SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Supplier Assessment for Impacts on Society

SO9 Percentage of new suppliers that were screened using criteria for impacts on society

SO10 Significant actual and potential negative impacts for labour practices in the supply chain and actions taken

Grievance Mechanisms for Impacts on Society

SO11 Number of grievances about impacts on society filed, addressed, and resolved

PRODUCT RESPONSIBILITY:

Customer Health and Safety

PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle by type of outcomes

Product and Service Labelling

PR3 Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements

PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes

PR5 Results of survey measuring customer satisfaction

Marketing Communications

PR6 Sale of banned or disputed products

PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of incomes

Customer Privacy

PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

Compliance

PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

(GRI, 2014)

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