

**IMPLICATIONS OF THE DISTINCT OR INTERCHANGEABLE USE OF THE TERMS
“ESG” AND “SUSTAINABILITY” ON REPORTING BY GLOBAL BANKS IN THE
CONTEXT OF COVID-19**



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ABSTRACT

The use of the buzzwords “ESG” and “sustainability” has been on the rise. Although used interchangeably, the terms “ESG” and “sustainability” have different meanings. This study explored the differences and similarities between the ESG disclosures and sustainability disclosures of banks, including whether there is an acknowledgement of the difference between the terms “ESG” and “sustainability” in 2019 and 2021 and the implications regarding reporting practices. The integrated reports and sustainability reports analysed are for a sample of 25 banks, as banks have a dual responsibility in terms of ESG and sustainability reporting. The sampled banks are from South Africa, Japan, the United Kingdom, the United States and France - where integrated reporting and sustainability reporting exist. An interpretative content analysis was performed on the reports, with results being recorded in a template. The implication of the distinction or non-distinction was further investigated in terms of the number of reports used to report on the matters, the purpose of the report, the target audience for each report, what constitutes the definition of materiality in the context of each report and whether Covid-19 contributed towards a change in the materiality constitution of those reports between 2019 and 2021. The results show that banks do not distinguish between “ESG” and “sustainability”. Further, the findings suggest that the non-distinction between the two terms by authoritative guidance, frameworks and standards mandatorily adopted results in no separation between the forms of reporting used to report on ESG matters and sustainability matters. As a result, more than one report is used to report on ESG matters and sustainability matters. However, the ESG matters and sustainability matters are disclosed together, leading to the purpose, target audience and materiality definitions being the same for both ESG matters and sustainability matters. Covid-19 is not listed as a critical contributor to determining material matters in 2021 as opposed to 2019.

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LIST OF ABBREVIATIONS USED

B-BBEE	Broad-Based Black Economic Empowerment
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
ESG	Environmental, Social, Governance
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
<IR>	Integrated Reporting
JSE	Johannesburg Stock Exchange
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goals
TCFD	Task Force for Climate Disclosures
UN	United Nations
WEF-IBC	World Economic Forum-International Business Council

INTRODUCTION

The need for businesses to report on both the impact of ESG aspects on the internal business environment and the sustainability impact of the business on the external environment in which it operates has been heightened – especially by Covid-19 (Adams & Abhayawansa, 2022). This need has been evidenced through the development of the concept of double materiality and the challenge of ESG scores to include the impact of entities on their external environments (Danisman, 2022; Krull, 2022).

Banks have an important role in reporting on the impact of external factors on their operations and the impact of their operations on the external environment. The role is heightened due to banks having a dual responsibility to report on their operations and the operations of the clients and corporations which they fund (Arun et al., 2021). As such, ESG considerations and sustainability considerations and subsequent reporting are crucial to banks.

Sustainability is related to the impact of a business on its external environment, whilst ESG is attributed to the impact of the external environment on a business (Adams & Abhayawansa, 2022; Biondi et al., 2020; Courtnell, 2022; Krull, 2022; Sustainability Success, 2023). Although such a distinction has been made, some businesses use the terms interchangeably (London Stock Exchange Group, 2021). How an entity views the terms “ESG” and “sustainability” impacts the type of reporting used as the purpose, materiality definition and target audience of the report used to disclose ESG matters or sustainability matters impacts the content included in the report. This study investigates the impact of the interchangeable or distinct use of the terms “ESG” and “sustainability” on the reports produced by banks.

The impact of the interchangeable or distinct use of the terms “ESG” and “sustainability” will be explored through the research objectives of this study. The research objectives include investigating whether one or more reports are used to report on ESG matters and sustainability matters and each report's purpose and target audience. Additionally, the factors taken into account to determine the material matters disclosed in each report and

whether Covid-19 has impacted the determination of material matters disclosed will be studied.

Reports published by companies in South Africa, Japan, the United Kingdom, the United States and France have indicated the presence of integrated reporting and sustainability reporting and, as such, have been selected as part of the sample of this research. The top five banks in South Africa have shown to have a sizeable share of total assets compared to other South African banks and have been selected as part of the sample. Five banks with a sizeable share of total assets have also been selected from each country for comparison purposes. The 2019 and 2021 reports containing ESG disclosures and sustainability disclosures for each bank have been analysed through a content analysis. The analysis was performed to determine what has been classified as ESG disclosures and sustainability disclosures and whether there is a difference between the two terms is acknowledged. Additionally, the use of the terms was analysed against the provided definitions of ESG and sustainability. Each report's target audience and purpose were also analysed to determine their relationship with ESG disclosures and sustainability disclosures.

The emergence of the Covid-19 pandemic in 2020 has resulted in a significant impact on the content that is being reported by entities. This impact was expected to affect the determination of materiality. The reports were also analysed for the definition of materiality and the process to determine materiality in each report, with a comparison between these performed on the 2019 and 2021 reports to determine what the impact of Covid-19 has been on the determination of materiality in the context of each report.

The findings indicate that the banks studied do not distinguish between the terms “ESG” and “sustainability” and use the terms interchangeably. As a result, ESG matters and sustainability matters were disclosed in the same reports. Consequently, (where these were disclosed) the target audience and the purpose of the reports analysed were not determined by whether the disclosures were classified as being ESG disclosures or sustainability disclosures. Additionally, a significant number of the reports did not contain disclosures on the factors taken into account by the banks in determining material ESG

matters and sustainability matters. Therefore, the impact of Covid-19 on the determination of material ESG matters and sustainability matters has not been disclosed.

This study is divided into various chapters. Firstly, the literature review, which includes literature on ESG and sustainability, the reporting practices of banks and the reporting practices of South Africa, the United Kingdom, the United States, France and Japan, the concept of materiality and double materiality is presented, followed by gaps identified in literature and research objectives. Next, the research methodology chapter outlines the method followed in conducting the study and analysing results. The limitations of the study are also presented. The findings and discussion chapter presents the findings from the study and a discussion of the findings. Finally, the conclusion chapter includes a summary of the research, recommendations and future areas of improvement.

LITERATURE REVIEW

This section discusses existing literature on ESG and sustainability, including how the terms are defined, the history of the terms and the common reporting practices related to the terms in South Africa, Japan, France, the United Kingdom, and the United States. Additionally, literature on the role of banks in ESG reporting and sustainability reporting is discussed, including substantiation of why ESG reporting and sustainability reporting are essential for banks. The importance of ESG and sustainability disclosures of banks in the context of Covid-19 will also be discussed. Finally, gaps in the literature and research objectives are outlined.

SUSTAINABILITY AND ESG

This section contains a discussion of the definitions of the terms “ESG” and “sustainability” and a brief history of how the terms were derived. Additionally, differences and similarities between the two terms are also discussed.

Sustainability

Thomsen (2013) has stated that the term ‘sustainability’ has various meanings, with the meanings depending on the context in which the term is used. The term “sustainability” is often used interchangeably with the terms “corporate responsibility”, “sustainable investing”, and “social responsibility investing”, although these terms have different meanings. The origin of the term “sustainability” is traced back to the coining of sustainability as a policy concept by the General Assembly of the United Nations as part of its “Global Agenda for Change”, which was derived during the World Commission on Environmental and Development conference held in 1987 (Kuhlman & Farrington, 2010; United Nations, 1987). According to the United Nations (1987), sustainable development emphasises the responsibility held by human beings to ensure that they do not disable future generations from meeting their own needs. The responsibility is fulfilled by ensuring that meeting present needs is not at the peril of the needs of future generations. Furthermore, it is emphasised that sustainable development is “not a fixed state of harmony, but rather, a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional

change are made consistent with future as well as present needs. We do not pretend that the process is easy or straightforward. Painful choices have to be made.” (United Nations Brundtland Commission, 1987:17). This has led to an increase in the promotion of the publication of sustainability reports by various companies, amongst other outcomes.

Thomsen (2013) further states that the factors that are commonly considered for sustainability reporting include social, environmental and economic (SEE) factors. Reporting, in the context of sustainability, entails showing how the operations of a company have an impact on the economy, environment and society. This is mainly related to what is termed the “triple bottom line”. The triple bottom line states that companies need to consider the three Ps, being people, planet and profit - a concept that was invented by Elkington (Thomsen, 2013). “Profit” is related to the economy, being the economic state and well-being of an entity (Kuhlman & Farrington, 2010). “Planet” is related to the way that the environment is being cared for and the related impact on the environment (Kuhlman & Farrington, 2010). Finally, “people” is related to the social aspect, which is a consideration of human aspirations, including the employment and care for minorities and equity (Kuhlman & Farrington, 2010).

ESG

Although various authors state that ESG could date back to the 1960s and 1970s, a period of faith-investing and civil rights (Migliorelli, 2021), according to Lim et al. (2022), “ESG” was first used as a term in the 2004 United Nations Global Compact Report. Financial institutions, including banks, primarily supported the introduction of the term “ESG” and its use. “ESG” is a term that is used interchangeably with terms such as “responsible investing” (Matos, 2022). “ESG” refers to the integration of environmental, social and governance aspects by companies into their business models to show how these factors have an impact on a company (Gillan et al., 2021). Environmental considerations include climate change, land exploitation and biodiversity loss and how a business responds to these challenges (Gillan et al., 2021; Johannesburg Stock Exchange, 2021c; Matos, 2022). Social considerations relate to gender policies, safety in the workplace, income distribution, the protection of human rights and relationships with the local community and how a business interacts with society in terms of its policies (Gillan et al., 2021;

Johannesburg Stock Exchange, 2021c; Matos, 2022). Governance considerations include practices related to boards, remuneration and compliance with regulation (Gillan et al., 2021; Johannesburg Stock Exchange, 2021c; Matos, 2022). The consideration of ESG by companies assists them in providing more disclosure on ESG matters to improve investor transparency and inspire other competitors to follow suit (Gillan et al., 2021).

Differences and Similarities between “Sustainability” and “ESG”

Although ESG and sustainability are similar in terms of considering more than the financial aspects of a business and other factors, the previous section outlined the apparent differences between the two terms. Although the terms ESG and sustainability have different meanings, others have argued for their interchangeable use. Some institutional bodies, for example, the London Stock Exchange, recommend that there should not be specific terms in reporting on sustainability matters and ESG matters due to the perception that there is no agreement on the exact scope of each of the terms (London Stock Exchange Group, 2021). However, the critical difference mainly relates to whether impact is measured inward or outward from an entity’s point of view and the stakeholders who are affected by this impact. The ESG impact would be measured in terms of the financial impact of these factors on that company (Krull, 2022). The affected stakeholders in this regard would be providers of financial capital, mainly investors. Sustainability, on the other hand, places a focus on the impact of the business’s operations on society, the environment, and the economy, with a basket of measures being used to report on this impact, including scientific measures and metrics (Johannesburg Stock Exchange, 2021b). The affected stakeholders in this regard would be a wide range of stakeholders who are part of society. Additionally, the term “ESG” has been primarily used to refer to investor-focused matters. This use is evidenced through the introduction of metrics such as ESG rankings, metrics, and scorings, which are mainly investor-focused and considered by investors in their decision-making processes (Johannesburg Stock Exchange, 2021b). Krull (2022) notes that the critical issue found with various ESG metrics is that they do not show the impact of a company on the environment and society but rather the impact of social and environmental issues on the company.

Integrated reporting is closely linked to ESG reporting as it caters to the providers of financial capital (Johannesburg Stock Exchange, 2021c). The International Integrated Reporting Council (IIRC), which formulated the framework, has been criticised for being focused on creating value for investors. This has resulted in the IIRC not mandating the reporting of the harm that businesses cause to society. This focus on investors' needs indicates that ESG considers the impact of the external environment on businesses and not the impact of businesses on the external environment (Flower, 2015). Another challenge that has been noted regarding integrated reports is that there seems to be an expectation gap between the preparers of integrated reporting and non-investor stakeholders (Naynar et al., 2018). This shows that ESG-related reports do not take into account matters that would usually be taken into account in reporting sustainability matters. Figure 1 illustrates the key differences between sustainability and ESG, illustrating the target audience and the type of impact considered when reporting on sustainability matters and ESG matters (JSE, 2021a).

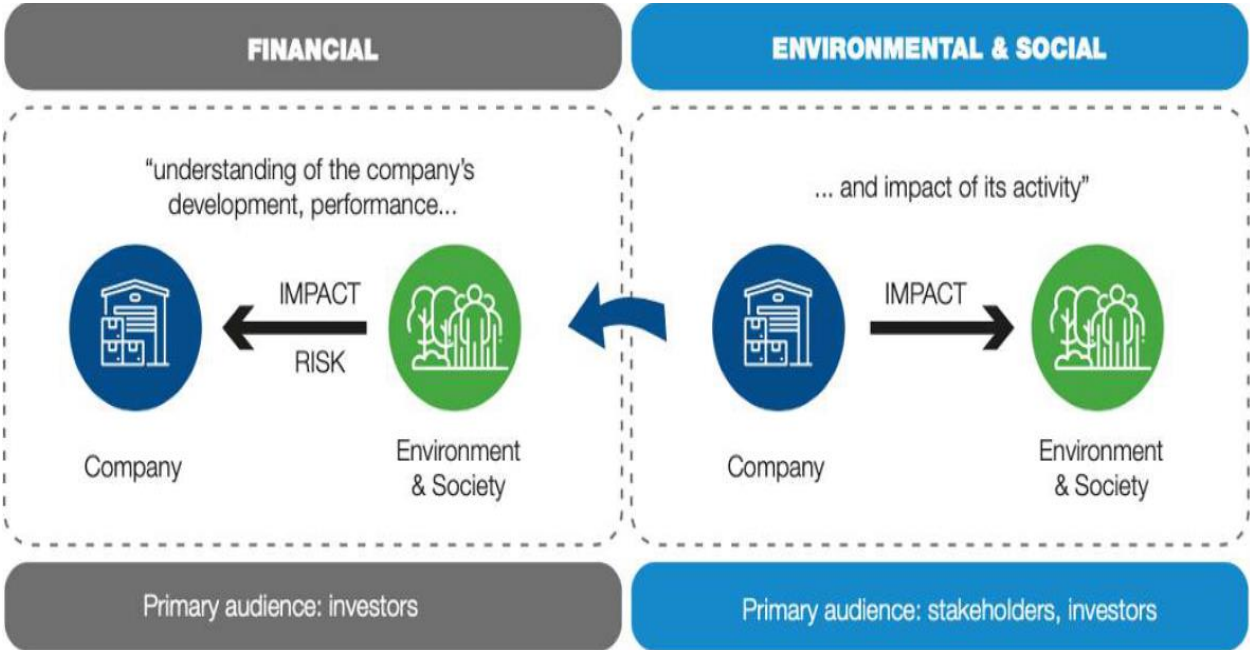


Figure 1: Impact on company and impact of company (Johannesburg Stock Exchange, 2021c)

SUSTAINABILITY REPORTING AND ESG REPORTING

This section includes a discussion on what sustainability reporting and ESG reporting are and the history thereof. The differences and similarities between the two are also outlined.

Sustainability Reporting

The preparation of sustainability reports rose as an admission and as a safeguarding measure against the sole reliance on financial statements as the indicator of the value of an entity. Sustainability reporting balances the priorities of an entity to ensure that both quantitative and qualitative information is considered in determining the success of an entity. Sustainability reporting also highlights how the performance of an entity can be sustained in the future (Galamadien, 2011).

In presenting information on sustainability to the public, reporting can take place in various forms. The drivers for the reporting format on sustainability issues include the purpose of the report and the intended target audience (Gillan et al., 2021; Johannesburg Stock Exchange, 2021c; Matos, 2022). The variety of sustainability discussions has led to the development of various institutions, standards and frameworks that are aimed at providing guidelines and principles for sustainability reporting. Such institutions, standards and frameworks include the Global Reporting Initiative (GRI) Standards, King IV Report on Corporate Governance and Task Force on Climate-related Financial Disclosures (TCFD) (JSE, 2021b), the Sustainability Accounting Standards Board (SASB) standards, the World Economic Forum-International Business Council (WEF-IBC) Stakeholder Capitalism Metrics and Disclosures (New York Stock Exchange, 2022), the CDP (formerly the Carbon Disclosure Project), Climate Disclosure Standards Board (CDSB) framework, the Integrated Reporting Framework, the United Nations (UN) Global Compact, and the UN Sustainable Development Goals (London Stock Exchange Group, 2020).

The TCFD released a report in 2017 to provide climate disclosure recommendations. These recommendations were aimed at assisting companies to provide information to assist with the allocation of capital (Task Force on Climate-Related Financial Disclosures, 2017). The WEF-IBC Stakeholder Capitalism Metrics and Disclosures are metrics

included as part of the 2020 World Economic Forum report and focus on the themes of People, Planet, Prosperity and Principles of Governance (World Economic Forum, 2023). The SASB Standards are focused on providing information to investors on the financial effects of sustainability (Sustainability Accounting Standards Board, 2023). The Carbon Disclosure Project runs the environmental impact disclosure system for various stakeholders at a global level (Carbon Disclosure Project, 2023). The CDSB framework outlines an approach to preparing and presenting information related to organisations' environmental and social matters in mainstream reporting (Climate Disclosure Standards Board, 2023). The UN Global Impact outlines universal sustainability principles, which are in line with the UN Sustainable Development Goals, which are based on a global partnership that is aimed at improving human lives and the environment (United Nations, 2023).

Although the several reporting measures are sustainability-related, some are voluntary whilst others are mandatory. The information included in each type of report is also different. This is the case even in instances where sustainability reports are produced for companies which are in the same country and industry (Kundid & Rogošić, 2016).

The GRI defines sustainability reporting as *“the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development. A sustainability report should provide a balanced and reasonable representation of the sustainability performance of the reporting organisation, including both positive and negative contributions.”* (GRI, 2022a:3). This definition incorporates the needs of both internal and external stakeholders, which need to be balanced. The definition also emphasises the need to attempt to find an equilibrium between reporting on positive and negative contributions by an entity.

Various advantages of sustainability reporting have been noted, including the enhancement of corporate reputation and stakeholder relationships since the entity would be communicating the impact that it has on various stakeholders, showing that the entity considers the impact of its operations on a broader range of stakeholders (Johannesburg Stock Exchange, 2021b). This also shows the entity's commitment towards ethics and how various stakeholders perceive the entity. Various studies have shown the importance

of environmental sustainability disclosures and social sustainability disclosures (Giovannoni & Fabietti, 2013). However, these studies state that integrated sustainability (where all these elements are reported on collectively) would be a better approach for reporting.

In finding an equilibrium between reporting on positive and negative contributions by an entity, it has been argued that sustainability reporting at the moment is not a balanced practice. Various authors have argued that sustainability reporting is a practice that tends to be a public-relations exercise where entities promote good results about their businesses (Herbert, 2018). Furthermore, companies are seen to be partaking in greenwashing due to companies selecting which indicators apply to them, resulting in the selection of what is reported in their reports, which could be biased (Herbert & Graham, 2018). Further, it has been noted that aspects which serve as motivation for companies to put effort into sustainability reporting include greenwashing, mimicry and industry pressure, legislative pressure, stakeholder pressure and ensuring the licence to operate, self-regulation, corporate responsibility and ethical reasons and finally, managing the case of business sustainability (Lisene, 2015). A point of criticism about sustainability is that it could potentially be isolated from the reporting of financial information by businesses (Lisene, 2015). Additionally, sustainability reporting can also be backwards-looking instead of forward-looking in terms of demonstrating how the strategy and future goals of an entity can be interlinked with its sustainability initiatives (Lisene, 2015).

The criticisms raised posed a need for a reporting tool or framework that would fill in the gaps identified. In adopting a framework that will fill these gaps, the framework adopted would need to integrate financial and non-financial information, and the strategies of the business would need to be reported, together with the results thereof. Integrated reporting (which is related to ESG reporting) became a potential tool that would bridge this gap and is discussed as part of the next section (Lisene, 2015).

ESG Reporting and Integrated Reporting

ESG matters can be presented in various forms. ESG matters may be included as part of stand-alone ESG reports or as part of integrated reports.

The roots of integrated reporting can be traced to the concept of balanced scorecards, which had prominence in the early 1990s (De Villiers & Sharma, 2017; Malola & Maroun, 2019). Integrated reporting rose to prominence even more through the formation of the IIRC (De Villiers & Sharma, 2017). The IIRC is “a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs.” (Deloitte, 2022). The IIRC was initially formed in August 2010, with its main objective being to “create a globally accepted framework for a process that results in communications by an organisation about value creation over time.” (International Integrated Reporting Council, 2021). This led to the publication of the <IR> Framework, which was published in December 2013 (De Villiers & Sharma, 2017). The <IR> Framework was revised to incorporate business model considerations, the responsibility for an integrated report, charting a way forward and introducing an added focus on the responsibility for the integrated report, the quality and integrity of the reporting process, outputs and outcomes and balanced reporting of outcomes, value preservation and value erosion scenarios (International Integrated Reporting Council, 2021).

The integrated report is prepared based on the guiding principles of strategic focus and future orientation, connectivity of information, stakeholders, conciseness, reliability and completeness, and consistency and comparability (International Integrated Reporting Council, 2021). Additionally, integrated reporting shows how the six capitals (natural capital, financial capital, manufacturing capital, intellectual capital, human capital, and social and relationship capital) are used to create value for a company over time (International Integrated Reporting Council, 2021). In determining how much of the information from the sustainability report is included in the integrated report, the principles of materiality (the ability of certain matters to substantively affect the organisation’s value over time) and conciseness play a significant role. As a result, there will be duplication of some of the information contained in the sustainability report. Still, the depth of the information is different from the sustainability report due to the purpose and target audience of the sustainability report being different (International Integrated Reporting Council, 2021).

One of the main objectives of an integrated report is to show how ESG practices are linked to financial performance (Busco et al., 2013). Pressure has been put on entities over time to report on social and environmental challenges (Busco et al., 2013). An advantage is that an integrated report provides businesses with an opportunity to incorporate financial impact and value creation from an ESG point of view.

Ching (2020) has conducted a study on ESG reporting by Brazilian entities. The results of the study indicate that companies still have to improve on the disclosures that are presented on ESG. Although the IIRC released the Framework in 2010, integrated reporting has not been steadily adopted by companies in various countries. South Africa is an exception since integrated reporting is mandatory for its listed companies (Ching, 2020).

Differences and Similarities between sustainability reporting and ESG reporting

In presenting information on ESG matters and sustainability matters to the public, reporting can take place in various forms (Pitchot, 2020). The factors considered when deciding on the format of the report to be used include the purpose of the report and the intended target audience (Bal & Dhal, 2019; Clayton et al., 2015). ESG issues and how they impact companies are typically reported through an integrated report or ESG report, whilst sustainability issues are reported using sustainability reports or part of the integrated report (Bal & Dhal, 2019; Clayton et al., 2015; Pitchot, 2020). A bone of contention has been whether ESG issues and sustainability issues should be presented as part of the integrated report only or as part of the integrated report plus another separate report (Pitchot, 2020). One of the reasons supporting the production of two separate reports is that some studies have found that high-quality integrated reports are those produced by companies which also produce an additional sustainability report (Malola & Maroun, 2019).

The differences between these types of reports include the target audience, stakeholder relationships, metrics, purpose, materiality, principles for defining quality and content elements (Pitchot, 2020). Other key differences include whether the reports are voluntary or mandatory, whether the reports are governed by regulation, and how these are customised based on the industry that the reporting company belongs to (Atağan, 2017).

The target audience for sustainability reports is mainly a wide range of stakeholders, whereas it is mainly providers of financial capital for integrated reports. This is linked to the purpose of each report, where the purpose of a sustainability report is to provide information on the impact of the operations of the business. In contrast, the purpose of an integrated report is to provide information on how an entity creates value over the long term. The contents of a sustainability report will depend on the framework or standards adopted but will relate to the economic, environmental and social impact of the company. An integrated report will contain elements, being organisational overview and external environment, governance, opportunities and risks, business model, strategy and resource allocation, performance and outlook from and the collaboration with the six capitals. Sustainability reporting is mostly voluntary but is increasingly becoming mandatory, whereas integrated reporting is also voluntary, except in countries such as South Africa (Mahmud, 2018).

Landau et al. (2020) indicate that there is an increasing number of organisations that are not providing a separate sustainability report. However, various authors have highlighted the issue that arises with producing an integrated report alone, being that the target audience is different from that of sustainability reports since it is targeted at providers of financial capital (Herbert & Graham, 2018). Based on the difference in the target audience, which has different needs, the necessity has arisen to produce two reports.

Pitchot et al. (2020) posed a question as to what value integrated reporting adds to sustainability reporting. Additionally, Clayton et al. (2015) have found that the introduction of integrated reporting resulted in the repetition of information between the two reports for some of the Johannesburg Stock Exchange (JSE) listed companies that prepared both an integrated report and a sustainability report, without considering the purpose, audience and other aspects of the intended report. Clayton et al. (2015) have also found that in some instances, certain JSE-listed companies have been perceived to see integrated reporting as a compliance exercise and not a communication exercise since some companies had duplicated the information between the integrated reports and sustainability reports strategically to appear as if sustainability issues are carefully integrated into business practices (Clayton et al., 2015). Materiality also has a crucial role

in the preparation of both sustainability reports and integrated reports. This is because companies develop a materiality matrix and use that to determine the length and depth of the reporting that is made on various issues (Baumüller & Sopp, 2022). However, it has been established that the basis of materiality will be different for integrated reports and sustainability reports (Baumüller & Schaffhauser-Linzatti, 2018). The driver of the differences in the basis of materiality for these two reports is the definition of materiality in each context. The definition and analysis of materiality for reports is essential as it is linked to the interests of the target audience of the related report (Beske et al., 2020).

As stated by the JSE (2021), the definition of materiality in each context will be in line with the interests of the users of the specific report. For an integrated report, an issue is material “if it could substantively affect the organisation’s ability to create value in the short, medium or long term.” (International Integrated Reporting Council, 2021). In the context of sustainability reporting as per the GRI guidelines, a matter is considered to be material if it “represents the organisation’s most significant impacts on the economy, environment, and people, including impacts on their human rights.” (Global Reporting Initiative, 2021a). Materiality is an essential consideration in the preparation of reports as it may serve as an encouraging factor to decrease greenwashing as only material sustainability topics will be reported on. It has also been shown that companies which pay attention to their material sustainability challenges will outperform their competitors (Worthington-Smith, 2019).

It is a topical issue as to which materiality basis should be used in reporting various topics or issues. This has led to the introduction of the concept of double materiality. Introduced during the 2017 European Commission, double materiality is an acknowledgement by an entity that due to various topics, interests and reports being in place, there has to be a balance between the reporting on the financial impact of issues and their non-financial impact (Global Reporting Initiative, 2021b). This led to the introduction of the consideration of both financial materiality and environmental and social materiality, which is currently known as impact materiality (Global Reporting Initiative, 2021b). Figure 2 is

an illustration relating to materiality from a climate-reporting perspective and shows the consideration of both financial materiality and impact materiality.



Figure 2: Financial Materiality and Impact Materiality (European Commission, 2019)

Double materiality is considered for JSE-listed entities, and as such, financial materiality should be used for financial reporting, dynamic materiality (which caters for the changes in the material nature of an item over time) for integrated reporting and impact materiality for sustainability reporting (Johannesburg Stock Exchange, 2021b). Figure 3 is an illustration of the concepts of financial materiality, impact materiality and dynamic materiality.

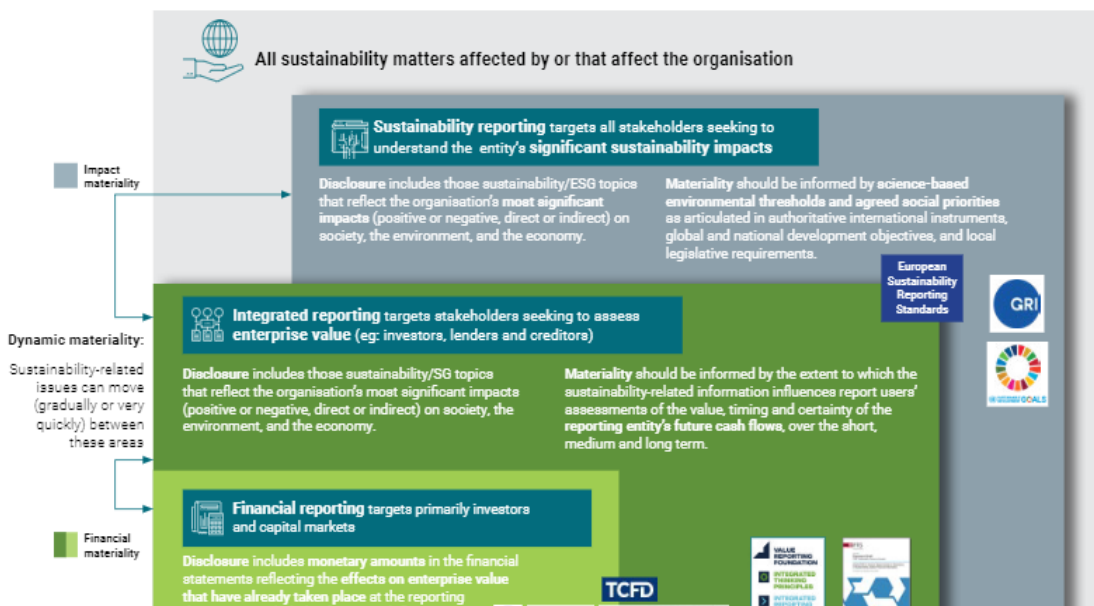


Figure 3: Dynamic materiality in Integrated Reporting (Johannesburg Stock Exchange, 2021c)

Preparers of sustainability reports and integrated reports have noted various challenges regarding materiality. This mainly stems from the complexities of determining materiality and the lack of guidance in terms of a unified standard, although this has been opposed (Adams & Abhayawansa, 2022). The lack of stakeholder engagement has also posed challenges regarding determining appropriate materiality benchmarks and definitions (Joffe, 2018). All of these considerations, together with the lack of regulation over these disclosures and standards which enhance guidance on materiality disclosures, have led to poor materiality disclosures (Adams et al., 2021; Beske et al., 2020; Global Reporting Initiative, 2021b; Lakshan, 2020; Pizzi, 2023). Since double materiality takes a wide range of stakeholders' interests into account, the lack of its application poses the question of whose interests are being served the most (Garst et al., 2022; Joffe, 2018). The application of the concept of double materiality still has room for improvement in the disclosures of certain companies (Adams et al., 2021). Although this is the case, this differs across industries. Low-impact industries (which include banks) have been deemed to have lower quality disclosures as compared to high-impact industries (Béné et al., 2021; Dumitru et al., 2023; Wietzel, 2019).

ESG REPORTING PRACTICES AND SUSTAINABILITY REPORTING PRACTICES IN VARIOUS COUNTRIES

ESG and sustainability reporting practices differ across countries due to the mandatory and optional ways of reporting on ESG and sustainability matters. The following sections are focused on the ESG and sustainability reporting practices in South Africa, Japan, France, the United Kingdom and the United States.

South Africa

In the South African landscape, The King IV report is the fourth report on the corporate governance guidelines for South Africa introduced in 1994 and labelled "King". The primary purpose of the reports is to guide companies in providing disclosures on non-financial information related to their entities (Institute of Directors, 2022). The first report was also introduced to present the pursuit towards an equilibrium in addressing the needs of various stakeholders. This was essential as there was an increasing need to build public confidence in South Africa after the Apartheid era. In 1994, King disclosures were

voluntary (Malola & Maroun, 2019). However, the JSE made compliance with King principles a listing requirement, with the approach applied being the “comply or explain” basis. 2002 came with the launch of King II, which was based on an inclusive approach put in place to widen the scope of the disclosures made by companies even more (Moloi & Iredele, 2020). The approach incorporated disclosures related to the environmental and social aspects of a company. This was seen as a significant event in incorporating sustainable development into the disclosures of companies. The approach also introduced the principle that companies need to move from the single bottom line to a triple bottom line, leading to companies embracing the economic, environmental and social aspects of a company (Malola & Maroun, 2019).

King III was introduced in 2009 and advocated for integrated disclosures of the finances and sustainability of a company. The critical difference was that the King and King II reports were strictly principles that needed to be complied with (Marx & Mohammadali-Haji, 2014), with the approach being labelled as the “comply or explain” approach. The King III report introduced the “apply or explain” concept. King III encouraged companies to report on sustainability, governance and strategy in a way that integrates them. The need to integrate is based on the concept that strategy, governance, performance and sustainability are inseparable and led to the promotion of the publishing of integrated reports for JSE-listed companies in the South African landscape. The Integrated Reporting Committee of South Africa (IRCSA) was established in 2010 to establish guidelines which are contained in integrated reports. The introduction of integrated reporting led to the development of the document titled *“Framework for Integrated Reporting and the Integrated Report: Discussion Paper”*. The paper was received exceptionally well in the international space and inspired the IIRC to produce the “Towards Integrated Reporting Communicating Value in the 21st Century” document in 2011 (Clayton et al., 2015). 2016 introduced the King IV report, which was based on the “apply and explain” principle. The King IV report emphasises that companies are corporate citizens and, as such, have responsibilities to fulfil, and the key responsibilities include obligations towards society and the environment. The King II, King III and King IV reports advocate for the adoption of international guidelines, standards and assurance

for reporting on sustainability issues. The GRI standards are some of the standards that these King reports suggest as being used as guidelines for reporting on sustainability (Lou, 2021).

The JSE guidelines note that the terms “sustainability” and “ESG” have different meanings, depending on the context in which the terms are used. The JSE also notes that sustainability has a more extended history than ESG but that there is no explicit agreement on the scope of each term (Johannesburg Stock Exchange, 2021a). Reference is also made to the fact that the London Stock Exchange does not consider the difference between the two terms and that these are used interchangeably (Johannesburg Stock Exchange, 2021b). As a result, reports on sustainability and ESG matters are grouped into one of three categories of the types of reports provided: annual integrated reports, sustainability/ESG reports and annual financial statements (Johannesburg Stock Exchange, 2021b). JSE-listed companies largely choose to use the annual integrated report to report on enterprise value to providers of financial capital and the sustainability report to provide information on the entity’s sustainability impacts to all applicable stakeholders (Johannesburg Stock Exchange, 2021b; Lakshan et al., 2021). The companies adhere to a high level of compliance with IIRC principles (Marrone & Oliva, 2019). Other reports produced by these companies include TCFD reports, GRI reports, Broad-Based Black Economic Empowerment (B-BBEE) reports and human rights reports (Johannesburg Stock Exchange, 2021b).

The King IV report indicates that ESG matters and sustainability matters may be disclosed in integrated reports, sustainability reports and other reports. Principle 5 of the King IV Report states that “the governing body should approve management’s bases for determining materiality to decide which information should be included in external reports.”(Institute of Directors, 2022:44). However, there is no prescription on the type of the disclosures to be provided regarding the determination of what is classified as a material matter. The <IR> Framework requires the disclosure of the materiality-determination process and matters organisations deem to be material. South African companies’ integrated reports have been commended for the excellent nature of their materiality disclosures (Joffe, 2018). GRI standards require the disclosure of the process

to determine material topics, the list of material topics and the management of material topics (Global Reporting Initiative, 2021a). The TCFD requires the disclosure of matters that are deemed material. (Task Force on Climate-Related Financial Disclosures, 2017).

An additional requirement of Principle 5 of King IV is that “the governing body should approve management’s bases for determining materiality to decide which information should be included in external reports.” (Institute of Directors, 2022). However, the specific requirements for disclosures in the external reports are not listed. The <IR> Framework, GRI standards and TCFD report outline the intended users and purpose of the reports that use them for their compilation. However, they do not mandate the disclosure of the intended users and purpose of the reports (Global Reporting Initiative, 2022; International Integrated Reporting Council, 2021; Task Force on Climate-Related Financial Disclosures, 2017).

Japan

The Japan Exchange Group has one handbook, the *Practical Handbook for ESG Disclosure*. The handbook notes that ESG is part of sustainability disclosures. *The Japanese Corporate Governance Code* was implemented in 2015. As part of the requirements of the Code, listed companies are required to address social, environmental and other sustainability issues (Japan Exchange Group, 2020). A revision of the code was introduced in 2018 and noted that companies should incorporate ESG into non-financial information in a valuable and helpful way (Japan Exchange Group, 2020).

Although seen to be inadequate by investors, ESG disclosures in Japan are voluntarily presented in the form of integrated reports, sustainability reports and environment reports (Japan Exchange Group, 2020). The guidance also states that the institutions which guide reporting have different materiality definitions, and thus, materiality should be considered in the context which is found. Companies are advised to consider the aims, target audience and other circumstances when presenting disclosures. Other important aspects of consideration would include the industry, location, business model, strategy and environment, which inform the operations of the business (Japan Exchange Group, 2020). The guidance also highlights that the application of the principles outlined is voluntary.

France

For the Paris Stock Exchange, the Euronext *ESG Reporting Guide* notes that ESG is part of sustainability but also notes the difference between ESG investors, socially responsible investors and impact investors. Reporting on these issues may occur voluntarily in the form of annual reports, sustainability reports or integrated reports (Euronext, 2022).

Sustainability reporting in France was made mandatory as a result of various legislations being enacted. The New Economic Regulation Act mandated listed entities to report on their social and environmental impacts as part of their annual reports (Kaya, 2016). Reporting on CSR matters was mandated through the introduction of the Grenelle 1 Act and Grenelle 2 Act in 2009 and 2010 respectively (Kaya, 2016). Mandatory EU Sustainability reporting standards are in the pipeline (Euronext, 2022). Since the definition and context of materiality in financial reporting and effective reporting (reporting of non-financial information) are different, companies are encouraged to consider double materiality, in line with the European Commission guidelines (Euronext, 2022).

The United Kingdom

The London Stock Exchange (LSE) states in its guidance, *Your guide to ESG reporting: Guidance for issuers on the integration of ESG into investor reporting and communication*, that it makes no prescription for the specific terms to be used between “ESG” and “sustainability”. This is due to a vast number of companies using the terms ‘sustainability’, ‘corporate responsibility’ or ‘corporate social responsibility’ to refer to ESG strategies and programmes (London Stock Exchange Group, 2020).

The UK Corporate Governance Code (introduced in 1992 and last updated in 2016), the Modern Slavery Act and the Companies Act 2006 and the Strategic and Director’s Report (introduced in 2006 and revised in 2013) mandate the disclosure of sustainability issues and serve as a base for the encouragement for ESG disclosures (London Stock Exchange Group, 2020). Global frameworks and standards that companies are encouraged to consider include the Carbon Disclosure Project, Climate Disclosure Standards Board standards, GRI Standards, the Integrated Reporting Framework, the SASB standards, the UN Global Compact, UN Sustainable Development Goals and TCFD (London Stock Exchange Group, 2020). Although these standards and frameworks

are recommended as guidelines, adherence to the standards and frameworks is not mandatory.

Reporting on ESG issues may occur in the form of an annual report, standalone sustainability report or integrated report (London Stock Exchange Group, 2020). In determining materiality, companies are encouraged to align with what international standards state, to consider the reports of peers, to use tools at their disposal and to link ESG performance, business strategy and financial and operational performance (London Stock Exchange Group, 2020).

The United States

Sustainability reporting in the United States is mainly voluntary. The New York Stock Exchange (NYSE) states that companies are focusing more on ESG and sustainability matters and that ESG is part of sustainability (New York Stock Exchange, 2022). Global reporting frameworks and standards which may be considered by companies in disclosing ESG issues include GRI standards, SASB standards, TCFD and the WEF-IBC Stakeholder Capitalism Metrics and Disclosures (New York Stock Exchange, 2022). Disclosures on ESG matters are recommended to be included as part of companies' annual reports.

For materiality purposes, the New York Stock Exchange is in alignment with the concept of double materiality. However, this is a recommendation, and companies are encouraged to consider the perspective of key stakeholders (New York Stock Exchange, 2022).

THE ROLE OF BANKS AND THE IMPORTANCE OF BANKS' ESG AND SUSTAINABILITY DISCLOSURES

Banks have an important role to play in the implementation of sustainability and ESG practices (Arun et al., 2021; Azmi et al., 2021). Arun et al. (2021) further state that the role played by banks is mainly a result of banks having a dual responsibility for sustainability and ESG practices. Firstly, banks need to have the responsibility to implement sound ESG and sustainability practices in their capacity as companies (Arun et al., 2021). Secondly, banks play a significant role in the financing of companies and have to consider the ESG and sustainability practices of companies before providing financing to them (Arun et al., 2021; Buallay et al., 2021). Banks are also seen to play an

intermediary role and have a crucial influence on other industries. The strategies implemented by banks in approaching sustainability are, therefore, linked to their core business, social and environmental issues and the support of other sustainability projects through the funding that they grant to organisations which carry out these initiatives (Zimmermann, 2019). It is then crucial that banks provide ESG and sustainability-related information, which addresses and communicates the role that banks are playing in their capacity as companies and also as providers of financial capital to other entities (Buallay et al., 2021).

A key term used to show the importance of sustainability and ESG in the banking sector is 'sustainable banking'. Sustainability banking further elaborates on the need for banks to consider the direct and indirect impact of their operations. The impact should be considered in the form of aspects such as energy efficiency and employment conditions directly related to the bank, together with the indirect impact of banks made from the products and services provided by them due to the finance and investment activities that banks render (Galamadien, 2011).

Previous studies by various authors have shown that sustainability reporting in the international banking landscape was studied using a variety of approaches in the world (Al Mazrouei, 2021; Matemane & Wentzel, 2019; Tshiololi, 2020). From these studies, it has been outlined that many banks were not willing to produce sustainability reports. However, the financial crisis of 2008 became one of the biggest motivators to produce sustainability reports. There was a heightened disinterest in corporate social responsibility by banks around the world before the financial crisis. After the financial crisis, corporate responsibility was used as a tool to regain the trust that was lost in banks by society. This is one of the reasons why the adoption of sustainability reporting in the banking sector has been made later than in many other sectors (Lou, 2021).

COVID-19 AND THE IMPACT ON THE ESG AND SUSTAINABILITY DISCLOSURES OF BANKS

There are mixed views in terms of the importance of ESG and its related ratings during financial crises such as pandemics (Engelhardt et al., 2021). In a study performed on European firms, it was found that highly rated ESG firms show higher abnormal returns

and lower stock volatility during financial crises (Engelhardt et al., 2021). Danisman (2022) has found that in the European context, banks with higher ESG scores have been able to be more resilient in times of financial turmoil, especially under Covid-19, than those who had lower ESG scores. However, these banks did not show abnormal earnings. Ziolo et al., 2021 have found that Covid-19 has resulted in banks building models which are focused on sustainable value. Banks have placed an increased focus on the environmental aspect of their operations, including ensuring that their operations result in a less negative impact on the environment and also ensuring that the companies they fund do not deteriorate environmental conditions further. This means that there is an increased need to focus on ESG practices as banks have an increased need to address ESG and sustainability risks (Ziolo et al., 2021).

Covid-19 has resulted in more disclosures which have to be made by entities to outline their prospects and strategies in place. Integrated reports have been seen as a crucial tool to show the impact of Covid-19 on the strategies of companies as integrated reports illustrate the impact of the pandemic on businesses. This impact needs to be shown using both content elements and six capitals as per the <IR> framework (García-Sánchez et al., 2020). From a materiality perspective, affected stakeholders did not change, nor did their priority. However, more materiality topics were added. Covid-19 resulted in more disclosures being made on materiality.

THEORETICAL FRAMEWORK: STAKEHOLDER THEORY

Dube (2021) notes that there are three dominant theories out of the theories which support ESG reporting and sustainability reporting: the stakeholder theory, agency theory, and legitimacy theory. The stakeholder theory is applied in this study.

Freeman's stakeholder theory states that companies need to consider all their stakeholders in the operations and decisions undertaken by the company, both in how the business affects these stakeholders and how the stakeholders affect the company (Freeman, 1984). This means that the value creation of companies is a collaborative effort between the company and its stakeholders (Freeman, 1984). Other principles of the stakeholder theory are that value should be created for stakeholders and that there should

be an application of integration thesis – which states that businesses need to include ethics in business decisions since the motive behind business decisions should not be solely based on profit-making (Hörisch et al., 2020). The stakeholder theory assumes that businesses should create value for all their stakeholders (Hörisch et al., 2020). Sustainability reporting is targeted at a wide range of stakeholders, whereas integrated reporting targets providers of financial capital (Herbert & Graham, 2018). As a result, there is a limitation of the integrated report addressing the stakeholder theory.

GAPS IN LITERATURE

There is a rising need for companies to provide disclosures on their sustainability topics, as investors who are interested in sustainable finance will consider this in making investing decisions. Reporting on ESG and sustainability matters can be achieved through integrated reporting, sustainability reporting or both. Sustainability reporting is essential for banks as they are mandated to be sustainable businesses and also to finance sustainable businesses. It is, therefore, essential to consider what value sustainability reports bring in addition to integrated reports to invest in banks that are situated at the core of mandatory integrated reporting and in situations where these banks are listed. The concept of double materiality, the purpose of the reports and the intended users will have a significant impact in establishing the value that is added by sustainability reports to integrated reports.

As discussed above, various studies have been undertaken on sustainability and ESG. Some of the focal points of the studies undertaken include the impact of ESG performance, sustainability disclosures and ESG disclosures on firm value and the contribution these have had on the resilience of companies during times of financial turmoil (Ball, 2020; Danisman, 2022; Lopez-De-Silanes et al., 2019). Minimal studies have focused on whether companies make a distinction between the two terms, how many reports banks use to disclose ESG matters and sustainability matters and who constitutes the target audience for each report. Although there have been studies which are focused on the concept of materiality and, recently, double materiality, only a few focus on the application of double materiality by banks (Beske et al., 2020). There has been a noted increase in disclosures relating to ESG matters and sustainability matters

due to the Covid-19 impact (Ferriani & Natoli, 2021). However, very minimal literature relates to banks. This research, through its research objectives, aims to fill this void.

SUMMARY OF LITERATURE REVIEW

There is a debate on whether ESG and sustainability are different terms, although these are shown to have different meanings due to their focus, impact and stakeholder groups. ESG disclosures and sustainability disclosures are essential as they may have an impact on firm value and the resilience of firms during times of financial turmoil. Various reports can be used to report on ESG matters and sustainability reports, mainly the integrated report and sustainability reports. South Africa, France, Japan, the United Kingdom and the United States have different disclosure requirements and practices, which are mainly guided by legislation and stock exchange guidance. The disclosure of ESG matters and sustainability matters is vital as banks play an intermediary role and have a dual responsibility as a result of the operations that they carry out. The stakeholder theory advocates for providing information that is relevant to a wide range of stakeholders. As such, both ESG disclosures and sustainability disclosures can be used to address the information needs of a wide range of stakeholders. This study investigates the distinction or interchangeable use of the terms ESG and sustainability and the implications in terms of the reports used to report on these matters, including the target audience and purpose of the reports. Materiality disclosures and the impact of Covid-19 on materiality are also studied. The next chapter outlines the research methodology followed to address the research objectives outlined.

RESEARCH METHODOLOGY

This research aims to investigate (through an interpretative content analysis) the similarities and differences in the ESG-related disclosures and sustainability-related disclosures provided in the integrated reports and the sustainability reports of the top five listed Banks from South Africa, Japan, the United Kingdom, the United States and France. The content analysis will assess whether the similarities and differences are explained by the difference in how the terms ESG and sustainability are defined, the number of reports used to report on ESG matters and sustainability matters, the materiality definitions used in reports (and factors used to determine materiality), the users of the reports and the purpose of the reports. This will be solely based on the disclosures provided in the reports analysed.

RESEARCH OBJECTIVES

The research objectives of this study are to investigate the following:

1. Whether each bank differentiates between the terms “ESG” and “sustainability” or whether the terms are used interchangeably.
2. The number of reports each bank uses to report on ESG and sustainability matters.
3. The purpose of each report used by each bank.
4. What constitutes the target audience for the different reports for each bank.
5. What constitutes the materiality definition for the different reports for each bank for each year.
6. Whether the Covid-19 pandemic was one of the drivers of the changes in material issues reported on in 2019 and 2021.

RESEARCH DESIGN

Qualitative research is research that enhances the understanding of research elements based on a perception that is currently in place (Bengtsson, 2016). As part of this research, the researcher’s duties will include the collection of data and the analysis of these against existing ideas (Bengtsson, 2016). Qualitative research needs to consider the resources and time that are available to the researcher (Bengtsson, 2016). Several methods can be used whilst performing qualitative research, including content analysis

(Bengtsson, 2016; Hsieh & Shannon, 2005; Roshaidai & Arifin, 2018; Stemler, 2000). Qualitative studies have an embedded element of interpretation, of which the depth may be impacted by the type of technique used by the researcher (Hsieh & Shannon, 2005).

Content analysis is a technique used in qualitative studies and dates back to the 18th century (Hsieh & Shannon, 2005). Content analysis is defined broadly, resulting in various meanings (Bengtsson, 2016). According to Bengtsson (2016), content analysis is a research technique that is used to derive meaningful communication and inferences from texts in the context in which the text is used.

Qualitative content analysis is mainly seen as a technique that is utilised in the analysis of data presented in textual form (Bengtsson, 2016). This technique may include a subjective interpretation (Hsieh & Shannon, 2005). However, the researcher has to attempt to present a systematic and objective manner of analysing data (Hsieh & Shannon, 2005). In using this technique, the researcher's attention is placed on the communication expressed in linguistic form to derive the meaning of the presented text based on its content and its context (Elo & Kyngäs, 2008). This data may be presented in various forms, including written, visual or verbal forms. As part of content analysis, the researcher can utilise existing theories and test these theories against the presented data (Elo & Kyngäs, 2008). Another vital part of content analysis is the use of codification to categorise data based on prevailing themes to enhance the meaning and understanding derived from studying the meaning that is meant to be derived from the text (Elo & Kyngäs, 2008). This enables the researcher to make inferences to provide new insights and more knowledge (Elo & Kyngäs, 2008).

The research will be a qualitative study in the form of a content analysis, which will be a comparison between the ESG and sustainability matters disclosed in the integrated and sustainability reports of the top listed five Banks from South Africa, Japan, the United Kingdom, the United States and France. Following and adapting the study conducted by Clayton et al. (2015) on the comparison between integrated and sustainability reports, the template developed will be used to record the observations made from the data.

SAMPLE DESIGN AND DESCRIPTION OF THE DATA

Purposeful sampling is a common technique in qualitative research used to identify and select cases that may present more information that is rich to maximise the use of limited resources (Palinkas et al., 2015). Following the study by Eccles et al. (2019) on the quality of integrated reporting of various countries and the rankings of sustainability disclosures for countries, South Africa, Japan, the United Kingdom, the United States and France have been selected as part of the sample since there is presence of the use of both integrated reporting and sustainability reporting in these countries. However, this is not necessarily mandatory in all of the countries.

As an extension of the use of purposeful sampling, the top five listed banks (based on the size of total assets per bank) from South Africa were selected as these have a significant market size (BusinessTech, 2022). The top five banks from the United Kingdom, the United States, France and Japan have been selected for comparison purposes and are listed below (Calson, 2022; Mukhopadhyay, 2022; PDF.Co, 2022; Phanuef, 2022). Listed banks are chosen based on the public availability of information. These selected banks are listed in Table 1.

Table 1: List of Banks included in the sample

South Africa	Japan	United Kingdom	United States	France
Standard Bank Group Limited	Mitsubishi UFJ Financial Group	HSBC Holdings	JPMorgan Chase & Co.	BNP Paribas SA, France
FirstRand Group Limited	Japan Post Bank	Barclays Plc	Bank of America Corp.	Crédit Agricole Group, France
ABSA Group Limited	Sumitomo Mitsui Financial Group	Lloyds Banking Group	Wells Fargo & Co.	Société Générale SA
Nedbank Group Limited	Mizuho Financial Group	NatWest Group	Citigroup Inc.	Groupe BPCE, France
Investec	Norinchukin Bank	Standard Chartered Plc	U.S. Bancorp	Crédit Mutuel Group, France

As ESG relates to environmental, social and governance issues, whilst sustainability relates to environmental, economic and social issues (Johannesburg Stock Exchange,

2021c), this study will focus on environmental and social issues for comparison purposes. The focal years will be 2019 and 2021. The years selected are due to the focus of the study being the disclosure of environmental and social issues under the context of Covid-19. 2019 is selected as the first year as it precedes the year in which the first case of Covid-19 in the world (World Health Organisation, 2020) and a comparison will indicate how the disclosures changed under Covid-19 circumstances. 2021 is the most recent year that all reports were available at the time of the collection of the data. The mentioned countries were still faced with the Covid-19 pandemic, and sustainability and ESG disclosures relating to these were still relevant, and the information will be readily available. The data to be used is the following:

1. Integrated reports (IR) of the top five listed South African, Japanese, United Kingdom, United States and French banks for the years 2019 and 2021 listed above.
2. Sustainability reports (SR) of the top five listed South African, Japanese, United Kingdom, United States and French banks for the years 2019 and 2021 listed above.

To ensure that all sustainability reports are downloaded, the integrated reports and sustainability reports were inspected for references to additional reports and additional reports were downloaded, thus identifying the number of reports used to report ESG and sustainability issues. Where there were no integrated reports or sustainability reports available, the recorded number of reports was shown as 0. Where the ESG or sustainability information was spread across more than one report, more than one report was considered. A total of 102 reports were sampled.

DATA COLLECTION AND ANALYSIS

Data collection procedures

Data was obtained by downloading the integrated reports and all sustainability reports from the websites of the mentioned banks for the 2019 and 2021 years. Table 2 groups the sampled banks into countries. The number of reports that are used by each bank in 2019 and 2021 are then provided. A total of 28 reports were sampled for South African banks, 18 reports for Japanese banks, 18 reports for United Kingdom banks, 19 reports for United States banks and 19 reports for French banks. Overall, 102 reports were analysed.

Table 2: Number of reports analysed per bank per year.

South Africa			
Bank Name	Number of Reports		
	2019	2021	
Standard Bank Group Limited	4	4	
FirstRand Group Limited	2	2	
ABSA Group Limited	3	3	
Nedbank Group Limited	4	2	
Investec	2	2	
Total	15	13	28
Japan			
Bank Name	Number of Reports		
	2019	2021	
Mitsubishi UFJ Financial Group	2	2	
Japan Post Bank	2	2	
Sumitomo Mitsui Financial Group	2	2	
Mizuho Financial Group	1	1	
Norinchukin Bank	2	2	
Total	9	9	18
United Kingdom			
Bank Name	Number of Reports		
	2019	2021	
HSBC Holdings	2	2	
Barclays Plc	3	1	
Lloyds Banking Group	1	2	
NatWest Group	1	1	
Standard Chartered Plc	3	2	
Total	10	8	18
United States			
Bank Name	Number of Reports		
	2019	2021	
JPMorgan Chase & Co.	2	2	
Bank of America Corp.	1	2	
Wells Fargo & Co.	2	2	
Citigroup Inc.	3	2	
U.S. Bancorp	1	2	
Total	9	10	19
France			
Bank Name	Number of Reports		
	2019	2021	
BNP Paribas SA, France	2	2	
Crédit Agricole Group, France	2	2	
Société Générale SA	3	3	
Groupe BPCE, France	1	1	
Crédit Mutuel Group, France	1	2	
Total	9	10	19
Grand Total			102

A template including the name of the bank, number of reports, the year of the reports, materiality definitions of each report and material issues listed by the banks in their respective reports will be recorded as per the template in Appendix A to compare the lists of material issues to identify reasons for the differences between the two.

Data Collection Template

The data to be recorded in the template included in Appendix A will address the following focus areas:

Focus Area	Research Objective Addressed
Focus Area 1: Distinct or interchangeable use of terms	Research objective 1
Focus Area 2: Number of reports used	Research objective 2
Focus Area 3: Users of reports	Research objective 3
Focus Area 4: Purpose of reports	Research objective 4
Focus Area 5: Materiality	Research objective 5
Focus Area 6: Covid-19 impact	Research objective 6

As per the template in Appendix A, the fields in Table 3 and the purpose of each field are captured in Table 3. The template will be filled in on Microsoft Excel. The details filled are linked to focus areas, which are linked to the research objectives outlined at the beginning of this method section.

Table 3: Details captured as part of the template used to record data

Section	Details captured	Explanation	Focus area
<i>Details of entity</i>	Country Name of Bank Financial Year End Website		
<i>Report Information</i>	Number of reports used	Captures the number of reports used to report on ESG and sustainability issues	Number of reports
	Report Name		
	Users of report	Captures the intended audience of the user	Users of report
	Purpose of report	Captures what the entity deems to be the purpose of each report	Purpose of report
<i>Materiality</i>	Materiality Definition	Captures what the bank deems to be material issues	Materiality
	Materiality Considerations	Captures what the bank considered in determining their material issues	Materiality and Covid-19 impact
	Number of material issues	Captures the number of material issues	Materiality
	List of material issues	Lists the number of issues deemed to be material	Materiality
<i>Analysis of Report</i>	Environmental matters/social matters	Separates environmental issues from social issues.	
	Topic covered	The environmental or social topic covered.	
	Information: inwards or outward (SEE or ESG)	Captures whether the information reports on the impact of the environmental or social aspect on the business or the external environment	Interchangeable use of terms
	Disclosure as SEE or ESG	Captures data used to determine whether the entity regards the issue to be a sustainability or ESG issue	Interchangeable use of terms
	Differentiation between “sustainability” and “ESG”	Captures the conclusion on whether the terms “sustainability” and “ESG” are used interchangeably or not	Interchangeable use of terms

After the capture of the results based on the reports sampled, an analysis of the results was performed. All the reports from all the banks underwent the same procedures, irrespective of the differences in the type of report presented. The procedures performed as part of the analysis are included in the next section.

Analysis of Data

In addressing the focus area on the differentiation of the terms “ESG” and “sustainability”, the use of the terms concerning inward or outward impact was analysed to determine whether ESG is used to refer to inward impact (Krull, 2022) and sustainability used to refer to outward impact (Johannesburg Stock Exchange, 2021b) or if a term is used to refer to both inward impact and outward impact. ESG and sustainability information on a social or environmental matter would be read to determine whether they represent how a business is impacted (inward impact) or how the business impacts the external environment (outward impact). Where the term ESG was used to refer to an outward impact of the business, the terms were classified as being used interchangeably with the term sustainability. In addition, where the term sustainability is used to refer to an inward impact of matters on the business, the terms were classified as being used interchangeably with the term ESG. The terms were also classified as being used interchangeably, where they are individually used to refer to both an inward and outward impact. The result was recorded in an Excel spreadsheet for the respective bank, which contains information as per the template under Appendix A. The number of reports where the terms were used interchangeably was recorded in an Excel spreadsheet and illustrated using a stacked column graph, showing the type of report per country and bank for both the 2019 and 2021 years.

For the focus area on the number of reports used, the number of reports used to present ESG disclosures and sustainability disclosures were assessed to establish the reporting practices of the bank in terms of the number of reports used and the types of reports used, being an integrated report, sustainability report or both. The number of reports per type was recorded on the Excel template and illustrated using a stacked column graph.

In addressing the focus area regarding the purpose of each report, it was assessed to determine whether the report seeks to present ESG matters or sustainability matters from the inference provided by the purpose statement of the report. Where the purpose statement was not provided, the purpose was deemed not to have been disclosed. The data on the number of reports disclosing purpose and not disclosing purpose was shown in a table for interpretation.

The focus area on the disclosed target audience of each report was assessed to determine the link between the stakeholders, and the matters disclosed as being ESG matters and sustainability matters. Where a report did not show the target audience, it was deemed as not disclosed. The number of reports disclosing this compared to those not disclosing the target audience was shown in a table.

In addressing the focus area on materiality determination, the materiality definition of each report was to be assessed through the lens of what was deemed to be material in the context of each report. The number of reports showing materiality disclosures was shown in a graph.

For the focus area on the impact of Covid-19, the factors disclosed in the consideration of materiality were analysed and compared between the 2019 and 2021 disclosures to determine whether Covid-19 has been listed as a factor that resulted in the change of materiality considerations where there has been a change. The number of reports showing this is shown in a table.

LIMITATIONS OF THE STUDY

The study is subjective as it is based on the researcher. Only 25 banks from five countries were considered as part of the sample. The study only considers the 2019 and 2021 years of reporting. Additionally, only integrated reports and sustainability reports were considered for this study. The research should not be extrapolated to other years, reports, industries and other countries. The study is only based on reports available on the websites of the banks sampled and no other sources. Although this is the case, this study provides valuable insights in terms of the impact of the distinction or non-distinction between the terms ESG and sustainability in terms of reporting for banks.

ETHICAL CONSIDERATIONS

As part of the UCT Commerce Faculty guidelines regarding ethics clearance procedures, the following questions are to be considered as a general guide. If there is a response of “yes” to any of the questions, then ethical clearance is needed (UCT, 2020).

Guideline	Response
1. Is your research making use of human participants as a source of data? (You are using questionnaires, surveys, interviews, or secondary data about people.)	No
2. Is there a possibility that your research could cause harm to a third party, including communities or demographic groups?	No
3. Does your research involve the participation of communities?	No
4. Is your research providing a service to a community?	No
5. Is there a potential conflict of interest?	No
6. Is your research in the field of health?	No

As a result of the answer being “no” to all the questions above, ethical clearance is not required for this research.

Summary

A qualitative content analysis will be used to analyse the information contained in the integrated and sustainability reports of the banks selected as part of the sample of the 25 banks from five countries, as detailed above. This data will be captured into a checklist on Microsoft Excel and then analysed.

FINDINGS AND DISCUSSION

This chapter is divided into sections which are aligned to the focus areas discussed in the previous chapter and is a presentation of findings and a discussion thereof. The first section includes an analysis and discussion of whether each bank differentiates between the terms “ESG” and “sustainability” or whether the terms are used interchangeably. The second section details the number of reports that each bank uses to report on ESG matters and sustainability matters. The third section is an analysis of what the reports disclose as being their purpose and how this is linked to ESG disclosures and sustainability disclosures. The fourth section is an analysis of what each report examined discloses as the target audience of the report and how this is linked to ESG disclosures and sustainability disclosures. The fifth section is an analysis of what constitutes the materiality definition and material consideration for each bank in the context of each report. The last section covers whether Covid-19 is listed as a driver for the change in the materiality determination of the reports used to disclose ESG matters and sustainability matters.

FOCUS AREA 1: DISTINCT OR INTERCHANGEABLE USE OF THE TERMS “ESG” AND “SUSTAINABILITY”

This section presents findings on whether there are disclosures that show an acknowledgement of the difference between the terms ‘ESG’ and ‘Sustainability’ in the reports provided by the banks whose reports were analysed. Additionally, findings on whether the labelling of items relating to ESG matters and sustainability matters are in line with the provided definitions of the terms “ESG” and “sustainability” are presented. These findings would relate to whether the impact of the external environment on the respective bank’s operations is labelled as an ESG matter or both an ESG matter and a sustainability matter and whether the impact of the respective bank’s operations on the external environment is labelled as a sustainability matter or both an ESG matter and a sustainability matter.

South Africa

In the South African landscape, the use of the terms “ESG” and “sustainability” and their respective definitions provided has been noted by one of five banks in both the 2019 and 2021 integrated reports and ESG reports (these terms are defined, and the comparison between the two is given and are in line with the definitions provided in this study). In contrast, four out of five banks did not provide a comparison between the two terms in either the 2019 or 2021 reports. Standard Bank acknowledged the difference between the two terms in one of its reports published in 2021. Figure 4 shows the comparison between the two terms from Standard Bank’s 2021 ESG report.

Standard Bank Group's sustainability strategy aligns with our purpose, to drive Inclusive and sustainable economic growth In Africa. We achieve this purpose by providing products and services that meet the development needs of Africa and her people. We identify our material sustainability issues based on the social, economic and environmental impacts of our activities on our diverse stakeholders, and the ESG risks that potentially impact on our ability to create value for our shareholders and society in the short, medium and long term.

Figure 4: Standard Bank Group's distinction between "ESG" and "Sustainability" (Standard Bank Group, 2021)

All five banks used the terms ‘ESG’ and ‘sustainability’ interchangeably, with the term “ESG” used to report on the impact of the entity’s operations on the external environment and the term “sustainability” to report on the impact of the external environment on the bank. In other instances, the term ESG or sustainability was used to refer to both an inward impact and an outward impact. The lack of distinction between the terms “ESG” and “sustainability” and the subsequent interchangeable use of the two terms show that there is no acknowledgement of the difference between the terms “ESG” and “sustainability” by a majority of the sampled South African banks. This confirms the

application of the guidance by the JSE, which states that there is no agreed scope on the difference between the two terms (Johannesburg Stock Exchange, 2021a).

United Kingdom, United States, Japan, France

In the United Kingdom, United States, Japan and France, there was no distinction provided between the terms “ESG” and “sustainability” in both the 2019 and 2021 reports presented by all five of the banks analysed. There seems to be no acknowledgement of the difference between the terms “ESG” and “sustainability”. The definitions of the terms were also not provided. Additionally, all five banks have used the terms interchangeably by referring to the impact of the entity’s operations on the external environment as an ESG-related impact and the term sustainability to report on the impact of the external environment on the bank. In various instances, the terms were used to refer to both an inward impact and an outward impact. In a few cases, the matters disclosed were not labelled as sustainability matters or ESG matters but rather as nonfinancial information. The definition of the terms was also not provided.

Conclusion

From the above, it can be shown that there is no general acknowledgement of the difference between the terms “ESG” and “sustainability”. As such, these terms are used interchangeably both in the 2019 and 2021 reports. The terms are viewed as having the same definition. ESG and sustainability, from the perspective of the banks sampled, could either refer to the impact of the bank’s operations on the external environment, the impact of the external environment on the banks’ operations or both. The non-distinction of the difference between the two terms in the applicable frameworks, guidance and standards used to compile reports could be the cause of the non-distinction (Adams & Abhayawansa, 2022; Garst et al., 2022; Krull, 2022). This is despite ESG matters and sustainability matters being supposed to address different stakeholders and serve different purposes. This confirms studies which show that stakeholders’ needs might not be considered on a broader basis (Joffe, 2018). The lack of consideration of stakeholders’ needs on a broader basis shows a lack of application of the stakeholder theory.

FOCUS AREA 2: NUMBER OF REPORTS USED

A point of debate in the reporting landscape has been whether ESG issues and sustainability issues should be presented together as part of the integrated report or separately as part of the integrated report and another separate report (Pitchot, 2020). One of the reasons supporting the production of two separate reports is that some studies have found that high-quality integrated reports are those produced by companies which also produce an additional sustainability report (Malola & Maroun, 2019). It has also been found that some companies combine financial, social and sustainability reporting (Camilleri, 2019).

This section provides details on the number of reports used by the sampled banks from South Africa, France, Japan, the United States and the United Kingdom to report on sustainability matters and ESG matters. Additionally, this section presents details on which reports include sustainability information and which reports include ESG information. Figure 5 shows that South African banks produced the largest number of total reports in both 2019 and 2021. Annual reports, integrated reports and ESG reports are represented as such. Various reports considered to be sustainability reports in their respective countries are grouped as sustainability reports since these reports vary widely in their titles, depending on their respective countries. Additionally, South African banks produced the largest number of integrated reports in both 2019 and 2021. South African banks produced the largest number of sustainability reports in 2019, and France produced the number in 2021. The United Kingdom and the United States both produced the largest number of annual reports in 2019 and 2021.

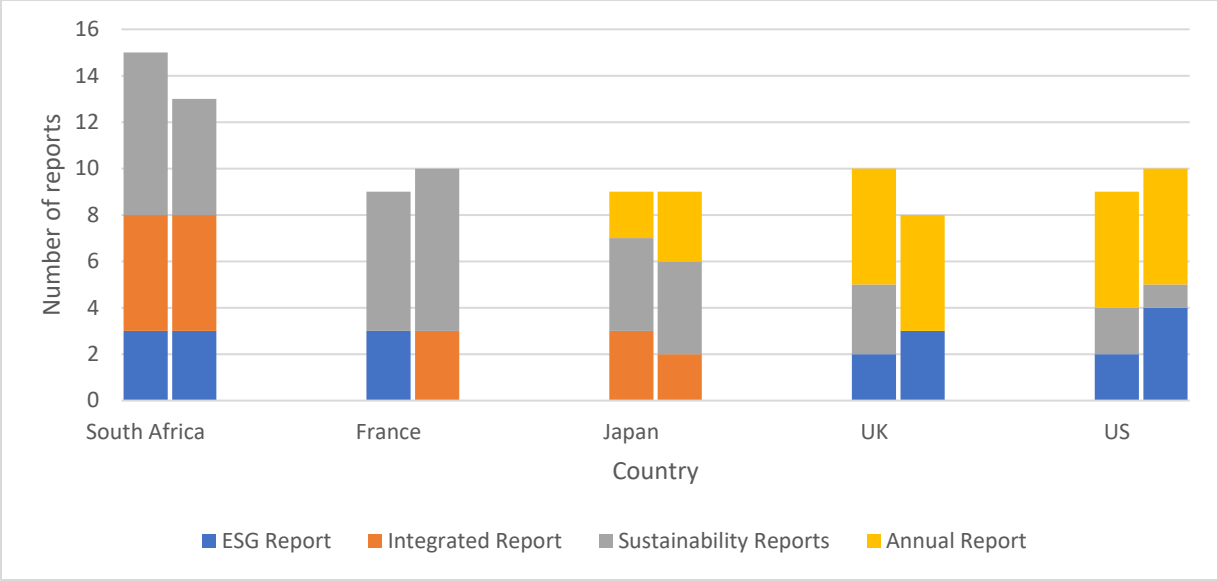


Figure 5: Number of reports used per country

South Africa

As shown in Figure 6, all five South African banks made use of more than one report to disclose ESG matters and sustainability matters in both 2019 and 2021. Figure 6 is based on the number of reports according to the name of the report.

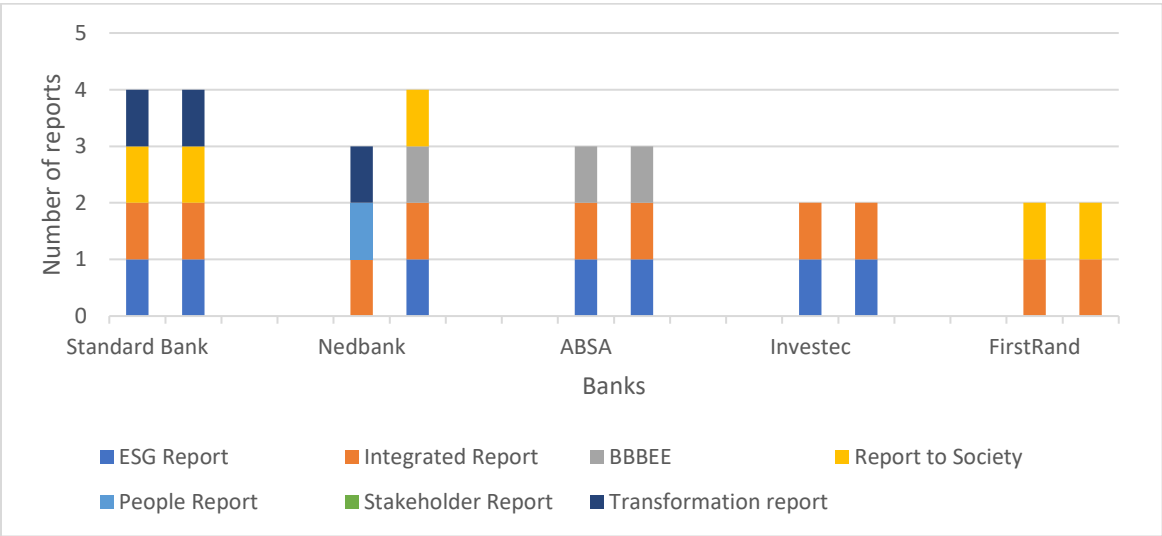


Figure 6: Number of reports used by each South African bank

The reports used include the annual integrated report, ESG reports and sustainability reports, which address various environmental or social matters – either individually or on a collective basis. Such reports include the Report to Society, Transformation Report, Broad-Based-Black Economic Empowerment Report, Sustainable Development Report, Stakeholder Engagement Report, People Report, Corporate Sustainability and ESG Supplementary Report. Additionally, in the integrated reports, it is primarily reported that a summary of issues is provided, and reference is made to sustainability reports or ESG reports for more details on environmental and social issues reported. For all five banks, there is no separation in terms of ESG matters being reported in a specific report and sustainability matters being reported in another specific report, despite some reports being labelled as ESG reports and some being labelled as sustainability reports. There is a combination of both ESG matters and sustainability matters being reported in all reports that are provided. The use of more than one report to disclose ESG matters and sustainability matters confirms the application of King IV’s recommendation to use more than one report and no mandated differentiation to separate the disclosures of the two (Institute of Directors, 2022).

United Kingdom

In the United Kingdom, four out of five banks used more than one report to disclose ESG matters and sustainability matters in both 2019 and 2021. The number of reports is shown in Figure 7.

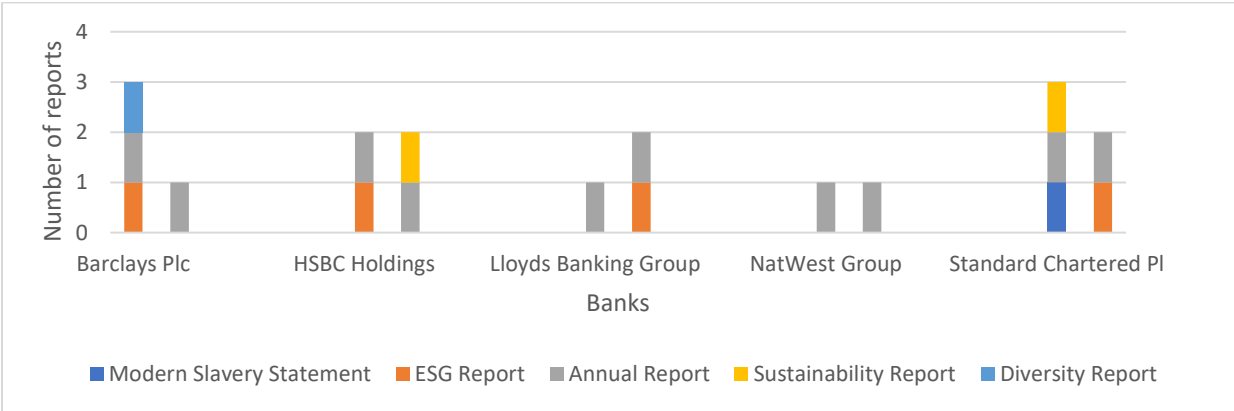


Figure 7: Number of reports used by each United Kingdom bank

These reports include the ESG report, annual report, Sustainable Finance Impact Report, Sustainability summary, Diversity and Inclusion Report and strategic report. ESG matters and sustainability matters were disclosed together in the reports analysed, and they were not separated in such a way that ESG matters were disclosed in a report separate from sustainability matters. This confirms the application of the London Stock Exchange guidance, not limiting the number of reports used (London Stock Exchange Group, 2021).

United States

As shown in Figure 8, in the United States, three out of five banks made use of more than one report to report on ESG and sustainability matters in 2019. In 2021, all five banks used more than one report to disclose ESG matters and sustainability matters.

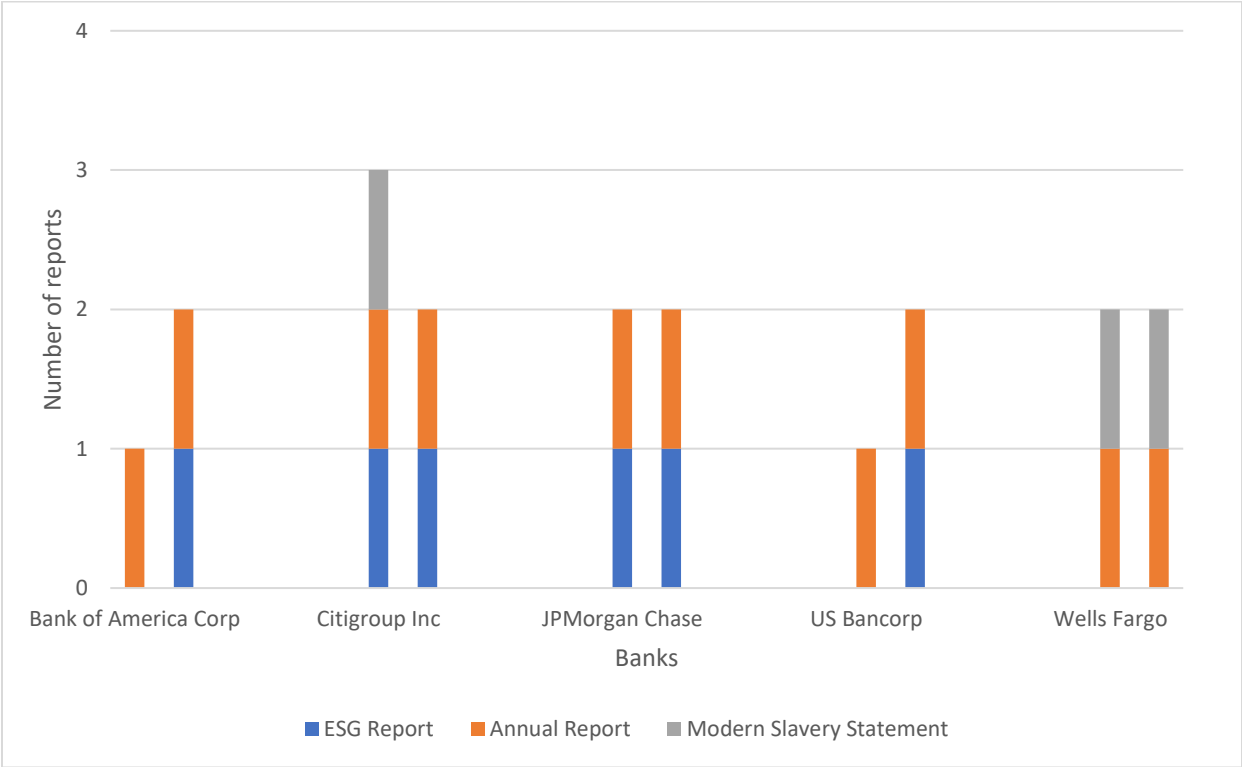


Figure 8: Number of reports used by each United States bank

These reports include the annual report, ESG and sustainability reports. The sustainability reports include the Environmental, Social & Governance Performance Data Summary and Global Reporting Initiative Index and Corporate Responsibility Highlights. Despite the naming of specific reports as ESG reports and others as sustainability reports, there was

no separation between ESG matters and sustainability matters in terms of one set of matters being disclosed in one report and the other in another report. Both matters were reported in the same reports. This confirms the application of the New York Stock Exchange guidance, which does not limit the number of reports used. The banks chosen as part of the sample presented their ESG matters and sustainability issues using more than one report, using reports such as sustainability reports, annual reports, integrated reports, ESG data reports and CSR reports.

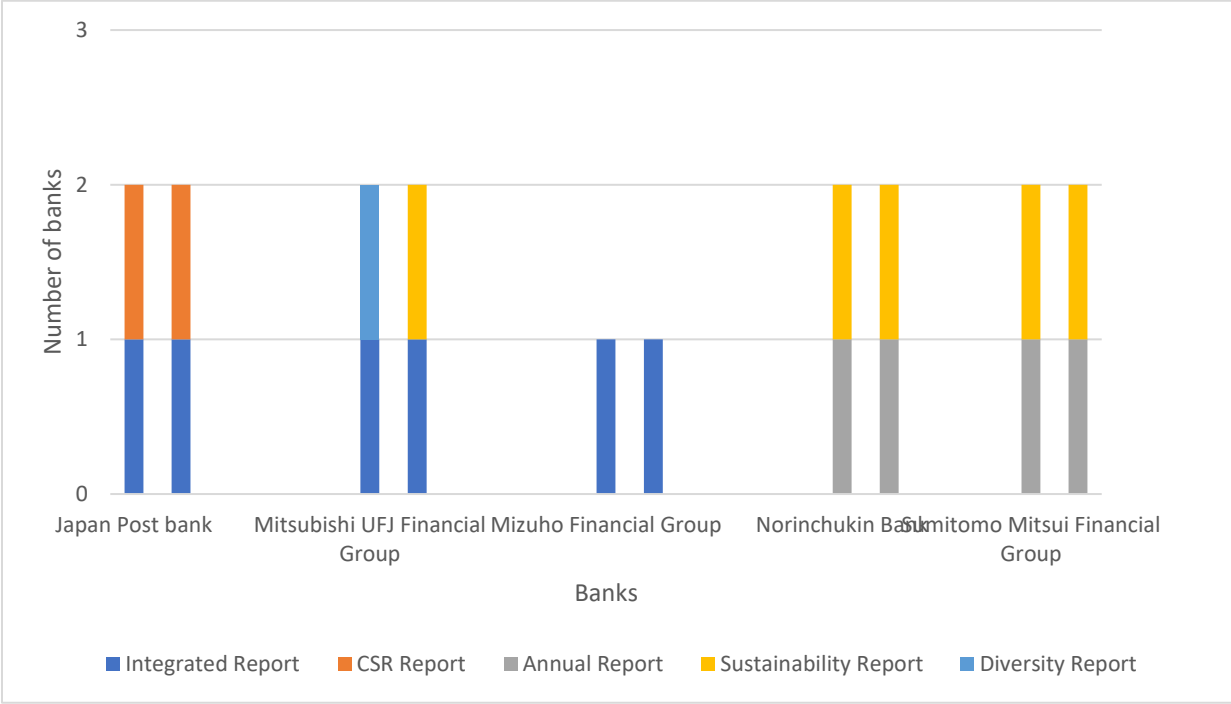


Figure 9: Number of reports used by each Japanese bank

In 2019, four out of five banks made use of more than one report to report on ESG matters and sustainability matters, whereas one bank made use of one report to disclose ESG matters and sustainability matters. In 2021, all five banks made use of more than one report to report on their ESG matters and sustainability matters. ESG matters and sustainability matters were all reported in the same reports, and no separation was made between the two. Thus, ESG matters were not presented in a report separate from one which would only include sustainability matters. This is in line with the guidance of the Japan Exchange guidance, which shows that both matters may be shown in more than

one report. The guidance is also silent on whether ESG matters and sustainability matters should be disclosed separately (Japan Exchange Group, 2020).

France

In France, four out of five of the sampled banks also used more than one report to provide information on ESG matters and sustainability matters in 2019 and 2021, with only one bank making use of one report to provide information on ESG matters and sustainability matters. The number of reports is shown in Figure 10.

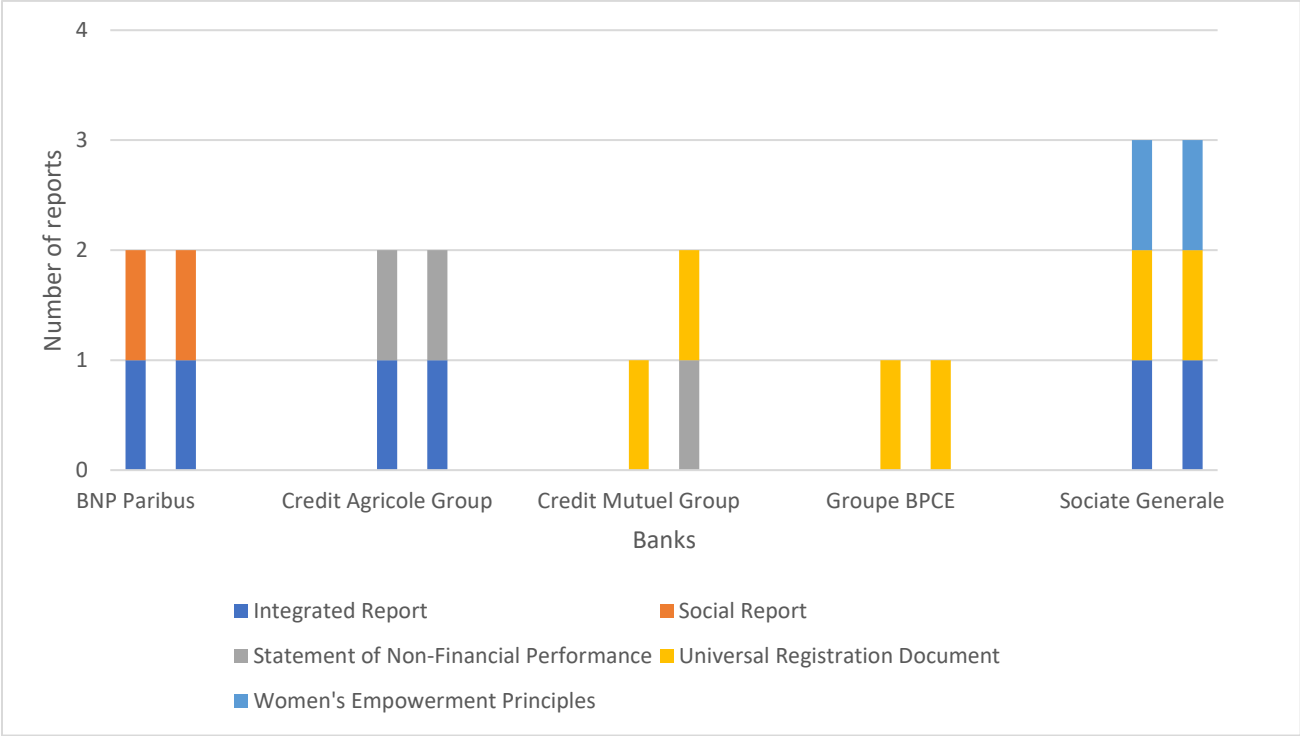


Figure 10: Number of reports per French bank

The reports analysed constituted integrated reports, annual reports, non-financial performance reports, social reports, universal registration documents and Women Empowerment Principles Report. ESG matters and sustainability matters were all reported in the same reports, and no separation was made between the two. Thus, ESG matters were not presented in a report separate from one which would only include sustainability matters. This could be a result of the Euronext guidance being silent on the separation of the two, as the difference is not acknowledged. Additionally, the guidance does not limit the number of reports to be used (Euronext, 2022).

Conclusion

On an overall basis, the sampled banks use more than one report to disclose ESG matters and sustainability matters. Although more than one report is used, there is no separation between the reports used to disclose ESG matters and reports used to disclose sustainability matters. Both ESG matters and sustainability matters are reported in the same reports. Therefore, there is no difference but rather a similarity in ESG disclosures and sustainability disclosures from the perspective of the number and type of reports used. This is essentially a result of no framework, standard or guidance being in place to promote the separation of ESG disclosures and sustainability disclosures (Adams & Abhayawansa, 2022). Since it has been shown that the terms are used interchangeably in all reports, it can be shown that ESG matters and sustainability matters are not each confined to a specific report.

Freeman's stakeholder theory states that companies need to consider all their stakeholders in the operations and decisions undertaken by the company, both in how the business affects these stakeholders and how the stakeholders affect the company (Freeman, 1984). Since ESG matters and sustainability matters are not confined to a specific report, it may be questioned as to whether the information needs of all stakeholders about the impact of the banks on the stakeholders are taken into account in a balanced manner when presenting information in reports.

FOCUS AREA 3: USERS OF REPORTS

One of the factors considered when deciding on the format and contents of an integrated report and sustainability report is the intended target audience of the respective report (Clayton et al., 2015). This section provides findings and a discussion on the parties and stakeholders listed as the target audience for the different reports for each bank. In the context of the integrated report, the primary target audience is listed as being investors. In a few incidents, additional stakeholders, such as society, employees, and clients, are listed as part of the target audience. In the context of sustainability reports and ESG reports, the target audience is listed as clients, employees, investors, shareholders, sustainability rating agencies, government, regulatory bodies and ESG analysts. However, the target audience was not listed for various reports.

South Africa

In the context of the integrated report, the primary target audience is listed as being investors. In a few incidents, additional stakeholders, such as society, employees, and clients, are listed as part of the target audience. In the context of sustainability reports and ESG reports, the target audience is listed as clients, employees, providers of financial capital, investors, shareholders, sustainability rating agencies, government, regulatory bodies and ESG analysts. However, the target audience was not listed for various reports (as shown in Figure 17).

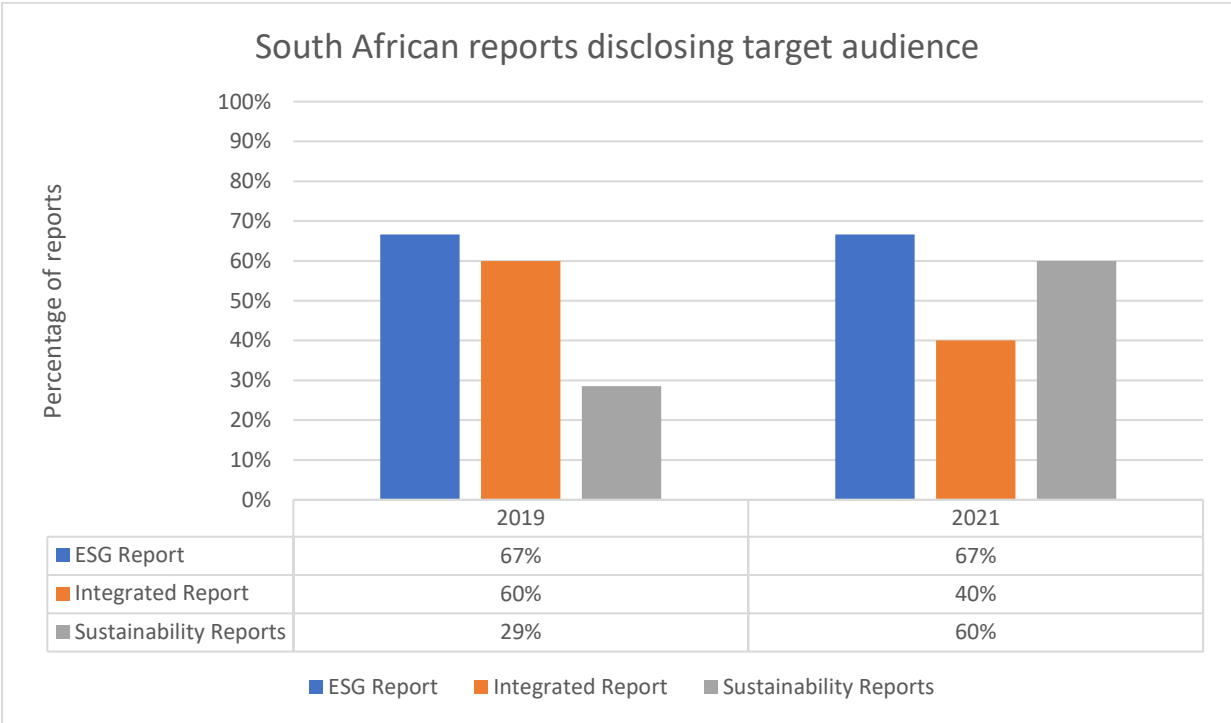


Figure 11: South African reports disclosing target audience

The target audience, where disclosed, is in line with what the applicable framework, standards and reports outline as being the target audience, such as the providers of financial capital for integrated reports, in line with the <IR> Framework. The non-disclosure of the target audience in reports where it is not shown is a confirmation of the non-mandatory disclosure of the target audience by the applicable standards, frameworks and reports which guide the disclosures in the reports.

France

From a French point of view, the target audience is rarely mentioned, as shown in Figure 12. The intended audience, in instances where it has been disclosed in the integrated report, is shareholders. The target audience for both ESG reports and sustainability reports has been listed as a wide range of stakeholders, including potential investors, society and employees.

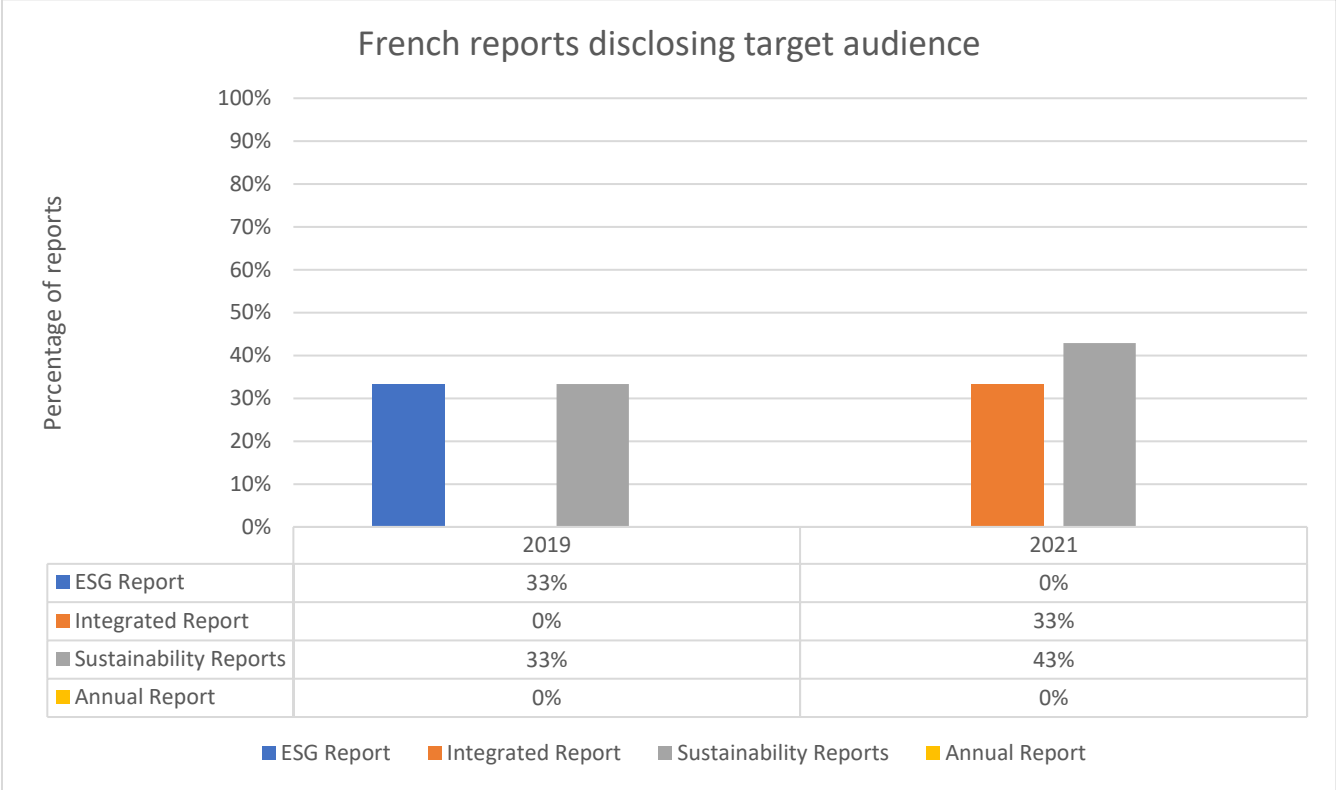


Figure 12: French reports disclosing target audience

Japan

For Japan, not all reports include disclosures on the target audience. The number of reports which include and do not disclosures on the target audience are shown in Figure 13.

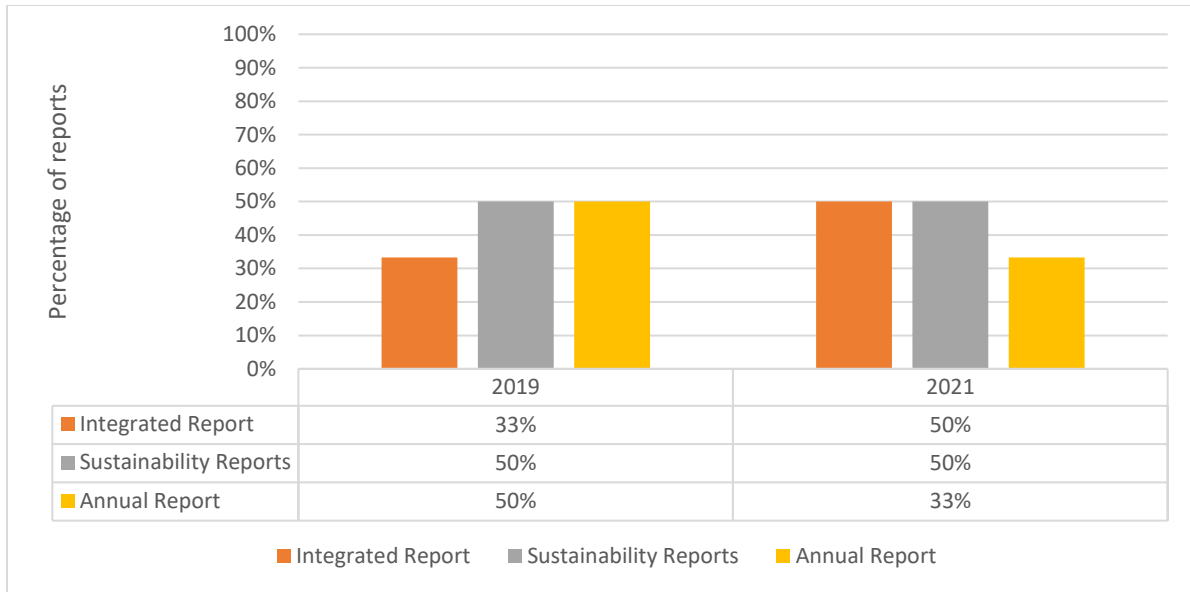


Figure 13: Japanese banks disclosing target audience

In instances where the target audience is mentioned, the target audience for annual reports is either both shareholders and other stakeholders or either shareholders or other stakeholders. For integrated reports, the investors are the target audience. In instances where the target audience is mentioned in the sustainability reports, the intended audience is mentioned as being a wide range of stakeholders. The lack of disclosures could also be due to the Japan Stock Exchange guidance not mandating the provision of the disclosures on the target audience.

United Kingdom

In the United Kingdom, there is minimal mention of the target audience for reports, as shown in Figure 14. However, the target audience for annual reports, where this is mentioned, is listed as shareholders. For other reports, the target audience is not mentioned or outlined in the reports for both the 2019 and 2021 years.

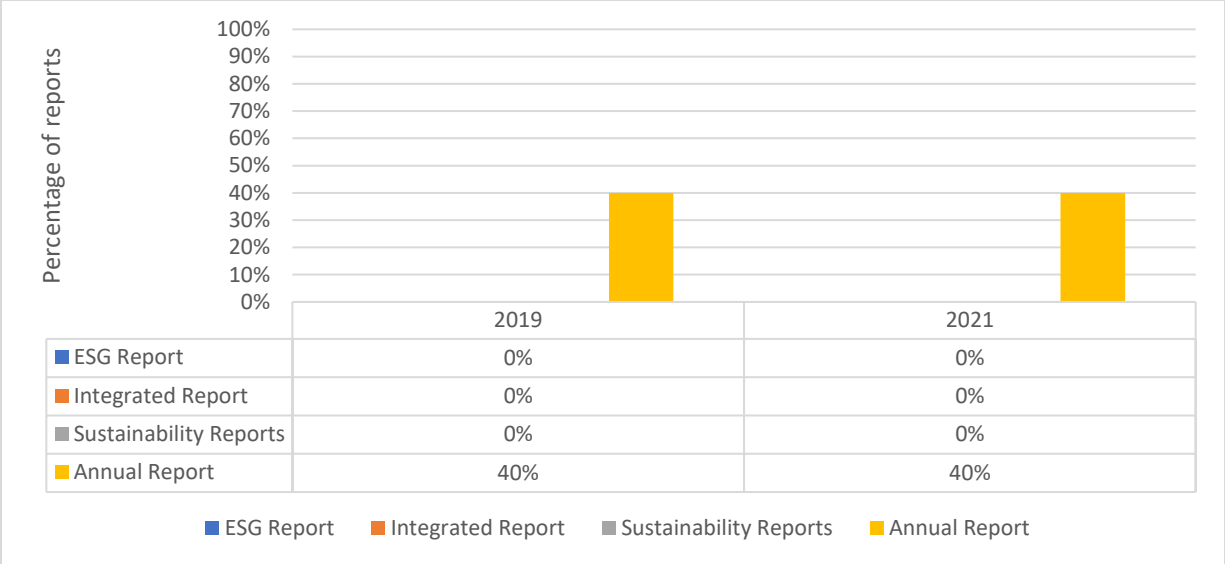


Figure 14: United Kingdom reports disclosing target audience

United States

In the United States, the target audience for annual reports, where this is disclosed (as shown in Figure 15; not all reports show the target audience), includes shareholders, clients, teammates, leaders and partners in the communities that the banks serve. The target audience for the ESG reports is disclosed as being all stakeholders of the banks.

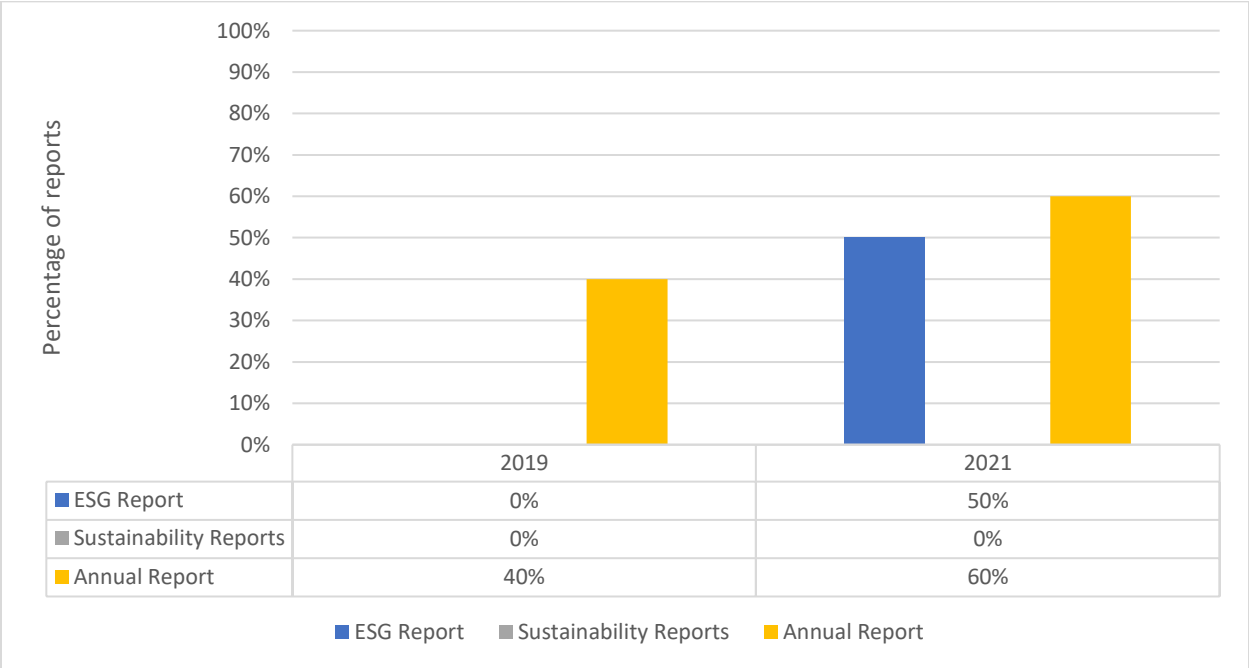


Figure 15: United States reports disclosing the target audience

Conclusion

On an overall basis, there is no difference but rather a similarity in the users of the reports that are used to disclose ESG matters and sustainability matters. Since ESG disclosures and sustainability matters are provided in the same reports, the purpose is the same, making the target audience of the disclosures the same for the banks sampled. The lack of disclosure of the target audience of the reports could be a result of the absence of measures to mandate these disclosures (Adams & Abhayawansa, 2022). Freeman's stakeholder theory states that companies need to consider all their stakeholders in the operations and decisions undertaken by the company, both in how the business affects these stakeholders and how the stakeholders affect the company (Freeman, 1984). The non-disclosure of the target audience of reports published by banks may put to question whether all the stakeholders of the bank are considered when information is presented in reports.

FOCUS AREA 4: PURPOSE OF REPORTS

The purpose of integrated reports and sustainability reports is one of the determinants of the content of the reports (Clayton et al., 2015). This section details the disclosure of the purpose of each report that the banks have provided in the context of each report.

South Africa

In the context of the sustainability and ESG reports, the purpose was not disclosed in some reports. This is shown in Figure 16, which indicates that only a portion of reports disclose their purpose.

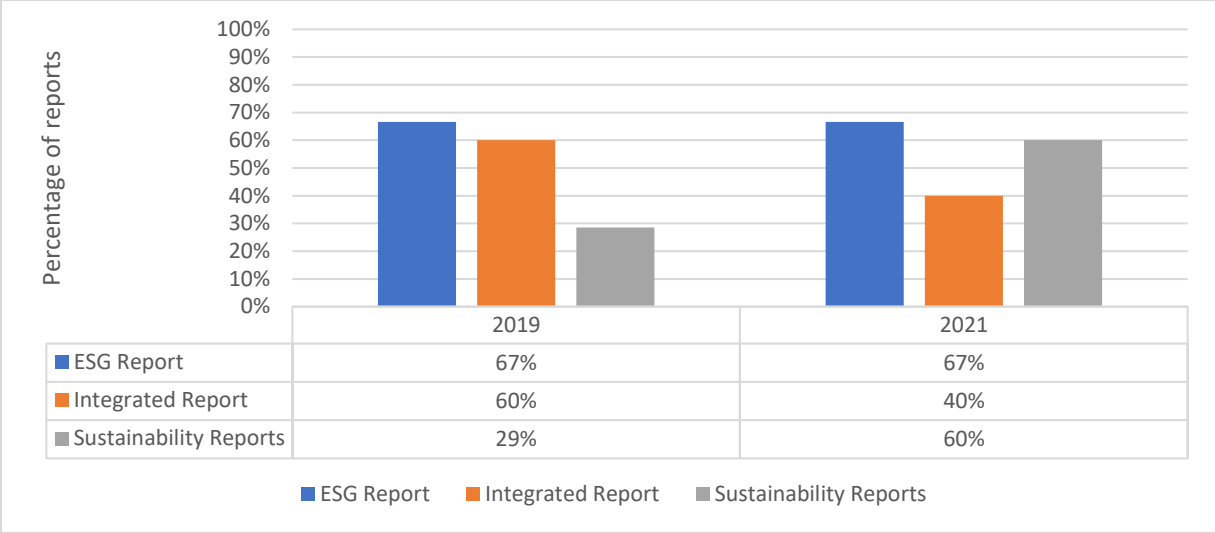


Figure 16: South African reports disclosing purpose

In the South African landscape, the purpose of integrated reports was outlined as the reports being published to report on the value creation, erosion and preservation of the banks for the financial year in question. In the instances of some banks, the purpose also alludes to non-financial performance. This relates to how the banks create value for shareholders. There were no material changes in the purpose of the reports between 2019 and 2021. Where disclosed, the purpose was outlined as being to provide further detail and insight into matters reported in the integrated report. Further, the purpose was assigned to the provision of information that details how the business manages risk related to economic, social, governance and environmental risks and reporting on banks’ impact on society. The information provided also addresses transformation, economic inclusion and delivery of the UN Sustainable Development Goals. These reports also provide information on how stakeholder relationships are managed. The reports also provide information on how banks manage corporate responsibility. The disclosures of the purpose of the reports are in line with what the applicable framework, standard or report has outlined as the purpose of the report.

There were no notable changes in the purpose of the reports between 2019 and 2021. There were no clear distinctions in the purpose of one type of report being to address ESG matters and another being to address sustainability matters. This is in line with the King IV report not mandating the separation of ESG matter disclosures and sustainability

matter disclosures (Institute of Directors, 2022). The lack of disclosure of the purpose in some reports is confirmation of the non-mandating of the disclosures by any of the frameworks, standards and reports used in the South African landscape.

France

As shown in Figure 17, for the sampled banks in France, not all the reports contained the purpose of the reports outlined. However, at least one report had an outlined purpose for four out of five banks in 2021 and 3 out of the five banks in 2019.

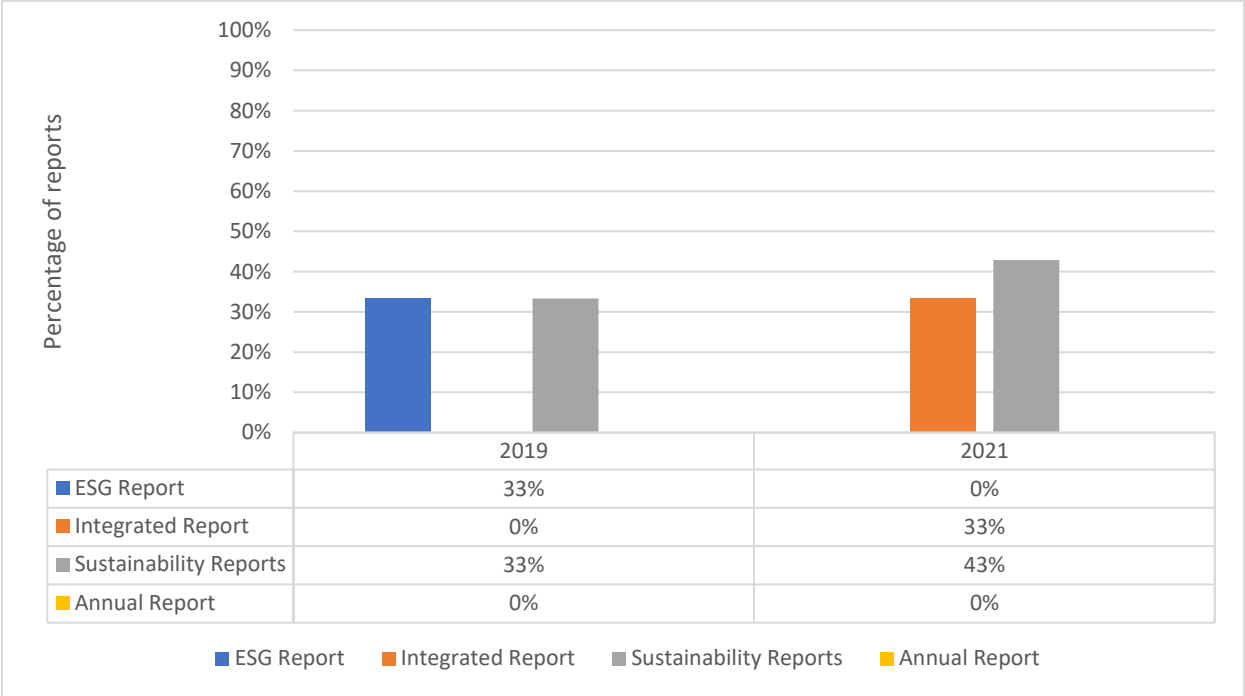


Figure 17: French Banks Disclosing Purpose

The lack of disclosure of the purpose of the reports could be a result of the absence of measures to mandate these disclosures. In the context of the social report, the purpose was outlined as it being to provide a clear understanding of the employment and social relations of the bank. There were no clear distinctions in the purpose of one type of report being to address ESG matters and another being to address sustainability matters.

Japan

For the sampled banks in Japan, not all reports had the purpose of the reports outlined, as shown in Figure 18. However, four out of five banks had at least one report that outlined its purpose in 2019 and 2021.

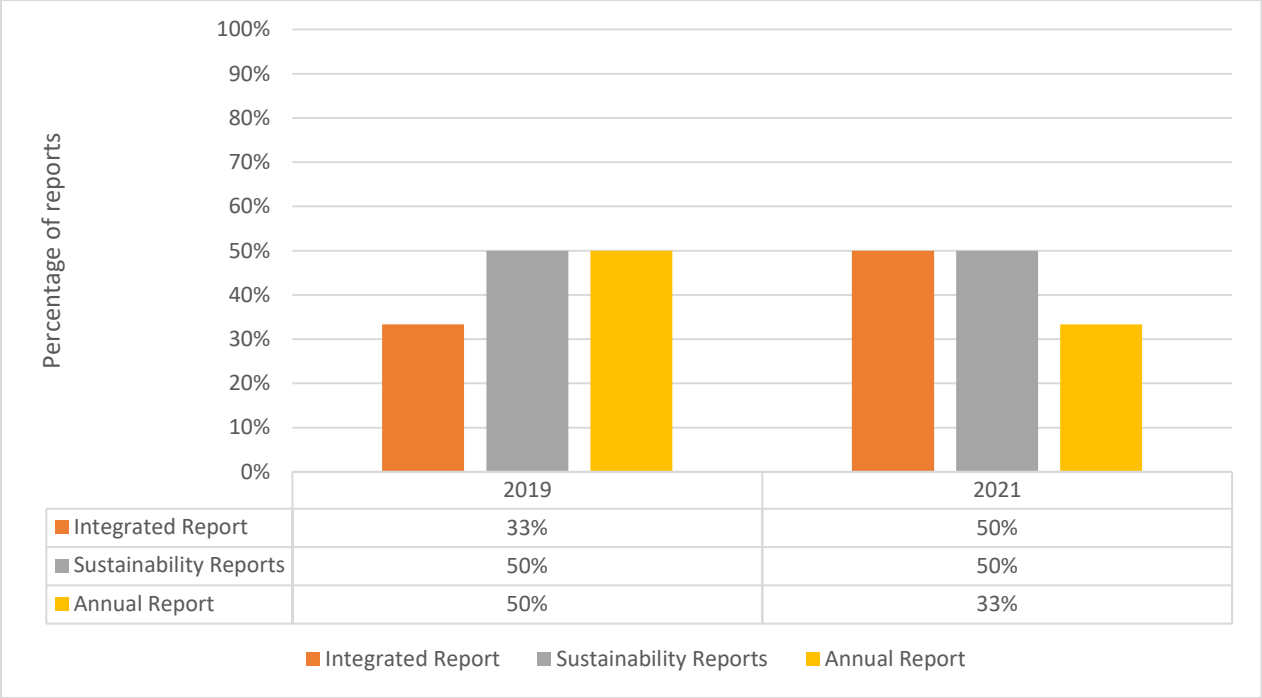


Figure 18: Japanese Banks Disclosing Purpose

The purpose of the report in the context of the annual integrated reports included the disclosure of the value creation process for the banks (in line with their business model), strategies, governance and how value is created for various stakeholders in the short, medium and long term, progress on efforts to make operations more sustainable, driving progress that addresses climate change. In the context of sustainability reports, the purpose is outlined as a measure to report on the progress of sustainability initiatives of the respective banks. The lack of guidance regarding the disclosure of the purpose of the reports could be a result of the Japan Stock Exchange guidance not mandating these disclosures.

United Kingdom

For the United Kingdom, not all reports contained a statement detailing the purpose of the report (as shown in Figure 19). For the sampled banks, only two out of five banks

outlined the purpose of the report in their annual report in both 2019 and 2021. The remaining three banks did not include disclosures on the purpose of the report in any of their reports published in both 2019 and 2021.

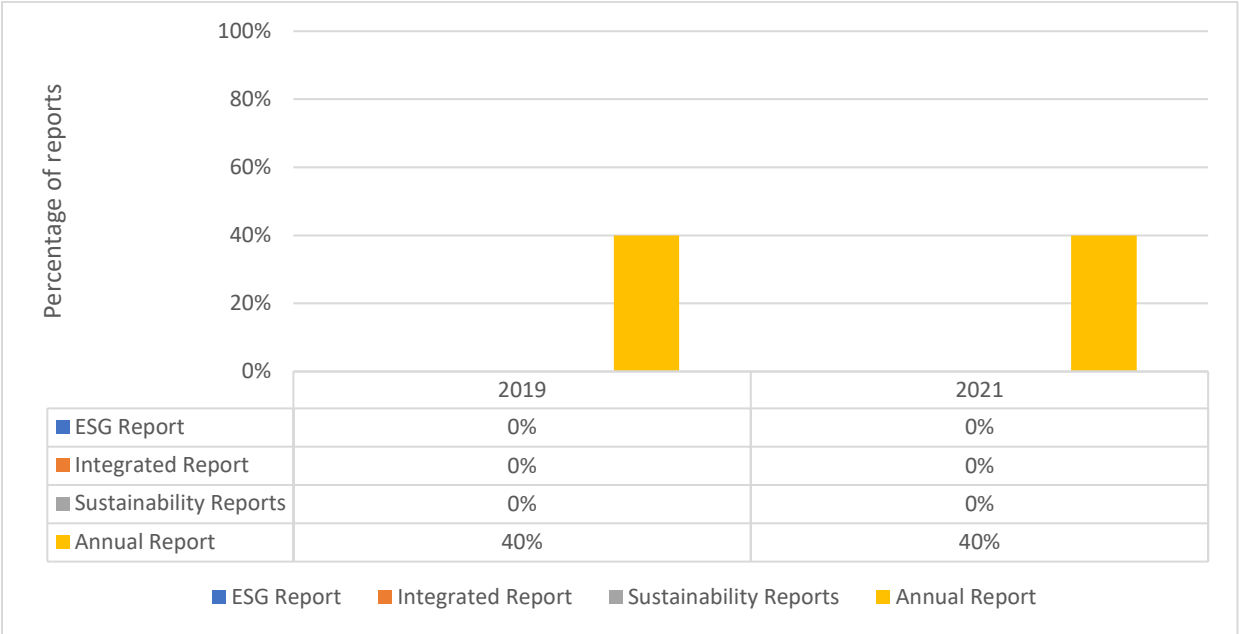


Figure 19: United Kingdom Reports Disclosing Purpose

The lack of disclosure of the purpose of the reports could be a result of the absence of measures to mandate these disclosures. The ESG reports’ purpose was outlined as being to provide additional information on the ESG topics which were discussed in the annual report, a discussion on the approach to the environment, employees, customers and governance. The annual reports’ purpose was outlined as being to reflect the banks’ operations, financial results, strategy and how economic, political, social, regulatory and environmental aspects are incorporated into the operations of the banks.

United States

All five banks outlined the purpose of at least one report in 2021, and 40% showed the purpose of their annual reports. The purpose of the annual reports was outlined as being to report on the financial performance of the respective banks for the respective years. The lack of disclosure of the purpose of the reports could be a result of the absence of measures to mandate these disclosures. The purpose of the ESG reports was outlined

as being to provide progress, highlights and performance against set environmental, social and governance targets.

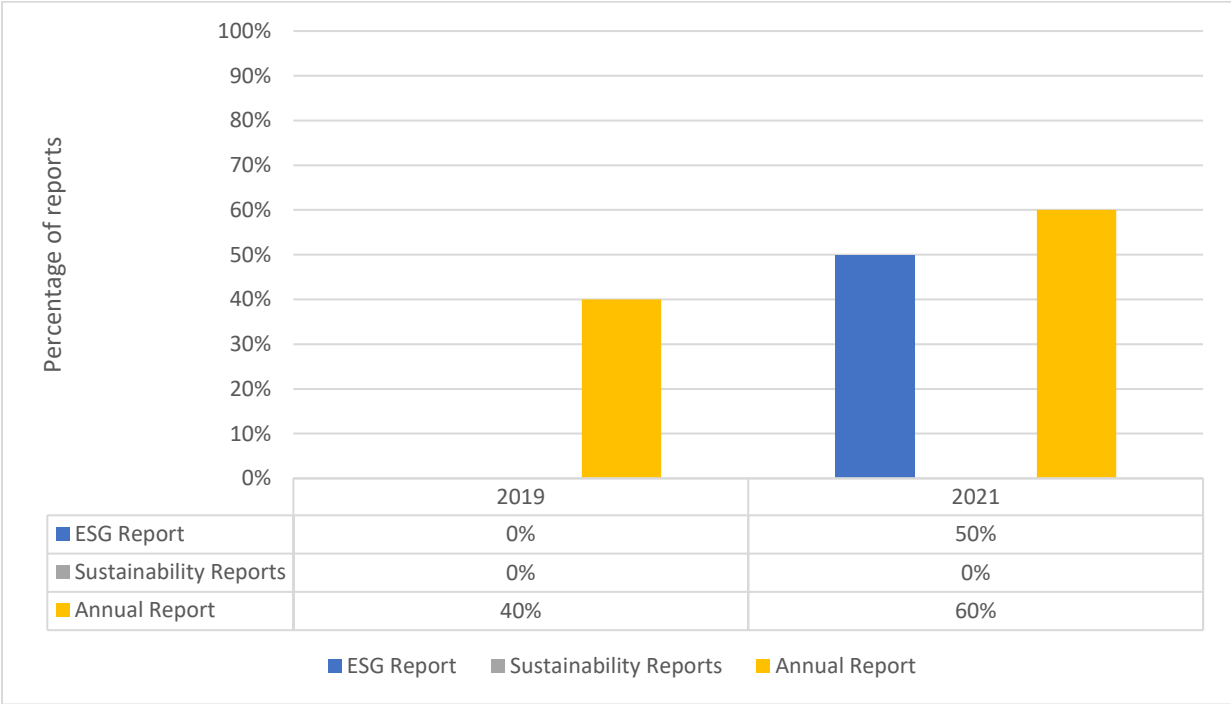


Figure 20: United States reports disclosing purpose

Conclusion

On an overall basis, there are no differences in the purpose of the reports that are used to disclose ESG matters and sustainability matters. Since ESG disclosures and sustainability matters are provided in the same reports, the purpose is the same, making the target audience of the disclosures the same for the banks sampled. The lack of disclosures being provided in instances where these are not provided could be due to a lack of guidance, standards and frameworks mandating these disclosures (Adams & Abhayawansa, 2022). For cases where reports show the purpose, there is no correlation to ESG terms and sustainability terms since these are used interchangeably. The lack of disclosure relating to the purpose of reports may result in cast doubt on the various banks’ purpose of publishing reports being to address all stakeholders, as per the recommendations of stakeholder theory.

FOCUS AREA 5: MATERIALITY

The definition, basis and analysis of materiality for each type of report are essential as it is linked to the interests of the target audience of the related report (Beske et al., 2020). A contributing factor towards the differences in the basis of materiality for integrated reports and sustainability reports is the definition of materiality in each context. The disclosures related to materiality would then demonstrate how the company considers the different needs of various stakeholders, in line with the stakeholder theory (Freeman, 1984). As stated by the JSE (2021), the definition of materiality in each context will be in line with the interests of the users of the specific report.

This section provides findings on what constitutes the materiality definition for the different reports for each bank for each year and whether there were significant changes in the definitions of materiality between 2019 and 2021. Additionally, the considerations made in determining the materiality for each bank's reports are also provided.

South Africa

In South Africa, four out of five banks provided a definition for materiality in the context of their integrated reports and various definitions were given to describe materiality in the context of each report provided in both 2019 and 2021. This is shown in Table 3.

Table 3: Materiality Disclosures for South African banks

		ESG Report	Integrated Report	Sustainability Reports	Annual Report
2019	<i>Number of reports disclosing materiality definition or considerations</i>	1	4	3	0
	Total Number of reports	3	5	7	0
2021	<i>Number of reports disclosing materiality definition or considerations</i>	2	4	3	0
	Total Number of reports	3	5	5	0

In the context of integrated reports, materiality largely relates to the creation of value (in the context of the six capitals for integrated reporting) in the short, medium and long term

and the resulting impact on relationships with stakeholders. Additionally, the process for determining materiality is centred on engagements with stakeholders, involving a 4-step process where material issues are identified, prioritised, reported, and monitored. In other instances of an ESG report, the definition was related to the impact of the operations of the banks and how these may influence the decisions made by stakeholders. One of the banks did not have a materiality definition in both the 2019 and 2021 integrated reports.

The disclosure of what is considered to be material serves as confirmation of studies applauding the excellent materiality disclosures of South African banks in integrated reports (Beske et al., 2020). The mandating of listed banks to use the <IR> Framework, which recommends materiality disclosures, is one of the factors contributing towards excellence in disclosures (Beske et al., 2020). It is of concern that one bank did not provide these disclosures, which is a potential indication of non-compliance with the <IR> Framework.

In a few instances, the materiality definition for some of the sustainability reports issued was not disclosed. Where the materiality definitions are provided, the definition of materiality is related to the impact on society and was centred on Sustainable Development Goals, as outlined by the United Nations (United Nations, 2023).

There were no significant changes in the definitions of materiality of the five banks between 2019 and 2021. There were no significant changes in the process of determining material matters between 2019 and 2021. Additionally, there was no notable change in the number of material matters that the banks identified in their reports. An example of this (five material matters for 2019 and 2021) is the material matters disclosed in the Absa Group 2019 and 2021 integrated reports, as shown in Figure 21 and Figure 22. These are matters that would be considered to be material for banks.

Market drivers, risks and opportunities (material matters)
 Competition and technological change
 Regulatory change, risk management and governance
 Macroeconomic, socio and political flux
 Climate change
 Transformation within a sustainable development context

Figure 21: Material matters for the 2019 Absa Group Integrated Report (Absa Group Limited, 2019)

Material matters

- Keeping economic momentum
- State-to-sector interconnectedness
- Managing societal change
- Regulatory change
- Digital inclusivity.

Figure 22: Material matters for the 2021 Absa Group Integrated Report (Absa Group Limited, 2021)

United States

In the United States, all five banks did not provide a definition of materiality in the context of any of their reports in 2019. This is shown in Table 4. One bank provided a definition of materiality in the context of its ESG report in 2021. The remaining reports for 2021 did not have a disclosure of materiality in the context of their reports.

Table 4: Materiality Disclosures for United States banks

		ESG Report	Integrated Report	Sustainability Reports	Annual Report
2019	<i>Number of reports disclosing materiality definition or considerations</i>	0	0	0	0
	Total Number of reports	2	0	2	5
2021	<i>Number of reports disclosing materiality definition or considerations</i>	1	0	0	0
	Total Number of reports	4	0	1	5

This could be due to a lack of mandatory requirements to disclose materiality considerations. For the one bank where a definition of materiality is provided, discussions with stakeholders were the primary considerations for the assessment of materiality. It cannot be concluded, for United States banks, that there is a difference in the materiality definition and consideration for ESG disclosures and sustainability disclosures since most were not disclosed.

United Kingdom

Table 5 shows the number of reports disclosing the definition of materiality or the process for determining materiality. For the banks sampled in the United Kingdom, all five banks made mention of factors taken into account to determine what is material for their annual reports in both 2019 and 2021. Only one bank disclosed the matters taken into account to determine materiality in their ESG reports for both 2019 and 2021 and their sustainability report for 2019.

Table 5: Materiality Disclosures for United Kingdom banks

		ESG Report	Integrated Report	Sustainability Reports	Annual Report
2019	<i>Number of reports disclosing materiality definition or the process for determining materiality</i>	1	0	1	5
	Total Number of reports	2	0	3	5
2021	<i>Number of reports disclosing materiality definition or the process for determining materiality</i>	1	0	0	5
	Total Number of reports	3	0	0	5

The factors included in determining materiality are deliberations with stakeholders, internal risk management processes, quantification of the impact of the material matters identified and how the matters are aligned with Sustainable Development Goals. However, four of the five banks did not provide a definition of materiality in the context of each report for both the 2019 and 2021 years. This could be due to a lack of mandatory requirements to disclose materiality considerations. Only one of the five banks provided the definition of materiality in the context of the reports published for both the 2019 and 2021 years. There is no link between ESG matters or sustainability matters and a direct definition of materiality for them.

France

In France, all five banks did not provide disclosures on what is considered material in any report in both 2019 and 2021. However, one bank provided the factor considered in the determination of material issues in the context of its sustainability reports for both 2019 and 2021, although the definition of materiality was not provided. The factor that was disclosed was the materiality matrix, which is derived through various internal risk management processes.

Table 6: Materiality Disclosures for French banks

		ESG Report	Integrated Report	Sustainability Reports	Annual Report
2019	<i>Number of reports disclosing materiality definition or considerations</i>	0	0	1	0
	Total Number of reports	3	0	6	0
2021	<i>Number of reports disclosing materiality definition or considerations</i>	0	0	1	0
	Total Number of reports	0	3	7	0

It can be concluded that there is no difference in the materiality definition and how materiality is determined for ESG disclosures and sustainability disclosures. This also shows that the impact of the introduction of the EU's principle of double materiality (European Financial Reporting Advisory Group, 2021) was not considered by the French banks sampled. However, this may be considered in subsequent years.

Japan

In Japan, all five banks did not provide a definition of materiality in the context of any of the reports presented in both 2019 and 2021. However, two banks provided the considerations for the determination of material issues in their reports for 2019, and three banks provided the considerations for the determination of material issues in their reports for 2021. This is reflected in Table 7.

Table 7: Materiality Disclosures for Japanese banks

		ESG Report	Integrated Report	Sustainability Reports	Annual Report
2019	<i>Number of reports disclosing materiality definition or considerations</i>	0	1	1	0
	Total Number of reports	0	3	4	2
2021	<i>Number of reports disclosing materiality definition or considerations</i>	0	1	1	1
	Total Number of reports	0	2	4	3

The considerations included the identification of issues after consultation with various stakeholders, the prioritisation of issues identified and how these issues could be corroborated against the strategies of the bank and finally, how these issues are aligned to the Sustainable Development Goals (SDGs) in line with the United Nations guidelines. It can be concluded that there is no difference in the materiality definition and consideration for ESG disclosures and sustainability disclosures.

Conclusion

On an overall basis, there is a lack of disclosure of the definition of materiality in the reports presented and what constitutes materiality. This could be a result of a lack of mandated measures for the disclosure of materiality considerations, especially in Japan, France, the United Kingdom and the United States. In instances where materiality and the factors affecting the constitution of materiality were disclosed, there were no changes in the definitions and constitution of materiality in the context of each report analysed between 2019 and 2021. Additionally, the disclosure of ESG matters and sustainability matters together and not separately resulted in materiality also not being a difference but rather a similarity in the materiality disclosures. This shows that the principle of double materiality was not disclosed as being applied in the reports analysed. This confirms possible challenges with materiality determination and disclosures. The lack of

disclosures regarding the adoption of double materiality is also reflected. This confirms a possible lack of consideration of materiality from the lenses of all stakeholder groups.

FOCUS AREA 6: COVID-19 IMPACT

García-Sánchez et al. (2020) state that Covid-19 has resulted in more disclosures being provided by entities to outline their prospects and strategies in place. Integrated reports are crucial tools as they illustrate the impact of the pandemic on the business in both the content that is disclosed for the six capitals and content elements outlined in the <IR> framework (García-Sánchez et al., 2020). This section provides details on whether Covid-19 has been disclosed as a driver or consideration for the changes in material issues reported in the respective banks' reports for 2019 and 2021.

South Africa, Japan, United Kingdom, United States, France

As detailed in the previous section, there were no noteworthy changes in the definitions of materiality between 2019 and 2021 for all five countries. There were also no significant changes in the considerations for materiality and the number of material issues between 2019 and 2021. Although information regarding the impact of Covid-19 on the banks was disclosed in the 2021 reports, this was not listed as one of the drivers of the changes in material ESG matters and sustainability matters.

Conclusion

On an overall basis, Covid-19 was not disclosed as a factor that impacts ESG disclosures or sustainability disclosures. Therefore, the ESG disclosures and sustainability disclosures of the sampled banks have a similarity in not being disclosed as being affected by the Covid-19 pandemic in terms of the material matters of the reports that are disclosed in the reports that the disclosures are provided in. The lack of disclosure regarding the changes could be a result of a general lack of disclosures regarding materiality or the lack of mandating measures for the disclosures regarding the impact of Covid-19 on the materiality determination process or definition for reports produced by entities. These findings are contradictions to an earlier study which shows that Covid-19 resulted in more materiality disclosures or disclosures of more material topics. This study was based on the airline industry (García-Sánchez et al., 2020). Stakeholder theory

states that companies need to consider all their stakeholders in the operations and decisions undertaken by the company, both in how the business affects these stakeholders and how the stakeholders affect the company (Freeman, 1984). The lack of disclosure of the consideration of Covid-19 on the determination of materiality may indicate possible deficiencies in the disclosures of how the Covid-19 impact impacts the stakeholders of the various banks on the bank.

CONCLUSION OF FINDINGS

The terms “ESG” and “sustainability” are used interchangeably for the banks included as part of the sample, resulting in the terms being used to address either matters relating to the impact of the banks on the external environment or matters relating to the impact of the external environment or both on the sampled banks. The interchangeable use of the terms has resulted in ESG disclosures and sustainability disclosures being provided in the same reports, although there were more than one. There was a lack of disclosure of the target audience, materiality definition and purpose of the reports presented. Where present, the disclosure of the matters in the same reports results in similarities, rather than differences, in the purpose, target audience and the constitution and definition of materiality in the reports used to present ESG disclosures and sustainability disclosures. Additionally, this combined presentation of ESG disclosures and sustainability disclosures results in Covid-19 not being a differentiator but rather a similarity in not having an impact on the ESG disclosures and sustainability disclosures provided in each report. The non-requirement for the disclosure of the target audience and purpose of reports for all five countries has led to cases where these are not disclosed, leading to cases where a comparison across reports cannot be performed.

This study provides insight into how banks view the definition of the terms “ESG” and “sustainability” and what the implications are from a reporting perspective. It is shown that the non-distinction of the terms leads to similarities in how the related matters are reported. Further, Covid-19 was not disclosed as having an impact on the related material matters disclosed in the reports used to disclose ESG matters and sustainability matters. The absence of regulation or mandatory guidance providing a distinction between the terms ESG and sustainability and the separation in terms of ESG reporting and

sustainability reporting leads to various disclosure consequences. ESG matters, and sustainability matters are referred to interchangeably. Disclosures for ESG matters and sustainability matters have the same materiality definitions and considerations, target audience, and purpose and are provided in the same reports. The absence of disclosure requirements about the impact of Covid-19 on materiality might have resulted in the lack of disclosures regarding the impact of Covid-19 on materiality considerations in the reports of the banks sampled. The findings might have also been different had the study been conducted on a high-impact industry.

CONCLUSION

SUMMARY OF STUDY

The purpose of this study was to investigate the differences and similarities in the disclosures of ESG matters and sustainability matters of the top five listed South African, Japanese, French, United Kingdom and United States banks under the context of Covid-19. The study was carried out using a content analysis of the reports used by banks to disclose ESG matters and sustainability matters.

The literature review was a presentation of the discussion of the importance of the distinction between the terms “ESG” and “sustainability” as these relate to different stakeholders and different needs of the stakeholders. Banks have an essential role to play as they carry a dual responsibility for ESG and sustainability purposes. The types of reporting associated with ESG and sustainability and the related purpose, materiality definition and target audience were also discussed. Additionally, the impact of Covid-19 on the determination of material matters was also discussed.

The methodology carried out, in terms of data collection and data analysis procedures, was discussed. Additionally, the details of the content analysis that was carried out on 25 banks were provided in terms of the template used, linking the details to focus areas.

Next, the findings and a discussion of the findings were presented. It is shown that the terms “ESG” and “sustainability” are used interchangeably for the banks included as part of the sample, resulting in the terms being used to address either matters relating to the impact of the banks on the external environment or matters relating to the impact of the external environment on the sampled banks. The interchangeable use of the terms has resulted in ESG disclosures and sustainability disclosures being provided in the same reports, although these were frequently reported in more than one report. There was a lack in the disclosure of the target audience, materiality definition, and purpose of the reports presented as a result of no regulation mandating these disclosures, except for materiality disclosures in South Africa. Where present, the disclosure of the matters in the same reports results in similarities, rather than differences, in the purpose, target audience and the constitution and definition of materiality in the reports used to present

ESG disclosures and sustainability disclosures. Additionally, this combined presentation of ESG disclosures and sustainability disclosures results in Covid-19 not being a differentiator but rather a similarity in not having an impact on the disclosures of the material matters presented in the context of each report.

This study provides insight into how banks view the definitions of the terms “ESG” and “sustainability” and what the implications are from a reporting perspective. It is shown that the non-distinction of the terms leads to similarities in how the related matters are reported in terms of the reports used and the target audience, materiality definitions and materiality determination processes and purpose of the reports used. Further, Covid-19 did not have an impact on the related material matters disclosed in the reports used to disclose ESG matters and sustainability matters.

Freeman’s stakeholder theory states that companies need to consider all their stakeholders in the operations and decisions undertaken by the company, both in how the business affects these stakeholders and how the stakeholders affect the company (Freeman, 1984). The non-separation of ESG and sustainability matters means that the matters related to the impact of the banks on the external environment are not separated from external matters impacting the bank. The non-separation results in investors' and non-investor stakeholders’ needs not being addressed separately in terms of reporting. The information provided in the reports published is deemed to apply to both stakeholder groups. This may result in deficiencies in addressing other stakeholders’ information needs since information needs differ across stakeholders. This may also be an indicator of their needs not being addressed. The interchangeable use of the terms “ESG” and “sustainability” may indicate a possible lack of consideration of the various stakeholders of the banks and their information needs, as outlined in the stakeholder theory.

RECOMMENDATIONS AND FUTURE AREAS OF RESEARCH

Preparers of reports which provide disclosures on ESG matters and sustainability matters should consider including links to the target audience and the purpose of the reports. Additionally, materiality considerations should be done and disclosed from the perspectives of both stakeholder groups (investor groups and non-investor groups).

These considerations should be made even in circumstances where ESG matters, and sustainability matters are disclosed in the same reports.

Future areas for research include a study on whether the results for the research objectives could be different for studies conducted in other years apart from 2019 and 2021, other industries apart from the banking industry and other countries apart from the five banks sampled. The studies could be performed in the context of countries where there is mandatory guidance which acknowledges the difference between the terms ESG and sustainability. Future studies could also be conducted on companies where there is separation in terms of the reports used to disclose ESG matters and sustainability matters.

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APPENDIX A – TEMPLATE

Details of Entity

Country	
Name of Bank	
Financial Year End	
Website	

Report Information

Reports Used			
Number of reports used			
	Report Name	Users of report	Purpose of report
1			
2			
3			
4			

Materiality

Materiality				
Definition and considerations				
	Report 1	Report 2	Report 3	Report 4
Materiality Definition				
Materiality Considerations				
Number of material issues				
List of Material Issues				
Material Issue 1				
Material Issue 2				
Material Issue 3				
Links to analysis				
Link to Analysis				

Conclusion/Findings

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Analysis of ESG disclosures and sustainability disclosures

	Topic Covered	Does the information reflect the impact on the business (inward) or the impact of the business (outward)?	Classification as ESG or Sustainability (SEE) Disclosure
1			
2			
3			